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

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**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 AS INITIAL PURCHASER 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 E-MAIL 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 E-MAIL 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. 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.\$350,000,000 Class A-1 First Priority Senior Secured Floating Rate Notes Due 2039**  
**U.S.\$70,000,000 Class A-2 Second Priority Senior Secured Floating Rate Notes Due 2039**  
**U.S.\$39,700,000 Class B Third Priority Senior Secured Floating Rate Notes Due 2039**  
**U.S.\$19,500,000 Class C-1 Mezzanine Secured Deferrable Floating Rate Notes Due 2039**  
**U.S.\$1,500,000 Class C-2 Mezzanine Secured Deferrable Fixed Rate Notes Due 2039**  
**20,300 Preference Shares (U.S.\$20,300,000 Aggregate Liquidation Preference)**  
**U.S.\$4,000,000 Class C-1 Combination Securities Due 2039**  
**U.S.\$4,000,000 Class P Combination Securities Due 2039**

*Backed by a Portfolio of Asset-Backed Securities, Corporate Debt Securities and Synthetic Securities*

## CRYSTAL COVE CDO, LTD.

### Crystal Cove CDO, Inc.

The Notes, Preference Shares and Combination Securities described above (collectively, the "Offered Securities") are being issued concurrently by Crystal Cove CDO, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the "Issuer"), and (other than in the case of the Preference Shares and the Class P Combination Securities) Crystal Cove CDO, Inc., a Delaware corporation (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers"). The Notes and Combination Securities will be issued pursuant to an Indenture dated as of August 25, 2004 (the "Indenture") between the Issuer, the Co-Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The collateral securing the Notes under the Indenture will be managed by Pacific Investment Management Company LLC, a Delaware limited liability company (in such capacity, the "Collateral Manager"). The Preference Shares will be issued by the Issuer pursuant to its Memorandum and Articles of Association. The Class C-1 Combination Securities (consisting of a component representing U.S.\$1,500,000 aggregate principal amount of Class C-1 Notes (the "Class C-1 Note Component") and a component representing 2,500 Preference Shares (the "Class C-1 Preference Share Component")) will be issued by the Co-Issuers. The Class P Combination Securities (consisting of a component representing a limited recourse pass-through note issued by the Issuer (the "Class P Note") in respect of which recourse will be strictly limited to the proceeds of an underlying note (CUSIP 31358DDR) issued by the Federal National Mortgage Association (the "Class P Underlying Note") on which no interest payments will be made and a single scheduled payment of U.S.\$4,000,000 will be due at maturity on May 15, 2030 and a component representing 3,100 Preference Shares (the "Class P Preference Share Component")) will be issued by the Issuer. The Class P Note is not being offered hereby.

It is a condition to the issuance of the Offered Securities that the Class A Notes be rated "Aaa" by Moody's Investors Service, Inc. ("Moody's"), "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 B Notes be rated "Aa2" by Moody's, "AA" by Standard & Poor's and "AA" by Fitch, that the Class C Notes be rated "Baa2" by Moody's, "BBB" by Standard & Poor's and "BBB" by Fitch, that the Class C-1 Combination Securities be rated "Baa3" as to ultimate return of principal by Moody's and that the Class P Combination Securities be rated "Aaa" as to ultimate return of principal by Moody's. The Preference Shares will be rated "Ba2" as to ultimate return of principal by Moody's. See "Ratings of the Offered Securities". Application has been made to the Irish Stock Exchange (the "Irish Stock Exchange") for the Offered Securities to be admitted to the Daily Official List. There can be no assurance that listing on the Irish Stock Exchange will be granted. No application will be made to list the Offered Securities on any other 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 COLLATERAL SECURING THE NOTES IS THE SOLE SOURCE OF PAYMENTS ON THE OFFERED SECURITIES. THE OFFERED SECURITIES DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, THE TRUSTEE, THE COLLATERAL MANAGER, THE INITIAL PURCHASER OR ANY OF THEIR RESPECTIVE AFFILIATES.**

THE OFFERED SECURITIES BEING OFFERED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), UNDER APPLICABLE STATE SECURITIES LAWS OR UNDER THE LAWS OF ANY OTHER JURISDICTION. NONE OF THE ISSUER, THE CO-ISSUER AND THE POOL OF COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, IN RELIANCE ON THE EXEMPTION PROVIDED BY SECTION 3(c)(7) THEREOF. THE OFFERED SECURITIES ARE BEING OFFERED ONLY (A) IN THE UNITED STATES IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO (I) "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (II) A LIMITED NUMBER OF INSTITUTIONAL "ACCREDITED INVESTORS" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT AND (III) SOLELY IN THE CASE OF THE PREFERENCE SHARES, A LIMITED NUMBER OF "ACCREDITED INVESTORS" WITHIN THE MEANING OF RULE 501(a) UNDER THE SECURITIES ACT AND, IN EACH CASE, WHO ARE ALSO QUALIFIED PURCHASERS (AS DEFINED HEREIN) AND (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT IN OFFSHORE TRANSACTIONS TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S). EACH ORIGINAL PURCHASER OF A NOTE WILL BE DEEMED TO MAKE, AND EACH ORIGINAL PURCHASER OF A PREFERENCE SHARE WILL BE REQUIRED IN AN INVESTOR APPLICATION FORM (AN "INVESTOR APPLICATION FORM") TO MAKE, CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS, WARRANTIES AND CERTIFICATIONS. SEE "TRANSFER RESTRICTIONS".

The Offered Securities are offered by Merrill Lynch, Pierce, Fenner & Smith Incorporated and its Affiliates (in such capacity, together with such Affiliates, the "Initial Purchaser"), subject to prior sale, when, as and if issued. Sales of the Offered Securities to purchasers in the United States will be made through Merrill Lynch, Pierce, Fenner & Smith Incorporated. The Initial Purchaser reserves the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that the Offered Securities will be delivered on or about August 25, 2004. It is a condition to the issuance of the Offered Securities that all Offered Securities be issued concurrently.

## Merrill Lynch & Co.

Sole Manager

August 24, 2004.

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

THE NOTES (INCLUDING THE CLASS C-1 NOTE COMPONENT) 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 INITIAL PURCHASER, 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 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.

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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. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN OFFERED SECURITIES FOR AN INDEFINITE PERIOD OF TIME.

THE CONTENTS OF THIS OFFERING CIRCULAR ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN ATTORNEY, BUSINESS ADVISOR AND TAX ADVISOR AS TO LEGAL, BUSINESS AND TAX ADVICE. IT IS EXPECTED THAT PROSPECTIVE INVESTORS INTERESTED IN PARTICIPATING IN THIS OFFERING ARE WILLING AND ABLE TO CONDUCT AN INDEPENDENT INVESTIGATION OF THE RISKS POSED BY AN INVESTMENT IN THE OFFERED SECURITIES.

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**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.**

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**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.**

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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 Purchaser nor any of its Affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy or completeness of the information contained herein. Neither the Collateral Manager nor any of its Affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy and completeness of the information contained herein other than the information appearing in the section "The Collateral Manager". None of the Hedge Counterparties, their guarantors and their respective Affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy and completeness of the information

contained herein. No other party to the transactions described herein makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy and completeness of the information contained herein. Nothing contained in this Offering Circular is or should be relied upon as a promise or representation as to future results or events. The Trustee has not participated in the preparation of this Offering Circular and assumes no responsibility for its contents.

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

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

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

Each of the (i) Class A-1 Notes, Class A-2 Notes, Class B Notes and Class C Notes (collectively, the "Notes") or (ii) each of the Class C-1 Combination Securities and Class P Combination Securities (collectively, the "Combination Securities"), as the context may require, is referred to herein as a "Class", and either of the Class C-1 Notes and Class C-2 Notes is referred to herein as a "Sub-Class". Although the Initial Purchaser may from time to time make a market in any Class of Notes, the Combination Securities or the Preference Shares, the Initial Purchaser is under no obligation to do so. In the event that the Initial Purchaser commences any market-making, the Initial Purchaser may discontinue the same at any time. There can be no assurance that a secondary market for any Class of Notes, the Combination Securities 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.

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

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

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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.

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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.

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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.

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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.

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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.

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NOTICE TO MEMBERS OF THE PUBLIC IN THE CAYMAN ISLANDS

THE OFFERED SECURITIES MAY NOT BE OFFERED TO MEMBERS OF THE PUBLIC IN THE CAYMAN ISLANDS PURSUANT TO S. 194 OF THE COMPANIES LAW (2004 REVISION) OF THE CAYMAN ISLANDS.

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NOTICE TO RESIDENTS OF DENMARK

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

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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.

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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.

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NOTICE TO RESIDENTS OF GERMANY

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

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NOTICE TO RESIDENTS OF HONG KONG

THE CO-ISSUERS ARE NOT AUTHORIZED BY THE SECURITIES AND FUTURES COMMISSION IN HONG KONG PURSUANT TO SECTION 104 OF THE SECURITIES AND FUTURES ORDINANCE (CAP. 571 OF THE LAWS OF HONG KONG) (THE "SFO"), AND A COPY OF THIS OFFERING CIRCULAR HAS NOT BEEN REGISTERED BY THE REGISTRAR OF COMPANIES IN HONG KONG PURSUANT TO SECTION 342C OF THE COMPANIES ORDINANCE (CAP. 32 OF THE LAWS OF HONG KONG). THE OFFERED SECURITIES MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF THIS OFFERING CIRCULAR OR ANY OTHER DOCUMENT OTHER THAN TO PERSONS WHOSE ORDINARY BUSINESS IS TO BUY OR SELL SECURITIES, WHETHER AS PRINCIPAL OR AGENT, OR IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES ORDINANCE. NO PERSON MAY ISSUE OR HAVE IN THEIR POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE OFFERED SECURITIES WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC IN HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO OFFERED SECURITIES WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO "PROFESSIONAL INVESTORS" WITHIN THE MEANING OF THE SFO AND ANY RULES MADE THEREUNDER.

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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.

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NOTICE TO RESIDENTS OF THE NETHERLANDS

THE OFFERED SECURITIES MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED, AS PART OF THEIR INITIAL DISTRIBUTION, OR AT ANY TIME THEREAFTER, DIRECTLY OR INDIRECTLY, OTHER THAN TO INDIVIDUALS OR LEGAL ENTITIES IN THE NETHERLANDS WHO OR WHICH TRADE OR INVEST IN SECURITIES IN THE CONDUCT OF A PROFESSION OR TRADE WITHIN THE MEANING OF SECTION 2 OF THE EXEMPTION REGULATION TO THE NETHERLANDS SECURITIES



MARKET SUPERVISION ACT 1995, AS AMENDED ON 24 NOVEMBER 2003, (*VRIJSTELLINGSREGELING WET TOEZICHT EFFECTENVERKEER 1995*), WHICH INCLUDES BANKS, SECURITIES FIRMS, INSURANCE COMPANIES, PENSION FUNDS, INVESTMENT INSTITUTIONS, CENTRAL GOVERNMENTS, LARGE INTERNATIONAL AND SUPRANATIONAL ORGANIZATIONS, OTHER INSTITUTIONAL INVESTORS AND OTHER PARTIES, INCLUDING TREASURY DEPARTMENTS OF COMMERCIAL ENTERPRISES, WHICH ARE REGULARLY ACTIVE IN THE FINANCIAL MARKETS IN A PROFESSIONAL MANNER.

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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.

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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.

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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.

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#### AVAILABLE INFORMATION

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

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## SUMMARY

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

### **Certain General Terms**

<i>Issuer:</i>	Crystal Cove CDO, Ltd.
<i>Co-Issuer (with respect to the Notes only):</i>	Crystal Cove CDO, Inc.
<i>Collateral Manager:</i>	Pacific Investment Management Company LLC
<i>Initial Purchaser:</i>	Merrill Lynch, Pierce, Fenner & Smith Incorporated acting in its individual capacity and through its Affiliates. Sales of the Offered Securities to purchasers in the United States will be made through Merrill Lynch, Pierce, Fenner & Smith Incorporated.
<i>Trustee/Custodian/Preference Share Paying Agent:</i>	Wells Fargo Bank, National Association
<i>Closing Date:</i>	August 25, 2004
<i>Distribution Dates:</i>	March 3, June 3, September 3 and December 3 of each calendar year (adjusted as described herein in the case of non-Business Days), beginning on December 3, 2004.
<i>Expected Proceeds:</i>	<p>The gross proceeds from the issuance of the Notes and Preference Shares (including the proceeds of the issuance of the Combination Securities to the extent of the Class C-1 Component and the Preference Share Components), together with up-front payments received by the Issuer in respect of the initial Hedge Agreements, will be approximately U.S.\$506,020,000.</p> <p>The net proceeds from the issuance of the Notes and Preference Shares (including the proceeds of the issuance of the Combination Securities to the extent of the Class C-1 Component and the Preference Share Components), together with any up-front payments received by the Issuer in respect of the initial Hedge Agreements, will be approximately U.S.\$497,800,000 after payment of organizational and structuring fees and expenses of the Co-Issuers, including, without limitation (i) the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser and the Collateral Manager, (ii) the expenses, fees and commissions incurred in connection with the acquisition by the Issuer of the Collateral Debt Securities included in the Portfolio, (iii) the expenses of offering the Securities (including placement agency fees and structuring fees), (iv) the initial deposits into the Expense Account and the Interest Reserve Account of U.S.\$150,000 and U.S.\$200,000 respectively and (v) any costs of entry incurred by the Issuer in respect of the initial Hedge Agreements.</p>
<i>Use of Proceeds:</i>	Net proceeds will be used by the Issuer to purchase on the Closing Date a diversified portfolio of Asset-Backed Securities, Corporate Debt Securities and Synthetic Securities, the Reference Obligations of which are Asset-Backed Securities or Corporate Debt Securities that,

in each case, satisfy the investment criteria described herein.

**General Terms of the Notes**

<b>Security</b>	<b>Principal Amount</b>	<b>Stated Maturity Date</b>	<b>Interest Rate</b>	<b>Ratings (Moody's/ S&amp;P/ Fitch)</b>
Class A-1 First Priority Senior Secured Floating Rate Notes	U.S.\$350,000,000	September 3, 2039	LIBOR <sup>1</sup> + 0.36%	Aaa/AAA/AAA
Class A-2 Second Priority Senior Secured Floating Rate Notes	U.S.\$70,000,000	September 3, 2039	LIBOR <sup>1</sup> + 0.65%	Aaa/AAA/AAA
Class B Third Priority Senior Secured Floating Rate Notes	U.S.\$39,700,000	September 3, 2039	LIBOR <sup>1</sup> + 0.88%	Aa2/AA/AA
Class C-1 Mezzanine Secured Deferrable Floating Rate Notes	U.S.\$19,500,000	September 3, 2039	LIBOR <sup>1</sup> + 2.90% <sup>2</sup>	Baa2/BBB/BBB
Class C-2 Mezzanine Secured Deferrable Fixed Rate Notes	U.S.\$1,500,000	September 3, 2039	7.375%	Baa2/BBB/BBB

*Date of Issuance* All Offered Securities will be issued on the Closing Date.

*Minimum Denomination:* The Class A-1 Notes, Class A-2 Notes, Class B Notes and Class C Notes will be issuable in minimum denominations of U.S.\$500,000 (and integral multiples of U.S.\$1,000 in excess thereof), *provided* that Class A-1 Notes, Class A-2 Notes, Class B Notes and Class C Notes offered in reliance on Regulation S may be outstanding in a minimum denomination of U.S.\$100,000 or an integral multiple of U.S.\$1,000 in excess thereof.

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

*Security for the Notes:* The Notes (including the Class C-1 Note Component) will be limited recourse debt obligations of the Co-Issuers secured solely by a pledge of the Collateral by the Issuer to the Trustee for the benefit of the holders from time to time of the Notes (including holders of the Class C-1 Note Component), the Collateral Manager, the Trustee and each Hedge Counterparty (collectively, the "Secured Parties") pursuant to the Indenture. The Holders of the Class P Combination Securities will constitute "Secured Parties" under the Indenture solely to the extent of the Class P Collateral which will not secure the obligations of the Co-Issuers to any of the other Secured Parties.

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

<sup>2</sup> So long as any Class of Notes that is Senior remains outstanding, any interest on the Class C Notes not paid when due will be deferred and capitalized.

*Interest Payments:*

Accrued and unpaid interest will be payable on each Distribution Date if and to the extent funds are available on such Distribution Date in accordance with the Priority of Payments.

The Class A-1 Notes, Class A-2 Notes, Class B Notes and Class C-1 Notes are referred to herein as the "Floating Rate Notes". Interest on the Floating Rate Notes will be computed on the basis of a 360-day year and the actual number of days elapsed. Interest on the Class C-2 Notes will be computed on the basis of a 360-day year consisting of twelve 30-day months.

*Principal Repayment:*

After the Reinvestment Period, Principal Proceeds will be applied on each Distribution Date to pay principal of each Class of Notes in accordance with the Priority of Payments.

*Mandatory Redemption:*

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

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

If, on any Distribution Date, until the Class C Notes have been paid in full, the holders of the Preference Shares ("Preference Shareholders") have received distributions on the Preference Shares sufficient to achieve an annualized Dividend Yield of 14% per annum, any excess amount of Interest Proceeds will be applied to pay principal of the Class C Notes.

*Early Redemption:*

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



*Listing:* Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Daily Official List. The issuance and settlement of the Notes on the Closing Date are not conditioned on the listing of the Notes on such exchange.

### General Terms of the Combination Securities

Security	Principal Amount	Stated Maturity Date	Moody's Rating
Class C-1 Combination Securities	U.S.\$4,000,000	September 3, 2039	Baa3
Class P Combination Securities	U.S.\$4,000,000	September 3, 2039	Aaa

All information relating to the Combination Securities is contained in the section of this Offering Circular entitled "Description of the Combination Securities".

### General Terms of the Preference Shares

*Aggregate Liquidation Preference:* U.S.\$20,300,000 (U.S.\$1,000 per share)

*Rating:* The Preference Shares will be rated "Ba2" as to ultimate return of principal by Moody's.

*Minimum Trading Lot:* 100 Preference Shares (U.S.\$100,000 aggregate liquidation preference) (and increments of 10 Preference Shares in excess thereof); *provided* that up to five investors may, with the consent of the Initial Purchaser, purchase less than 100 Preference Shares on the Closing Date and such investors, and any transferees of 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.

*Status:* The Preference Shares will constitute part of the issued share capital of the Issuer and will not be secured.

*Distributions:* On each Distribution Date, to the extent funds are available therefor, Interest Proceeds remaining after the payment of interest on the Notes and certain other amounts in accordance with the Priority of Payments will be paid to the Preference Share Paying Agent for distribution to the Preference Shareholders, *provided* that on each Distribution Date, until the Class C Notes have been paid in full, the amount of Interest Proceeds released from the lien of the Indenture for payment to the Preference Shareholders will be limited to the amount necessary to permit the Preference Shareholders to achieve on such Distribution Date an annualized Dividend Yield of 14% per annum on the aggregate liquidation preference of the Preference Shares. After the Notes have been paid in full, Principal Proceeds remaining after the payment of certain other amounts will be paid to the Preference Share Paying Agent for distribution to the Preference Shareholders. The Preference Share Paying Agent will distribute any funds received by it for distribution to the Preference Shareholders on the date on which such funds are received, subject to certain conditions set forth in the Preference Share Agency Agreement and provisions of Cayman Islands law governing the declaration and payment of dividends.

*Redemption of the Preference Shares:*

The Preference Shares are expected to be redeemed following the Stated Maturity of the Notes unless redeemed prior thereto in connection with an Optional Redemption, Tax Redemption or Auction Call Redemption. Following the liquidation of the Collateral, any funds remaining after the redemption of the Notes and the payment of all other obligations of the Co-Issuers (other than amounts payable by the Issuer in respect of the Preference Shares) will be distributed to the Preference Shareholders and the Preference Shares will be redeemed.

*Listing:*

Application has been made to the Irish Stock Exchange for the Preference Shares to be admitted to the Daily Official List. The issuance and settlement of the Preference Shares on the Closing Date are not conditioned on the listing of the Preference Shares on such exchange.

**Description of the Collateral**

*General:*

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

*Acquisition and Disposition of Collateral Debt Securities:*

It is anticipated that, on the Closing Date, the Issuer will have purchased (or entered into agreements to purchase for settlement following the Closing Date) Collateral Debt Securities having an aggregate principal balance of not less than U.S.\$350,000,000. It is anticipated that, no later than the Ramp-Up Completion Date, the Issuer will have purchased Collateral Debt Securities having an aggregate principal balance of not less than U.S.\$500,000,000.

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

The Collateral Manager will be entitled to direct the Trustee to sell Collateral Debt Securities as described herein under "Disposition of Collateral Debt Securities". During the Reinvestment Period, Principal Proceeds may be applied to purchase additional Collateral Debt Securities. No investment in additional Collateral Debt Securities will be made following the termination of the Reinvestment Period.

## RISK FACTORS

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

Limited Liquidity. There is currently no market for the Offered Securities. Although the Initial Purchaser may from time to time make a market in any Class of Notes or the Preference Shares, the Initial Purchaser is under no obligation to do so. In the event that the Initial Purchaser commences any market-making, it may discontinue the same at any time. There can be no assurance that a secondary market for any of the Offered Securities will develop, or if a secondary market does develop, that it will provide the holders of such Offered Securities with liquidity of investment or that it will continue for the life of the Offered Securities. In addition, the Offered Securities are subject to certain transfer restrictions and can only be transferred to certain transferees as described under "Transfer Restrictions". Consequently, an investor in the Offered Securities must be prepared to hold its Offered Securities for an indefinite period of time or until the Stated Maturity of the Notes (or in the case of the Preference Shares, the liquidation of the Issuer).

Limited-Recourse Obligations. The Notes are limited-recourse obligations of the Co-Issuers. The Notes are payable solely from the Collateral Debt Securities and other Collateral pledged by the Issuer to secure the Notes. None of the security holders, members, officers, directors, managers or incorporators of the Issuer, the Co-Issuer, the Trustee, the Administrator, any Rating Agency, the Share Trustee, the Collateral Manager, the Initial Purchaser, any of their respective Affiliates and any other person or entity will be obligated to make payments on the Notes. Consequently, holders of the Notes ("Noteholders") must rely solely on amounts received in respect of the Collateral Debt Securities and other Collateral pledged to secure the Notes for the payment of principal thereof and interest thereon. There can be no assurance that the distributions on the Collateral Debt Securities and other Collateral pledged by the Issuer to secure the Notes will be sufficient to make payments on any Class of Notes, in particular after making payments on more Senior Classes of Notes and certain other required amounts ranking Senior to such Class. The Issuer's ability to make payments in respect of any Class or Sub-Class of Notes will be constrained by the terms of the Notes of Classes more Senior to such Class Or Sub-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.

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

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

Diversion of Interest Proceeds Otherwise Distributable to Preference Shareholders. On each Distribution Date, until the Class C Notes have been paid in full, the amount of Interest Proceeds released from the lien of the Indenture for payment to the Preference Shareholders will be limited to the amount necessary to permit the Preference Shareholders to achieve on such Distribution Date an annualized Dividend Yield of 14% per annum on the aggregate liquidation preference of the Preference Shares. This may result in a reduction in the average annual return on the Preference Shares until the redemption thereof. See "Description of the Notes—Priority of Payments—Interest Proceeds".

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

Volatility of the Preference Shares. The Preference Shares represent a leveraged investment in the underlying Collateral. Therefore, it is expected that changes in the value of the Preference Shares will be greater than the change in the value of the underlying Collateral Debt Securities, which themselves are subject to credit, liquidity, interest rate and other risks. Utilization of leverage is a speculative investment technique and involves certain risks to investors. The indebtedness of the Issuer under the Notes will result in interest expense and other costs incurred in connection with such indebtedness that may not be covered by proceeds received from the Collateral. The use of leverage generally magnifies the Issuer's opportunities for gain and risk of loss.

Nature of Collateral. The Collateral is subject to credit, liquidity and interest rate risk. In addition, a 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. If any deficiencies exceed such assumed levels, however, payments in respect of the Notes and distributions on the Preference Shares could be adversely affected. To the extent that a default occurs with respect to any Collateral Debt Security included in the Collateral and the Issuer sells or otherwise disposes of such Collateral Debt Security, it is not likely that the proceeds of such sale or disposition will be equal to the amount of principal and interest owing to the Issuer in respect of such Collateral Debt Security.

The market value of the Collateral Debt Securities included in the Collateral generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of such Collateral Debt Securities or, with respect to Synthetic Securities included in the Collateral, of the obligors on or issuers of the Reference Obligations, the remaining term thereof to maturity, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

Although the Issuer is permitted to purchase Collateral Debt Securities after the Closing Date, the Issuer may find that, as a practical matter, these investment opportunities are not available to it for a variety of reasons, including the limitations imposed by the Eligibility Criteria and the requirement with respect to Synthetic Securities that the Issuer receive confirmation of the ratings of the Notes from each of the Rating Agencies with respect to the purchase thereof. At any time there may be a limited universe of investments that would satisfy the Eligibility Criteria given the other investments in the Issuer's portfolio. As a result, the Issuer may at times find it difficult to purchase suitable investments. See "Security for the Notes—Collateral Debt Securities" and "—Eligibility Criteria". If the Issuer is unable to purchase sufficient suitable investments, the Collateral Manager may, on any Distribution Date occurring prior to the last day of the Reinvestment Period, in its sole discretion, elect to apply all or a portion of the Principal Proceeds available for reinvestment to the payment of principal of the Notes in accordance with the Priority of Payments. In addition, the Collateral Manager may terminate the Reinvestment Period prior to its scheduled termination date, in which case the Issuer will be obligated to apply Principal Proceeds to pay principal of the Notes in accordance with the Priority of Payments. Although the Issuer expects that, on or prior to the 90th day following the Closing Date, it will be able to purchase sufficient Collateral Debt Securities that 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 by such date may result in the repayment or redemption of a portion of the Notes in accordance with the Priority of Payments. See "Description of the Notes—Mandatory Redemption".

The ability of the Issuer to sell Collateral Debt Securities prior to maturity is subject to certain restrictions under the Indenture.

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

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

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

Asset-Backed Securities carry coupons that can be fixed or floating. Pricing is typically designed to mirror the coupon characteristics of the loans being securitized. The spread will vary depending on the credit quality of the underlying collateral, the degree and nature of credit enhancement and the degree of variability in the cash flows emanating from the securitized loans.

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

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

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

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

Credit risk is an important issue in Asset-Backed Securities because of the significant credit risks inherent in the underlying collateral and because issuers are primarily private entities. Credit risk arises from losses due to defaults by the borrowers in the underlying collateral or the issuer's or servicer's failure to perform. These two elements can blur together as, for example, in the case of a servicer who does not provide adequate credit-review scrutiny to the serviced portfolio, leading to higher incidence of defaults. Market risk arises from the cash-flow characteristics of the security, which for many Asset-Backed Securities tend to be predictable. The greatest variability in cash flows comes from credit performance, including the presence of wind-down or acceleration

features designed to protect the investor in the event that credit losses in the portfolio rise well above expected levels. Interest-rate risk arises for the issuer from the relationship between the pricing terms on the underlying collateral and the terms of the rate paid to security holders and from the need to mark to market the excess servicing or spread account proceeds carried on the balance sheet. Liquidity risk can arise from increased perceived credit risk, like that which occurred in 1996 and 1997 with the rise in reported delinquencies and losses on securitized pools of credit cards. Liquidity can also become a significant problem if concerns about credit quality, for example, lead investors to avoid the securities issued by the relevant special-purpose entity. Some securitization transactions may include a "liquidity facility," which requires the facility provider to advance funds to the relevant special-purpose entity should liquidity problems arise. However, where the originator is also the provider of the liquidity facility, the originator may experience similar market concerns if the assets it originates deteriorate and the ultimate practical value of the liquidity facility to the transaction may be questionable. Operations risk arises through the potential for misrepresentation of asset quality or terms by the originating institution, misrepresentation of the nature and current value of the assets by the servicer and inadequate controls over disbursements and receipts by the servicer.

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

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

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

Asset-Backed Securities often use various forms of credit enhancements to transform the risk-return profile of underlying collateral, including third-party credit enhancements, recourse provisions, overcollateralization and various covenants. Third-party credit enhancements include standby letters of credit, collateral or pool insurance, or surety bonds from third parties. Recourse provisions are guarantees that require the originator to cover any losses up to a contractually agreed-upon amount. One type of recourse provision, often seen in securities backed by credit card receivables, is the "spread account." This account is actually an escrow account whose funds are derived from a portion of the spread between the interest earned on the assets in the underlying pool of collateral and the lower



interest paid on securities issued by the trust. The amounts that accumulate in this escrow account are used to cover credit losses in the underlying asset pool, up to several multiples of historical losses on the particular assets collateralizing the securities. Overcollateralization is another form of credit enhancement that covers a predetermined amount of potential credit losses. It occurs when the value of the underlying assets exceeds the face value of the securities. A similar form of credit enhancement is the cash-collateral account, which is established when a third party deposits cash into a pledged account. The use of cash-collateral accounts, which are considered by enhancers to be loans, grew as the number of highly rated banks and other credit enhancers declined in the early 1990s. Cash-collateral accounts provide credit protection to investors of a securitization by eliminating "event risk," or the risk that the credit enhancer will have its credit rating downgraded or that it will not be able to fulfill its financial obligation to absorb losses.

*Corporate Debt Securities.* The Collateral Debt Securities will include Corporate Debt Securities (including Synthetic Securities, the Reference Obligations of which are Corporate Debt Securities), in each case which Corporate Debt Securities will be obligations of corporations, partnerships or other entities organized under the laws of the United States (or any state thereof) or of Qualifying Foreign Obligor(s). See "Security for the Notes—Collateral Debt Securities". Corporate Debt Securities will generally be unsecured. Risks of Corporate Debt Securities may include (among others): (i) market price volatility resulting from changes in prevailing interest rates, (ii) the operation of mandatory sinking fund or call/redemption provisions during periods of declining interest rates that could cause the Issuer to reinvest premature redemption proceeds in lower yielding Collateral Debt Securities, (iii) the possibility that earnings of the issuer of a Corporate Debt Security may be insufficient to meet its debt service and (iv) the declining creditworthiness and potential for insolvency of the issuer of such Corporate Debt Security during periods of rising interest rates and economic downturn. An economic downturn or an increase in interest rates could adversely affect the value of outstanding Corporate Debt Securities and the ability of the issuers thereof to repay principal and interest.

*Synthetic Securities.* As described above, a portion of the Collateral Debt Securities included in the Collateral may consist of Synthetic Securities, the Reference Obligations of which are Asset-Backed Securities, Corporate Debt 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 Purchaser may act as counterparty with respect to all or a portion of the Synthetic Securities. Furthermore, such Affiliates of the Initial Purchaser 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 Purchaser".

*Illiquidity of Collateral Debt Securities.* Some of the Collateral Debt Securities purchased by the Issuer will have no, or only a limited, trading market. The Issuer's investment in illiquid Collateral Debt Securities may restrict its ability to dispose of investments in a timely fashion and for a fair price as well as its ability to take advantage of market opportunities, although the Issuer is generally prohibited by the Indenture from selling Collateral Debt Securities except under certain limited circumstances described under "Security for the Notes—Dispositions of Collateral Debt Securities". Illiquid Collateral Debt Securities may trade at a discount from the price of comparable, more liquid investments. In addition, the 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.

Rating Confirmation Failure; Mandatory Redemption. The Issuer will notify the Trustee, each Rating Agency and each Hedge Counterparty in writing of the occurrence of the Ramp-Up Completion Date within seven days after the Ramp-Up Completion Date occurs (each notice a "Ramp-Up Notice"). The Issuer will request that each Rating Agency provide the Issuer with a Rating Confirmation within 30 days after receipt of a Ramp-Up Notice. If the Issuer is unable to obtain a Rating Confirmation from each Rating Agency prior to the earlier of (i) the first Determination Date and (ii) the date that is 20 days after the Ramp-Up Completion Date, (A) the Issuer will be required on the first Distribution Date to apply Uninvested Proceeds and, to the extent that Uninvested Proceeds are insufficient to redeem the Notes in full, Interest Proceeds and Principal Proceeds, in each case in accordance with the Priority of Payments, to the repayment of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes and *fourth*, the Class C Notes, to the extent necessary to obtain a Rating Confirmation from each Rating Agency and (B) each Transaction under a USD Hedge Agreement (as defined therein) will be subject to partial termination on the first Distribution Date in respect of a portion of the Notional Amount (as defined in such USD Hedge Agreement) of such Transaction specified by the Rating Agencies in order to obtain a Rating Confirmation and the then outstanding Notional Amount (as defined in the Confirmation to such USD Hedge Agreement) will be reduced to reflect such partial termination in accordance with such Rating Confirmation. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments".

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

International Investing. A limited portion of the Collateral Debt Securities included in the Collateral may consist of obligations of issuers organized in a Special Purpose Vehicle Jurisdiction 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 Purchaser and their respective Affiliates may result in certain conflicts of interest.

*Conflicts of Interest Involving the Collateral Manager.* Notwithstanding certain provisions of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and 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 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 Management Agreement. In addition, Affiliates and clients of the Collateral Manager may invest in securities (or make loans) that are included among, rank *pari passu* with or senior to Collateral Debt Securities, or have interests different from or adverse to those of the Issuer.

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

Some of the Asset-Backed Securities purchased by the Issuer on the Closing Date may be purchased from portfolios of Asset-Backed Securities held by one or more of the Collateral Manager and its clients and Affiliates. The Issuer will purchase Collateral Debt Securities from the Collateral Manager or any client or Affiliate on the Closing Date only to the extent (a) such purchases are made at fair market value and otherwise on arms' length terms and (b) the Collateral Manager determines that such purchases are consistent with the investment guidelines and objectives of the Issuer, the restrictions contained in the Indenture and applicable law. After the Closing Date, the Issuer will not purchase or sell any Collateral Debt Securities directly from or to the Collateral Manager or any such client or Affiliate. In the foregoing situations, the Collateral Manager and its Affiliates may have a potentially conflicting division of loyalties regarding both parties in the transaction. If an Affiliate of the Collateral Manager acts as a broker in an agency cross transaction, such person may receive commissions from one or both of the parties in the transaction. While the Collateral Manager anticipates that any such commissions charged will be at

competitive market rates, the Collateral Manager may have interest in such transactions that are adverse to those of the Issuer, such as an interest in obtaining favorable commissions.

The Collateral Manager, its Affiliates and client accounts for which the Collateral Manager or its Affiliates act as investment adviser may at times own Offered Securities. At any given time, the Collateral Manager and its Affiliates will not be entitled to vote the Offered Securities held by any of such Collateral Manager, its Affiliates and accounts for which such Collateral Manager or any Affiliate thereof acts as investment adviser (and for which such Collateral Manager or such Affiliate has discretionary authority) with respect to any assignment or termination of, any of the express rights or obligations of the Collateral Manager under the Management Agreement or the Indenture (including the exercise of any rights to remove the Collateral Manager or terminate the Management Agreement or approve or object to a Replacement Officer), or any amendment or other modification of the Management Agreement or the Indenture increasing the rights or decreasing the obligations of the Collateral Manager. However, at any given time the Collateral Manager and its Affiliates will be entitled to vote Offered Securities held by them and by such accounts with respect to all other matters. The ownership of a portion of the Preference Shares or Combination Securities by its Affiliate may give the Collateral Manager an incentive to take actions that vary from the interests of the holders of the Notes.

No provision in the 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: (i) 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 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; and (e) serve as a member of any "creditors board" with respect to any obligation included in the Collateral which has become or may become a Defaulted Security. Services of this kind may lead to conflicts of interest with the Collateral Manager, and may lead individual officers or employees of the Collateral Manager to act in a manner adverse to the Issuer.

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

It should not be assumed that the funds or accounts for which the Collateral Manager or its Affiliates act as an investment adviser and that purchase the Preference Shares or Combination Securities on the Closing Date will continue to hold the Preference Shares or Combination Securities. 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).

*Removal of the Collateral Manager.* So long as any Class A Notes or Class B Notes are outstanding, the Collateral Manager may be removed at any time without cause upon not less than 45 days' prior written notice to the

Collateral Manager by the Issuer at the direction of holders of at least 66-2/3% in aggregate outstanding principal amount of the Controlling Class of Notes, if the Class A/B Overcollateralization Test is less than 100% as of the immediately preceding Determination Date. In addition, the Collateral Manager may be removed for "cause" (as defined herein) upon 15 Business Days' prior written notice by the Issuer, which will effect such removal at the direction of (i) the holders of at least 66-2/3% in aggregate outstanding principal amount of the Controlling Class of Notes and (ii) a Special-Majority-in-Interest of Preference Shareholders. In determining whether the holders of the requisite percentage of each Class of Notes and the Preference Shares have given such consent, Offered Securities owned by the Collateral Manager, or any Affiliate thereof, will be disregarded and deemed not to be outstanding. See "The Management Agreement".

*Conflicts of Interest Involving the Initial Purchaser.* Certain of the Collateral Debt Securities acquired by the Issuer may consist of obligations of issuers or obligors, or obligations sponsored or serviced by companies, for which the Initial Purchaser or an Affiliate of the Initial Purchaser has acted as underwriter, agent, placement agent or dealer or for which an Affiliate of the Initial Purchaser has acted as lender or provided other commercial or investment banking services. The Initial Purchaser or an Affiliate of the Initial Purchaser may structure issuers of Collateral Debt Securities and arrange to place such Collateral Debt Securities with the Issuer. The Initial Purchaser or one or more of its Affiliates may also act as counterparty with respect to Synthetic Securities. In its role as counterparty with respect to Synthetic Securities, the Initial Purchaser or one or more of its Affiliates may manage a pool of Reference Obligations with respect to the Synthetic Securities and make determinations regarding those Reference Obligations. In addition, an Affiliate of the Initial Purchaser may act as a Hedge Counterparty under one or more of the Hedge Agreements. The Initial Purchaser or one or more of its Affiliates may enter into derivative transactions with third parties relating to the Offered Securities or Collateral Debt Securities acquired by the Issuer, and the Initial Purchaser or one or more of its Affiliates may, in connection therewith, acquire (or establish long, short or derivative financial positions with respect to) Offered Securities, Collateral Debt Securities or one or more portfolios of financial assets similar to the portfolio of Collateral Debt Securities acquired by (or intended to be acquired by) the Issuer. Such activities may create certain conflicts of interest.

*Purchase of Collateral Debt Securities.* Many of the Collateral Debt Securities purchased by the Issuer on the Closing Date will be purchased from one or more portfolios of Collateral Debt Securities held by Affiliates of the Initial Purchaser pursuant to separate warehousing agreements between such Affiliates of the Initial Purchaser and the Collateral Manager. Some of the Collateral Debt Securities subject to such warehousing agreements may have been originally acquired by the Initial Purchaser from the Collateral Manager or one of its Affiliates. The Issuer will purchase Collateral Debt Securities included in such warehouse portfolios only to the extent that such purchases are consistent with the investment guidelines of the Issuer, the restrictions contained in the Indenture and the 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 agreements, 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 prior to the Closing Date.

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

*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 the Ramp-Up Completion Date, Collateral Debt Securities having an aggregate principal balance which, when added to the aggregate principal balance of all Eligible Investments purchased with

Principal Proceeds on deposit in the Principal Collection Account and the aggregate amount of all Principal Proceeds distributed on any prior Distribution Date, is not less than U.S.\$500,000,000 (in each case, assuming for these purposes that settlement will be made 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.

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 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.

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

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

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

*Money Laundering Prevention.* "The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (the "USA PATRIOT Act"), effective as of October 26, 2001, requires broker-dealers registered with the Securities and Exchange Commission and the National Association of Securities Dealers (the "NASD"), such as the Initial Purchaser, to establish and maintain anti-money laundering programs. With respect to the content of those programs, the NASD has enacted a rule that requires broker-dealers to establish and maintain anti-money laundering programs similar to those currently in place at U.S. banks. 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 the Co-Issuers nor the Collateral Manager has been registered with the United States Securities and Exchange Commission (the "SEC") as an investment company pursuant to the Investment Company Act of 1940, as amended (the "Investment Company Act"). The Issuer has not so registered in reliance on an exception for investment companies organized under the laws of a jurisdiction other than the United States or any State thereof (a) whose investors resident in the United States are solely "qualified purchasers" (within the meaning given to such term in the Investment Company Act and the regulations of the SEC thereunder) or certain transferees thereof identified in Rule 3c-6 under the Investment Company Act and (b) which do not make a public offering of their securities in the United States. Counsel for the Co-Issuers will opine, in connection with the issuance of the Offered Securities, that neither of the Co-Issuers is on the Closing Date an investment company required to be registered under the Investment Company Act (assuming, for the purposes of such opinion, that the Offered Securities are sold by the Initial Purchaser in accordance with the terms of the Indenture, the Preference Share Documents and the Purchase Agreement). No opinion or no-action position has been requested of the SEC.

If the SEC or a court of competent jurisdiction were to find that the Issuer or the Co-Issuer is required, but in violation of the Investment Company Act had failed, to register as an investment company, possible consequences include, but are not limited to, the following: (i) the SEC could apply to a district court to enjoin the violation; (ii) investors in the Issuer or the Co-Issuer could sue the Issuer or the Co-Issuer, as the case may be, and recover any damages caused by the violation; and (iii) any contract to which the Issuer or the Co-Issuer, as the case may be, is a party that is made in, or whose performance involves a, violation of the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than 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 (or an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act (an "Institutional Accredited Investor") that purchased such Restricted Note (or any interest therein, including any interest therein evidenced by a Class C-1 Combination Security) directly from the Initial Purchaser) and a Qualified Purchaser, then either of the Co-Issuers may require, by notice to such holder, that such holder sell all of its right, title and interest to such Restricted Note (or any interest therein, including any interest therein evidenced by a Class C-1 Combination Security) to a person that is both a Qualified Institutional Buyer and a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (a) upon direction from the Collateral Manager or the Issuer, the Trustee, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Note (or the Class C-1 Note Component) to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Trustee, the Co-Issuers and the Collateral Manager, in connection with such transfer, that such person is a both (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser and (b) pending such transfer, no further payments will be made in respect of such Note (or the Class C-1 Note Component) to held by such beneficial owner.

The Preference Share Documents provide that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any beneficial owner of Restricted Definitive Preference Shares (including Preference Shares evidenced by a Preference Share Component) (A) is a U.S. Person (within the meaning of Regulation S under the Securities Act) and (B) is not both (i) a Qualified Institutional Buyer (or an Accredited Investor (or, in the case of Preference Shares evidenced by the Class C-1 Preference Share Component, an Institutional Accredited Investor) that purchased such Restricted Definitive 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, including any interest therein evidenced by a Combination Security) to a person that is both a Qualified Institutional Buyer and a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (a) upon direction from the Collateral Manager or the Issuer, the Preference Share Paying Agent, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Preference Shares (or the Combination Security evidencing such Preference Shares) 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 applicable Paying Agent, the Issuer and the Collateral Manager, in connection with such transfer, that such person is a both (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser and (b) pending such transfer, no further payments will be made in respect of such Preference Shares (or the applicable Preference Share Component) held by such beneficial owner.

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

In addition, if the Issuer is unable to obtain a Rating Confirmation from each of the Rating Agencies by the 30th day following the Ramp-Up Completion Date, *first* Uninvested Proceeds, *then*, to the extent that the application of Uninvested Proceeds is insufficient, Interest Proceeds, *then*, to the extent that the application of Uninvested Proceeds and Interest Proceeds is insufficient, Principal Proceeds, will be applied on the first Distribution Date following such 30<sup>th</sup> day to redeem *first*, the Class A-1 Notes, *then* the Class A-2 Notes, *then* the Class B Notes, *then*,

the Class C Notes, in each case to the extent necessary to obtain a Rating Confirmation from each of the Rating Agencies.

Either of the foregoing could result in an elimination, deferral or reduction in the payments in respect of interest or the principal repayments made to the holders of one or more Classes of Notes that are Subordinate to any other outstanding Class of Notes, which could adversely impact the returns of such holders.

In addition, if, on any Distribution Date, the Preference Shareholders have received distributions on the Preference Shares sufficient to achieve an annualized Dividend Yield of 14% per annum, any excess amount of Interest Proceeds 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—Principal," "—Mandatory Redemption" and "—Priority of Payments—Interest Proceeds".

The Collateral Manager may, on any Distribution Date occurring prior to the last day of the Reinvestment Period, in its sole discretion elect to apply all or a portion of the Principal Proceeds available for reinvestment to the payment of principal of the Notes in accordance with the Priority of Payments, which application may result in additional payments of principal on the Notes.

Auction Call Redemption. In addition, if the Notes have not been redeemed in full prior to the Distribution Date occurring in September 2013, then an auction of the Collateral Debt Securities will be conducted and, provided that certain conditions are satisfied (including the requirement that the Preference Shareholders shall have received an amount sufficient to ensure that the Preference Shareholders shall have received at least the Target Return on such Distribution Date), the Collateral Debt Securities will be sold and the Notes will be redeemed (in whole, but not in part) on such Distribution Date. If such conditions are not satisfied and the auction is not successfully conducted on such Distribution Date, the Trustee will conduct auctions on a quarterly basis until the Notes are redeemed in full. See "Description of the Notes—Redemption Price" and "—Auction Call Redemption". Each Hedge Agreement will terminate upon an Auction Call Redemption.

Optional Redemption. 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 Distribution Date occurring in September 2008. See "Description of the Notes—Optional Redemption and Tax Redemption". Each Hedge Agreement will terminate upon any Optional Redemption.

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 Distribution Date, in whole but not in part, at the applicable Redemption Price therefor (i) at the direction of the holders of a majority in aggregate outstanding principal amount of any Class of Notes that, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and interest payable to such Class on any Distribution Date (each such Class, an "Affected Class") or (ii) at the direction of a Majority-in-Interest of Preference Shareholders. No 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.

Currency Risk. The Notes are obligations of the Co-Issuers denominated in U.S. Dollars. The Eligibility Criteria permit Collateral Debt Securities (and, with respect to Synthetic Securities, Reference Obligations) to be denominated in U.S. Dollars ("USD Collateral Debt Securities"), in Sterling ("Sterling Collateral Debt Securities") or in euros ("Euro Collateral Debt Securities" and, together with the Sterling Collateral Debt Securities, "Non-USD Collateral Debt Securities") which, in each case, are not convertible into or payable in any other currency. The percentage of the Net Outstanding Portfolio Collateral Balance that is comprised of Non-USD Collateral Debt Securities may increase or decrease over the life of the Notes and is subject to the requirements of the Eligibility Criteria.

Notwithstanding the fact each Non-USD Collateral Debt Security will be required, upon acquisition thereof by the Issuer, to have an associated Non-USD Hedge Agreement that satisfies the Rating Condition and will include currency protection provisions with respect to scheduled payments thereunder, losses may be incurred due to

fluctuations in the U.S. Dollar/Sterling or U.S. Dollar/euro exchange rates in the event of (i) a default under any such Non-USD Hedge Agreement, (ii) certain termination events under any such Non-USD Hedge Agreement or (iii) any increase in the scheduled coupon or interest payment in respect of the Non-USD Collateral Debt Security related to such Non-USD Hedge Agreement. The Collateral Manager, when purchasing Collateral Debt Securities on behalf of the Issuer, may also be limited at the time of reinvestment in its choice of Non-USD Collateral Debt Securities because of the cost of entry into such Non-USD Hedge Agreements (which will depend, among other things, on the foreign exchange spot and foreign exchange options markets) and due to restrictions in the Indenture and Management Agreement with respect thereto. The Issuer's ongoing payment obligations under such Non-USD Hedge Agreements (including termination payments which will depend, among other things, on the foreign exchange spot and foreign exchange options markets) may be significant. The Issuer will depend upon each Hedge Counterparty to perform its obligations under the Non-USD Hedge Agreements to which it is a party. If a Hedge Counterparty defaults or becomes unable to perform due to insolvency or otherwise, the Issuer may not receive payments it would otherwise be entitled to from such Hedge Counterparty to cover its foreign exchange exposure.

If the scheduled coupon or interest payment in respect of any Non-USD Collateral Debt Security is increased pursuant to the terms of the Underlying Instrument related thereto (whether in the form of an increase, in the case of a Fixed Rate Collateral Debt Security, in the per annum interest rate on such security or, in the case of a Floating Rate Collateral Debt Security, in the spread over the applicable index or benchmark rate or otherwise), such increase will not affect the obligations of the Hedge Counterparty under the related Non-USD Hedge Agreement and will result in foreign exchange exposure on the part of the Issuer with respect to the additional coupon amounts or interest payments. Furthermore, if, in connection with any prepayment or redemption of all or part of a Non-USD Collateral Debt Security prior to its scheduled maturity date, the Issuer receives an amount (other than principal of or interest due on such Non-USD Collateral Debt Security) from the issuer or obligor thereon in the form of a prepayment premium, such amount will not be subject to the related Non-USD Hedge Agreement and will result in foreign exchange exposure on the part of the Issuer.

If at any time a Non-USD Hedge Agreement becomes subject to early termination resulting from an event of default by or a termination event in respect of a Hedge Counterparty, the Collateral Manager will seek to obtain a replacement Non-USD Hedge Agreement on substantially similar terms, or on such other terms as would not adversely affect the ratings of the Notes and which are consented to by each of the Rating Agencies. Until such a replacement Non-USD Hedge Agreement is obtained, the Trustee will, on behalf of the Issuer, promptly convert payments received in respect of the applicable Non-USD Collateral Debt Security into U.S. Dollars at the prevailing U.S. Dollar/Sterling or U.S. Dollar/euro (as applicable) spot exchange rate at the time of such conversion, which may result in foreign exchange exposure on the part of the Issuer. See "Security for the Notes—The Hedge Agreements".

*Interest Rate Risk.* The Notes are denominated in U.S. Dollars and bear interest at a rate based on three-month LIBOR as determined on the relevant LIBOR Determination Date. Certain of the Collateral Debt Securities included in the Collateral will include obligations that bear interest at fixed rates, including fixed rates accruing on Sterling Collateral Debt Securities and Euro Collateral Debt Securities. Accordingly, the Notes are subject to interest rate risk to the extent that there is an interest rate mismatch between (a) the floating rate at which interest accrues on the Notes and the rates at which interest accrues on fixed rate USD Collateral Debt Securities included in the Collateral and (b) the floating rate at which interest accrues on the Notes and the rates at which interest accrues on fixed or floating rate Non-USD Collateral Debt Securities included in the Collateral. In addition, any payments of principal of or interest on Collateral Debt Securities received during a Due Period will be reinvested in Eligible Investments maturing not later than the Business Day immediately preceding the next Distribution Date. There is no requirement that Eligible Investments bear interest at LIBOR, and the interest rates available for Eligible Investments are inherently uncertain. As a result of these mismatches, an increase in three-month LIBOR could adversely impact the ability of the Issuer to make payments on the Notes (including by reason of a decline in the value of previously issued fixed rate Collateral Debt Securities as LIBOR increases). With respect to any Fixed Rate USD Collateral Debt Security or any Non-USD Collateral Debt Security, a portion of such interest rate mismatch will be mitigated by the Hedge Agreement which the Issuer will enter into in connection with the acquisition of such Collateral Debt Security (with respect to any Non-USD Collateral Debt Security, as described above under "Currency Risk"). In addition, the Issuer may in its discretion enter into a Hedge Agreement with respect to a Floating Rate USD Collateral Debt Security upon or following the acquisition thereof by the Issuer which may help mitigate a portion of such interest rate mismatch. However, there can be no assurance that the

Collateral Debt Securities and Eligible Investments, together with the Hedge Agreements, will in all circumstances generate sufficient Interest Proceeds to make timely payments of interest on the Notes. Moreover, the benefits of a particular Hedge Agreement may not be achieved in the event of the early termination of such Hedge Agreement, including termination upon the failure of the applicable Hedge Counterparty to perform its obligations thereunder. See "Security for the Notes—The Hedge Agreements".

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

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

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

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

*Early Termination of the Reinvestment Period.* Although the Reinvestment Period is expected to terminate on the Distribution Date occurring in September 2008, the Reinvestment Period may terminate prior to such Distribution Date if (i) the Collateral Manager notifies the Trustee and each Hedge Counterparty that, in light of the composition of Collateral Debt Securities, general market conditions and other factors, the Collateral Manager (in its sole discretion) has determined that investments in additional Collateral Debt Securities within the foreseeable future would either be impractical or not beneficial, (ii) the Notes are redeemed as described below under "Description of the Notes—Optional Redemption and Tax Redemption" or (iii) an Event of Default occurs. If the Reinvestment Period terminates prior to the Distribution Date occurring in September 2008, such early termination may affect the expected average lives of the Notes and the duration of the Preference Shares described under "Maturity, Prepayment and Yield Considerations".

*Management of the Collateral.* After the Ramp-Up Completion Date, the Collateral Manager is expected to continue to purchase and sell Collateral Debt Securities during the term of the transaction in order to, among other things, (i) take advantage of gains in the market value of Collateral Debt Securities, (ii) restrict losses on Collateral Debt Securities that are deteriorating in credit quality and (iii) take advantage of opportunities to invest in new Collateral Debt Securities or reduce exposure to Collateral Debt Securities held by the Issuer.

The ability of the Collateral Manager to manage the Collateral will be constrained by certain limitations, including the requirements that any Collateral Debt Securities acquired by the Issuer satisfy the investment criteria set forth in the Indenture. In addition, the right of the Collateral Manager to purchase and sell Collateral Debt Securities will be limited during any period in which the Coverage Tests are not satisfied.

The purchase and sale of Collateral Debt Securities by the Collateral Manager during the term of the transaction will expose the holders of the Offered Securities to changes in market conditions. Any such changes may adversely impact the ability of the Issuer to pay the principal of and interest on the Notes and may reduce the yield on the Preference Shares. While the Collateral Manager has extensive experience in selecting and managing portfolios, including collateralized debt obligations, there can be no assurance that the past performance of the Collateral Manager in managing debt portfolios will be indicative of its performance in managing the Collateral.

There can be no assurance that the Collateral Manager will be able to manage the Collateral to produce the desired economic results for the holders of the Offered Securities. The achievement of the desired results will require a high level of analytical sophistication, and there can be no assurance that the Collateral Manager will correctly judge the nature and magnitude of the many factors that could affect the prospects of the Collateral.

Dependence on the Collateral Manager and Key Personnel Thereof. Because the composition of the Collateral Debt Securities will vary over time, the performance of the Collateral Debt Securities depends heavily on the skills of the Collateral Manager in analyzing, selecting and managing the Collateral Debt Securities. As a result, the Issuer will be highly dependent on the financial and managerial experience of the Collateral Manager and certain of its employees to whom the task of managing the Collateral has been assigned. Certain employment arrangements between those employees and the Collateral Manager may exist, but the Issuer is not and will not be, a direct beneficiary of such arrangements, which arrangements are in any event subject to change without the consent of the Issuer. See "The Management Agreement" and "The Collateral Manager".

Taxes on the Issuer. The Issuer expects that payments received on the Collateral Debt Securities, Eligible Investments, U.S. Agency Securities, and the Hedge Agreements generally will not be subject to withholding taxes imposed by the United States or other countries from which such payments are sourced. Those payments, however, might become subject to U.S. or other withholding tax due to a change in law or other causes. Payments with respect to any Equity Securities likely will be subject to withholding taxes imposed by the United States or other countries from which such payments are sourced. The imposition of unanticipated withholding taxes or tax on the Issuer's net income could materially impair the Issuer's ability to pay principal of and interest on the Notes and dividends or return of capital in respect of the Preference Shares.

Withholding on the Offered Securities. The Issuer expects that payments of principal and interest by the Issuer in respect of 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 of principal or interest in respect of the Notes or distributions or return of capital in respect of the Preference Shares is required by law in any jurisdiction, neither Co-Issuer shall be under any obligation to make any additional payments to the holders of any Notes in respect of such withholding or deduction.

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

Tax Treatment of Holders of Class C Notes and Preference Shares. Because the Issuer will be a passive foreign investment company, a U.S. person holding Preference Shares may be subject to additional taxes unless it elects to treat the Issuer as a qualified electing fund and to recognize currently its proportionate share of the Issuer's income. A U.S. Holder that makes a QEF election may recognize income in amounts significantly greater than the distributions received from the Issuer. The Issuer also may be a controlled foreign corporation or a foreign personal

holding company, in which case U.S. persons holding Preference Shares could be subject to different tax treatments. See "Income Tax Considerations".

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

*Tax Treatment of Combination Securities.* The Indenture requires that Holders and the Issuer agree to treat the Combination Securities for U.S. Federal income tax purposes as direct ownership of (i) in the case of the Class C-1 Combination Securities, the Class C-1 Notes and Preference Shares constituting the Class C-1 Note Component and the Class C-1 Preference Share Component, and (ii) in the case of the Class P Combination Securities, the Preference Shares constituting the Class P Preference Share Component and the Class P Note. Additionally, the Indenture requires Holders of the Class P Note to treat the Class P Note as direct ownership of the Class P Underlying Note. Thus, prospective purchasers of the Combination Notes should review the discussions in this Offering Circular of the tax treatment of the Class C-1 Notes, Preference Shares and Class P Underlying Note, as the case may be.

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

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

With respect to the purchasers of Offered Securities on the Closing Date (each, an "Original Purchaser"), (a) each Original Purchaser of Notes and each transferee of a Note will be deemed to represent and (or, if required by the Indenture, a transferee will be required to certify) either that (i) it is not (and, for so long as it holds any Note, will not be), acting on behalf of, an employee benefit plan subject to Title I of ERISA, a plan subject to Section 4975 of the Code or a governmental or church plan subject to any Similar Law or (ii) its purchase and ownership of such Note will be covered by a prohibited transaction class exemption issued by the United States Department of Labor

(or, in the case of a governmental or church plan, will not result in a violation of any Similar Law) and (b) each Original Purchaser and each transferee of a Preference Share or Combination Security will be required to certify whether or not it is a Benefit Plan Investor or a Controlling Person. Each such Original Purchaser or Combination Security 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 or Combination Securities 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 or Combination Security after the Closing Date may be a Benefit Plan Investor.

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

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

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

*Combination Securities.* For additional risk factors specific to the Combination Securities, see "Description of the Combination Securities—Risk Factors".

*Certain Considerations Relating to the Cayman Islands.* The Issuer is an exempted company organized under the laws of the Cayman Islands. As a result, it may not be possible for purchasers of the Offered Securities to effect service of process upon the Issuer within the United States or to enforce against the Issuer in United States courts judgments predicated upon the civil liability provisions of the securities laws of the United States. The Issuer has been advised by Walkers, its legal advisor in the Cayman Islands, that the United States and the Cayman Islands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters and that a final judgment for the payment of money rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon United States securities laws, would, therefore, not be automatically enforceable in the Cayman Islands and there is doubt as to the enforceability in the Cayman Islands, in original actions or in actions for the enforcement of judgments of the United States courts, of liabilities predicated solely upon United States securities laws. The Issuer will appoint CT Corporation, 111 Eighth Avenue, 13th Floor, New York, New York 10011 as its agent in New York for service of process.

*Listing of the Preference Shares.* Application will be made to the Irish Stock Exchange for the Preference Shares to be admitted to the Daily Official List. However, the EU Transparency Obligations Directive (the "Directive"), when implemented, may impose additional burdens on the Issuer as a result of the admission of the Preference Shares to the Daily Official List. In particular, the Issuer may be required to prepare its financial statements in accordance with International Financial Reporting Standards for accounting periods beginning on the date of the adoption of the Directive in Ireland which is currently expected to occur in July 2005. The Preference

Share Agency Agreement provides that, in the event the Issuer is required under the Directive to prepare financial statements in accordance with International Financial Reporting Standards because of the continued listing of the Preference Shares on the Irish Stock Exchange, the Issuer may elect to terminate the listing of the Preference Shares on the Irish Stock Exchange (in which event the Issuer will use reasonable efforts to seek a replacement listing on a stock exchange outside the European Union that is a member of the International Federation of Stock Exchanges and is organized or incorporated in a state that is a member of the Organization for Economic Cooperation and Development, so long as obtaining or maintaining a listing on such stock exchange does not require the Issuer to restate their accounts and is not otherwise unduly burdensome on the Issuer). Although no assurance is made as to the liquidity of the Preference Shares as a result of listing on the Irish Stock Exchange, delisting the Preference Shares from the Irish Stock Exchange may have a material effect on a holder's ability to resell Preference Shares in the secondary market.



## 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 9062 Old Annapolis Road, Columbia, Maryland 21045 or in Ireland at NCB Stockbrokers Limited, 3 George's Dock, International Financial Services Centre, Dublin 1, Ireland if and for so long as any Notes are listed on the Irish Stock Exchange.*

### Status and Security

The Notes will be limited-recourse debt obligations of the Co-Issuers. All of the Class A-1 Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-2 Notes are entitled to receive payments *pari passu* among themselves, all of the Class B Notes are entitled to receive payments *pari passu* among themselves and all of the Class C Notes are entitled to receive payments *pari passu* among themselves. Except as otherwise described in the Priority of Payments, the relative order of seniority of payment of each Class of Notes on each Distribution Date is as follows: *first*, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes and, *fourth*, Class C Notes, with (a) each Class of Notes (other than the Class C Notes) in such list being "Senior" to each other Class of Notes that follows such Class of Notes in such list and (b) each Class of Notes (other than the Class A-1 Notes) in such list being "Subordinate" to each other Class of Notes that precedes such Class of Notes in such list. No payment of interest on any Class or Sub-Class of Notes will be made until all accrued and unpaid interest on the Notes of each Class that is Senior to such Class or Sub-Class and that remain outstanding has been paid in full. Except as otherwise described herein, no payment of principal of any Class or Sub-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 or Sub-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 on the Notes will be made solely from the proceeds of the Collateral, in accordance with the priorities described under "—Priority of Payments" herein. If the amounts received in respect of the Collateral (net of certain expenses) are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency and, following liquidation of all the Collateral, the obligations of the Co-Issuers to pay any such deficiency will be extinguished.

### Interest

The Class A-1 Notes will bear interest at a floating rate per annum equal to LIBOR (determined as described herein) plus 0.36%. The Class A-2 Notes will bear interest at a floating rate per annum equal to LIBOR (determined as described herein) plus 0.65%. The Class B Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.88%. The Class C-1 Notes will bear interest at a floating rate per annum equal to LIBOR plus 2.90%. The Class C-2 Notes will bear interest at a fixed rate per annum equal to 7.375%. Interest on the Class A Notes, Class B Notes and Class C-1 Notes (collectively, the "Floating Rate Notes") will be computed on the basis of a 360-day year and the actual number of days elapsed. Interest on the Class C-2 Notes will be computed on the basis of a 360-day year consisting of twelve 30-day months.

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

Payments of interest on the Notes will be payable in U.S. dollars quarterly in arrears on each March 3, June 3, September 3 and December 3, commencing December 3, 2004 (each a "Distribution Date"), *provided that*

(i) the final Distribution Date with respect to the Notes shall be September 3, 2039, (ii) if any such date is not a Business Day, the relevant Distribution Date will be the next succeeding Business Day and (iii) in the case of the Class P Combination Securities only, "Distribution Date" means the Business Day immediately following the Distribution Date with respect to the Notes determined in accordance with the foregoing.

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

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

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

#### Definitions

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

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

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

(ii) If, on any LIBOR Determination Date, such rate does not appear on Telerate Page 3750 (or such other page as may replace such Telerate Page 3750 for the purpose of displaying comparable rates), the Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks to prime banks in the London interbank market for Dollar deposits in Europe of three months (except that in the case where such Interest Period shall commence on a day that is not a LIBOR Business Day, for the relevant term commencing on the next following LIBOR Business Day), by reference to requests for quotations as of approximately 11:00 a.m. (London time) on such LIBOR Determination Date

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

(iii) In respect of any Interest Period having a Designated Maturity other than three months, LIBOR shall be determined through the use of straight-line interpolation by reference to two rates calculated in accordance with clauses (i) and (ii) above, one of which shall be determined as if the maturity of the Dollar deposits referred to therein were the period of time for which rates are available next shorter than the Interest Period and the other of which shall be determined as if 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 Wells Fargo Bank, National Association, 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 (i) for the first Interest Period, the number of calendar days from, and including the Closing Date to, but excluding, the first Distribution Date, (ii) for each Interest Period after the first Interest Period (other than the Interest Period ending September 2039), three months and (iii) for the Interest Period ending September 2039, the number of calendar days from, and including, the first day of such Interest Period to, but excluding, the final Distribution Date.

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

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

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

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

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

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

## **Principal**

The Stated Maturity ("Stated Maturity") of the Notes is September 3, 2039. Each Class of Notes is scheduled to mature at the applicable Stated Maturity unless redeemed or repaid prior thereto. However, the Notes may be paid in full prior to their Stated Maturity. See "Risk Factors—Average Lives, Duration and Prepayment Considerations" and "Maturity, Prepayment and Yield Considerations". Any payment of principal with respect to any Class of Notes (including any payment of principal made in connection with an Optional Redemption, Auction Call Redemption or Tax Redemption) will be made by the Trustee on a *pro rata* basis on each Distribution Date among the Notes of such Class according to the respective unpaid principal amounts thereof outstanding immediately prior to such payment. The Trustee shall, so long as any Class of Notes is listed on the Irish Stock Exchange, notify the Irish Stock Exchange not later than the second Business Day preceding each Distribution Date of the amount of principal payments to be made on the Notes of each Class on such Distribution Date, the amount of any Class C Deferred Interest, the aggregate outstanding principal amount of the Notes of each Class and the percentage of the original aggregate outstanding principal amount of the Notes of such Class after giving effect to the principal payments, if any, on such Distribution Date.

Payments of principal may be made on the Notes prior to the last day of the Reinvestment Period only in the following circumstances (subject, in each case, to the Priority of Payments): (a) upon the failure of the Issuer to meet any Coverage Test applicable to any Class of Notes, (b) in the event of a Rating Confirmation Failure, (c) in connection with a Tax Redemption, (d) for the payment of Class C Deferred Interest, (e) if on any Distribution Date the Preference Shareholders have received an annualized Dividend Yield of 14% per annum, as provided in paragraph (13) under the heading "Description of the Notes—Priority of Payments—Interest Proceeds" and (f) if the Collateral Manager directs the Trustee to apply Principal Proceeds to redeem Notes in accordance with paragraph (7) under the heading "Description of the Notes—Priority of Payments—Principal Proceeds". After the Reinvestment Period, Principal Proceeds will be applied on each Distribution Date in accordance with the Priority of Payments to pay principal of each Class of Notes in accordance with the Priority of Payments.

## **Mandatory Redemption**

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

In addition, the Issuer will notify each Rating Agency, the Trustee and each Hedge Counterparty in writing (each notice a "Ramp-Up Notice") of the occurrence of the date that is the earlier of (a) 90 days following the Closing Date and (b) the first day on which the aggregate par amount of the Collateral Debt Securities held by the Issuer, together with the aggregate amount of unpaid interest accrued thereon prior to the respective dates of purchase thereof, is at least equal to U.S.\$500,000,000 (such date, the "Ramp-Up Completion Date") within seven days after the Ramp-Up Completion Date occurs. The Issuer will request that each Rating Agency notify the Issuer within 30 days after receipt of a Ramp-Up Notice and confirm that it has not reduced or withdrawn the rating (including private or confidential ratings, if any) assigned by it on the Closing Date to any Class of Notes (a "Rating Confirmation"). In the event that the Issuer is unable to obtain a Rating Confirmation prior to the earlier of (i) the first Determination Date and (ii) the date that is 20 days after the Ramp-Up Completion Date (a "Rating Confirmation Failure"), (A) the Issuer will be required on the first Distribution Date to apply, *first*, Uninvested Proceeds, *then*, to the extent that the application of Uninvested Proceeds is insufficient, Interest Proceeds, *then*, to the extent that the application of Uninvested Proceeds and Interest Proceeds is insufficient, Principal Proceeds, to the repayment of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes and, *fourth*, the Class C Notes, in accordance with the Priority of Payments and as and to the extent necessary to obtain a Rating Confirmation from each Rating Agency and (B) each Transaction under a USD Hedge Agreement (as defined therein) will be subject to partial termination on the first Distribution Date in respect of a portion of the Notional Amount (as defined in such USD Hedge Agreement) of such Transaction specified by the Rating Agencies in order to obtain a Rating Confirmation and the then outstanding Notional Amount (as defined in the Confirmation to such USD Hedge Agreement) will be reduced to reflect such partial termination in accordance with such Confirmation.

If, on any Distribution Date, the Preference Shareholders have received distributions on the Preference Shares sufficient to achieve an annualized Dividend Yield of 14% per annum, any excess amount of Interest Proceeds will be applied to pay principal of the Class C Notes until the Class C Notes have been paid in full.

On any Distribution Date prior to the last day of the Reinvestment Period, the Collateral Manager may, in its sole discretion, direct the Issuer to apply all or any portion of Principal Proceeds that would otherwise be available for reinvestment in Collateral Debt Securities to the redemption of the Class A-1 Notes or, if no Class A-1 Notes remain outstanding, the Class A-2 Notes or, if no Class A-2 Notes remain outstanding, the Class B Notes or, if no Class B Notes remain outstanding, the Class C Notes.

## **Auction Call Redemption**

In accordance with the procedures set forth in the Indenture (the "Auction Procedures"), the Trustee shall, at the expense of the Issuer, conduct an auction (an "Auction") of the Collateral Debt Securities if, on or prior to the Distribution Date occurring in September 2013, the Notes have not been redeemed in full. The Auction shall be conducted not later than ten Business Days prior to (1) the Distribution Date occurring in September 2013 and (2) if the Notes are not redeemed in full on the prior Distribution Date, each Distribution Date thereafter until the Notes have been redeemed in full (each such date, an "Auction Date"). Any of the Collateral Manager, the Preference Shareholders, the Trustee or their respective Affiliates may, but shall not be required to, bid at the Auction. The Trustee shall sell and transfer all of the Collateral Debt Securities (which may be divided into up to eight subpools) to the highest bidder therefor (or the highest bidder for each subpool) at the Auction *provided* that:

- (i) the Auction has been conducted in accordance with the Auction Procedures;
- (ii) the Trustee has received bids for the Collateral Debt Securities (or for each of the related subpools) from at least two prospective purchasers (including the highest bidder) identified on a list of qualified bidders (such bidders, "Qualified Bidders") provided by the Collateral Manager to the Trustee in accordance with the Indenture;
- (iii) the Collateral Manager certifies that the highest bids would result in the sale of all of the Collateral Debt Securities (or the related subpools constituting all of the Collateral Debt Securities) for a purchase price (paid in cash) which together with the balance of all Eligible Investments and cash held by the Issuer (other than Eligible Investments and cash held in the Class P Account, any Hedge Counterparty Collateral Account, any Synthetic Security Counterparty Account, any Asset Funding Reserve Account and any Synthetic Security Issuer Account) will be at least equal to the Total Senior Redemption Amount; and
- (iv) the highest bidder(s) enter(s) into a written agreement with the Issuer (which the Issuer shall execute if the conditions set forth above and in the Indenture are satisfied, which execution shall constitute certification by the Issuer that such conditions have been satisfied) that obligates the highest bidder (on the highest bidder for each subpool) to purchase all of the Collateral Debt Securities (or the relevant subpool) and provides for payment in full (in cash) of the purchase price to the Trustee on or prior to the sixth Business Day following the relevant Auction Date.

*Provided* that all of the conditions set forth in clauses (i) through (iv) above 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, interest due on or prior to such date, *provided* payment in respect thereof shall have been made to the Holders of the Notes or duly provided for 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 sufficient to ensure that the Preference Shareholders shall have received at least the Target Return (or such lesser amount as is agreed by the Preference Shareholders holding 100% of the Preference Shares at such time) on the Distribution Date immediately following the relevant Auction Date (such redemption, the "Auction Call Redemption").

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

### **Optional Redemption and Tax Redemption**

Subject to certain conditions described herein, the Issuer may redeem the Notes on any Distribution Date (such redemption, an "Optional Redemption"), in whole but not in part, at the direction of a Majority-in-Interest of Preference Shareholders at the applicable Redemption Price therefor (exclusive of installments of principal and interest due on or prior to such date, provided payment of such amounts shall have been made or duly provided for, to the holders of the Notes as provided in the Indenture), *provided* that no such Optional Redemption may be effected prior to the Distribution Date occurring in September 2008.

In addition, upon the occurrence of a Tax Event and so long as the Tax Materiality Condition is satisfied, the Issuer may redeem the Notes (such redemption, a "Tax Redemption") on any Distribution Date, in whole but not in part, at the applicable Redemption Price therefor (i) at the direction of the holders of a majority in aggregate

outstanding principal amount of any Class of Notes that, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and interest payable to such Class on any Distribution Date (each such Class, an "Affected Class") or (ii) at the direction of a Majority-in-Interest of Preference Shareholders.

No Optional Redemption, Tax Redemption or Auction Call Redemption may be effected, however, unless proceeds from the sale of Collateral Debt Securities and Eligible Investments, together with all cash credited to the Interest Collection Account, the Principal Collection Account, the Uninvested Proceeds Account, the Interest Reserve Account, the Expense Account, the Interest Equalization Account, the Hedge Termination Receipt Account, the Hedge Replacement Receipt Account and the Payment Account on the relevant Distribution Date, at least equal the aggregate amount (such amount, the "Total Senior Redemption Amount") necessary on such Distribution Date to:

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

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

(c) make a payment to the Preference Share Paying Agent for distribution to the Preference Shareholders in an amount sufficient to ensure that the Preference Shareholders (i) in the case of an Optional Redemption or Tax Redemption, shall receive at least the aggregate liquidation preference on all outstanding Preference Shares on the scheduled Redemption Date (prior to giving effect to any distribution in respect of Preference Shares on the scheduled Redemption Date, but without duplication thereof) or (ii) in the case of an Auction Call Redemption, shall have received at least the Target Return on the scheduled Redemption Date (or, in each case, such lesser amount as is agreed by the Preference Shareholders holding 100% of the Preference Shares at such time).

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

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

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

The "Tax Materiality Condition" will be satisfied during any 12-month period if the sum of the following exceeds U.S.\$4,000,000: (i) the aggregate amount deducted or withheld for or on account of any tax by all obligors

(including any Synthetic Security Counterparty) from any payment under any Collateral Debt Security (net of any gross-up payment made by such obligor or Synthetic Security Counterparty to the Issuer) and (ii) the aggregate amount of any net income, profits or similar tax imposed on the Issuer and (iii) the aggregate of any amounts required to be paid by the Issuer, and the deficiencies in the amounts received by the Issuer, in each case as a result of any deduction or withholding for or on account of any tax with respect to any payment by the Issuer or any Hedge Counterparty under a Hedge Agreement.

### **Redemption Procedures**

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

The Notes may not be redeemed pursuant to an Optional Redemption or Tax Redemption unless at least four Business Days before the scheduled Redemption Date, the Collateral Manager shall have furnished to the Trustee evidence, in form satisfactory to the Trustee, that the Collateral Manager on behalf of the Issuer has entered into a binding agreement or agreements with a financial institution or institutions whose long-term unsecured debt obligations (other than such obligations whose rating is based on the credit of a person other than such institution) have a credit rating from each Rating Agency at least equal to the rating of the Notes or whose short-term unsecured debt obligations have a credit rating of "P-1" by Moody's (and, if rated "P-1", are not on watch for possible downgrade by Moody's), "A-1" by Standard & Poor's and "F1" by Fitch to sell, not later than the Business Day immediately preceding the scheduled Redemption Date, in immediately available funds, all or part of the Collateral Debt Securities at a purchase price, when added to all Eligible Investments maturing on or prior to the scheduled Redemption Date credited to the Interest Collection Account, the Principal Collection Account, the Uninvested Proceeds Account, the Interest Reserve Account, the Expense Account, the Interest Equalization Account, the Hedge Termination Receipt Account, the Hedge Replacement Receipt Account and the Payment Account on the relevant Distribution Date, will equal or exceed the Total Senior Redemption Amount.

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

### **Redemption Price**

The price payable with respect to any Note (the "Redemption Price") in connection with any Auction Call Redemption, Optional Redemption or Tax Redemption will be (i) an amount (determined without duplication) equal to (a) the aggregate outstanding amount of such Note being redeemed plus (b) accrued and unpaid interest (including



Defaulted Interest and accrued, unpaid and uncapitalized interest on Defaulted Interest, if any) thereon or (ii) any lesser amount agreed to in writing by the holder of such Note.

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

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

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

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

### **Priority of Payments**

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

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

- (1) to the payment of taxes and filing and registration fees owed by the Co-Issuers, if any;
- (2) (a) *first*, to the payment to the Trustee an amount not to exceed 0.005% of the Quarterly Asset Amount (adjusted, in the case of the Quarterly Asset Amount with respect to the first Distribution Date, to reflect the portion of a year represented by the initial Interest Period), (b) *second*, to the payment, in the following order, to the Trustee, Collateral Administrator, the Preference Share Paying Agent, the Paying Agents, the Note Registrar and the Administrator of accrued and unpaid fees, expenses and indemnification amounts owing to them under the Indenture, the Collateral Administration Agreement, the Preference Share Agency Agreement and the Administration Agreement, as applicable; (c) *third*, to the payment of other accrued and unpaid administrative expenses of the Co-Issuers (excluding fees and expenses described in clause (a) of this paragraph (2), the Collateral Management Fee, Incentive Collateral Management Fee and principal of and interest on the Notes but including other amounts for which the Collateral Manager may claim reimbursement pursuant to the Management Agreement); *provided* that all payments made pursuant to clauses (b) and (c) of this paragraph (2) do not exceed on such Distribution Date an amount equal to the greater of (x) U.S.\$150,000 and (y) the lesser of (I) U.S.\$75,000 and (II) 0.01% of the Net Outstanding Portfolio Collateral Balance for the related Due Period (such amount, the "Administrative Expenses Threshold"); and (d) *fourth*, after application of the amounts under clauses (b) and (c) of this paragraph (2), if the balance of all Eligible Investments and cash in the Expense Account on the related Determination Date is less than U.S.\$150,000, for deposit to the Expense Account of an amount equal to the lesser of (x) the amount by which the Administrative Expenses Threshold exceeds the aggregate amount of payments made under clauses (b) and (c) of this paragraph (2) on such 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.\$150,000;
- (3) to the payment to the Collateral Manager of accrued and unpaid Senior Collateral Management Fee;
- (4) to the payment of any Issuer Interest Exchange Amounts and Issuer Hedge Termination Payments (together with any accrued interest thereon, but excluding any Defaulted Hedge Termination Payments other than Defaulted Hedge Termination Payments arising as a result of a "Termination Event" caused by a "Tax Event" or "Illegality" (each as defined in the relevant Hedge Agreement)) but only to the extent such amounts have not already been paid from (a) in the case of the Issuer Interest Exchange Amounts, funds available in the applicable Due Period in the Euro Collection Sub-Accounts or Sterling Collection Sub-Accounts or (b) in the case of the Issuer Hedge Termination Payments, funds available in the applicable Due Period in the Hedge Replacement Receipt Account;
- (5) to the payment of accrued and unpaid interest on, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes and *third*, the Class B Notes (including Defaulted Interest and any interest thereon);
- (6) (a) if either Class A/B Coverage Test is not satisfied on the related Determination Date and if any Class A Note or Class B Note remains outstanding, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes and, *third*, the Class B Notes, until each of the Class A/B Coverage Tests is satisfied or each such Class is paid in full, and (b) on the first Distribution Date, if a Rating Confirmation Failure has occurred and is continuing and the Issuer is unable to obtain a Rating Confirmation after the application of Uninvested Proceeds to pay principal of the Notes, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes and, *third*, the Class B Notes to the extent necessary in order to obtain a Rating Confirmation with respect to the Class A-1 Notes, Class A-2 Notes and Class B Notes;

- (7) to the payment of accrued and unpaid interest with respect to the Class C Notes (including Defaulted Interest and interest thereon, if any, but excluding any Class C Deferred Interest);
- (8) (a) if either Class C Coverage Test is not satisfied on the related Determination Date and if any Notes remain outstanding, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes and, *fourth*, the Class C Notes until each of the Class C Coverage Tests is satisfied or each such Class is paid in full and (b) on the first Distribution Date, if a Rating Confirmation Failure has occurred and is continuing, in the event that the Issuer is unable to obtain a Rating Confirmation after the application of Uninvested Proceeds to pay principal of the Notes, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes and, *fourth*, the Class C Notes, to the extent necessary in order to obtain a Rating Confirmation with respect to the Class A-1 Notes, Class A-2 Notes, Class B Notes and Class C Notes;
- (9) to the payment of Class C Deferred Interest (in reduction of the principal amount of the Class C Notes);
- (10) to the payment of all other accrued and unpaid administrative expenses of the Co-Issuers (including any accrued and unpaid fees and expenses owing to the Trustee, the Preference Share Paying Agent, the Paying Agents, the Collateral Administrator, the Note Registrar and the Administrator under the Indenture, the Collateral Administration Agreement, the Preference Share Agency Agreement and the Administration Agreement but excluding any Subordinated Collateral Management Fee and any Incentive Collateral Management Fee) not paid pursuant to paragraph (2) above (whether as the result of the limitations on amounts set forth therein or otherwise) and in the same order of priority as specified in paragraph (2) above;
- (11) to the payment to the Collateral Manager of accrued and unpaid Subordinate Collateral Management Fee;
- (12) to the payment to the Collateral Manager of Incentive Collateral Management Fee (if any);
- (13) until the Class C Notes have been paid in full, to the Preference Share Paying Agent for distribution to the Preference Shareholders in an amount up to the amount necessary for the Preference Shareholders to achieve on such Distribution Date an annualized Dividend Yield of 14% per annum;
- (14) to the payment of principal of the Class C Notes until the Class C Notes have been paid in full; and
- (15) to the Preference Share Paying Agent for distribution to the Preference Shareholders as a dividend on the Preference Shares or as a payment on redemption or repurchase of the Preference Shares as provided in the Issuer Charter.

Notwithstanding anything to the contrary contained herein, if any Issuer Interest Exchange Amount or Issuer Hedge Termination Payment (together with any accrued interest thereon, but excluding any Defaulted Hedge Termination Payment other than any Defaulted Hedge Termination Payment arising as a result of a "Termination Event" caused by a "Tax Event" or "Illegality" (each as defined in the relevant Hedge Agreement)) is due and payable to a Hedge Counterparty under the related Hedge Agreement (after giving effect to the netting provisions thereof), the Trustee shall (x) *first*, set aside an amount out of Interest Proceeds standing to the credit of the Interest Collection Account that is sufficient to pay all amounts that have accrued but remain unpaid on such date and will be payable as described under this Description of the Notes—Priority of Payments—Interest Proceeds under paragraphs (1), (2) and (3) on the next succeeding Distribution Date and (y) *second*, transfer to the Payment Account from the Interest Collection Account any Interest Proceeds standing to the credit of the Interest Collection Account that have not been set aside pursuant to the foregoing clause (x) to make such payment to such Hedge Counterparty on the date required under such Hedge Agreement.

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

- (1) to the payment of the amounts referred to in paragraphs (1) to (5) under "Priority of Payments—Interest Proceeds" above in the same order of priority specified therein, but only to the extent not paid in full thereunder;
- (2) after giving effect to any application of Interest Proceeds pursuant to paragraph (6) under "Priority of Payments—Interest Proceeds", (a) if either Class A/B Coverage Test is not satisfied on the related Determination Date and if any Class A Notes or Class B Notes remain outstanding, *first*, to the payment of principal of the Class A-1 Notes, *second*, to the payment of principal of the Class A-2 Notes and, *third*, to the principal of the Class B Notes until each of the Class A/B Coverage Tests is satisfied or each such Class is paid in full and (b) on the first Distribution Date, if a Rating Confirmation Failure has occurred and is continuing, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes and, *third*, the Class B Notes, to the extent necessary in order to obtain a Rating Confirmation;
- (3) on or after the last day of the Reinvestment Period, to the payment of principal of (a) *first*, the Class A-1 Notes until the Class A-1 Notes have been paid in full and (b) *second*, the Class A-2 Notes until the Class A-2 Notes have been paid in full;
- (4) on or after the last day of the Reinvestment Period, to the payment of principal of the Class B Notes, until the Class B Notes have been paid in full;
- (5) so long as no Class A Notes or Class B Notes are outstanding, to the payment of the amounts referred to in paragraph (7) under "Priority of Payments—Interest Proceeds", but only to the extent not paid in full thereunder;
- (6) after giving effect to any application of Interest Proceeds pursuant to paragraph (8) under "Priority of Payments – Interest Proceeds", (a) if either Class C Coverage Test is not satisfied on the related Determination Date and if any Notes remain outstanding, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes and, *fourth*, the Class C Notes, until each of the Class C Coverage Tests is satisfied or each such Class is paid in full, and (b) on the first Distribution Date, if a Rating Confirmation Failure has occurred and is continuing, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes and, *fourth*, the Class C Notes, to the extent necessary in order to obtain a Rating Confirmation;
- (7) prior to the last day of the Reinvestment Period, to the Principal Collection Account to be held therein as "Principal Proceeds" deemed received during the Due Period related to the next succeeding Distribution Date (and invested in Eligible Investments pending application thereof to acquire additional Collateral Debt Securities in accordance with the Eligibility Criteria set forth in the Indenture), *provided* that, on any Distribution Date prior to the last day of the Reinvestment Period, the Collateral Manager, in its sole discretion, may direct the Issuer to apply all or a portion of the Principal Proceeds remaining on such Distribution Date after the payment of all amounts payable pursuant to paragraphs (1) through (6) above to the payment of principal of the Class A-1 Notes, or, if no Class A-1 Notes remain outstanding, the Class A-2 Notes, or, if no Class A-2 Notes remain outstanding, the Class B Notes or, if no Class B Notes remain outstanding, the Class C Notes;
- (8) on or after the last day of the Reinvestment Period, to the payment of principal of the Class C Notes (including any Class C Deferred Interest) until the Class C Notes have been paid in full;
- (9) on or after the last day of the Reinvestment Period, to the payment of amounts referred to in paragraphs (10), (11) and (12) under "Priority of Payments — Interest Proceeds" in the same order of priority therein, but only to the extent not paid thereunder; and

- (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 as provided in the Issuer Charter.

On the first Distribution Date, if a Rating Confirmation Failure has occurred, Uninvested Proceeds will be applied in accordance with the Priority of Payments to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes and *fourth*, the Class C Notes, to the extent specified by each Rating Agency in order to obtain a Rating Confirmation. In addition, if on any Distribution Date Interest Proceeds and Principal Proceeds are insufficient to pay the amounts referred to in clause (a) of paragraphs (2) and (6) of "Priority of Payments — Principal Proceeds", above, the Issuer will use Uninvested 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 Distribution Date, the amount available in the Payment Account from amounts received in the related Due Period are insufficient to make the full amount of the disbursements required by any paragraph in this section to different Persons, the Trustee will make the disbursements called for by each such paragraph ratably in accordance with the respective amounts of such disbursements then due and payable to the extent funds are available therefor. Any payment of principal of the Class C Notes shall be deemed to be applied first to the portion of principal constituting Class C Deferred Interest.

Any amounts to be paid to the Preference Share Paying Agent pursuant to paragraph (13) or (15) of the "Priority of Payments—Interest Proceeds" or paragraph (10) of the "Priority of Payments—Principal Proceeds" will be released from the lien of the Indenture.

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

### **Certain Definitions**

"Adjusted Interest Only Security Cash Flow" means, with respect to the interest rate payable on a Qualifying Interest Only Security for any period: (a) the sum of the products obtained with respect to each underlying class of securities from which such Qualifying Interest Only Security derives its cash flows that is rated at least "Baa3" by Moody's (each, for the purposes of this definition, a "qualifying class") by multiplying (i) the excess, if any, of (x) the weighted average (determined on the basis of the stated principal balances of the respective loans) of the fixed interest rates (net of annualized servicing and trustee fees) of all loans collateralizing all securities from which such Qualifying Interest Only Security derives its cash flows over (y) the applicable rate of interest paid on such qualifying class by (ii) the outstanding certificate balance of such qualifying class multiplied by (b) a fraction, the numerator of which is the notional amount of such Qualifying Interest Only Security and the denominator of which is the aggregate notional amount of all Interest Only Securities issued by the same issuer that derive their cash flow from the same pool of securities.

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

"Affiliate" or "Affiliated" means, with respect to a specified entity, (a) any other entity who, directly or indirectly, is in control of, or controlled by, or is under common control with, such entity or (b) any other entity who is a director, officer, employee, member or general partner of (1) such entity or (2) any such other entity described in clause (a) above. For the purposes of this definition, control of a entity means the power, direct or indirect, (i) to vote more than 50% of the securities having ordinary voting power for the election of directors of such entity or (ii) to direct or cause the direction of the management and policies of such entity whether by contract or otherwise; provided that no other special purpose company to which the Administrator provides directors and acts as share trustee shall be an Affiliate of the Issuer.

"Applicable Recovery Rate" means, with respect to any Collateral Debt Security (in the case of a Moody's Rating or Standard & Poor's Rating) or any Defaulted Security or Deferred Interest PIK Bond (in the case of a Fitch Rating) 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 (i) if the Collateral Debt Security is a Guaranteed Corporate Debt Security, the recovery rate will be 30%, (ii) 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), (iii) in the case of any Hedged Non-USD Collateral Debt Security, the recovery rate will be (A) the recovery rate determined in accordance with the foregoing provisions of this clause (a) multiplied by (B) the applicable Moody's Non-USD Recovery Rate Percentage and (iv) if such Collateral Debt Security is a Catastrophe Bond, Reclassified Security or Synthetic Security, such amount shall be the applicable recovery rate percentage specified by Moody's with respect to such Collateral Debt Security on or prior to the date of acquisition or reclassification (as the case may be) thereof by the Issuer;

(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 at the time of issuance thereof and (z) in the column in such table below the then current rating of the most senior Class of Notes outstanding; *provided* that, (i) if such Collateral Debt Security is a Guaranteed Corporate Debt Security, such amount shall be 37% and (ii) if such Collateral Debt Security is a Catastrophe Bond, Reclassified Security or Synthetic Security, such amount shall be the applicable recovery rate percentage specified by Standard & Poor's with respect to such Collateral Debt Security on or prior to the date of acquisition or reclassification (as the case may be) thereof by the Issuer; and

(c) an amount equal to the Fitch Recovery Rate for such Collateral Debt Security.

"Benchmark Rate" means (a) with respect to Floating Rate Collateral Debt Securities or Deemed Floating Rate Collateral Debt Securities, the offered rate for Dollar deposits in Europe of three months that appears on Telerate Page 3750 (or such other page as may replace such Telerate Page 3750 for the purpose of displaying comparable rates), as of 11:00 a.m. (London time) on the second London Banking Day preceding the date of acquisition of such Collateral Debt Securities and (b) with respect to Fixed Rate Collateral Debt Securities or Deemed Fixed Rate Collateral Debt Securities, the yield reported, as of 10:00 a.m. (New York City time) on the second Business Day preceding the date of acquisition of such Collateral Debt Securities, on the display designated as "Page 678" on the Telerate Access Service (or such other display as may replace Page 678 on Telerate Access Service) for actively traded U.S. Treasury securities having a maturity equal to the Weighted Average Life of such Collateral Debt Securities on such date of acquisition.

"Calculation Amount" means, with respect to any Defaulted Security or Deferred Interest PIK Bond at any time, the lesser of (a) the fair market value as determined in accordance with the provisions of the Indenture in U.S. Dollars of such Defaulted Security or Deferred Interest PIK Bond and (b) the Applicable Recovery Rate multiplied by the principal balance of such Defaulted Security or Deferred Interest PIK Bond; *provided* that with respect to any Defaulted Security or Deferred Interest PIK Bond that is a Non-USD Collateral Debt Security, the Trustee shall

convert the fair market value as determined in accordance with the provisions of the Indenture, principal balance or interest amount obtained for purposes of the foregoing calculation and denominated in euros or Sterling into U.S. Dollars at, in the case of Hedged Non-USD Collateral Debt Securities, the applicable FX Rate in the relevant Non-USD Hedge Agreement and, in the case of Unhedged Non-USD Collateral Debt Securities, the prevailing U.S. Dollar/euro or U.S. Dollar/Sterling foreign exchange rates at any time on the date of determination.

"Class A-1 Overcollateralization Ratio" means, 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 aggregate outstanding principal amount of the Class A-1 Notes.

"Class A/B Overcollateralization Test" means, for so long as any Class A Notes or Class B Notes remain Outstanding, a test satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class A/B Overcollateralization Ratio on such Measurement Date is equal to or greater than 103.80%.

"Class C Overcollateralization Test" means, a test satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class C Overcollateralization Ratio on such Measurement Date is equal to or greater than 101.50%.

"Current Interest Rate" means, as of any date of determination, (i) with respect to any Collateral Debt Security which is a Fixed Rate Collateral Debt Security, the stated rate at which interest accrues on such Fixed Rate Collateral Debt Security and (ii) with respect to any Collateral Debt Security which is a Deemed Fixed Rate Collateral Debt Security, the Deemed Fixed Spread plus the Deemed Fixed Rate, each related to such Deemed Fixed Rate Collateral Debt Security.

"Current Spread" means, as of any date of determination, (i) with respect to any USD Collateral Debt Security which is a Floating Rate Collateral Debt Security, the stated spread above or below LIBOR at which interest accrues on such Floating Rate Collateral Debt Security, (ii) with respect to any Collateral Debt Security which is a Deemed Floating Rate Collateral Debt Security, the Deemed Floating Rate plus the Deemed Floating Spread, each related to such Deemed Floating Rate Collateral Debt Security and (iii) with respect to any Unhedged Floating Rate Non-USD Collateral Debt Security, the stated spread above EURIBOR or Sterling LIBOR (as the case may be and, in each case determined pursuant to the Underlying Instruments with respect to the relevant Collateral Debt Securities) at which interest accrues on such Unhedged Floating Rate Non-USD Collateral Debt Security as of such date (or if such date is not also a Determination Date, as of the most recent Determination Date). For purposes of this definition, in the case of any Floating Rate Collateral Debt Security (other than any Unhedged Floating Rate Non-USD Collateral Debt Security) that does not bear interest at a rate expressed as a stated spread above or below LIBOR, the stated spread to LIBOR relating to such Floating Rate Collateral Debt Security shall be calculated on any Measurement Date by the Collateral Manager in its sole judgment on behalf of the Issuer by subtracting LIBOR (as determined on the most recent LIBOR Determination Date) from the interest rate payable on such Floating Rate Collateral Debt Security.

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

"Deemed Fixed Rate" means a rate equal to the fixed rate that the related Hedge Counterparty agrees to pay on a Deemed Fixed Rate Hedge Agreement at the time such agreement is executed.

"Deemed Fixed Rate Collateral Debt Security" means a Floating Rate Collateral Debt Security the interest rate of which is hedged into a Fixed Rate Collateral Debt Security pursuant to the terms of a Deemed Fixed Rate Hedge Agreement.

"Deemed Fixed Rate Hedge Agreement" means, with respect to a Floating Rate Collateral Debt Security, an interest rate swap having a notional amount (or scheduled notional amounts) equal to the principal balance (as it may be reduced by expected amortization) of such Floating Rate Collateral Debt Security.

"Deemed Fixed Spread" means the spread over LIBOR on each Floating Rate Collateral Debt Security that comprises a Deemed Fixed Rate Collateral Debt Security (excluding all Defaulted Securities and Deferred Interest PIK Bonds) less the amount of such spread, if any, required to be paid to the related Hedge Counterparty. For

purposes of this definition, in the case of any Floating Rate Collateral Debt Security that does not bear interest at a rate expressed as a stated spread above or below LIBOR, the stated spread to LIBOR relating to such Floating Rate Collateral Debt Security shall be calculated on any Measurement Date by the Collateral Manager in its sole judgment on behalf of the Issuer by subtracting LIBOR (as determined on the most recent LIBOR Determination Date) from the interest rate payable on such Floating Rate Collateral Debt Security.

"Deemed Floating Rate" means the floating rate in excess of LIBOR or such other floating rate index as applicable that the related Hedge Counterparty agrees to pay on a Deemed Floating Rate Hedge Agreement at the time such agreement is executed.

"Deemed Floating Rate Collateral Debt Security" means a Fixed Rate Collateral Debt Security the interest rate of which is hedged into a Floating Rate Collateral Debt Security pursuant to the terms of a Deemed Floating Rate Hedge Agreement.

"Deemed Floating Rate Hedge Agreement" means, with respect to a Fixed Rate Collateral Debt Security, an interest rate swap having a notional amount (or scheduled notional amounts) equal to the principal balance (as it may be reduced by expected amortization) of such Fixed Rate Collateral Debt Security.

"Deemed Floating Spread" means the difference between the stated rate at which interest accrues on each Fixed Rate Collateral Debt Security that comprises a Deemed Floating Rate Collateral Debt Security (excluding all Defaulted Securities and Deferred Interest PIK Bonds) and the Fixed Payment Rate.

"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.

"Defaulted Hedge Termination Payment" means, with respect to any Hedge Agreement, any amount payable by the Issuer to a Hedge Counterparty upon termination of such Hedge Agreement in whole following the occurrence of (a) an event of default in respect of which the Hedge Counterparty was the sole "Defaulting Party" or (b) a termination event in respect of which the Hedge Counterparty is the sole "Affected Party" (in each case, as such terms are defined in such Hedge Agreement).

"Defaulted Hedge Termination Receipt" means, with respect to any Hedge Agreement, any amount payable by a Hedge Counterparty to the Issuer upon termination of a Hedge Agreement in whole following the occurrence of (a) an event of default thereunder under which the Hedge Counterparty was the sole "Defaulting Party" or (b) a termination event in respect of which the Hedge Counterparty is the sole "Affected Party" (in each case, as such terms are defined in such Hedge Agreement).

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

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

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



"Fixed Payment Rate" means the fixed rate that the Issuer agrees to pay to the related Hedge Counterparty under a Deemed Floating Rate Hedge Agreement at the time such agreement is executed.

"Fixed Rate Collateral Debt Security" any Collateral Debt Security other than (i) a Floating Rate Collateral Debt Security and (ii) a Deemed Floating Rate Collateral Debt Security

"Fixed Rate USD Collateral Debt Security" means any USD Collateral Debt Security that is a Fixed Rate Collateral Debt Security.

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

"Floating Rate USD Collateral Debt Security" means any USD Collateral Debt Security that is a Floating Rate Collateral Debt Security.

"FX Rate" means, with respect to any Non-USD Hedge Agreement, the U.S. Dollar/Sterling (in the case of a Non-USD Hedge Agreement related to a Sterling Collateral Debt Security) or U.S. Dollar/euro (in the case of a Non-USD Hedge Agreement related to a Euro Collateral Debt Security) currency exchange rate identified as the "FX Rate" in such Non-USD Hedge Agreement.

"Hedge Counterparty Interest Exchange Amount" means, with respect to any Hedge Agreement, each interim and final exchange amount (whether or not scheduled) in the nature of interest payable to the Issuer by the applicable Hedge Counterparty under such Hedge Agreement.

"Hedge Counterparty Principal Exchange Amount" means, with respect to any Hedge Agreement, each interim and final exchange amount (whether or not scheduled) in the nature of principal payable to the Issuer by the applicable Hedge Counterparty under such Hedge Agreement.

"Hedge Counterparty Termination Payment" means, with respect to any Hedge Agreement, the amount payable by the relevant Hedge Counterparty to the Issuer upon termination or modification of such Hedge Agreement and unpaid amounts as described therein.

"Hedge Replacement Payment" means, with respect to any Hedge Agreement terminated in whole but not in part, any amount payable to the related Hedge Counterparty by the Issuer upon entry into a replacement Hedge Agreement therefor (if any).

"Hedge Replacement Receipt" means, with respect to any Hedge Agreement terminated in whole but not in part, any amount payable to the Issuer by the related Hedge Counterparty upon entry into a replacement Hedge Agreement therefor (if any).

"Hedged Non-USD Collateral Debt Security" means a Non-USD Collateral Debt Security with respect to which the related Non-USD Hedge Agreement remains in full force and effect.

"Interest Proceeds" means, with respect to any Due Period, the sum (without duplication) of: (1) all payments of interest on the Collateral Debt Securities (other than Defaulted Securities, Deferred Interest PIK Bonds and Written Down Securities) and any scheduled payments in respect of Synthetic Securities in the nature of interest payments or similar fixed payments, in each case received in cash by the Issuer during such Due Period (excluding accrued interest included in Principal Proceeds pursuant to paragraph (8) of the definition of "Principal Proceeds"); (2) all accrued interest received in cash by the Issuer with respect to Collateral Debt Securities sold by the Issuer (excluding sale proceeds received in respect of Defaulted Securities, Deferred Interest PIK Bonds and Written Down Securities and accrued interest included in Principal Proceeds pursuant to paragraph (8) of the definition of Principal Proceeds); (3) all payments of interest (including any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) on Eligible Investments or U.S. Agency Securities in the Collection Accounts, the Hedge Termination Receipt Account, the Hedge Replacement Receipt Account, the Interest Equalization Account, the Uninvested Proceeds Account, any Synthetic Security Counterparty Account and any

Asset Funding Reserve Account received in cash by the Issuer during such Due Period and all payments of principal, including repayments, on Eligible Investments purchased with amounts from the Interest Collection Account received by the Issuer during such Due Period; (4) all amendment and waiver fees, all late payment fees, and all other fees and commissions received in cash by the Issuer during such Due Period in connection with such Collateral Debt Securities, Eligible Investments and U.S. Agency Securities (other than fees and commissions received in respect of Defaulted Securities, Deferred Interest PIK Bonds and Written Down Securities and yield maintenance payments included in Principal Proceeds pursuant to paragraph (9) of the definition thereof); (5) all payments received in cash by the Issuer pursuant to any Hedge Agreement in respect of Hedge Counterparty Interest Exchange Amounts (but excluding any Hedge Replacement Receipts, Defaulted Hedge Termination Receipts and Hedge Counterparty Termination Payments); (6) all amounts credited to the Expense Account and the Interest Reserve Account that are transferred to the Payment Account for application as Interest Proceeds as described below under "Security for the Notes—The Accounts—Expense Account" and "Security for the Notes—The Accounts—Interest Reserve Account", respectively and ); and (7) all amounts credited to any Reclassified Security Account that are transferred to the Interest Collection Account for application as Interest Proceeds described below under "Security for the Notes—Reclassified Securities"; *provided* that (a) Interest Proceeds shall in no event include (i) any payment or proceeds specifically defined as "Principal Proceeds" in the definition thereof or (ii) the U.S.\$1,000 of capital contributed by the owners of the ordinary shares of the Issuer in accordance with the Issuer Charter and U.S.\$1,000 representing a profit fee to the Issuer, (b) in the case of a Hedged Non-USD Collateral Debt Security, to the extent that any of the amounts described in clauses (1), (2) and (4) above constitute Issuer Interest Exchange Amounts, such amounts shall not constitute "Interest Proceeds" for purposes of this definition and (c) in the case of an Unhedged Non-USD Collateral Debt Security, to the extent that any of the amounts described in clauses (1), (2) and (4) above are paid to the Issuer in euros or Sterling, the Trustee shall promptly convert such amounts into U.S. Dollars at, respectively, the prevailing U.S. Dollar/euro or U.S. Dollar/Sterling spot exchange rate at the time of such conversion and such converted amounts shall only constitute "Interest Proceeds" for purposes of this definition upon receipt by the Issuer of the applicable U.S. Dollar amount.

"Inverse Floating Rate Security" means any floating rate security whose interest rate is inversely or otherwise not proportionally related to an interest rate index.

"Issuer Hedge Termination Payment" means, with respect to any Hedge Agreement, the amount payable to the related Hedge Counterparty by the Issuer upon termination or modification of such Hedge Agreement and unpaid amounts as described therein.

"Issuer Interest Exchange Amount" means, with respect to any Hedge Agreement, each interim and final exchange amount (whether or not scheduled) in the nature of interest payable to the applicable Hedge Counterparty by the Issuer under such Hedge Agreement.

"Issuer Principal Exchange Amount" means, with respect to any Hedge Agreement, each interim and final exchange amount (whether or not scheduled) in the nature of principal payable to the applicable Hedge Counterparty by the Issuer under such Hedge Agreement and resulting in a corresponding reduction in the notional amount thereof.

"Maximum Defaulted Sale Period", with respect to any Non-USD Hedge Agreement, will have the meaning specified in such Non-USD Hedge Agreement.

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

"Moody's Non-USD Recovery Rate Percentage means, with respect to any Hedged Non-USD Collateral Debt Security, an amount equal to the applicable percentage assigned by Moody's to the applicable Maximum Defaulted Sale Period under the Non-USD Hedge Agreement relating to such Non-USD Collateral Debt Security.

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

"Non-USD Hedge Agreement" means a Hedge Agreement relating to a specific Non-USD Collateral Debt Security (which may have an interest rate component and/or a cross currency component).

"PIK Bond" means (a) any Collateral Debt Security that, pursuant to the terms of the related Underlying Instruments, permits the payment of interest thereon to be deferred and capitalized as additional principal thereof or that issues identical securities in place of payments of interest in cash and (b) to the extent not already constituting a "PIK Bond" pursuant to the foregoing clause (a), any CBO/CLO Security that, pursuant to the terms of the related Underlying Instruments, is expressed to be "Deferrable".

"Principal Proceeds" means, with respect to any Due Period, the sum (without duplication) of: (1) any Uninvested Proceeds credited to the Uninvested Proceeds Account on the last day of the Reinvestment Period; (2) all payments of principal of the Collateral Debt Securities and Eligible Investments (including principal payments received in respect of any Synthetic Security Collateral to the extent no longer subject to the security interest of the applicable Synthetic Security Counterparty) received in cash by the Issuer during such Due Period including prepayments made by the issuer thereof prior to the scheduled maturity date thereof or mandatory sinking fund payments, and payments in respect of redemptions, exchange offers, tender offers, recoveries on Defaulted Securities, Deferred Interest PIK Bonds and Written Down Securities (other than Uninvested Proceeds and payments of principal of Eligible Investments acquired with Interest Proceeds), the proceeds of a sale of any Equity Security and any amounts received as a result of redemptions, exchange offers, tender offers for any Equity Security received in cash by the Issuer during such Due Period and any other payments or prepayments made by the issuers of Collateral Debt Securities or Eligible Investments prior to the scheduled maturity date therefor; (3) sale proceeds received in cash by the Issuer during such Due Period (including, without limitation, as a result of the sale of any Credit Improved Security, Credit Risk Security or Equity Security but excluding those sale proceeds included in Interest Proceeds as defined above); (4) all payments of principal on Eligible Investments purchased with amounts from the Principal Collection Account or the Uninvested Proceeds Account (excluding any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) received in cash by the Issuer during such Due Period; (5) all amendment, waiver, late payment fees and other fees and commissions received in cash by the Issuer during such Due Period in respect of Defaulted Securities, Deferred Interest PIK Bonds and Written Down Securities; (6) all payments received in cash by the Issuer pursuant to any Hedge Agreement in respect of any Hedge Counterparty Principal Exchange Amounts and Hedge Replacement Receipts (excluding any Defaulted Hedge Termination Receipt and any Hedge Counterparty Termination Payment, but including the balance of all Eligible Investments standing to the credit of the Hedge Termination Receipt Account and/or the Hedge Replacement Receipt Account, to the extent transferred to the Principal Collection Account in the circumstances described below under "Security for the Notes—The Accounts—Hedge Termination Receipt Account and Hedge Replacement Receipt Account"); (7) all payments received in cash by the Issuer during such Due Period that represent call, prepayment or redemption premiums; (8) all payments of interest received in cash by the Issuer during such Due Period to the extent that they represent accrued interest purchased with Principal Proceeds; (9) all yield maintenance payments received in cash by the Issuer during such Due Period; (10) all amounts credited to any Reclassified Security Account that are transferred to the Principal Collection Account for application as Principal Proceeds below under "Security for the Notes—Reclassified Securities"; (11) all payments of interest on Defaulted

Securities, Deferred Interest PIK Bonds and Written Down Securities received in cash by the Issuer during such Due Period and any other payments in respect thereof not addressed in clauses (1) through (9) above received in cash by the Issuer during such Due Period; and (11) all other payments received in connection with the Collateral Debt Securities and Eligible Investments that are not included in Interest Proceeds; *provided* that (a) in no event shall Principal Proceeds include the U.S.\$1,000 of capital contributed by the owners of the ordinary shares of the Issuer in accordance with the Issuer Charter or U.S.\$1,000 representing a profit fee to the Issuer, (b) in the case of a Hedged Non-USD Collateral Debt Security, to the extent that any of the amounts described in clauses (2), (3), (5), (7), (8), (9) and (11) above constitute Issuer Principal Exchange Amounts, such amounts shall not constitute "Principal Proceeds" for purposes of this definition and (c) in the case of an Unhedged Non-USD Collateral Debt Security, to the extent that any of the amounts described in clauses (2), (3), (5), (7), (8), (9) and (11) above are paid to the Issuer in euros or Sterling, the Trustee shall promptly convert such amounts into U.S. Dollars at, respectively, the prevailing U.S. Dollar/euro or U.S. Dollar/Sterling spot exchange rate at the time of such conversion and such converted amounts shall only constitute "Principal Proceeds" for purposes of this definition upon receipt by the Issuer of the applicable U.S. Dollar amount.

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

"Ramp-Up Period" means the period from, and including, the Closing Date to, and including, the Ramp-Up Completion Date.

"Reinvestment Period" means the period from and including the Closing Date and ending on the first to occur of (i) the Distribution Date immediately following the date that the Collateral Manager (with the written consent of a Majority-in-Interest of Preference Shareholders) notifies the Trustee and each Hedge Counterparty that, in light of the composition of the Collateral Debt Securities included in the Collateral, general market conditions and other factors, the Collateral Manager (in its sole discretion) has determined that investments in additional Collateral Debt Securities within the foreseeable future would either be impractical or not beneficial; (ii) the Distribution Date occurring in September 2008; and (iii) the termination of the Reinvestment Period as a result of the occurrence of an Event of Default. The other factors referred to in clause (i) above would include any change in U.S. Federal tax law requiring tax to be withheld on payments to the Issuer with respect to obligations or securities held by the Issuer.

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

"Unhedged Floating Rate Non-USD Collateral Debt Security" means an Unhedged Non-USD Collateral Debt Security that is a Floating Rate Collateral Debt Security.

"Unhedged Non-USD Collateral Debt Security" means a Non-USD Collateral Debt Security with respect to which the related Hedge Agreement has been terminated and no replacement therefor has been entered into as described in "Security for the Notes—Hedge Agreements".

"Uninvested Proceeds" means, at any time, the net proceeds received by the Issuer on the Closing Date from the initial issuance of the Offered Securities to the extent such proceeds have not been deposited in the Expense Account, the Interest Reserve Account, an Asset Funding Reserve Account, a Reclassified Security Account or a Synthetic Security Counterparty Account or invested in Collateral Debt Securities, in each case in accordance with the terms of the Indenture.

"USD Hedge Agreement" means a Hedge Agreement relating to all or part of the pool of USD Collateral Debt Securities held by the Issuer (which shall only have an interest rate component).

## Principal Balance of Collateral Debt Securities

For purposes of determining the Net Outstanding Portfolio Collateral Balance with respect to the application of the Overcollateralization Tests to the Priority of Payments, the principal balance of certain types of Collateral Debt Securities will be adjusted to reflect haircut percentages that satisfy the criteria of the Rating Agencies. The principal balance of any Non-USD Collateral Debt Security will be deemed to refer to an amount in U.S. Dollars equal to (A) the notional amount outstanding under the Non-USD Hedge Agreement related to such Collateral Debt Security as of such date multiplied by (B) the FX Rate under such Non-USD Hedge Agreement, as adjusted to reflect any applicable haircut percentage.

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

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

### The Class A/B Overcollateralization Test:

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

The "Class A/B Overcollateralization Test" will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class A/B Overcollateralization Ratio as of such Measurement Date is equal to or greater than 103.80%.

### The Class C Overcollateralization Test:

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

The "Class C Overcollateralization Test" will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class C Overcollateralization Ratio on such Measurement Date is equal to or greater than 101.50%.

The Interest Coverage Tests:

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

(a) the sum (without duplication) of (i) the scheduled interest payments due (in each case, regardless of whether the due date for any such interest payment has occurred) in the Due Period in which such Measurement Date occurs on (x) the Collateral Debt Securities (other than Interest Only Securities that are not Qualifying Interest Only Securities) and (y) any Eligible Investments held in the Accounts (other than amounts held in the Class P Account or any Hedge Counterparty Collateral Account that are then due and payable to the related Hedge Counterparty (whether such Eligible Investments were purchased with Interest Proceeds or Principal Proceeds), each Synthetic Security Counterparty Account (net of any amounts in such Synthetic Security Counterparty Account then payable to the Synthetic Security Counterparty) and each Asset Funding Reserve Account (net of any amounts in such Asset Funding Reserve Account then payable to the issuer of the related Collateral Debt Security or the related Synthetic Counterparty) plus (ii) any fees actually received by the Issuer during such Due Period that constitute Interest Proceeds plus (iii) all Hedge Counterparty Interest Exchange Amounts (other than, solely with respect to any Non-USD Hedge Agreement, any final exchange amounts payable in connection with the termination of such Non-USD Hedge Agreement), if any, that have been paid during the relevant Due Period or are scheduled to be paid to the Issuer by the Hedge Counterparties under the Hedge Agreements on the Distribution Date relating to such Due Period plus (iv) with respect to each Unhedged Non-USD Collateral Debt Security, all payments in respect of interest under such Unhedged Non-USD Collateral Debt Security that have been paid during the relevant Due Period but only to the extent that such payments have been converted into, and received on or prior to such Measurement Date in, Dollars for the purposes of this calculation by the Trustee at the prevailing Dollar/Sterling or Dollar/euro (as applicable) spot exchange rate plus (v) the amount released from the Interest Equalization Account for deposit into the Interest Collection Account with respect to such Due Period as described under "Security for the Notes—Accounts—Interest Equalization Account" minus (vi) scheduled distributions of interest on Semi-Annual Pay Securities and Annual Pay Securities due in such Due Period required to be deposited into the Interest Equalization Account as described under "Security for the Notes—Accounts—Interest Equalization Account" minus (vii) the amount, if any, scheduled to be paid with respect to the payment of taxes and filing and registration fees owed by the Co-Issuers on the Distribution Date relating to such Due Period minus (viii) the aggregate amount, if any, scheduled to be applied on the Distribution Date relating to such Due Period under paragraphs (2) (excluding sub-clause (d) thereof), (3) and (4) under "Priority of Payments—Interest Proceeds" (to the extent not already deducted pursuant to any other clause of this definition); by

(b) an amount equal to (i) in the case of the Class A/B Interest Coverage Ratio, the scheduled interest on the Class A Notes and Class B Notes (including any Defaulted Interest thereon and any accrued interest on such Defaulted Interest) payable on the Distribution Date immediately following such Measurement Date relating to such Due Period or (ii) in the case of the Class C Interest Coverage Ratio, the scheduled interest on the Class A Notes, the Class B Notes and the Class C Notes (including any Defaulted Interest, interest on Defaulted Interest and interest on Class C Deferred Interest, but excluding any Class C Deferred Interest) payable on the Distribution Date immediately following such Measurement Date relating to such Due Period except, in each case, to the extent attributable to any Hedge Counterparty Interest Exchange Amounts that constitute final exchange amounts payable in connection with the termination of the related Hedge Agreement.

For the purpose of determining compliance with any Interest Coverage Test, there will be excluded all scheduled payments (whether of principal, interest, fees or other amounts), including payments due to the Issuer, in respect of any Defaulted Security or Deferred Interest PIK Bond, as to which the Collateral Manager, in its sole

discretion, has determined will not be made in cash or will not be received when due. For purposes of calculating any Interest Coverage Ratio, (i) the expected interest income on Floating Rate Collateral Debt Securities, Eligible Investments, U.S. Agency Securities and under each Hedge Agreement, and the expected interest payable on the Notes will be calculated using the interest rates applicable thereto on the applicable Measurement Date, (ii) accrued original issue discount on Eligible Investments or U.S. Agency Securities will be deemed to be a scheduled interest payment thereon due on the date such original issue discount is scheduled to be paid, (iii) it will be assumed that no principal payments are made on the Notes during the applicable periods and (iv) it will be assumed that the interest rate used to determine an interest payment on a Qualifying Interest Only Security that has not yet been received in cash by the Issuer shall constitute the Adjusted Interest Only Security Cash Flow with respect to such Qualifying Interest Only Security.

"Qualifying Interest Only Securities" means an Interest Only Security having a Moody's Rating of "Aaa", a Fitch Rating of "AAA" and a Standard & Poor's Rating of "AAA".

The "Class A/B Interest Coverage Test" will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class A/B Interest Coverage Ratio as of such Measurement Date is equal to or greater than (a) during the period to and including the first Determination Date, 110% and (b) thereafter, 115%.

The "Class C Interest Coverage Test" will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class C Interest Coverage Ratio as of such Measurement Date is equal to or greater than (a) during the period to and including the first Determination Date, 105% and (b) thereafter, 110%.

#### **No Gross-Up**

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

#### **The Indenture**

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

##### Events of Default

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

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

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

(iii) the failure on any Distribution Date to disburse amounts available in the Interest Collection Account or Principal Collection Account in accordance with the order of priority set forth above under "—Priority of Payments" (other than a default in payment described in clause (i) or (ii) above), which failure continues for a period of three Business Days (or, in the case of a failure resulting solely from an

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

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

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

(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 Moody's or Fitch may specify) and which remain unstayed, undischarged and unsatisfied for 30 days after such judgment(s) becomes nonappealable, unless adequate funds have been reserved or set aside for the payment thereof, and unless (except as otherwise specified in writing by each Rating Agency) the Rating Condition shall have been satisfied.

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

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

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

(A) the Trustee determines that the anticipated net proceeds of a sale or liquidation of such Collateral would be sufficient to discharge in full the amounts then due and unpaid on the Notes for



principal and interest (including Class C Deferred Interest and Defaulted Interest and interest on Defaulted Interest, if any) and all due and unpaid administrative expenses, and any accrued and unpaid amounts payable by the Issuer pursuant to the Hedge Agreements, including termination payments, if any (assuming, for this purpose, that the relevant Hedge Agreements have been terminated by reason of an event of default or termination with respect to the Issuer); or

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

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

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

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

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

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

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

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

#### Notices

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

#### Modification of the Indenture

With the consent of (x) the holders of not less than a majority in aggregate outstanding principal amount of the outstanding Notes of each Class materially and adversely affected thereby and a Majority-in-Interest of Preference Shareholders (if the Preference Shares are materially and adversely affected thereby) and (y) each Hedge Counterparty materially and adversely affected thereby delivered by each such Hedge Counterparty to the Trustee and the Co-Issuers, the Trustee and Co-Issuers may enter into one or more supplemental indentures to add provisions to, or change in any manner or eliminate any provisions of, the Indenture or modify in any manner the rights of the holders of the Notes of such Class or the Preference Shares or the Hedge Counterparties, as the case may be, under the Indenture. Unless notified by holders of a majority in aggregate outstanding principal amount of any Class of Notes, a Majority-in-Interest of Preference Shareholders or any Hedge Counterparty that such Class of Notes, the Preference Shares or such Hedge Counterparty, as the case may be, will be materially and adversely affected by such change, the Trustee may, consistent with an officer's certificate of the Issuer or an opinion of counsel provided by and at the expense of the party seeking such amendment, determine whether or not such Class of Notes, the Preference Shares or any Hedge Counterparty would be materially and adversely affected by such change (after giving notice of such change to the holders of such Class of Notes, the Preference Shareholders and each Hedge Counterparty). Such determination shall be conclusive and binding on all present and future holders of the Notes, the Preference Shareholders and the Hedge Counterparties.

Notwithstanding the foregoing, the Trustee may not enter into any supplemental indenture without the consent of each holder of each outstanding Note of each Class and each Preference Shareholder (which consent shall be evidenced by an officer's certificate of the Issuer certifying that such consent has been obtained) and each Hedge Counterparty (if, with respect to any particular Hedge Counterparty, such supplemental indenture could reasonably be expected to have a material adverse effect on the interests of such Hedge Counterparty under the related Hedge Agreement or under the Indenture) if such supplemental indenture (i) changes the Stated Maturity of the principal of or the due date of any installment of interest on any Note, reduces the principal amount thereof or the rate of interest thereon, or the redemption price with respect thereto, changes the earliest date on which the Issuer may redeem any Note, changes the provisions of the Indenture relating to the application of proceeds of any Collateral to the payment of principal of or interest on the Notes, changes any place where, or the coin or currency in which, any Note or the principal thereof or interest thereon is payable, or impairs the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the applicable redemption date), (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 the aggregate outstanding amount of holders of Notes of each Class whose consent is required for any action or to provide that other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby, (vii) modifies the definition of the term "Outstanding" or the subordination or priority of payments provisions of the Indenture, (viii) changes the permitted minimum denominations of any Class of Notes, (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 on or principal of any Note or the right of the holders of Notes to the benefit of any provisions for the redemption of such Notes contained therein or (x) amends the "non-petition" or "limited recourse" provisions of the Indenture or the Notes. The Trustee may not enter into any supplemental indenture unless the Rating Condition shall have been satisfied with respect to such supplemental indenture; *provided* that the Rating Condition shall be deemed to have been satisfied with respect to a supplemental indenture if the consent of each adversely affected holder of Notes has been obtained with respect thereto.

The Co-Issuers and the Trustee may also enter into supplemental indentures without obtaining the consent of holders of any Notes, the Preference Shareholders or the Hedge Counterparties in order to (i) evidence the succession of any person to the Issuer or the Co-Issuer and the assumption by such successor of the covenants in the Indenture and the Notes, (ii) add to the covenants of the Co-Issuers or the Trustee for the benefit of the holders of all of the Notes or to surrender any right or power conferred upon the Co-Issuers, (iii) convey, transfer, assign, mortgage or pledge any property to the Trustee for the benefit of the Secured Parties, (iv) evidence and provide for the acceptance of appointment by a successor trustee and to add to or change any of the provisions of the Indenture as shall be necessary to facilitate the administration of the trusts under the Indenture by more than one Trustee, (v) correct or amplify the description of any property at any time subject to the lien created by the Indenture, or to better assure, convey and confirm unto the Trustee any property subject or required to be subject to the lien created by the Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations) or to subject to the lien created by the Indenture any additional property, (vi) modify the restrictions on and procedures for resales and other transfers of the Notes to reflect any changes in applicable law or regulation (or the interpretation thereof) or in accordance with the USA PATRIOT Act, the Proceeds of Criminal Conduct Law (2001 Revision) (enacted in the Cayman Islands), The Money Laundering Regulations, 2000 (of the Cayman Islands) and any other similar applicable laws or regulations or to enable the Co-Issuers to rely upon any less restrictive exemption from registration under the Securities Act or the Investment Company Act or to remove restrictions on resale and transfer to the extent not required thereunder, (vii) correct any inconsistency, defect or ambiguity in the Indenture, (viii) obtain ratings on one or more Classes of the Notes from any rating agency; (ix) accommodate (a) the issuance of Preference Shares or Combination Securities to be held through the facilities of DTC, Euroclear or Clearstream, Luxembourg or otherwise, (b) the listing of the Preference Shares or Combination Securities on, or delisting of the Preference Shares or Combination Securities from, any exchange, (c) the issuance of additional Preference Shares or Combination Securities or (d) the refinancing of the Preference Shares through the issuance by the Issuer of unsecured debt securities that by their terms are subordinated in all respects to the Notes; (x) make non-material administrative changes as the Co-Issuers deem appropriate, (xi) avoid the imposition of tax on the net income of the Issuer or the Co-Issuer or of withholding tax on any payment to the Issuer or the Co-Issuer or to avoid the Issuer or the Co-Issuer being required to register as an investment company under the Investment Company Act; (xii) accommodate the issuance of any Class of Notes as Definitive Notes, (xiii) modify the percentage limitations set forth in paragraphs (19) and (20) of the Eligibility Criteria, (xiv) correct any manifest error in any provision of the Indenture upon receipt by the Trustee of written direction from the Issuer describing in reasonable detail such error and the modification necessary to correct such error, (xv) conform the Indenture to this Offering Circular, (xvi) conform to any requirement for listing the Offered Securities on any stock exchange or (xvii) to accommodate the designation of a Collateral Debt Security as a Reclassified Security; *provided* that, in each such case, such supplemental indenture would not materially and adversely affect any holder of Notes, any Preference Shareholders or any Hedge Counterparty. Unless notified by (i) holders of a majority in aggregate outstanding principal amount of Notes of any Class or by a Majority-in-Interest of Preference Shareholders that such Class or Preference Shareholders will be materially and adversely affected by such change or (ii) any Hedge

Counterparty that such Hedge Counterparty will be materially and adversely affected by such change, the Trustee may rely upon an officer's certificate of the Issuer or an opinion of counsel, provided by and at the expense of the party requesting such supplemental indenture, as to whether the interests of any holder of Notes, Preference Shareholder or Hedge Counterparty would be materially and adversely affected by any such supplemental indenture (after giving notice of such change to each holder of Notes, Preference Shareholder and the Hedge Counterparties). The Trustee may not enter into any supplemental indenture described in clause (vi) or (vii) of this paragraph without the written consent of the Collateral Manager. In addition, the Trustee may not enter into any supplemental indenture without the written consent of the Collateral Manager if such supplemental indenture alters the material rights or obligations of the Collateral Manager in any respect, and the Collateral Manager will not be bound by any such supplemental indenture unless the Collateral Manager has consented thereto. The Trustee shall not enter into any such supplemental indenture if, with respect to such supplemental indenture, the Rating Condition would not be satisfied; *provided* that the Trustee may, with the consent of the holders of 100% of the aggregate outstanding amount of Notes of each affected Class, enter into any such supplemental indenture notwithstanding any such reduction or withdrawal of the ratings of any outstanding Class of Notes. If any of the Notes are then listed on the Irish Stock Exchange, the Trustee will cause notice of any supplemental indenture or modification to the Indenture to be delivered by the Irish Paying Agent to the Company Announcements Office of the Irish Stock Exchange.

#### Modification of Certain Other Documents

Prior to entering into any amendment to the Account Control Agreement, the Management Agreement, the Collateral Administration 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, the Hedge Counterparties and the Trustee with written notice of such waiver. The amendment to and waiver of provisions of the Management Agreement are also subject to additional restrictions as described herein under "Collateral Management—The Management Agreement". Each of the Hedge Counterparties will be an express third party beneficiary of the Indenture.

#### Consolidation, Merger or Transfer of Assets

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

#### Petitions for Bankruptcy

The Indenture provides that the holders of the Notes (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, each Hedge Agreement, the Collateral Administration Agreement, the Administration Agreement, the Irish Paying Agency Agreement and the Management Agreement.

#### Trustee

Wells Fargo Bank, National Association will be the Trustee under the Indenture. The Co-Issuers, the Collateral Manager and their respective Affiliates may maintain other banking relationships in the ordinary course of business with the Trustee. The payment of the fees and expenses of the Trustee is solely the obligation of the Co-Issuers. The Trustee and its Affiliates may receive compensation in connection with the investment of trust assets in certain Eligible Investments as provided in the Indenture. Eligible Investments may include investments

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

#### Tax Characterization

The Issuer intends to treat the Class A Notes, Class B Notes and Class C 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 Class A Note, Class B Note or Class C Note, agrees to such treatment, to report all income (or loss) in accordance with such treatment and not to take any action inconsistent with such treatment.

The Issuer intends to treat the Class A Notes, Class B Notes and Class C Notes, for U.S. Federal, state and local income tax purposes, as indebtedness of the Issuer only and not as obligations of the Co-Issuer. The Indenture will provide that each Combination Securityholders, by accepting a Combination Security, agrees to treat the Combination Securities as direct ownership of (a) in the case of the Class C-1 Combination Securities, the underlying Class C-1 Note Component and Class C-1 Preference Share Component and (b) in the case of the Class P Combination Securities, the underlying Class P Preference Share Component and Class P Note, in each case, for U.S. Federal, state and local income tax purposes. Further, the Indenture requires Holders of the Class P Note to treat the Class P Note as direct ownership of the Class P Underlying Note for U.S. Federal, state and local income tax purposes. Each Holder will further agree not to take any action inconsistent with such treatment and to report all income (or loss) in accordance with such treatment.

#### Governing Law

The Indenture, the Notes, the Preference Share Agency Agreement, the Collateral Administration Agreement, the Account Control Agreement, the Investor Application Forms, the Purchase Agreement, each Hedge Agreement and the 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 laws of the Cayman Islands.

## DESCRIPTION OF THE COMBINATION SECURITIES

### Class C-1 Combination Securities

The Co-Issuers will issue U.S.\$4,000,000 Class C-1 Combination Securities due December 3, 2039 (the "Class C-1 Combination Securities"). The Class C-1 Combination Securities will be issued by the Co-Issuers pursuant to the Indenture. The Class C-1 Combination Securities will consist of two components:

(1) a component initially consisting of U.S.\$1,500,000 aggregate original principal amount of the Class C-1 Notes allocable to, and represented by, the Combination Securities (the "Class C-1 Note Component"); and

(2) a component initially consisting of 2,500 Preference Shares (U.S.\$2,500,000 aggregate liquidation preference) allocable to, and represented by, the Class C-1 Combination Securities (the "Class C-1 Preference Share Component").

### Class P Combination Securities

The Issuer will issue U.S.\$4,000,000 Class P Combination Securities due December 3, 2039 (the "Class P Combination Securities"). The Class P Combination Securities will be issued by the Issuer pursuant to the Indenture. The Class P Combination Securities will consist of two components:

(1) a component initially consisting of a limited recourse pass-through note issued by the Issuer (the "Class P Note") which will be allocable to, and represented by, the Class P Combination Securities, and in respect of which recourse will be strictly limited to the proceeds of an underlying note (CUSIP 31358DDR) issued by the Federal National Mortgage Association (the "Class P Underlying Note") which will be credited to the Class P Account, and in respect of which no payments of interest will be made and a single scheduled payment of U.S.\$4,000,000 will be due at maturity on May 15, 2030 (the "Class P Underlying Note Redemption Date"); and

(2) a component initially consisting of 3,100 Preference Shares (U.S.\$3,100,000 aggregate liquidation preference) allocable to, and represented by, the Class P Combination Securities (the "Class P Preference Share Component" and, together with the Class C-1 Preference Share Component, the "Preference Share Components"; the Preference Share Components, the Class C-1 Note Component and the component of the Class P Combination Securities consisting of the Class P Note are referred to herein as the "Components").

### General

The aggregate principal amount of the Class C-1 Notes included in the Class C-1 Note Component is included in, and is not in addition to, the aggregate principal amount of the Class C-1 Notes issued by the Co-Issuers as described elsewhere in this Offering Circular. The Class C-1 Notes included in the Class C-1 Note Component will not be separately issued. The number of Preference Shares included in the Preference Share Components is included in, and is not in addition to, the number of Preference Shares issued by the Issuer as described elsewhere in this Offering Circular. The Preference Shares included in the Class C-1 Preference Share Component and the Class P Preference Share Component will not be separately issued and will be represented by the relevant certificates evidencing the Class C-1 Combination Securities and Class P Combination Securities, respectively.

Except as otherwise described in this section entitled "Description of the Combination Securities", the terms and conditions of the Combination Securities (including amounts due and payable thereunder) will be (a) with respect to the Class C-1 Note Component, the terms and conditions of the Class C-1 Notes, (b) with respect to the Preference Share Components, the terms and conditions of the Preference Shares and (c) with respect to the component of the Class P Combination Securities consisting of the Class P Note, the terms and conditions of the Class P Note. The Class P Note will not bear interest but will entitle the Holder thereof to any payments received by the Issuer in respect of the Class P Underlying Note as described below under "—Redemption of Class P Combination Securities".

## **Risk Factors**

General. An investment in the Combination Securities involves certain risks. In addition to the risks particular to Combination Securities described in the following two paragraphs, the risk of ownership of the Combination Securities will be (a) with respect to the Class C-1 Note Component, the risks of ownership of the Class C-1 Notes, (b) with respect to the Preference Share Components, the risks of ownership of the Preference Shares and (c) with respect to the component of the Class P Combination Securities consisting of the Class P Note, the risks of ownership of the Class P Note and, indirectly, the risk of ownership of the Class P Underlying Note.

Transfer of Components. Components are not separately transferable. See "—Exchange of Combination Securities for Underlying Components".

Limited Liquidity. There is currently no market for the Combination Securities. Although the Initial Purchaser may from time to time make a market in the Combination Securities, the Initial Purchaser is not under any obligation to do so. In the event that the Initial Purchaser commences any market-making, the Initial Purchaser may discontinue the same at any time. There can be no assurance that a secondary market for the Combination Securities will develop, or if a secondary market does develop, that it will provide the holders of the Combination Securities with liquidity of investment or that it will continue for the life of the Combination Securities. In addition, the Combination Securities are subject to certain transfer restrictions and can only be transferred to certain transferees as described under "—Form, Denomination, Registration and Transfer—Transfer and Exchange of Combination Securities". Consequently, an investor in the Combination Securities must be prepared to hold the Combination Securities for an indefinite period of time or until their Stated Maturity.

Listing of the Combination Securities. Application will be made to the Irish Stock Exchange for the Combination Securities to be admitted to the Daily Official List. However, the EU Transparency Obligations Directive (the "Directive"), when implemented, may impose additional burdens on the Issuer as a result of the admission of the Combination Securities to the Daily Official List. In particular, the Issuer may be required to prepare its financial statements in accordance with International Financial Reporting Standards for accounting periods beginning on or after January 1, 2005. The Indenture provides that, in the event the Issuer is required under the Directive to prepare financial statements in accordance with International Financial Reporting Standards because of the continued listing of the Combination Securities on the Irish Stock Exchange, the Issuer may elect to terminate the listing of the Combination Securities on the Irish Stock Exchange (in which event the Issuer will use reasonable efforts to seek a replacement listing on a stock exchange outside the European Union that is a member of the International Federation of Stock Exchanges and is organized or incorporated in a state that is a member of the Organization for Economic Cooperation and Development, so long as obtaining or maintaining a listing on such stock exchange does not require the Issuer to restate their accounts and is not otherwise unduly burdensome on the Issuer). Although no assurance is made as to the liquidity of the Combination Securities as a result of listing on the Irish Stock Exchange, delisting the Combination Securities from the Irish Stock Exchange may have a material effect on a holder's ability to resell Combination Securities in the secondary market.

## **Status and Security**

The Combination Securities are limited recourse obligations of the Issuer and (in the case of the Class C-1 Combination Securities) the Co-Issuer. The holders of the Combination Securities will be entitled to receive payments only to the extent that payments are made on the Class C-1 Notes included in the Class C-1 Note Component, the Class P Underlying Note (indirectly through the Class P Note) and the Preference Shares included in the Preference Share Components. All of the Combination Securities are entitled to receive payments *pari passu* among themselves.

The Class C-1 Combination Securities will be secured solely to the extent of the Class C-1 Note Component. The Class P Combination Securities will be secured solely to the extent of the Class P Collateral. The Preference Share Components will not be secured.

## Interest

The Combination Securities will not bear a stated rate of interest. The holders of Class C-1 Combination Securities will be entitled to receive all proceeds in respect of the Class C-1 Note Component and the Class C-1 Preference Share Component, if and to the extent that funds are available for such purposes as described below under "Payments". The holders of Class P Combination Securities will be entitled to receive all proceeds in respect of the Class P Note and Class P Preference Share Component, if and to the extent, funds are available for such purposes as described below under "Payments".

## Early Redemption

The Combination Securities will only be redeemed prior to their Stated Maturity when and in the same manner as the Preference Shares are redeemed (but will be redeemed in part to the extent of the early redemption of the Class C-1 Notes comprising the Class C-1 Note Component). Any proceeds of the early redemption of the Class C-1 Note Component, the Class C-1 Preference Share Component, the Class P Note or the Class P Preference Share Component will be paid to the holders of the applicable Combination Securities on the related Distribution Date to the extent of the ratable portion of such proceeds allocable to the Components. See (i) "Description of the Notes—Mandatory Redemption", "—Auction Call Redemption", "—Optional Redemption and Tax Redemption", "—Redemption Procedures" and "—Redemption Price" and (ii) "Description of the Preference Shares—Optional Redemption".

## Redemption

### Redemption of Class C-1 Combination Securities

The Class C-1 Combination Securities will be redeemed, (i) with respect to the Class C-1 Note Component, by allocation of payments in respect of the Class C-1 Notes to such Component and (ii) with respect to the Class C-1 Preference Share Component, by allocation of payments in respect of the Preference Shares to such Component. The Class C-1 Combination Securities will be fully redeemed when the Preference Shares constituting the Class C-1 Preference Share Component have been fully redeemed. The Class C-1 Combination Securities will be redeemed in the manner described for the Preference Shares under "Description of the Preference Shares—Optional Redemption".

### Redemption of Class P Combination Securities

The Trustee, with the assistance of the Collateral Manager, shall sell a fraction of the Class P Underlying Note determined by dividing the applicable Principal Amortization Amount by the aggregate principal amount payable in respect of the Class P Underlying Note at its maturity (or such lesser portion of the aggregate principal amount of the Class P Underlying Note as is required to comply with the minimum denomination requirements for the Class P Underlying Note). The Trustee shall, with the proceeds of such sale, redeem (in whole or in part) the Class P Note on each Distribution Date on which distributions have been paid on the Preference Shares that comprise the Class P Preference Share Component (a "Class P Quarterly Redemption") for the Quarterly Redemption Price. "Quarterly Redemption Price" means in the case of a Class P Quarterly Redemption, the amount of the proceeds of the sale of the Class P Underlying Note in connection with such redemption. In the event that the portion of the Class P Underlying Note sold by the Trustee as described above is an amount that is less than the applicable Principal Amortization Amount (the difference between the Principal Amortization Amount and such amount, expressed in Dollars, being the Class P Difference (the "Class P Difference"), the Trustee shall pay the amount of such Class P Difference to the Holders of the Class P Combination Securities *pro rata* in accordance with the aggregate principal amount of Class P Combination Securities held by them on the date of the next Class P Quarterly Redemption on which the Trustee shall be able to sell all or a portion of the Class P Underlying Note and make such payment without exceeding the relevant minimum denomination requirements of the Class P Underlying Note. No interest shall accrue on any amount of the Class P Difference. Notwithstanding the foregoing, the Holder of a Class P Combination Security shall have the right two Business Days prior to any Distribution Date to instruct the Trustee in writing either to (i) not sell the portion of the Class P Underlying Note relating to its Class P Combination Security and conduct a Class P Quarterly Redemption without the proceeds of such sale or (ii) sell a portion of the Class P Underlying Note relating to its Class P Combination Security in an amount that is less than



the Principal Amortization Amount and to redeem the Class P Note for an amount that is less than the Quarterly Redemption Price, but otherwise in accordance with the second sentence of this paragraph.

For purposes of the foregoing:

"Class P Collateral" means the Class P Underlying Note, any proceeds thereof and the Class P Account.

"Conversion Factor" means, on any date of determination, the market price for the Class P Underlying Note (as determined by the Trustee based on the second highest of three quotations obtained from three major market makers in the Class P Underlying Note (as identified to the Trustee by the Collateral Manager) and expressed as a percentage of the amount payable at maturity on the Class P Underlying Note).

"Principal Amortization Amount" means, on any Distribution Date, an amount equal to (x) the amount of distributions received on the Preference Shares included in the Class P Preference Share Component on such Distribution Date divided by (y) one minus the Conversion Factor as of such Distribution Date.

At any time, a Holder of a Class P Combination Security is entitled to exchange its Class P Combination Security for its ratable share of the Class P Collateral. If a Holder of such a security makes such an election, it shall surrender such Class P Combination Security to the Trustee, and the Trustee shall deliver to such Holder the appropriate portion of the Preference Shares constituting the Class P Preference Share Component and the Class P Underlying Note with appropriate documentation required for a transfer of the Preference Shares and Class P Underlying Note and the Class P Note shall be deemed to be redeemed in a corresponding principal amount.

On the Business Day following the date on which the Preference Shares in the Class P Preference Share Component shall have been redeemed in full, the Class P Note, if any, shall be redeemed "in kind" by the Issuer through the delivery of the Class P Underlying Note and any proceeds thereof to the Holders of the Class P Combination Securities (the "Final Class P Underlying Note Redemption") in which case the Class P Note shall be deemed to be redeemed in full; *provided* that the conditions specified in the Indenture are satisfied.

In the event of a Final Class P Underlying Note Redemption, the Issuer (or the Collateral Manager on behalf of the Issuer) shall at least one Business Day prior to the date of the applicable Final Class P Underlying Note Redemption notify the Trustee of such Final Class P Underlying Note Redemption and of the date of such redemption (the "Class P Underlying Note Redemption Date"). The Issuer shall direct the Trustee to deliver the Class P Underlying Note and any proceeds thereof to the Holders of the Class P Combination Securities on the relevant redemption date.

Notwithstanding anything to the contrary herein, following the redemption in full of the Class P Combination Securities out of the proceeds of the Class P Underlying Note, the holders of the Class P Combination Securities shall be entitled to receive any remaining Class P Collateral *pro rata* in accordance with the respective aggregate principal amounts of Class P Combination Securities held by such Holders immediately prior to such redemption.

If the Trustee is advised by any Holder of a Class P Combination Security that such Holder is not permitted under applicable law or otherwise to receive, or would otherwise be materially and adversely affected if it were to receive, the relevant portion of the Class P Underlying Note "in kind" and such Holder has not appointed a nominee permitted to hold the relevant portion of the Class P Underlying Note on such Holder's behalf or its nominee, or such Holder fails to complete any documentation required for a transfer of the relevant portion of the Class P Underlying Note, the Issuer will direct the Trustee to liquidate such Holder's portion of the Class P Underlying Note, in a sale arranged by the Collateral Manager, and such Holder's portion of the Class P Note will be redeemed from the net proceeds of such portion of the Class P Underlying Note and any other Class P Collateral allocable to such Holder. In order for the Holders of the Class P Combination Securities to obtain delivery of their respective portions of the Class P Underlying Note, each Holder must be an eligible transferee of the Class P Underlying Note pursuant to applicable law.

## Acts of Holders of Combination Securities

The holders of Class C-1 Combination Securities will be treated as holders of the Class C-1 Notes and the Preference Shares, to the extent of the Class C-1 Note Component and the Class C-1 Preference Share Component, as applicable, for purposes of any requests, demands, authorizations, directions, notices, consents, waivers or other actions under the Indenture (in the case of the Class C-1 Note Component) or the Issuer Charter and Preference Share Agency Agreement (in the case of the Class C-1 Preference Share Component). The holders of Class P Combination Securities will be treated as holders of the Preference Shares, to the extent of the Class P Preference Share Component, for purposes of any requests, demands, authorizations, directions, notices, consents, waivers or other actions under the Issuer Charter and Preference Share Agency Agreement. The holders of the Combination Securities will be entitled to vote, or to direct the voting of, the Components of such Combination Securities.

## Payments

On each Distribution Date on which payments, if any, are made on the Class C-1 Notes or the Preference Shares, portions of such payments will be allocated to the Combination Securities in the proportion that (1) in the case of the Class C-1 Combination Securities, the initial principal amount of the Class C-1 Notes represented by the Class C-1 Note Component bears to the principal amount of the Class C-1 Notes as a whole (including the Class C-1 Notes allocated to the Class C-1 Note Component) (such ratio, expressed as a percentage, the "Class C-1 Note Component Percentage"), (2) in the case of the Class C-1 Combination Securities, the number of Preference Shares represented by the Class C-1 Preference Share Component bears to the total number of Preference Shares (including the Preference Shares allocated to the Class C-1 Preference Share Component) (the "Class C-1 Preference Share Component Percentage"), (3) in the case of the Class P Combination Securities, the number of Preference Shares represented by the Class P Preference Share Component bears to the total number of Preference Shares (including the Preference Shares allocated to the Class P Preference Share Component) (the "Class P Preference Share Component Percentage") and (4) in the case of the Class P Combination Securities, *pro rata* in accordance with the respective principal amounts of the Class P Combination Securities held by them.

Such amounts will be paid to the holders of the Combination Securities *pro rata* based on (1) the outstanding principal amount of the Class C-1 Note Component of each Class C-1 Combination Security, in the case of payments with respect to the Class C-1 Note Component, (2) the number of Preference Shares comprising the Class C-1 Preference Share Component or, as applicable, Class P Preference Share Component, in the case of payments with respect to the Class C-1 Preference Share Component and the Class P Preference Share Component or (3) the respective principal amounts of the Class P Combination Securities held by them, in the case of payments with respect to the Class P Note. After the principal amount of the Class C-1 Combination Securities has been reduced to zero, the Holders of the Class C-1 Combination Securities will be entitled to receive all distributions on the Class C-1 Preference Share Component *pro rata* in accordance with the respective principal amounts of the Class C-1 Combination Securities held by them. After the principal amount of the Class P Combination Securities has been reduced to zero, the Holders of the Class P Combination Securities will be entitled to receive all distributions on the Class P Preference Share Component *pro rata* in accordance with the respective principal amounts of the Class P Combination Securities held by them.

Payments will be made in the manner described for the Components under "Description of the Notes—Payments". Each Note Paying Agent appointed under the Indenture will also act as paying agent with respect to the Combination Securities.

No other payments will be made on the Combination Securities. The fact that the principal amount of the Combination Securities has been reduced to zero will not affect the Issuer's obligation to make payments on the Combination Securities. The Class C-1 Note Component Percentage, the Class C-1 Preference Share Component Percentage and the Class P Preference Share Component Percentage will be adjusted, as appropriate, upon an exchange of the applicable Component for the underlying Class C-1 Notes or Preference Shares, as described under "—Exchange of Combination Securities for Underlying Components".

## Plan of Distribution

The Combination Securities are being offered for sale by the Initial Purchaser (i) in the United States to Qualified Institutional Buyers and a limited number of Institutional Accredited Investors (in the case of the Class C-1 Combination Securities) or Accredited Investors (in the case of the Class P Combination Securities) in reliance on the exemption from registration under the Securities Act and (ii) outside the United States to persons that 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. Each Combination Security offered for sale to a U.S. Person will be offered only to Qualified Purchasers. Each Original Purchaser of a Combination Security will be required in a Subscription Agreement to make the same representations as the Original Purchaser of the Preference Shares. See "Transfer Restrictions".

## Cancellation

All Combination Securities that are paid in full or redeemed and surrendered for cancellation will forthwith be canceled and may not be reissued or resold.

## Form, Denomination, Registration and Transfer

### General

(i) Class C-1 Combination Securities offered in reliance upon Regulation S outside the United States to persons that are not U.S. Persons ("Regulation S Class C-1 Combination Securities") will be represented by one or more permanent global certificates ("Global Class C-1 Combination Securities") in definitive, fully registered form, without interest coupons, and deposited with, and registered in the name of DTC in its capacity as common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Class P Combination Securities offered in reliance upon Regulation S outside the United States to persons that are not U.S. Persons ("Regulation S Class P Combination Securities" and, together with the Regulation S Class C-1 Combination Securities, the "Regulation S Combination Securities") will be represented by one or more permanent global certificates ("Global Class P Combination Securities" and, together with the Global Class C-1 Combination Securities, the "Regulation S Global Combination Securities") in definitive, fully registered form, without interest coupons, and deposited with, and registered in the name of DTC in its capacity as common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Beneficial interests in each Regulation S Global Combination Security will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg.

(ii) Class C-1 Combination Securities offered in the United States in reliance on an exemption from the registration requirements of the Securities Act will be represented by certificated securities ("Restricted Class C-1 Combination Securities") in definitive, fully registered form registered in the name of the beneficial owner thereof. Class P Combination Securities offered in the United States in reliance on an exemption from the registration requirements of the Securities Act will be represented by certificated notes ("Restricted Class P Combination Securities" and, together with the Restricted Class C-1 Combination Securities, the "Restricted Combination Securities") in definitive, fully registered form registered in the name of the beneficial owner thereof.

(iii) Owners of beneficial interests in Global Class C-1 Combination Securities will be entitled or required, as the case may be, under certain limited circumstances described below, to receive physical delivery of certificated Class C-1 Combination Securities ("Regulation S Definitive Class C-1 Combination Securities" and, together with the Restricted Class C-1 Combination Securities, "Definitive Class C-1 Combination Securities") in fully registered, definitive form. Owners of beneficial interests in Global Class P Combination Securities will be entitled or required, as the case may be, under certain limited circumstances described below, to receive physical delivery of certificated Class P Combination Securities ("Regulation S Definitive Class P Combination Securities" and, together with the Restricted Class P Combination Securities, "Definitive Class P Combination Securities") in fully registered, definitive form. For purposes hereof, (a) Regulation S Definitive Class C-1 Combination Securities and Regulation S Definitive Class P Combination Securities are collectively referred to as "Regulation S Definitive Combination Securities" and (b) Definitive Class C-1 Combination Securities and Definitive Class P Combination

Securities are collectively referred to as "Definitive Combination Securities". No owner of an interest in a Regulation S Global Combination Security will be entitled to receive a Regulation S Definitive Combination Security unless (1) for a person other than a distributor (as defined in Regulation S), such person provides certification that the Definitive Combination Security is beneficially owned by a person that is not a U.S. Person or (2) for a person that is a U.S. Person, such person provides certification that any interest in such Definitive Combination Security was purchased in a transaction that did not require registration under the Securities Act. The Combination Securities are not issuable in bearer form.

(iv) Pursuant to the Indenture, Wells Fargo Bank, National Association has been appointed and will serve as the registrar of the Class C-1 Combination Securities and Class P Combination Securities (in such capacity, the "Combination Security Registrar") and will provide for the registration of the Class C-1 Combination Securities and Class P Combination Securities and the registration of transfers of Class C-1 Combination Securities and Class P Combination Securities in the respective registers maintained by it with respect to each such class (each, a "Combination Security Register"). Wells Fargo Bank, National Association has been appointed as a transfer agent with respect to the Class C-1 Combination Securities and Class P Combination Securities (in such capacity, the "Combination Security Transfer Agent").

(v) The Combination Securities will be issuable in minimum denominations of U.S.\$1,000,000 and integral multiples of U.S.\$1,000 in excess thereof. After issuance, any Combination Security may fail to be in such required minimum denomination due to the repayment of principal thereof in accordance with the Priority of Payments.

(vi) References to "Combination Securities" (including as part of a definition) in this "Form, Denomination, Registration and Transfer" section of the Offering Circular shall be deemed to refer to Combination Securities of the same Class unless expressly provided otherwise.

(vi) The Class C-1 Notes comprising the portion of the Class C-1 Note Component represented by (a) any Global Class C-1 Combination Security shall be evidenced by such Global C-1 Combination Security, (b) any Restricted Class C-1 Combination Security shall be evidenced by such Restricted Class C-1 Combination Security or (c) any Regulation S Definitive Class C-1 Combination Security shall be evidenced by such Regulation S Definitive Class C-1 Combination Security and, in each case, shall not be evidenced by any separate instrument or certificate.

#### Regulation S Global Combination Securities

(i) So long as the depository for a Regulation S Global Combination Security, or its nominee, is the registered holder of such Regulation S Global Combination Security, such depository or such nominee, as the case may be, will be considered the absolute owner or holder of such Regulation S Combination Security represented by such Regulation S Global Combination Security for all purposes under the Indenture and the Combination Securities and members of, or participants in, the depository (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 Regulation S Global Combination Security. Owners of beneficial interests in a Regulation S Global Combination Security will not be considered to be the owners or holders of any Note under the Indenture or the Combination Securities. In addition, no beneficial owner of an interest in a Regulation S Global Combination Security will be able to exchange or transfer that interest, except in accordance with the applicable procedures of the depository and Euroclear or Clearstream, Luxembourg (in addition to those under the Indenture), to the extent applicable (the "Applicable Procedures").

(ii) Investors may hold their interests in a Regulation S Global Combination Security directly through Euroclear or Clearstream, Luxembourg, if they are participants in such systems, or indirectly through organizations which are participants in such systems. Euroclear and Clearstream, Luxembourg will hold interests in Regulation S Global Combination Securities on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories. So long as any Combination Securities are outstanding in the form of Regulation S Global Combination Securities (the "Subject Securities") and are held by or on behalf of Euroclear or Clearstream, Luxembourg, transfers and exchanges of the interests in the Subject Securities shall only be made in accordance with the provisions of the Indenture. Euroclear or Clearstream,

Luxembourg (as the case may be), upon receipt of instructions from the Trustee that a transfer of a beneficial interest in Regulation S Global Combination Securities requires Euroclear or Clearstream, Luxembourg (as the case may be) to reduce or increase the aggregate outstanding principal amount of the Subject Securities, shall instruct the Issuer to issue, and the Issuer shall execute and deliver to Euroclear or Clearstream, Luxembourg (as the case may be), new Regulation S Global Combination Securities registered in the name of Euroclear or Clearstream, Luxembourg (as the case may be) or their common depository in a principal amount equal to the aggregate outstanding principal amount of the Subject Securities after giving effect to such reduction or increase. Immediately upon execution and delivery of the new Regulation S Global Combination Securities evidencing the Subject Securities, the Trustee as common depository for Euroclear and Clearstream, Luxembourg shall cancel the Regulation S Global Combination Securities that previously represented the Subject Securities. The new Regulation S Global Combination Securities evidencing the Subject Securities shall be deposited with, and registered in the name of DTC in its capacity as common depository for Euroclear and Clearstream, Luxembourg. The Issuer is not required to issue a Regulation S Global Combination Security at any time that the aggregate outstanding principal amount of the Subject Securities is zero, but will at the request of the Trustee provide a certificate to the Trustee stating that the Combination Securities that include a Class C-1 Preference Share Component or, as applicable, a Class P Preference Share Component remain eligible to be held by for Euroclear and Clearstream, Luxembourg in the event of future transfers and exchanges.

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

(iv) The Issuer expects that the depository for any Regulation S Global Combination Security or its nominee, upon receipt of any payment of principal of or interest on such Regulation S Global Combination Security, will immediately credit the accounts of Participants with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Regulation S Global Combination Security as shown on the records of the depository or its nominee. The Issuer also expects that payments by Participants to owners of beneficial interests in such Regulation S Global Combination Security 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.

#### Regulation S Definitive Combination Securities

Interests in a Regulation S Global Combination Security will be exchangeable or transferable, as the case may be, for a Regulation S Definitive Combination Security if (a) Euroclear or Clearstream, Luxembourg (i) notifies the Issuer that it is unwilling or unable to continue as depository for such Regulation S Global Combination Security, (ii) the Depository ceases to be a "clearing agency" registered under the Exchange Act and a successor Depository is not appointed by the Issuer within 90 days of such notice, (iii) if the transferee of an interest in a Regulation S Global Combination Security is required by law to take physical delivery of securities in definitive form or (iv) if the transferee is unable to pledge its interest in a Regulation S Global Combination Security. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause Regulation S Definitive Combination Securities bearing an appropriate legend (a "Legend") regarding restrictions on transfer to be delivered. Upon the transfer, exchange or replacement of Regulation S Definitive Combination Securities bearing a Legend, or upon specific request for removal of a Legend on a Regulation S Definitive Combination Security, the Issuer shall deliver through the Trustee or any Note Paying Agent to the holder and the transferee, as applicable, one or more Regulation S Definitive Combination Securities in certificated form corresponding to the principal amount of Regulation S Definitive Combination Securities 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. Regulation S Definitive

Combination Securities will be exchangeable or transferable for interests in Restricted Combination Securities or other Regulation S Definitive Combination Securities as described below.

#### Transfer and Exchange of Combination Securities

(i) The Combination Securities are subject to the same restrictions on transfer as the Preference Shares. Transfers by a holder of a beneficial interest in a Regulation S Global Combination Security to a transferee who takes delivery of such interest in the form of a Restricted Combination Security will be made only in accordance with the Applicable Procedures and upon receipt by the Issuer, the Collateral Manager and the Trustee 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 (x) to a person or entity whom the transferor reasonably believes is both 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 (or, in the case of a Class P Combination Security, in accordance with another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act)) and a Qualified Purchaser and (y) 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 to the effect that, among other things, the transferee (1) is either a Qualified Purchaser or is not a U.S. Person (within the meaning of the Investment Company Act), (2) is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle) and (3) is not a Benefit Plan Investor (as defined in the Plan Asset Regulation).

Transfers by a holder of a beneficial interest in a Regulation S Global Combination Security to a transferee who takes delivery of such interest in a Regulation S Global Combination Security will be made only to a transferee that is acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Regulation S and only in accordance with the Applicable Procedures. In addition, each transferee of an interest in Regulation S Global Combination Securities will be required to execute and deliver to the Issuer and the Trustee a letter in the form attached as an exhibit to the Indenture to the effect that such transferee will not transfer such interest except in compliance with the transfer restrictions set forth in the Indenture (including the requirement that any subsequent transferee execute and deliver such letter as a condition to any subsequent transfer).

(ii) Transfers by a holder of a Restricted Combination Security to a transferee who takes delivery of such interest through an interest in a Regulation S Global Combination Security will be made only upon receipt by the Issuer, the Collateral Manager and the Trustee 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 Regulation S. No transfer of a Restricted Combination Security to a transferee who takes delivery thereof in the form of an interest in a Regulation S Global Combination Security may be made, and none of the Issuer, Trustee and the Paying Agents will recognize any such transfer if, after giving effect to such transfer, 25% or more, as determined under the Plan Asset Regulation of the United States Department of Labor, 29 C.F.R. §2510.3-101(f), of the Preference Shares (including the Preference Shares allocated to the Preference Share Components) would be held by Benefit Plan Investors as determined under such regulation. If such transfer is not made in an offshore transaction in accordance with Regulation S, such transfer may be made only upon receipt by the Issuer, the Collateral Manager and the Trustee of written certification from the transferee to the effect that the transferee is not a U.S. Person (within the meaning of Regulation S).

Transfers by a holder of a Restricted Combination Security or a Regulation S Definitive Combination Security to a transferee who takes delivery of a Restricted Combination Security or a Regulation S Definitive Combination Security will be made only upon receipt by the Issuer, the Collateral Manager and the Trustee of written certifications from the transferor in the form provided in the Indenture to the effect that, among other things, such transfer is being made (1) in the case of a transferee acquiring Restricted Combination Securities, to a person or entity whom the transferor reasonably believes is both 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 (or, in the case of a Class P Combination Security, in accordance with another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such

transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act)) and a Qualified Purchaser or (2) in the case of a transferee acquiring Regulation S Definitive Combination Securities, to a person who is not a U.S. Person acquiring Regulation S Definitive Combination Securities in an offshore transaction (within the meaning of Regulation S) in accordance with Regulation S, in each case, 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 to the effect that, among other things, the transferee (A) is not a U.S. Person (within the meaning of Regulation S) and (c) is not a Benefit Plan Investor (as defined in the Plan Asset Regulation).

(iii) Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures and will be settled using the procedures.

(iv) Combination Securities in the form of Restricted Combination Securities or Definitive Combination Securities may be exchanged or transferred in whole or in part in the principal amount of authorized denominations by surrendering such Restricted Combination Securities or Definitive Combination Securities at the office of the Combination Security Registrar or the Note Transfer Agent with a written instrument of transfer (in the case of a transfer) or a written request for exchange (in the case of an exchange) as provided in the Indenture. In addition, if the Restricted Combination Securities or Definitive Combination Securities 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 Restricted Combination Security or Definitive Combination Security, the transferor will be entitled to receive, at any aforesaid office, a new Definitive Combination Security representing the principal amount retained by the transferor after giving effect to such transfer. Restricted Combination Securities or Definitive Combination Securities issued upon any such exchange or transfer (whether in whole or in part) will be made available at the office of the Note Transfer Agent.

(v) No service charge will be made for exchange or registration of transfer of any Combination Security 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 Combination Securities issued upon any exchange or registration of transfer of securities shall be valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits, as the Definitive Combination Securities surrendered upon exchange or registration of transfer.

(vii) The Combination Security Registrar will effect transfers of Regulation S Global Combination Securities and, along with the Note Transfer Agents, will effect exchanges and transfers of Definitive Combination Securities. In addition, the Combination Security Registrar will keep in the Combination Security Register records of the ownership, exchange and transfer of any Combination Security 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 Combination Security represented by a Regulation S Global Combination Security to such persons may require that such interests in a Regulation S Global Combination Security be exchanged for Regulation S Definitive Combination Securities. Because Euroclear and Clearstream, Luxembourg 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 Regulation S Global Combination Security to pledge such interest to persons or entities that do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may require that such interest in a Regulation S Global Combination Security be exchanged for a Regulation S Definitive Combination Security. Interests in a Regulation S Global Combination Securities will be exchangeable for Regulation S Definitive Combination Securities only as described above.

(ix) Euroclear and Clearstream, Luxembourg have advised the Issuer as follows: Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide

various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in Regulation S Global Combination Securities directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("Direct Participants") or indirectly ("Indirect Participants" and, together with Direct Participants, "Participants") through organizations which are accountholders therein.

(x) Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Combination Security represented by a Regulation S Global Combination Security must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for such holder's share of each payment made by the Issuer to the holder of such Regulation S Global Combination Security (save in the case of payments other than in Dollars, as referred to below) and in relation to all other rights arising under the Regulation S Global Combination Security, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Combination Securities represented by a Regulation S Global Combination Security, the common depository by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant Participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Regulation S Global Combination Security as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Regulation S Global Combination Security held through such Direct Participants in Euroclear or Clearstream, Luxembourg to owners of beneficial interests in any Regulation S Global Combination Security held through such Direct Participants in Euroclear or Clearstream, Luxembourg will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer or the Co-Issuer in respect of payments due on the Combination Securities for so long as the Combination Securities are represented by such Regulation S Global Combination Security and the obligations of the Issuer (and the Co-Issuer, in the case of the Class C-1 Combination Securities) will be discharged by payment to the registered holder, as the case may be, of such Regulation S Global Combination Security in respect of each amount so paid. None of the Issuer, the Co-Issuer, the Trustee, the Combination Security 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 ownership interests in any Regulation S Global Combination Security or for maintaining, supervising or reviewing any records relating to such ownership interests.

(xi) Subject to the rules and procedures of each applicable clearing system, purchases of Combination Securities held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Combination Securities on the records of Euroclear or Clearstream, Luxembourg (as the case may be). The ownership interest of each actual purchaser of each such Combination Security (each, a "Global Combination Security Beneficial Owner") will in turn be recorded on the Direct and Indirect Participant's records. Global Combination Security Beneficial Owners will not receive written confirmation from Euroclear or Clearstream, Luxembourg (as the case may be) of their purchase, but Global Combination Security Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Global Combination Security Beneficial Owner entered into the transaction. Transfers of ownership interests in Combination Securities held within Euroclear or Clearstream, Luxembourg will be effected by entries made on the books of Participants acting on behalf of Global Combination Security Beneficial Owners. Global Combination Security Beneficial Owners will not receive certificates representing their ownership interest in such Combination Securities, unless and until interests in any Regulation S Global Combination Security held within a clearing system is exchanged for Definitive Notes.

Neither Euroclear nor Clearstream, Luxembourg has knowledge of the actual Global Combination Security Beneficial Owners of the Combination Securities within such clearing systems and their records will reflect only the identity of the Direct Participants to whose accounts such Combination Securities are credited, which may or may not be the Global Combination Security Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by Euroclear and Clearstream, Luxembourg to Direct Participants, by Direct Participants to Indirect Participants, and



by Direct Participants and Indirect Participants to Global Combination Security Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

(xii) It is expected that delivery of Combination Securities will be made against payment therefor on the Closing Date thereof, which could be more than three Business Days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within three Business Days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Combination Securities in the United States on the date of pricing or the next succeeding Business Days until three days prior to the Closing Date will be required, by virtue of the fact the Combination Securities initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Combination Securities may be affected by such local settlement practices and purchasers of Combination Securities who wish to trade Combination Securities between the date of pricing and the Closing Date should consult their own adviser.

(xiii) Although Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in Regulation S Global Combination Securities among participants of 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, the Paying Agents and the Trustee will have any responsibility for the performance by 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 or other anti-money laundering laws or regulations, to the extent applicable to the Issuer (or the Co-Issuer, in the case of the Class C-1 Combination Securities) and, in such event, each holder of Combination Securities will be required to comply with such transfer restrictions.

#### **Exchange of Combination Securities for Underlying Components**

Each of the Class C-1 Combination Securities and the Class P Combination Securities comprise a single class of securities issued by the Issuer (together with the Co-Issuer, in the case of the Class C-1 Combination Securities). The Class C-1 Combination Securities represent an interest equivalent to the Class C-1 Note Component and Class C-1 Preference Share Component and the Class P Combination Securities represent an interest equivalent to the Class P Preference Share Component and the component thereof consisting of the Class P Note. The Class C-1 Notes relating to the Class C-1 Note Component and the Preference Shares relating to the Preference Share Components will not be separately issued. The Class P Note shall be allocable to, and represented by, the Class P Combination Securities and shall not be separately executed, dated, registered or delivered. The Components are not separately transferable. However, a holder may exchange such Combination Security (in whole but not in part) for its ratable share of (i) the underlying Preference Shares and (ii)(A) in the case of the Class C-1 Combination Securities, Class C-1 Notes or (B) in the case of Class P Combination Securities, the Class P Underlying Note, in each case represented by the applicable Components, subject to the minimum denomination requirements with respect to the Preference Shares, Class C-1 Notes and Class P Underlying Note, as described herein, in the Indenture and in the Preference Share Agency Agreement or in the Underlying Instruments relating thereto, as applicable. Upon an exchange of the Combination Securities, (x) a Holder of Class C-1 Combination Securities shall receive its ratable share, based on the portion of the total amount of Class C-1 Combination Securities owned by such Combination Securityholder, of (1) Class C-1 Notes with a principal amount equal to the Class C-1 Note Component Percentage of the aggregate outstanding principal amount of the Class C-1 Notes (including the Class C-1 Notes allocated to the Class C-1 Note Component) and (2) a number of Preference Shares equal to the total number of Preference Shares outstanding (including the Preference Shares allocated to the Class C-1 Preference Share Component) *multiplied* by the Class C-1 Preference Share Component Percentage; and (y) a Holder of Class P Combination Securities shall receive its ratable share, based on the portion of the total principal amount of Class P Combination Securities owned by such Combination Securityholder of (1) a number of Preference Shares equal to the total number of Preference Shares outstanding (including the Preference Shares allocated to the Class P Preference Share Component ) *multiplied* by the Class P Preference Share Component Percentage and (2) the Class P Underlying Note.

A holder of Class C-1 Notes and/or Preference Shares and/or a portion of the Class P Underlying Note (including a holder that received such Class C-1 Notes and/or Preference Shares and/or portion of the Class P Underlying Note upon exchange of a Combination Security) will not have the right to exchange such Class C-1 Notes and/or Preference Shares and/or portion of the Class P Underlying Note for a Class C-1 Combination Security or Class P Combination Security.

"Combination Securityholder" or Holder means, with respect to any Combination Security, the Person in whose name such Combination Security is registered in the applicable Combination Security Register.

### **Listing**

Application will be made to the Irish Stock Exchange for the Combination Securities to be admitted to the Daily Official List. No application will be made to list the Combination Securities on any other stock exchange. The issuance and settlement of the Combination Securities on the Closing Date are not conditional on the listing of the Combination Securities on the Irish Stock Exchange.

### **Use of Proceeds**

The net proceeds of the issuance of the Class C-1 Combination Securities will be used to purchase U.S.\$1,500,000 aggregate liquidation preference of the Class C-1 Notes and 2,500 Preference Shares. The net proceeds of the issuance of the Class P Combination Securities will be used to purchase the Class P Underlying Note and \$3,100,000 aggregate liquidation preference of Preference Shares.

### **Rating**

It is a condition to issuance of the Class C-1 Combination Securities that the Class C-1 Combination Securities be rated at least "Baa3" as to ultimate payment of principal by Moody's

It is a condition to issuance of the Class P Combination Securities that the Class P Combination Securities be rated "Aaa" as to ultimate payment of principal by Moody's.

### **Notices**

Notices to the holders of the Combination Securities will be given by first-class mail, postage prepaid, to the registered holders of the Combination Securities at their address appearing in the Combination Security Register. For so long as either Class of Combination Securities is listed on the Irish Stock Exchange, and so long as the rules of such exchange so require, notices to the holders of such Class of Combination Securities shall also be given by delivery to the Company Announcements Office of the Irish Stock Exchange.

### **Governing Law**

The Combination Securities will be governed by, and construed in accordance with, the law of the State of New York.

### **Tax Characterization**

The Issuer intends to treat Holders of the Class C-1 Combination Securities as the owners of the underlying Class C-1 Notes and Preference Shares and Holders of the Class P Combination Securities as the owners of the underlying Preference Shares and the Class P Note for U.S. Federal, state and local income tax purposes. Further, the Indenture requires Holders of the Class P Note to treat the Class P Note as direct ownership of the Class P Underlying Note for U.S. Federal, state and local income tax purposes. The Indenture will provide that each Holder, by accepting a Combination Security, agrees to such treatment and agrees to report all income (or loss) in accordance with such characterization.

**Benefit Plan Investors**

The same ERISA restrictions that apply to the Preference Shares will apply to the Combination Securities. See "ERISA Considerations" and "Transfer Restrictions".

## DESCRIPTION OF THE PREFERENCE SHARES

*The Preference Shares will be issued pursuant to the Memorandum and Articles of Association of the Issuer (the "Issuer Charter") and in accordance with a Preference Share Agency Agreement (the "Preference Share Agency Agreement", and, together with the Issuer Charter, the "Preference Share Documents") between Wells Fargo Bank, National Association, as preference share paying agent (in such capacity, the "Preference Share Paying Agent"), the Issuer and Walkers SPV Limited, as preference share registrar (in such capacity, the "Preference Share Registrar") and will be subject to the representations, warranties and certifications contained in the Investor Application Forms for Preference Shares. The following summary describes certain provisions of the Preference Shares, the Preference Share Documents and the representations, warranties and certifications contained in the Investor Application Forms. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Preference Share Documents and the Investor Application Forms for Preference Shares. Copies of the Preference Share Documents and the Investor Application Form for Preference Shares may be obtained by prospective investors upon request in writing to the Preference Share Paying Agent at 9062 Old Annapolis Road, Columbia, Maryland 21045 or in Ireland at NCB Stockbrokers Limited, 3 George's Dock, International Financial Services Centre, Dublin 1, Ireland if and for so long as the Preference Shares are listed on the Irish Stock Exchange.*

### Status

The Issuer is authorized to issue 20,300 Preference Shares, par value U.S.\$0.01 per share, having a liquidation preference of U.S.\$1,000 per share. The Preference Shares are participating shares in the capital of the Issuer and will rank *pari passu* with respect to distributions.

### Distributions

On each Distribution Date, to the extent funds are available therefor, Interest Proceeds will be released from the lien of the Indenture for payment to the Preference Share Paying Agent 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 Distribution Date, until the Class C Notes have been paid in full, the amount of Interest Proceeds released from the lien of the Indenture for payment to the Preference Shareholders will be limited to the amount necessary to permit the Preference Shareholders to achieve on such Distribution Date an annualized Dividend Yield of 14% per annum on the aggregate liquidation preference of the Preference Shares. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments—Interest Proceeds".

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

Subject to provisions of The Companies Law (2004 Revision) of the Cayman Islands governing the declaration and payment of dividends, after the Notes and certain other amounts have been paid in full, Interest Proceeds and Principal Proceeds that are released from the lien of the Indenture in accordance with the Priority of Payments and paid to the Preference Share Paying Agent on any Distribution Date will be distributed to the Preference Shareholders on such Distribution Date. Cayman Islands law provides that dividends may only be paid by the Issuer if the Issuer has funds lawfully available for such purpose. Dividends may be paid out of profit and out of the Issuer's share premium account (which includes subscription monies in excess of the par value of each share), *provided* that the Issuer 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 Distribution Date (the "Record Date"). Payments will be made by wire transfer in immediately available funds to a Dollar account maintained by the holder thereof appearing in the Preference Share Register in accordance with wire transfer instructions received from such holder by the Preference Share Paying Agent on or before the Record Date or, if no wire transfer instructions are received by the Preference

Share Paying Agent, by a Dollar check drawn on a bank in the United States. Final distributions or payments made in the course of a winding up will be made only against surrender of the certificate representing such Preference Shares at the office of the Preference Share Registrar.

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

If any of the Coverage Tests is not satisfied on the Determination Date related to any Distribution Date, funds that would otherwise be distributed to Preference Shareholders (subject to the payment of certain other amounts prior thereto) will be used instead to repay principal of the Notes sequentially in direct order of Seniority, to the extent and as described herein. In addition, if the Issuer is unable to obtain a Rating Confirmation from each Rating Agency by the 30th day 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, *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 (after the application of Principal Proceeds for such purpose) to obtain a Rating Confirmation from each Rating Agency. See "Description of the Notes—Priority of Payments".

For so long as any Preference Shares are listed on the Irish Stock Exchange and the rules of such exchange shall so require, the Issuer will maintain a listing agent and paying agent with respect to the Preference Shares with an office located in Dublin, Ireland. Pursuant to a paying agency agreement (the "Irish Paying Agency Agreement"), the Issuer will appoint NCB Stockbrokers Limited as the initial Irish paying agent with respect to the Preference Shares (in such capacity, the "Irish Paying Agent").

The Preference Share Paying Agent shall, so long as any Preference Shares are listed on the Irish Stock Exchange, notify the Irish Stock Exchange not later than the second Business Day preceding each Distribution Date of the amount of distributions on and redemption payments in respect of the Preference Shares to be made on such Distribution Date, the aggregate outstanding liquidation preference of the Preference Shares and the percentage of the original aggregate outstanding liquidation preference of the Preference Shares after giving effect to any redemption payments in respect of the Preference Shares on such Distribution Date.

### **Optional Redemption**

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

Preference Shares (in the case of Original Purchasers of the Preference Shares) and in the transfer certificates (in the case of transferees of Definitive Preference Shares), the Issuer Charter and The Companies Law (2004 Revision) of the Cayman Islands afford Preference Shareholders of the Issuer the right to vote on matters in addition to those mentioned below.

*Redemption of the Notes:* On any Distribution Date occurring on or after the Distribution Date in September 2008, the Notes may, subject to satisfaction of certain conditions described herein, be redeemed (in whole or in part) at the direction of a Majority-in-Interest of Preference Shareholders, as described under "Description of the Notes—Optional Redemption and Tax Redemption".

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

*The Reinvestment Period:* Unless previously terminated as described herein, the Reinvestment Period may be terminated on the Distribution Date immediately following the date that the Collateral Manager notifies the Trustee and each Hedge Counterparty that, in light of the composition of the Collateral Debt Securities included in the Collateral, general market conditions and other factors, the Collateral Manager (in its sole discretion) has determined that investments in additional Collateral Debt Securities within the foreseeable future would either be impractical or not beneficial, so long as a Majority-in-Interest of Preference Shareholders gives its written consent to the termination.

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

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

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

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

amendment to the Preference Share Agency Agreement that requires the consent 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, including fees payable to the Collateral Manager or its Affiliates;
- (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 preference 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 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:

"Majority-in-Interest of Preference Shareholders" means, at any time, Preference Shareholders holding more than 50% of the Preference Shares (other than any Preference Shares held by the Initial Purchaser at such time for its own account).

"Special-Majority-in-Interest of Preference Shareholders" means, at any time, Preference Shareholders holding more than 66-2/3% of the Preference Shares (other than any Preference Shares held by the Initial Purchaser at such time for its own account).

### **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.

The Issuer intends to treat the Preference Shares as equity interests in the Issuer for U.S. Federal income tax purposes. The Issuer Charter will provide that each Preference Shareholder, by accepting a Preference Share, agrees to such treatment, to report all income (or loss) in accordance with such treatment and to take no action inconsistent with such treatment.



## FORM, DENOMINATION, REGISTRATION AND TRANSFER

### Form of Offered Securities

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

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

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

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

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

Transfer of Global Securities to Definitive Securities. Owners of beneficial interests in Global Securities will be entitled or required, as the case may be, under certain limited circumstances described under "Clearing System—Transfers and Exchanges for Definitive Securities", to receive physical delivery of Definitive Preference Shares or certificated Notes ("Definitive Notes"; the Definitive Notes and Definitive Preference Shares are collectively referred to as the "Definitive Securities"), in each case, in definitive, fully registered form. Definitive Notes issued to persons that are not U.S. Persons and that are not held for the account or benefit of U.S. Persons are

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

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

### **Transfer and Exchange of Notes**

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

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

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

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

*Restricted Global Note to Restricted Global Note.* The holder of a beneficial interest in a Restricted Global Note may transfer such interest to a transferee who takes delivery of such interest in the form of a beneficial interest in a Restricted Global Note without the provision of written certification. Any such transfer may only be made (i) to a transferee that (A) is both (1) a Qualified Institutional Buyer, purchasing for its own account, to whom notice is

given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (2) a Qualified Purchaser and (B) is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle) and (ii) only in accordance with the Applicable Procedures. Any such transferee must be able to make the representations set forth under "Transfer Restrictions".

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

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

#### **Transfer and Exchange of Preference Shares**

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

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

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

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

*Definitive Preference Share to Regulation S Global Preference Share.* Transfers or exchanges by a holder of a Definitive Preference Share to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Preference Share will be made only (a) in accordance with the Applicable

Procedures and (b) upon receipt by the Preference Share Registrar of written certification from each of the transferor and transferee in the form provided in the Preference Share Agency Agreement to the effect that, among other things, such transfer is being made to a person that is not a U.S. Person, that is not a Benefit Plan Investor and that is not acquiring such beneficial interest for the account or benefit of a U.S. Person and that such transfer is being effected in an offshore transaction in accordance with Regulation S.

Definitive Preference Share to Definitive Preference Share. Definitive Preference Shares may be exchanged or transferred in whole or in part in numbers not less than the minimum trading lot by surrendering such Definitive Preference Shares at the office of the Preference Share Registrar or the Preference Share Transfer Agent with a written instrument of transfer and written certification from each of the transferor and the transferee in the form provided in the Preference Share Agency Agreement; *provided* that holders of Definitive Preference Shares who, with the consent of the Initial Purchaser, purchased less than 100 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 trading lot. With respect to any transfer of a portion of Definitive Preference Shares, the transferor will be entitled to receive new Restricted Definitive Preference Shares or Regulation S Definitive Preference Shares, as the case may be, representing the principal amount retained by the transferor after giving effect to such transfer. Definitive Preference Shares issued upon any such exchange or transfer (whether in whole or in part) will be made available at the office of the Preference Share Transfer Agent.

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

## **General**

Note Registrar and Transfer Agent. Pursuant to the Indenture, Wells Fargo 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"). Wells Fargo Bank, National Association has been appointed as a transfer agent with respect to the Notes (each, in such capacity, a "Transfer Agent"). The Note Registrar will effect transfers between Global Notes and, along with the Transfer Agent, will effect exchanges and transfers of Definitive Notes. In addition, the Note Registrar will maintain in the Note Register records of the ownership, exchange and transfer of any Note in definitive form. Transfers of beneficial interests in Global Notes will be effected in accordance with the Applicable Procedures.

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

Charge. No service charge will be made for exchange or registration of transfer of any Security but the Trustee (or, in the case of a Preference Share, the Preference Share Transfer Agent on behalf of the Preference Share Registrar) may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith and expenses of delivery (if any) not made by regular mail.

Minimum Denomination or Number. The Class A-1 Notes, Class A-2 Notes, Class B Notes and Class C Notes will be issuable in minimum denominations of U.S.\$500,000 and will be offered only in such minimum denomination or an integral multiple of U.S.\$1,000 in excess thereof, provided that Class A-1 Notes, Class A-2

Notes, Class B Notes and Class C Notes offered in reliance on Regulation S may be outstanding in a minimum denomination of U.S.\$100,000 or an integral multiple of U.S.\$1,000 in excess thereof. After issuance, (i) a Note may fail to be in compliance with the minimum denomination and integral multiple requirements stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments and (ii) Class C Notes may fail to be in an amount which is an integral multiple of U.S.\$1,000 due to the addition to the principal amount thereof of Class C Deferred Interest. Preference Shares will be issuable in minimum lots of 100 Preference Shares (and increments of 10 Preference Shares in excess thereof); *provided* that, on the Closing Date, up to five investors may, with the consent of the Initial Purchaser, purchase less than 100 Preference Shares. Preference Shares may not be transferred if, after giving effect to such transfer, the transferee (or, if the transferor retains any Preference Shares, the transferor) would own less than 100 Preference Shares; *provided* that those investors that, with the consent of the Initial Purchaser, purchased less than 100 Preference Shares on the Closing Date, and any transferees of the Preference Shares acquired by such investors, may transfer all (but not some) of the Preference Shares held by them.

## USE OF PROCEEDS

The gross proceeds from the issuance of the Notes and Preference Shares (including the proceeds of the issuance of the Combination Securities to the extent of the Class C-1 Component and the Preference Share Components), together with up-front payments received by the Issuer in respect of the initial Hedge Agreements, will be approximately U.S.\$506,020,000. The net proceeds from the issuance of the Notes and Preference Shares (including the proceeds of the issuance of the Combination Securities to the extent of the Class C-1 Component and the Preference Share Components), together with any up-front payments received by the Issuer in respect of the initial Hedge Agreements, will be approximately U.S.\$497,800,000 after payment of organizational and structuring fees and expenses of the Co-Issuers, including, without limitation (i) the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser and the Collateral Manager, (ii) the expenses, fees and commissions incurred in connection with the acquisition by the Issuer of the Collateral Debt Securities included in the Portfolio, (iii) the expenses of offering the Securities (including placement agency fees and structuring fees), (iv) the initial deposits into the Expense Account and the Interest Reserve Account of U.S.\$150,000 and U.S.\$200,000 respectively and (v) any costs of entry incurred by the Issuer in respect of the initial Hedge Agreements. Such net proceeds will be used by the Issuer to purchase a diversified portfolio of interests in (a) Asset-Backed Securities, (b) Corporate Debt Securities and (c) Synthetic Securities related to Asset-Backed Securities or Corporate Debt Securities, in each case satisfying the investment criteria described herein. On the Closing Date, the Issuer will have purchased (or entered into agreements to purchase for settlement following the Closing Date) Collateral Debt Securities having an aggregate principal balance of not less than \$350,000,000. The Issuer expects that, no later than the 90th day following the Closing Date, it will have purchased Collateral Debt Securities having an aggregate par amount of approximately U.S.\$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 Collection Accounts and invested in Eligible Investments pending the use of such proceeds for the purchase of Collateral Debt Securities, 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 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"), that the Class B Notes be rated "Aa2" by Moody's, "AA" by Standard & Poor's and "AA" by Fitch, that the Class C Notes be rated "Baa2" by Moody's, "BBB" by Standard & Poor's and "BBB" by Fitch, that the Class C-1 Combination Securities be rated at least "Baa3" by Moody's as to ultimate payment of principal and that the Class P Combination Securities be rated "Aaa" as to ultimate payment of principal by Moody's. The Preference Shares will be rated "Ba2" by Moody's as to ultimate payment of principal. 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 provide a Rating Confirmation no later than 30 days after receiving a Ramp-Up Notice. In the event of a Rating Confirmation Failure, the Issuer will on the first Distribution Date prepay principal of the Notes as and to the extent necessary for each of Moody's, Standard & Poor's and Fitch to confirm the rating assigned by it on the Closing Date to each Class of Notes. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments".

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

## MATURITY, PREPAYMENT AND YIELD CONSIDERATIONS

The Stated Maturity of the Notes is September 3, 2039. The Notes will mature at their Stated Maturity unless redeemed or repaid prior thereto. However, the average lives of the Notes and the Macaulay duration of the Preference Shares may be less than the number of years until the Stated Maturity of the Notes. Based on the portfolio of Collateral Debt Securities that the Collateral Manager expects the Issuer to have purchased by the Closing Date, assuming (a) no Collateral Debt Securities default or are sold, (b) during the Reinvestment Period, Principal Proceeds are used by the Issuer to acquire additional Collateral Debt Securities, (c) any optional redemption of the Collateral Debt Securities occurs in accordance with their respective terms, (d) all outstanding Notes are redeemed on the Distribution Date occurring in September 2013 and (e) LIBOR for each future Interest Period equals the rate for such Interest Period based on the zero coupon swap curve with such rate initially to be equal to approximately 1.8%, (i) the average life of the Class A-1 Notes would be approximately 6.3 years from the Closing Date, (ii) the average life of the Class A-2 Notes would be approximately 8.9 years from the Closing Date, (iii) the average life of the Class B Notes would be approximately 9.0 years from the Closing Date, (iv) the average life of the Class C Notes would be approximately 5.2 years from the Closing Date, and (v) the Macaulay duration of the Preference Shares would be approximately 5.5 years from the Closing Date. Such average lives of the Notes and the Macaulay duration of the Preference Shares are presented for illustrative purposes only. Although the Collateral Manager prepared the list identifying the portfolio of Collateral Debt Securities that it expects the Issuer to purchase by the 90th day following the Closing Date based upon its experience and expertise as a manager of Asset-Backed Securities, the assumed identity of the portfolio purchased by the Issuer and the other assumptions used to calculate such average lives of the Notes and the Macaulay duration of the Preference Shares are necessarily arbitrary, do not necessarily reflect historical experience with respect to securities similar to the Collateral Debt Securities and do not constitute a prediction with respect to the rates or timing of receipts of Interest Proceeds or Principal Proceeds, the acquisition of Collateral Debt Securities prior to the Ramp-Up Completion Date, defaults, recoveries, sales, 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 June 29<sup>th</sup>, 2004 in the Cayman Islands pursuant to the Issuer Charter, has a registered number of 137422 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, P.O. Box 908GT, George Town, Grand Cayman, Cayman Islands. The Issuer has no prior operating experience other than in connection with the acquisition of certain Collateral Debt Securities prior to the issuance of the Offered Securities and the engagement of the Collateral Manager and the entering into of arrangements with respect thereto, and the Issuer will not have any substantial assets other than the Collateral pledged to secure the Notes, the Issuer's obligations under each Hedge Agreement and the Issuer's obligations to the Trustee. The entire authorized share capital of the Issuer will consist of (a) 1,000 ordinary shares, par value U.S.\$1.00 per share (which will be held in trust for charitable purposes by Walkers SPV Limited in the Cayman Islands (in such capacity, the "Share Trustee") under the terms of a declaration of trust) and (b) 20,300 Preference Shares, par value U.S. \$0.01 per share, having a liquidation preference of U.S.\$1,000 per share.

The Issuer Charter provides 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 June 28<sup>th</sup>, 2004 under the law of the State of Delaware with the state identification number 3821939 and its registered office is c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. The sole director and officer of the Co-Issuer is Donald J. Puglisi and he may be contacted at Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware 19711. The Co-Issuer has no prior operating experience. It will not have any assets (other than its U.S.\$1,000 of share capital owned by the Issuer) and will not pledge any assets to secure the Notes. The Co-Issuer will not have any interest in the Collateral Debt Securities or other assets held by the Issuer and will have no claim against the Issuer with respect to the Collateral Debt Securities or otherwise.

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

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 Egglisshaw, John Cullinane and Derrie Boggess, each of whom is a director or officer of the Administrator and each of whose offices are at 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 (acting upon the recommendation of the Collateral Manager) or the Administrator upon 30 days' written notice, in which case a replacement Administrator would be appointed.

The Administrator's principal office is at Walker House, Mary Street, George Town, Grand Cayman, Cayman Islands.

## Capitalization and Indebtedness of the Issuer

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

Class A-1 Notes	U.S.\$350,000,000
Class A-2 Notes	U.S.\$70,000,000
Class B Notes	U.S.\$39,700,000
Class C-1 Notes <sup>1</sup>	U.S.\$19,500,000
Class C-2 Notes	U.S.\$1,500,000
Total Debt	U.S.\$480,700,000
Ordinary Shares	U.S.\$1,000
Preference Shares <sup>2</sup>	U.S.\$20,300,000
Total Equity	U.S.\$20,301,000
Total Capitalization	U.S.\$501,001,000

<sup>1</sup>Includes the Class C-1 Note Component.

<sup>2</sup>Includes the Preference Share Components.

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 20,300 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 Clause 3 of the Issuer Charter provide that the activities of the Issuer are limited to (1) acquisition and disposition of, and investment and reinvestment in, Collateral Debt Securities, Equity Securities and Eligible Investments, (2) the entering into of, and the performance of its obligations under, the Indenture, each Hedge Agreement, the Management Agreement, the Collateral Administration Agreement, the Administration Agreement, the Account Control Agreement, the Purchase Agreement, the Investor Application Forms, the Irish Paying Agency Agreement and the Preference Share Agency Agreement, (3) the issuance and sale of the Offered Securities, (4) the pledge of the Collateral as security for its obligations in respect of the Notes and otherwise for the benefit of the Secured Parties, (5) ownership and management of the Co-Issuer and (6) other activities incidental thereto.

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

## SECURITY FOR THE NOTES

### General

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

### Collateral Debt Securities

"Collateral Debt Security" means (i) any CDO Obligation, Other ABS, Guaranteed Corporate Debt Security, Corporate Debt Security or Synthetic Security that satisfies each of the Eligibility Criteria when purchased by the Issuer, (ii) any Deliverable Obligation and (iii) any Synthetic Security Collateral as to which the lien of the Synthetic Security Counterparty has been released following the termination of the Synthetic Security.

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

"Corporate Debt Security" means any outstanding publicly issued or privately placed corporate debt security that is not an Asset-Backed Security or Guaranteed Corporate Debt Security.

"Defeased Synthetic Security" means any Synthetic Security that provides for possible payments by the Issuer to the related Synthetic Security Counterparty after the date upon which it is acquired by the Issuer 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 pursuant to which the related Synthetic Security Counterparty agrees not to cause the filing of a petition in bankruptcy against the Issuer prior to the date which is one year and one day since the payment in full of the Notes (or if longer the applicable preference period then in effect) 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) the Issuer may terminate its obligations under such Synthetic Security and, upon such termination, (x) 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 (other than any termination payments).

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

"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 and Standard & Poor's.

"Guaranteed 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) a 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.

"Reference Obligation" means any Collateral Debt Security that is a CDO Obligation, Other ABS, Guaranteed Corporate Debt Security or Corporate Debt Security in respect of which the Issuer has obtained a Synthetic Security and which (a) does not have a rating by Standard & Poor's that includes a subscript and (b) if purchased by the Issuer, would satisfy paragraphs (1) through (4), (6) through (9) and (11) through (43) of the Eligibility Criteria.

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

"Synthetic Security" means any derivative instrument (including, without limitation, any swap transaction, credit-linked note, credit derivative, structured bond investment, trust certificate or other investment) entered into by the Issuer with (or acquired by the Issuer from) a Synthetic Security Counterparty the returns on which are linked to the credit performance of one or more Reference Obligations (the identity of which cannot vary as the result of a decision by a manager or advisor, the Synthetic Security Counterparty or their respective Affiliates), but which may have a maturity, interest rate or other non-credit characteristics that are different than those of 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 no later than the redemption or repayment in full of all such Reference Obligation(s); (c) the Underlying Instruments relating to such Synthetic Security contain "non-petition" and "limited recourse" provisions with respect to the Issuer; (d) the Underlying Instruments relating to such Synthetic Security provide for, on each payment date for such Synthetic Security, the full payment of all amounts owing for the related payment period by the Synthetic Security Counterparty to the Issuer into the Synthetic Security Issuer Account; and (e) any "credit event" under such Synthetic Security shall not include restructuring, repudiation, moratorium, obligation default or obligation acceleration with respect to the related Reference Obligor or Reference Obligation unless such Synthetic Security may be settled only through a physical settlement of a Deliverable Obligation to the Issuer, and not in cash.

"Synthetic Security Collateral" means Eligible Investments pledged by the Issuer to or for the benefit of a Synthetic Security Counterparty in accordance with clause (a) of the definition of "Defeased Synthetic Security" and deposited in a Synthetic Security Counterparty Account.

"Synthetic Security Counterparty" means any entity that is required to make payments to the Issuer in respect of a Synthetic Security.

### **Eligibility Criteria**

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

- |                               |   |
|-------------------------------|---|
| <b>Assignable</b>             | (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;         |
| <b>Jurisdiction of Issuer</b> | (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; |

<b>Dollar, Sterling or Euro Denominated and Hedged if Non-USD Collateral Debt Security</b>	(3) such security (A) is denominated and payable only in Dollars, Sterling or euros and may not be converted into a security payable in any other currency and (B) in the case of a Non-USD Collateral Debt Security, upon acquisition thereof by the Issuer, has an associated Non-USD Hedge Agreement that satisfies the Rating Condition with respect to Moody's and Standard & Poor's and has been provided to Fitch;
<b>Fixed Principal Amount</b>	(4) unless such security is an Interest Only Security, such security requires the payment of a fixed amount of principal in cash no later than its stated maturity or termination date;
<b>Rating</b>	(5) (A) such security has been assigned a Moody's Rating, a Standard & Poor's Rating and a Fitch Rating, (B) the Moody's Rating of such security is at least "Ba3" and, if the Moody's Rating of such security is "Ba3", is not on rating watch negative for possible downgrade and (C) the Standard & Poor's Rating of such security does not include the subscript "r" or "t";
<b>Issuer or Obligor Not Owned or Managed by the Collateral Manager</b>	(6) the obligor on or issuer of such security is not a fund or other entity owned or managed by the Collateral Manager or any of its Affiliates;
<b>Registered Form</b>	(7) such security is in registered form for U.S. Federal income tax purposes, and it (and if it is a certificate of interest in a trust treated as a grantor trust for U.S. Federal income tax purposes, each of the obligations or securities held by such trust) was issued after July 18, 1984 ("Registered");
<b>No Withholding</b>	(8) 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;
<b>Does Not Subject Issuer to Tax on a Net Income Basis</b>	(9) 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;
<b>ERISA</b>	(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;
<b>No Defaulted Securities, PIK Bonds or Credit Risk Securities</b>	(11) such security is not a Defaulted Security, a Credit Risk Security or a PIK Bond the payment of interest on which has been deferred or capitalized (unless payments of interest on such PIK Bond have resumed and all capitalized and deferred interest has been paid in cash in accordance with the related Underlying Instruments).
<b>Limitation on Stated Final Maturity;</b>	(12) unless such security is an Interest Only Security, if the stated maturity of such security occurs later than the Stated Maturity of the Notes, (A) the aggregate principal balance of all such securities does not exceed 5% of the Net Outstanding Portfolio Collateral

<b>Average Life</b>	Balance, (B) the Weighted Average Life of all such securities does not exceed eight years and (C) such security shall not have an Average Life greater than the lesser of (1) 10 years and (2) the time between such Measurement Date and the Stated Maturity of the Notes.
<b>No Foreign Exchange Controls</b>	(13) 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;
<b>No Margin Stock</b>	(14) such security is not, and any Equity Security acquired in connection with such security is not, "margin stock" as defined under Regulation U issued by the Board of Governors of the Federal Reserve System;
<b>No Debtor-in-Possession Financing</b>	(15) such security is not a financing by a debtor-in-possession in any insolvency proceeding;
<b>No Mandatory Conversion or Exchange</b>	(16) 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;
<b>Not Subject to an Offer or a Called for Redemption</b>	(17) such security is not the subject of an Offer and has not been called for redemption;
<b>Future Advances</b>	(18) if such security is a security (other than a Defeased Synthetic 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, (A) the aggregate principal balance of all such Collateral Debt Securities does not exceed 0.5% of the Net Outstanding Portfolio Collateral Balance; and (B) the Issuer shall, on the date it acquires such security, deposit into an Asset Funding Reserve Account, funds in an aggregate amount equal to all future payments or advances that the Issuer could be required to make to the issuer thereof or to the related Synthetic Security Counterparty;
<b>Fixed Rate Collateral Debt Securities</b>	(19) if such security is a Fixed Rate Collateral Debt Security that is not a Deemed Fixed Rate Collateral Debt Security, the aggregate principal balance of all such Collateral Debt Securities does not exceed 30% of the Net Outstanding Portfolio Collateral Balance;
<b>Floating Rate Securities</b>	(20) if such security is a Floating Rate Collateral Debt Security that is not a Deemed Floating Rate Collateral Debt Security, the aggregate principal balance of all such Collateral Debt Securities does not exceed 90% of the Net Outstanding Portfolio Collateral Balance;
<b>Pure Private Collateral Debt Securities</b>	(21) if such security was not (A) issued pursuant to an effective registration statement under the Securities Act or (B) a privately placed security or a Synthetic Security that is eligible for resale under Rule 144A or Regulation S under the Securities Act, the aggregate principal balance of all such Collateral Debt Securities (together with the aggregate principal balance of any Single Obligation Synthetic Securities (other than Single Obligation Synthetic Securities that satisfy the requirements of clause (A) or (B) of this paragraph (21)) related thereto) does not exceed 15% of the Net Outstanding Portfolio Collateral Balance;
<b>Corporate Guarantees and Guaranteed Corporate</b>	(22) if such security is a Guaranteed Corporate Debt Security or if such security is guaranteed as to ultimate or timely payment of principal or interest, (A) the aggregate principal balance of all such Collateral Debt Securities (together with the aggregate principal balance of any Single Obligation Synthetic Securities related thereto) does not exceed 12.5% of the Net Outstanding Portfolio Collateral Balance and (B) the aggregate

<b>Debt Securities</b>	principal balance of all such Collateral Debt Securities (together with the aggregate principal balance of any Single Obligation Synthetic Securities related thereto) guaranteed by any single guarantor and its Affiliates is not greater than 3% of the Net Outstanding Portfolio Collateral Balance;
<b>Moody's Rating Below "Baa3"</b>	(23) if such security has a Moody's Rating below "Baa3", (A) the aggregate principal balance of all such Collateral Debt Securities does not exceed 10% of the Net Outstanding Portfolio Collateral Balance and (B) the aggregate principal balance of all Collateral Debt Securities (including such security) that were publicly rated below "Baa3" by Moody's (or publicly rated "Baa3" by Moody's and such rating was on rating watch negative for possible downgrade) on the date of acquisition thereof by the Issuer does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;
<b>Single Issue</b>	(24) with respect to the particular Issue of the Collateral Debt Security being acquired, the aggregate principal balance of all Collateral Debt Securities part of the same Issue (together with the aggregate principal balance of any Single Obligation Synthetic Securities related thereto and rounded to the nearest 0.1%) does not exceed 1.5% of the Net Outstanding Portfolio Collateral Balance, except that with respect to the aggregate principal balance of all Collateral Debt Securities part of each of up to five Issues (together with the aggregate principal balance of any Synthetic Securities related thereto and rounded to the nearest 0.1%) may equal up to 2.5% of the Net Outstanding Portfolio Collateral Balance (as to each such Issue);
<b>Single Servicer</b>	(25) with respect to the Servicer of the security being acquired, (A) if such Servicer (or, if an Affiliate of such Servicer is required to perform the obligations of such Servicer, such Affiliate) is rated (1)(x) "Aa3" or higher by Moody's or (y) "Strong" or "AA" or higher by Standard & Poor's and (2) at least "S1" by Fitch or (if the Servicer does not have a servicer rating by Fitch) at least "AA-" by Fitch, the aggregate principal balance of all 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 such Servicer (or, if an Affiliate of such Servicer is required to perform the obligations of such Servicer, such Affiliate) is rated (1)(x) "A3" or higher but below "Aa3" by Moody's (and is not rated at least "AA" by Standard & Poor's) or (y) "Above Average" or "A-" or higher but below "AA" by Standard & Poor's (and is not rated at least "Aa3" by Moody's) and (2) at least "S2" by Fitch or (if the Servicer does not have a servicer rating by Fitch) at least "A-" by Fitch, the aggregate principal balance of all 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 and (C) if such Servicer (or, if an Affiliate of such Servicer is required to perform the obligations of such Servicer, such Affiliate) is rated (1) below "A3" by Moody's and "Average" and at least "BB+" but below "A-" by Standard & Poor's and (2) below both "S2" and "A-" by Fitch, the aggregate principal balance of all 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 7.5% of the Net Outstanding Portfolio Collateral Balance; provided that (x) with respect to up to two Servicers rated (1) below "A3" by Moody's and "Average" or below "A-" by Standard & Poor's and (2) "S2" by Fitch or at least "A-" but below "AA-" by Fitch, the aggregate principal balance of all 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) may equal up to 10% of the Net Outstanding Portfolio Collateral Balance and (y) if any two Servicers with respect to Collateral Debt Securities consolidate or merge with one another, the percentage limitation on Collateral Debt Securities serviced by the surviving entity shall be increased proportionately to reflect the combined servicing exposure of the two merged entities, as determined by the Collateral Manager acting in

accordance with the Collateral Manager Standard of Care and notified to the Trustee;

**Synthetic Securities**

(26) if such security is a Synthetic Security, then (A) the percentage of the Net Outstanding Portfolio Collateral Balance that represents Synthetic Securities entered into by the Issuer with a single Synthetic Security Counterparty does not exceed the individual percentage set forth in the Synthetic Security Matrix for the credit rating of such Synthetic Security Counterparty (or its Affiliates), (B) the percentage by aggregate principal balance of Collateral Debt Securities that represent Synthetic Securities entered into by the Issuer with Synthetic Security Counterparties (or their Affiliates) having the same credit rating does not exceed the aggregate percentage set forth in the Synthetic Security Matrix for the credit rating of such Synthetic Security Counterparty (or its Affiliates), (C) the aggregate principal balance of all Collateral Debt Securities constituting Synthetic Securities acquired from any single Synthetic Security Counterparty and its Affiliates is not greater than 5% of the Net Outstanding Portfolio Collateral Balance, (D) the Rating Condition with respect to Moody's and Standard & Poor's 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 and Standard & Poor's has assigned an Applicable Recovery Rate to such Synthetic Security, Standard & Poor's has assigned a Standard & Poor's Rating or credit estimate and there has been a Moody's Rating Factor assigned to such Synthetic Security by Moody's), (E) the aggregate principal balance of all Collateral Debt Securities that are Pledged Synthetic Securities does not exceed 15% of the Net Outstanding Portfolio Collateral Balance and (F)(i) the Reference Obligation(s) to which such Synthetic Security relates, if purchased by the Issuer directly, would (treating the acquisition of the Synthetic Security as acquisition of the Reference Obligation(s) from the Synthetic Security Counterparty) satisfy paragraphs (7) through (10) above 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 paragraphs (7) through (10) above;

**PIK Bonds**

(27) if such security is a PIK Bond (including any Single Obligation Synthetic Security as to which the Reference Obligation is a PIK Bond), the aggregate principal balance of all such Collateral Debt Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;

**CBO/CLO Securities**

(28) if such security is a CBO/CLO Security (including, except where otherwise indicated, any Single Obligation Synthetic Security as to which the Reference Obligation is a CBO/CLO Security), then:

(A) the aggregate principal balance of all such Collateral Debt Securities does not exceed 20% of the Net Outstanding Portfolio Collateral Balance,

(B) if such security is a Senior CBO/CLO Security or Junior Non-PIK CBO/CLO Security, the aggregate principal balance of all Collateral Debt Securities that are Senior CBO/CLO Securities or Junior Non-PIK CBO/CLO Securities does not exceed 15% of the Net Outstanding Portfolio Collateral Balance,

(C) if such security is a Junior PIK CBO/CLO Security, (x) the aggregate principal balance of all Collateral Debt Securities that are Junior PIK CBO/CLO Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance and (y) the aggregate principal balance of all Collateral Debt Securities (other than Single Obligation Synthetic Securities) that are Junior PIK CBO/CLO Securities that are not rated at least "A3" by Moody's or at least "A-" by Standard & Poor's does not exceed 3% of the Net Outstanding Portfolio Collateral Balance,

(D) if such security is an Asset-Backed CDO Security, the aggregate principal balance of all Collateral Debt Securities that are Asset-Backed CDO Securities does not exceed 15% of the Net Outstanding Portfolio Collateral Balance,

(E) if such security is a High-Yield CLO Security, (x) the aggregate principal balance



of all Collateral Debt Securities that are High-Yield CLO Securities does not exceed 15% of the Net Outstanding Portfolio Collateral Balance and (y) other than in the case of a Single Obligation Synthetic Security, such security is rated at least "A3" by Moody's or at least "A-" by Standard & Poor's,

(F) if such security is a High-Yield CDO Security, (x) the aggregate principal balance of all Collateral Debt Securities that are High-Yield CDO Securities does not exceed 10% of the Net Outstanding Portfolio Collateral Balance and (y) other than in the case of a Single Obligation Synthetic Security, such security is rated at least "A3" by Moody's (and, if rated "A3" by Moody's, such rating is not on rating watch negative for possible downgrade) or at least "A-" by Standard & Poor's,

(G) if such security is an Investment Grade CDO Security, (x) the aggregate principal balance of all Collateral Debt Securities that are Investment Grade CDO Securities does not exceed 10% of the Net Outstanding Portfolio Collateral Balance and (y) other than in the case of a Single Obligation Synthetic Security, such security is rated at least "A3" by Moody's (and, if rated "A3" by Moody's, such rating is not on rating watch negative for possible downgrade) or at least "A-" by Standard & Poor's, and

(H) such security is not (x) rated solely as to the ultimate payment of principal by Standard & Poor's or any Rating Agency on which the Standard & Poor's Rating of such security is based or (y) a combination security comprised in whole or in part of an underlying equity component;

**Frequency of Interest Payments**

(29) if such security provides for periodic payments of interest in cash less frequently than semiannually and such interest payments are (A) not the subject of a related hedge agreement pursuant to which the holders of such security receive periodic payments of interest in cash more frequently than semiannually or (B) not part of the Interest Equalization Account, the aggregate principal balance of all such Collateral Debt Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;

**Interest Only Securities**

(30) if such security is an Interest Only Security, (A) the Aggregate Amortized Cost of all such Collateral Debt Securities (together with the aggregate principal balance of any Single Obligation Synthetic Securities related thereto) does not exceed 5% of the Net Outstanding Portfolio Collateral Balance, (B) if such security is being acquired at any time during the period from but excluding the Closing Date to and including the Ramp-Up Completion Date, the Aggregate Amortized Cost of all such Collateral Debt Securities purchased by the Issuer during such period (together with the aggregate principal balance of any Single Obligation Synthetic Securities related thereto) does not exceed 3% of the Net Outstanding Portfolio Collateral Balance, (C) such security has a public rating by Standard & Poor's and (D) if such Interest Only Security is being acquired after the Closing Date, the Rating Condition with respect to Moody's and Standard & Poor's shall be satisfied with respect to such acquisition and Fitch shall have been notified of such acquisition;

**Non-U.S. Obligors and Synthetic Securities**

(31) if such security is a Synthetic Security or an obligation of an obligor organized or incorporated outside the United States or any state thereof, the aggregate principal balance of all such Collateral Debt Securities does not exceed 20% of the Net Outstanding Portfolio Collateral Balance;

**Step-Down Bonds and Step-Up Bonds**

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

Portfolio Collateral Balance;

<b>Corporate Debt Securities</b>	(33) if such security is a Corporate Debt Security, (A) the aggregate principal balance of all such Collateral Debt Securities (together with the aggregate principal balance of any Single Obligation Synthetic Securities related thereto) does not exceed 10% of the Net Outstanding Portfolio Collateral Balance and (B) such security has a Moody's Rating of at least "Baa3";
<b>Non-USD Collateral Debt Securities</b>	(34) if such security is a Non-USD Collateral Debt Security, the aggregate principal balance of all such Collateral Debt Securities (together with the aggregate principal balance of any Single Obligation Synthetic Securities related thereto) does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;
<b>REIT Debt Securities</b>	(35) if such security is a REIT Debt Security (including any Single Obligation Synthetic Security as to which the Reference Obligation is a REIT Debt Security), (A) the aggregate principal balance of all such Collateral Debt Securities does not exceed 10% of the Net Outstanding Portfolio Collateral Balance and (B) the aggregate principal balance of all REIT Debt Securities within a single category set forth in any sub-clause of the definition thereof does not exceed 7.5% of the Net Outstanding Portfolio Collateral Balance;
<b>Backed by obligations of Non-U.S. Obligors</b>	(36) if the obligor on such security is organized outside the United States of America, 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 does not exceed 12.5% of the Net Outstanding Portfolio Collateral Balance, (B) obligors organized in the United Kingdom does not exceed 12.5% of the Net Outstanding Portfolio Collateral Balance, (C) obligors organized in Canada does not exceed 12.5% of the Net Outstanding Portfolio Collateral Balance, (D) Qualifying Foreign Obligors organized in any other jurisdiction does not exceed 12.5% of the Net Outstanding Portfolio Collateral Balance, (E) obligors (other than Qualifying Foreign Obligors 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 (F) Emerging Market Issuers does not exceed 3% of the Net Outstanding Portfolio Collateral Balance;
<b>Deemed Floating Rate Collateral Debt Securities; Deemed Fixed Rate Collateral Debt Securities</b>	(37) if such security is a Deemed Floating Rate Collateral Debt Security or a Deemed Fixed Rate Collateral Debt Security, the aggregate principal balance of all such Collateral Debt Securities does not exceed 15% of the Net Outstanding Portfolio Collateral Balance;
<b>Manufactured Housing Securities</b>	(38) if such security is a Manufactured Housing Security, (A) the aggregate principal balance of all such Collateral Debt Securities (together with the aggregate principal balance of any Synthetic Securities related thereto) does not exceed 2% of the Net Outstanding Portfolio Collateral Balance, (B) except for one Issue of Manufactured Housing Securities, all such securities are rated at least "A2" by Moody's and (C) no single Issue of Manufactured Housing Securities (when taken together with the aggregate principal balance of any Synthetic Securities related thereto) constitutes more than 1% of the Net Outstanding Portfolio Collateral Balance;

<b>Aerospace and Defense Securities</b>	(39) if such security is an Aerospace and Defense Security, the aggregate principal balance of all such Collateral Debt Securities (together with the aggregate principal balance of any Synthetic Securities related thereto) does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;
<b>Tobacco Settlement Securities</b>	(40) if such security is a Tobacco Settlement Security, the aggregate principal balance of all such Collateral Debt Securities (together with the aggregate principal balance of any Synthetic Securities related thereto) does not exceed 4% of the Net Outstanding Portfolio Collateral Balance;
<b>Collateral Quality Tests</b>	(41) (A) each of the 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; provided that the Standard & Poor's CDO Monitor Test shall not apply to the reinvestment of sale proceeds of any Credit Risk Security;
<b>Coverage Tests</b>	(42) each of the Coverage Tests is satisfied or, except in the case of a security purchased with sale proceeds from the sale of a Credit Risk Security, if immediately prior to such acquisition one or more of the Coverage Tests was not satisfied, the extent of non-compliance with such Coverage Test(s) may not be made worse (except to the extent that a reduction in the extent of compliance does not result in non-compliance); <i>provided</i> that, if such security is purchased with the sale proceeds from the sale of a Defaulted Security or scheduled distributions of principal of a Collateral Debt Security, each Coverage Test must be satisfied both immediately prior to and immediately after the reinvestment of such sale proceeds; and
<b>No Inverse Floating Rate Securities, Project Finance Securities, Mutual Fund Securities or CDOs of CDOs</b>	(43) such security is not an Inverse Floating Rate Security, a Project Finance Security, a Mutual Fund Security or a CBO/CLO Security which entitles the holders thereof to receive payments that depend primarily on CBO/CLO Securities.

With respect to any series of trades in which the Issuer commits to purchase and or sell multiple Collateral Debt Securities pursuant to a Trading Plan, compliance with the Eligibility Criteria may, at the option of the Collateral Manager, be measured by determining the aggregate effect of such Trading Plan on the Issuer's level of compliance with the Eligibility Criteria rather than considering the effect of each purchase and sale of such Collateral Debt Securities individually. The Issuer (or the Collateral Manager on its behalf) may only enter into a Trading Plan if (i) as evidenced by an officer's certificate of the Collateral Manager which shall be delivered to the Trustee by the Issuer on or prior to the earliest event specified in the related Trading Plan, the Eligibility Criteria are expected to be satisfied as of the scheduled completion date of the related Trading Plan, (ii) the rating by Moody's on the Class A Notes is not one or more rating subcategories, and the ratings by Moody's on the Class B or Class C Notes are not two or more rating subcategories, below the applicable ratings in effect on the Closing Date and such ratings have not been withdrawn by Moody's, (iii) each previous Trading Plan has been completed and (iv) if, after completion of any previous Trading Plan, any of the Eligibility Criteria were not satisfied, the level of compliance with each of such Eligibility Criteria is equal to or better than the level of compliance with such Eligibility Criteria prior to the initiation of such previous Trading Plan. Upon completion of a Trading Plan, an officer's certificate of

the Collateral Manager shall be delivered to the Trustee specifying whether each of the Eligibility Criteria were satisfied.

With respect to paragraph (12) and paragraphs (18) to (41) 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 Amortized Cost" means, with respect to any Interest Only Security as of any date of determination, (a) on the date of acquisition thereof by the Issuer, the cost of purchase thereof and (b) on any date thereafter, the present value of all remaining payments on such Interest Only Security discounted to such date of determination as of each subsequent Distribution Date at a discount rate per annum equal to the internal rate of return on such Interest Only Security as calculated in good faith and in the exercise of its judgment by the Collateral Manager at the time of purchase thereof by the Issuer.

"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 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, the relevant Servicer or any other person or entity serving in a similar capacity, by estimating such Aggregate Attributable Amount in good faith and in the exercise of its judgment based upon all relevant information otherwise available to the Collateral Manager.

"Emerging Market Issuer" means a sovereign or non-sovereign issuer organized or incorporated 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 of not lower than "AA" by Standard & Poor's or if rated "AA" by Standard & Poor's, such rating has not been put on rating watch negative for possible downgrade by Standard & Poor's; *provided* that an issuer of Asset-Backed Securities organized or incorporated 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 (a) obligations of obligors organized or incorporated in the United States and (b) obligations of Qualifying Foreign Obligors.

"Interest Only Security" means any Collateral Debt Security that does not provide for the repayment of a stated principal amount in one or more installments on or prior to the date two Business Days prior to the Stated Maturity of the Notes.

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

"Junior Non-PIK CBO/CLO Security" means a CBO/CLO Security that (a) does not form part of the highest rated tranche of the CBO/CLO Securities of the relevant issuer of such CBO/CLO Security as of the date of issuance thereof and (b) is not a PIK Bond.

"Junior PIK CBO/CLO Security" means a CBO/CLO Security that (a) does not form part of the highest rated tranche of the CBO/CLO Securities of the relevant issuer of such CBO/CLO Security as of the date of issuance thereof and (b) is a PIK Bond.

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

security or any other person to amend, modify or waive any provision of such security or any of its Underlying Instruments.

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

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

"Senior CBO/CLO Security" means a CBO/CLO Security that forms part of the highest rated tranche of securities of the relevant issuer of such CBO/CLO Security as of the date of issuance thereof.

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

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

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

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

"Synthetic Security Matrix" means the matrix set forth below with respect to the following requirement: at the time a Synthetic Security is acquired by the Issuer, (a) the percentage of the Net Outstanding Portfolio Collateral Balance that represents Synthetic Securities entered into by the Issuer with a single Synthetic Security Counterparty will not exceed the individual percentage set forth below in column B for the credit rating of such Synthetic Security Counterparty (or its Affiliates) and (b) the percentage by aggregate principal balance of Collateral Debt Securities that represent Synthetic Securities entered into by the Issuer with Synthetic Security Counterparties (or their Affiliates) having the same credit rating will not exceed the aggregate percentage set forth below in column C for such credit rating.

Column A			Column B	Column C
Credit Rating of Synthetic Security Counterparty			Individual Synthetic Security Counterparty Percentage Limit	Aggregate Synthetic Security Counterparty Percentage Limit
Moody's	Standard & Poor's	Fitch		
Aaa	AAA	AAA	10%	20%
Aa1	AA+	AA+	10%	10%
Aa2	AA	AA	10%	10%
Aa3	AA-	AA-	10%	10%
A1	A+	A+	5%	5%
A2	A	A	5%	5%
A3 or below	A- or below	A- or below	0%	0%

"Trading Plan" means a series of sales and purchases of Collateral Debt Securities or investments in the "Pimco U.S. Dollar Liquidity Fund" (a) that is completed within the lesser of ten Business Days and the period of time between the date on which the first purchase or sale is made pursuant to such Trading Plan and the next succeeding Determination Date and (b) that results in the purchase of Collateral Debt Securities having an aggregate principal balance that does not exceed any applicable limitations imposed by the Rating Agencies. The time period for a Trading Plan shall commence on the first date on which the Issuer sells or purchases (or commits to sell or purchase) a Collateral Debt Security included in such Trading Plan and shall end on the last day on which the issuer sells or purchases (or commits to sell or purchase) a Collateral Debt Security included in such Trading Plan.

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.

The Management Agreement will provide that when purchasing, entering into, managing, selling or terminating CDO Obligations, Other ABS, Guaranteed Corporate Debt Securities or Corporate Debt Securities on behalf of the Issuer, the Collateral Manager shall be deemed to have satisfied the requirements in paragraph (9) of the Eligibility Criteria as to the manner of acquisition if it satisfies each of the following requirements:

- (1) Except as provided in paragraphs (2) and (3) below, the Collateral Manager does not acquire or commit to acquire CDO Obligations, Other ABS, Guaranteed Corporate Debt Securities or Corporate Debt Securities from (i) the obligor or issuer or (ii) any seller that has not purchased and funded such obligation or security. The Collateral Manager does not acquire or commit to acquire such obligations or securities from itself or any of its Affiliates or any account or portfolio for which the Collateral Manager (whether or not acting in its capacity as Collateral Manager) or any of its Affiliates serves as investment advisor unless (a) the seller acquired the obligation or security in a manner that would have satisfied these requirements if it were the Issuer or (b) the seller regularly acquires obligations or securities of the same type for its own account, could have held the obligation or security for its own account consistent with its investment policies, holds the obligation or security for at least 90 days and during that period does not commit to sell or identify such obligation or security as intended for sale to the Issuer.

- (2) The Collateral Manager acquires or commits to acquire CDO Obligations, Other ABS, Guaranteed Corporate Debt Securities or Corporate Debt Securities from the obligor or issuer or from a seller that has not purchased and funded such obligation or security only if:
- (A) The obligation or security is issued pursuant to an effective registration statement under the Securities Act in an underwriting or placement where neither the Collateral Manager nor an Affiliate of the Collateral Manager acted as an underwriter or placement agent; or
  - (B) The obligation or security is privately placed under Rule 144A or Section 4(2) of the Securities Act and is described in at least one of the following clauses:
    - (i) The Collateral Manager and its Affiliates do not participate in the placement;
    - (ii) The Collateral Manager and its employees do not participate in the placement, and the Issuer does not acquire the obligation or security from the Collateral Manager or an Affiliate other than an Affiliate that regularly acquires obligations or securities for its own account, could have held its entire amount of the obligation or security for its own account consistent with its investment policies, holds the obligation or security for at least 90 days and during that period does not commit to sell or identify such an obligation or security as intended for sale to the Issuer; or
    - (iii) The Collateral Manager and its Affiliates neither 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) nor at issuance acquire or commit to 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 purchase 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).
- (3) The Collateral Manager makes purchases or commitments to purchase unissued or unfunded securities otherwise permitted by the Management Agreement only if the purchase price is fixed at the time of the commitment and the commitment is subject to there being no material adverse change in the financial condition of the obligor or issuer or in the financial markets.
- (4) The Collateral Manager acquires an obligation or security only if, for U.S. Federal income tax purposes, it has reasonably determined that (i) the asset is debt, (ii) the only obligors or issuers are corporations, (iii) all obligors or issuers are not engaged in a trade or business within the United States or (iv) the obligor or issuer is a grantor trust all assets of which are obligations or securities that the Issuer could have acquired directly. For purposes of determining whether any criterion in this subsection (4) is satisfied, the Collateral Manager may rely on a legal opinion included in (or described in) the offering documents pursuant to which the CDO Obligation, Other ABS, Guaranteed Corporate Debt Security or Corporate Debt Security was issued to the effect that such criterion will be satisfied, provided that no change that would have a material effect on the satisfaction of such criterion has occurred in the terms of the CDO Obligation, Other ABS, Guaranteed Corporate Debt Security or Corporate Debt Security or the activities or any organizational documents of the issuer, as applicable, before the CDO Obligation, Other ABS, Guaranteed Corporate Debt Security or Corporate Debt Security is acquired.

#### **Certain Matters Relating to Synthetic Securities**

A portion of the Collateral Debt Securities may consist of Synthetic Securities entered into between the Issuer and a Synthetic Security Counterparty.

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 payment obligations (contingent or otherwise) to the Synthetic Security Counterparty after an initial payment thereunder, the aggregate amount of the repayment obligations (in the nature of principal payments) of the Synthetic Security Counterparty payable to the Issuer through the maturity of such Synthetic Security and (ii) in the case of any Defeased 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 Obligation(s).

For purposes of the Diversity Test and the Standard & Poor's CDO Monitor Test, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation(s) (and the issuer(s) thereof will be deemed to be the related Reference Obligor(s) and not the Synthetic Security Counterparty). For purposes of the Collateral Quality Tests other than the Diversity Test, and for purposes of 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).

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

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

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

### **The Collateral Quality Tests**

The "Collateral Quality Tests" will consist of the Diversity Test, the Moody's Maximum Rating Distribution Test, the Moody's Minimum Weighted Average Recovery Rate Test, the Fitch Weighted Average Rating Factor Test, the Weighted Average Coupon Test, the Weighted Average Spread Test, the Weighted Average Life Test and the Standard & Poor's Minimum Recovery Rate Test described below. The Collateral Quality Tests will be used primarily as criteria for purchasing Collateral Debt Securities. See "—Eligibility Criteria".

Measurement of the degree of compliance with the Collateral Quality Tests will be required, after the Ramp-Up Completion Date, on each day on which the Issuer purchases a Collateral Debt Security.

*Ratings Matrix.* Subject to the conditions set forth below, on and after the Closing Date, the Collateral Manager will have the option of electing which row 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 Ratings Matrix are set forth opposite such Ratings Matrix in the table below for the applicable period.

Ratings Matrix	Designated Minimum Diversity Score	Designated Moody's Maximum Rating Distribution	Designated Minimum Weighted Average Spread
1	18	350	2.15%
2	19	350	2.10%
3	20	350	2.05%
4	19	400	2.15%
5	20	400	2.10%
6	22	400	2.05%
7	20	450	2.15%
8	21	450	2.10%
9	23	450	2.05%

On the Closing Date, Ratings Matrix 1 shall apply. Thereafter, on five Business Days' prior written notice to the Trustee, the Collateral Manager may elect to have a different Ratings Matrix apply so long as, immediately after giving effect to such change, both the Diversity Test and the Moody's Maximum Rating Distribution Test are satisfied. In no event will the Collateral Manager be obligated to elect to apply a different Ratings Matrix than the one most recently selected by the Collateral Manager.

*Diversity Test.* The "Diversity Test" will be satisfied on any Measurement Date if the Diversity Score is equal to or greater than the Designated Minimum Diversity Score for the Ratings Matrix in effect on such Measurement Date. 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.

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

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

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

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

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

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

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

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

- (b) With respect to any Synthetic Security, the Moody's Rating Factor shall be determined as specified by Moody's at the time such Synthetic Security is acquired by the Issuer.

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

- (i) if such Collateral Debt Security is publicly rated by Moody's, the Moody's Rating shall be such rating, or, if such Collateral Debt Security is not publicly rated by Moody's, but the Issuer or the Collateral Manager on behalf of the Issuer has requested that Moody's assign a rating to such Collateral Debt Security (including, without limitation, any shadow rating with respect to a Reclassified Security as discussed in "Security for the Notes—Reclassified Securities" below), the Moody's Rating shall be the rating so assigned by Moody's;

- (ii) with respect to a CDO Obligation or Other ABS, if such CDO Obligation or Other ABS is not publicly rated by Moody's, then the Moody's Rating of such CDO Obligation or Other ABS may be determined using any one of the methods below:

- (A) with respect to any CMBS Conduit Security or CMBS Credit Tenant Lease Security not publicly rated by Moody's, (x) if Moody's has rated a tranche or class of CMBS Conduit Security or CMBS Credit Tenant Lease Security senior to the relevant Issue, then the Moody's Rating thereof shall be one and one-half rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's for purposes of determining the Moody's Rating Factor and one rating subcategory below the Moody's equivalent rating assigned by Standard & Poor's for all other purposes and (y) if Moody's has not rated any such tranche or class and Standard & Poor's has rated the subject CMBS Conduit Security or CMBS Credit Tenant Lease Security, then the Moody's Rating thereof will be two rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's;

- (B) with respect to notched ratings on any other type of CDO Obligation or Other ABS, the Moody's Rating shall be determined in accordance with the notching conventions set forth in Part I of Schedule E; and

- (C) with respect to any other type of CDO Obligation or Other ABS designated as a Specified Type after the date hereof upon notification from the Collateral Manager to the Trustee and written confirmation by Moody's to the Issuer, the Trustee and the Collateral Manager that such designation satisfies the Rating Condition, pursuant to any method specified by Moody's;

- (iii) with respect to Guaranteed 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 Guaranteed 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 Guaranteed 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 Guaranteed 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:
- (1) rated "Ba3" or higher by Moody's, the Moody's Rating of such Guaranteed 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 Guaranteed 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 Guaranteed 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 Guaranteed Corporate Debt Security shall be one rating subcategory above the rating of the Other Security;
- (E) if the corporate guarantee 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 Guaranteed 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 Guaranteed 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 Guaranteed 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 Guaranteed 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 Guaranteed Corporate Debt Security shall be two rating subcategories above the rating of the Other Security; or
  - (3) rated "B3" by Moody's, the Moody's Rating of such Guaranteed 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 Guaranteed 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 Guaranteed Corporate Debt Security shall also be one rating subcategory above the rating of the Other Security; and
- (I) if the Guaranteed 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 Guaranteed Corporate Debt Security shall be the rating of the Other Security;
- (iv) with respect to Guaranteed 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 Guaranteed 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 Guaranteed 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 Guaranteed Corporate Debt Security will be determined in accordance with the methodology set forth in clause (ii) 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 or the Collateral Manager on behalf of the Issuer, may present such corporate guarantee to Moody's for an estimate of such Guaranteed 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 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 Guaranteed 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 Guaranteed 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 Guaranteed Corporate Debt Security will be "Ca".

*provided* that (u) 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, non-exclusive rating (but not a ratings estimate, a shadow rating, any rating given for informational purposes only or any Standard & Poor's rating which contains a subscript) that addresses the obligation of the obligor (or guarantor, where applicable) to pay principal of and interest on the relevant Collateral Debt Security in full and is monitored on an ongoing basis by the relevant Rating Agency, (v) the aggregate principal balance of Collateral Debt Securities the Moody's Rating of which is based on a Standard & Poor's rating may not exceed 20% of the aggregate principal balance of all Collateral Debt Securities, (w) the ratings of not more than 10% of the aggregate principal balance of all Collateral Debt Securities may be assigned rating factors derived via notching from instruments rated by a only one Rating Agency, (x) with respect to ratings derived via notching from instruments rated by only one Rating Agency, the ratings of not more than 7.5% of the aggregate principal balance of all Collateral Debt Securities may be assigned rating factors derived via notching from instruments rated by any one Rating Agency, (y) with respect to any Synthetic Security, the Moody's Rating thereof shall be determined as specified by Moody's at the time such Synthetic Security is acquired and (z) other than for the purposes of paragraph (5) of the Eligibility Criteria, (A) if a Collateral Debt Security is placed on a watch list for possible upgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be one rating subcategory (or, in the case of a CBO/CLO Security that would otherwise have a Moody's Rating below "A3", two rating subcategories) above the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list, (B) if a Collateral Debt Security is placed on a watch list for possible downgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be one rating subcategory (or, in the case of a CBO/CLO Security that would otherwise have a Moody's Rating below "A3", 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 unless Moody's has notified the Collateral Manager that such downgrade treatment is no longer required.

A "Qualifying Foreign Obligor" is (a) a corporation, partnership or other entity organized or incorporated in any of Australia, Canada, France, Germany, Ireland, Italy, New Zealand, The Netherlands, Spain, 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 or (b) any other country with respect to which corporations, partnerships or other entities organized therein have been approved as Qualifying Foreign Obligors in writing by a majority in aggregate outstanding principal amount of the Controlling Class, *provided* that such expansion of this definition satisfies the Rating Condition.

Fitch Weighted Average Rating Factor Test. The "Fitch Weighted Average Rating Factor Test" will be satisfied on any Measurement Date occurring 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 4.5. 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 Collateral Debt Security that is not a Defaulted Security or Deferred Interest PIK Bond, by multiplying (1) the principal balance as of such Measurement Date of each such Collateral Debt Security by (2) its respective Fitch Rating Factor as of such Measurement Date and (b) for any Deferred Interest PIK Bond, 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 Deferred Interest PIK Bond by (2) the principal balance as of such Measurement Date of each such Deferred Interest PIK Bond (not including any deferred interest thereon) by (3) its respective Fitch Rating Factor as of such Measurement Date by (ii) the sum of (a) the aggregate principal balance as of such Measurement Date of all Collateral Debt Securities that are not Defaulted Securities or Deferred Interest PIK Bonds 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 Deferred Interest PIK Bond by (2) the principal balance as of such Measurement Date of such Deferred Interest PIK Bond (not including any deferred interest thereon).

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

<b>Fitch Rating</b>	<b>Fitch Rating Factor</b>	<b>Fitch Rating</b>	<b>Fitch Rating Factor</b>
AAA	0.19	BB	13.53
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 to the Trustee, the Fitch Rating shall be such rating;
- (ii) if the Fitch Rating cannot be assigned pursuant to clause (i) above and a rating is published by only one of Standard & Poor's and Moody's (but not both), the Fitch Rating will be that published rating by Standard & Poor's or Moody's, as the case may be;
- (iii) if the Fitch Rating cannot be assigned pursuant to clause (i) or (ii) above and a rating is published by both Moody's and Standard & Poor's, the Fitch Rating shall be the lower of such ratings; and
- (iv) in all other circumstances, 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, until such a private rating shall have been obtained, the Fitch Rating for such Collateral Debt Security shall be "CCC",

*provided that* (x) if such Collateral Debt Security has been put on rating watch negative for possible downgrade by any Rating Agency, then the rating used to determine the Fitch Rating under any of clauses (i), (ii) and (iii) above will be one rating subcategory below such rating by that Rating Agency, (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 under any of clauses (i), (ii) and (iii) above will 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 "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 provided to Standard and Poor's for the use of such private rating), the Standard & Poor's Rating shall be the rating assigned thereto by Standard & Poor's; *provided that* if any Collateral Debt Security shall be on watch for a possible upgrade or downgrade by Standard & Poor's on such date of determination, the Standard & Poor's Rating of such Collateral Debt Security shall be one subcategory above or below, respectively, the rating otherwise assigned to such Collateral Debt Security by Standard & Poor's;

- (ii) if such Collateral Debt Security is not rated by Standard & Poor's but the Issuer or the Collateral Manager on behalf of the Issuer has requested that Standard & Poor's assign a rating to such Collateral Debt Security (including, without limitation, any shadow rating with respect to a Reclassified Security as discussed in "Security for the Notes—Reclassified Securities" below), the Standard & Poor's Rating shall be the rating so assigned by Standard & Poor's; *provided* that pending receipt from Standard & Poor's of such rating, (x) if such Collateral Debt Security is of a type listed on Schedule D or is not eligible for notching in accordance with Part II of Schedule E, such Collateral Debt Security shall have a Standard & Poor's Rating of "CCC-" and (y) if such Collateral Debt Security is not of a type listed on Schedule D and is eligible for notching in accordance with Part II of Schedule E, the Standard & Poor's Rating of such Collateral Debt Security shall be the rating assigned in accordance with Part II of Schedule E until such time as Standard & Poor's shall have assigned a rating thereto;
- (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, but is guaranteed by a corporate guarantee, the issuer of which is rated by Standard & Poor's, the Standard & Poor's Rating shall be the rating so assigned to such issuer; and
- (iv) 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), (ii) or (iii) above, and is not of a type listed on Schedule D, the Standard & Poor's Rating of such Collateral Debt Security shall be the rating determined in accordance with Part II of Schedule E; *provided* that (A) if any Collateral Debt Security shall, at the time of its purchase by the Issuer, be on watch for a possible upgrade or downgrade by either Moody's or Fitch, Inc., the Standard & Poor's Rating of such Collateral Debt Security shall be one subcategory above or below, respectively, the rating otherwise assigned to such Collateral Debt Security in accordance with Part II of Schedule E and (B) the aggregate principal balance of all Collateral Debt Securities that are assigned a Standard & Poor's Rating pursuant to this clause (iii) may not exceed 20% of the aggregate principal balance of all Collateral Debt Securities.

Moody's Minimum Weighted Average Recovery Rate Test. The "Moody's Minimum Weighted Average Recovery Rate Test" will be satisfied as of any Measurement Date occurring on or after the Ramp-Up Completion Date (and will not be required to be satisfied prior to the Ramp-Up Completion Date) if the Moody's Weighted Average Recovery Rate as of such Measurement Date is greater than or equal to 37%.

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

The "Fitch Recovery Rate" means, with respect to any Deferred Interest PIK Bond or Defaulted Security on any Measurement Date, an amount equal to the percentage corresponding to the domicile and seniority of such Deferred Interest PIK Bond or Defaulted Security 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.

Weighted Average Coupon Test. The "Weighted Average Coupon Test" will be satisfied on any Measurement Date if the Weighted Average Coupon as of such Measurement Date is equal to or greater than (i) 6.00% on the Closing Date and thereafter to but excluding the Ramp-Up Completion Date and (ii) 6.15% 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 summing the products obtained by multiplying (x) the Current Interest Rate



on each Collateral Debt Security that is a Fixed Rate Collateral Debt Security or a Deemed Fixed Rate Collateral Debt Security (other than a Defaulted Security, Written Down Security, Deferred Interest PIK Bonds or an Interest Only Security) by (y) the principal balance of each such Collateral Debt Security and dividing such sum by the aggregate principal balance of all Collateral Debt Securities that are Fixed Rate Collateral Debt Securities or Deemed Fixed Rate Collateral Debt Securities (excluding all Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) plus (b) the number obtained by (i) summing the products obtained by multiplying (x) the imputed interest rate on each Qualifying Interest Only Security (computed relative to the notional principal amount of such Qualifying Interest Only Security) (excluding Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) that is a Fixed Rate Collateral Debt Security by (y) the notional principal amount of each such Interest Only Security and (ii) dividing such sum by the aggregate principal balance of all Collateral Debt Securities that are Fixed Rate Collateral Debt Securities or Deemed Fixed Rate Collateral Debt Securities (excluding all Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) plus (c) if such sum of the numbers obtained pursuant to clauses (a) and (b) is less than (i) 6.0% on the Closing Date and thereafter to but excluding the Ramp-Up Completion Date and (ii) 6.15% on the Ramp-Up Completion Date and any Measurement Date thereafter, the Spread Excess, if any, as of such Measurement Date. For purposes of this definition, (1) a PIK Bond shall be deemed to be a Deferred Interest PIK Bond so long as any interest thereon has been deferred and capitalized for at least one payment date (until payment of interest on such PIK Bond has resumed and all capitalized and deferred interest has been paid in accordance with the terms of the Underlying Instruments) and (2) no contingent payment of interest will be included in such calculation. For purposes of this definition, with respect to each Non-USD Collateral Debt Security, the Trustee shall convert into Dollars amounts determined by reference to the principal balance or notional principal amount of such Non-USD Collateral Debt Security on the relevant Determination Date (x) in the case of each Hedged Non-USD Collateral Debt Security, at the applicable FX Rate under the related Non-USD Hedge Agreement and (y) in the case of each Unhedged Non-USD Collateral Debt Security, at the prevailing Dollar/Sterling or Dollar/euro spot exchange rate (as applicable) at the time of such conversion.

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) 2.00% on the Closing Date and (ii) on any Measurement Date thereafter, a percentage based on the minimum Weighted Average Spread as indicated on the Ratings Matrix in effect on such Measurement Date, and (b) the aggregate principal balance of all Floating Rate Collateral Debt Securities or Deemed Floating Rate Collateral Debt Securities (excluding Defaulted Securities, Written Down Securities or Deferred Interest PIK Bonds) and the denominator of which is the aggregate principal balance of all Collateral Debt Securities that are Fixed Rate Collateral Debt Securities or Deemed Fixed Rate Collateral Debt Securities (excluding Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds).

*Weighted Average Spread Test.* The "Weighted Average Spread Test" means a test that will be satisfied on any Measurement Date if the Weighted Average Spread as of such Measurement Date is equal to or greater than the minimum Weighted Average Spread required to satisfy such test (the "Designated Minimum Weighted Average Spread") as set forth in the Ratings Matrix in effect on such Measurement Date.

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

(a) the number obtained by (i) summing the products obtained by multiplying (A) the Current Spread on each Collateral Debt Security that is a Floating Rate Collateral Debt Security or Deemed Floating Rate Collateral Debt Security (including any Unhedged Floating Rate Non-USD Collateral Debt Security but excluding any Defaulted Security, Written Down Security, Deferred Interest PIK Bond or Qualifying Interest Only Security) by (B)(1) the principal balance of such Collateral Debt Security as of such date and (ii) dividing such sum by the aggregate principal balance of all Floating Rate Collateral Debt Securities and Deemed Floating Rate Collateral Debt Securities (excluding, in each case, all Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) plus

(b) the number obtained by (i) summing the products obtained by multiplying (A) for each Qualifying Interest Only Security that is a Floating Rate Collateral Debt Security or Deemed Floating Rate Collateral Debt Security (including any Unhedged Floating Rate Non-USD Collateral Debt Security but excluding any Defaulted

Security, Written Down Security or Deferred Interest PIK Bond), (1) in the case of each USD Collateral Debt Security, the notional interest rate above LIBOR on such Qualifying Interest Only Security computed relative to the notional principal amount of such Qualifying Interest Only Security as of such date, (2) in the case of each Deemed Floating Rate Collateral Debt Security, the notional interest rate above LIBOR computed by reference to the interest rate above LIBOR (if any) payable to the Issuer with respect to such Deemed Floating Rate Collateral Debt Security pursuant to the related Hedge Agreement as of such date (or, if such date is not also a Determination Date, as of the most recent Determination Date) and (3) in the case of each Unhedged Floating Rate Non-USD Collateral Debt Security, the notional interest rate on such Qualifying Interest Only Security above EURIBOR or Sterling LIBOR (as the case may be and, in each case determined pursuant to the Underlying Instruments with respect to the relevant Collateral Debt Securities), computed relative to the notional principal amount of such Qualifying Interest Only Security as of such date (or if such date is not also a Determination Date, as of the most recent Determination Date) by (B)(1) the notional principal amount of each such Qualifying Interest Only Security and (ii) dividing such sum by the aggregate principal balance of all Floating Rate Collateral Debt Securities and Deemed Floating Rate Collateral Debt Securities (excluding, in each case, all Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) plus

(c) if such sum of the numbers obtained pursuant to clauses (a) and (b) is less than: (i) 2.00% on the Closing Date and thereafter to but excluding the Ramp-Up Completion Date, (ii) a percentage based on the minimum Weighted Average Spread as indicated on the Ratings Matrix in effect on such Measurement Date.

For purposes of this definition, with respect to each Non-USD Collateral Debt Security, the Trustee shall convert into U.S. Dollars amounts determined by reference to the principal balance or notional principal amount of such Non-USD Collateral Debt Security on the relevant Determination Date (x) in the case of each Hedged Non-USD Collateral Debt Security, at the applicable FX Rate under the related Non-USD Hedge Agreement and (y) in the case of each Unhedged Non-USD Collateral Debt Security, at the prevailing U.S. Dollar/Sterling or U.S. Dollar/euro spot exchange rate (as applicable) at the time of such conversion.

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) 6.00% on the Closing Date and thereafter to but excluding the Ramp-Up Completion Date and (ii) 6.15% on the Ramp-Up Completion Date and any Measurement Date thereafter, and (b) the aggregate principal balance of all Collateral Debt Securities that are Fixed Rate Collateral Debt Securities or Deemed Fixed Rate Collateral Debt Securities (excluding Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) and the denominator of which is the aggregate principal balance of all Collateral Debt Securities that are Floating Rate Collateral Debt Securities or Deemed Floating Rate Collateral Debt Securities (excluding Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds).

*Weighted Average Life Test.* The "Weighted Average Life Test" will be satisfied on any Measurement Date during any period set forth below if the Weighted Average Life of all Collateral Debt Securities (other than Defaulted Securities) as of such Measurement Date is less than or equal to the number of years set forth in the table below:

<b>As of any Determination Date occurring during the period below</b>	<b>Weighted Average Life</b>
On the Closing Date to and including the Distribution Date in March 2005	6.5
Thereafter to and including the Distribution Date in September 2005	6.5
Thereafter to and including the Distribution Date in March 2006	6.0
Thereafter to and including the Distribution Date in September 2006	5.5
Thereafter to and including the Distribution Date in March 2007	5.0
Thereafter to and including the Distribution Date in September 2007	4.5
Thereafter to and including the Distribution Date in March 2008	4.0
Thereafter to and including the Distribution Date in September 2008	3.5
Thereafter	3.0

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

*Standard & Poor's Minimum Recovery Rate Test.* The "Standard & Poor's Minimum Recovery Rate Test" will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date (and will not be required to be satisfied prior to the Ramp-Up Completion Date) if the Standard & Poor's Recovery Rate as of such Measurement Date is equal or greater than (a) 34%, so long as the Controlling Class is the Class A-1 Notes or the Class A-2 Notes, (b) 40% so long as the Controlling Class is the Class B Notes or (c) 53%, so long as the Controlling Class is the Class C Notes.

The "Standard & Poor's Recovery Rate" means, as of any Measurement Date, the number obtained by summing the products obtained by (i) multiplying the principal balance of each Collateral Debt Security on such Measurement Date by its Applicable Recovery Rate (determined for purposes of this definition pursuant to clause (b) of the definition of "Applicable Recovery Rate"), (ii) dividing such sum by the Aggregate principal balance of all Collateral Debt Securities on such Measurement Date, (iii) multiplying the result by 100 and rounding up to the first decimal place. For purposes of determining the Standard & Poor's Recovery Rate, the principal balance of a Defaulted Security or a Deferred Interest PIK Bond will be deemed to be equal to its 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, each Hedge Counterparty and Standard & Poor's an officer's certificate specifying the extent of non-compliance.

"Standard & Poor's CDO Monitor Test" is a test satisfied on any Measurement Date occurring 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, (a) each of the Class A-1 Note Loss Differential, the Class A-2 Note Loss Differential, the Class B Note Loss Differential or the Class C Note Loss Differential of the Proposed Portfolio is positive or (b) each of the Class A-1 Note Loss Differential, the Class A-2 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 with each such loss differential is improved after giving effect to the sale or purchase of such Collateral Debt Security; provided that the Standard & Poor's CDO Monitor Test shall not apply to the reinvestment of sale proceeds of a Credit Risk Security.

"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.

"Class A-2 Note Loss Differential" means, with respect to the Class A-2 Notes, at any time, the rate calculated by subtracting the Class A-2 Note Scenario Default Rate at such time from the Class A-2 Note Break-Even Loss Rate at such time.

"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.

"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.

"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.

"Class A-2 Note Scenario Default Rate" means, with respect to the Class A-2 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-2 Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

"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.

"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.

"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 and interest on the Class A-1 Notes in full by their Stated Maturity and the timely payment of interest on the Class A-1 Notes.

"Class A-2 Note Break-Even Loss Rate" means, with respect to the Class A-2 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 A-2 Notes in full by their Stated Maturity and the timely payment of interest on the Class A-2 Notes.

"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.

"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, interest on the Class C Notes in full by their Stated Maturity and the timely payment of interest on the Class C Notes.

The "Proposed Portfolio" means the portfolio (measured by principal balance) of (a) the Collateral Debt Securities, (b) Principal Proceeds or Uninvested Proceeds held as cash and (c) Eligible Investments purchased with Principal Proceeds or Uninvested Proceeds resulting from the sale, maturity or other disposition of 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 (a) the Collateral Debt Securities, (b) Principal Proceeds or Uninvested Proceeds held as cash and (c) Eligible Investments purchased with Principal Proceeds or Uninvested Proceeds existing immediately prior to such sale, maturity or other disposition of a Collateral Debt Security or immediately prior to such acquisition of a Collateral Debt Security, as the case may be.

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

The Standard & Poor's CDO Monitor calculates the cumulative default rate of a pool of Collateral Debt Securities consistent with a specified benchmark rating level based upon Standard & Poor's proprietary corporate debt default studies. In calculating the Class A Scenario Default Rate, Class B Scenario Default Rate and Class C 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. Neither the Collateral Manager nor the Issuer makes any representation as to the expected rate of defaults of the Collateral Debt Securities or the timing of defaults or as to the expected recovery rate or the timing of recoveries.

## Dispositions of Collateral Debt Securities

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

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

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

(3) any Credit Risk Security at any time; *provided* that if such sale occurs prior to the Due Period immediately preceding the last day of the Reinvestment Period, the Collateral Manager shall use its best efforts to reinvest the proceeds from the sale thereof prior to the last day of the next succeeding Due Period in one or more Collateral Debt Securities having an aggregate principal balance of not less than 100% of such sale proceeds;

(4) any Credit Improved Security at any time; *provided* that if such sale occurs more than 10 Business Days prior to the last day of the Reinvestment Period, such sale may only take place if the Collateral Manager, acting in accordance with the Collateral Manager Standard of Care, believes that the proceeds from the sale of such Credit Improved Security can be reinvested within 10 Business Days after the trade date on which such Credit Improved Security is sold in one or more substitute Collateral Debt Securities having an aggregate principal balance of not less than 100% of the principal balance of the Credit Improved Security being sold; and

(5) without limiting the foregoing, any Collateral Debt Security that is not a Defaulted Security, an Equity Security, a Credit Risk Security or a Credit Improved Security may be sold at any time during the Reinvestment Period, but only if (A) the Collateral Manager, acting in accordance with the Collateral Manager Standard of Care, believes that proceeds from the sale of such Collateral Debt Security can be reinvested (x) within 10 days after the trade date on which such Collateral Debt Security is sold (or, if earlier, on or prior to the last day of the Reinvestment Period) in one or more substitute Collateral Debt Securities having an aggregate principal balance of not less than 100% of the principal balance of the Collateral Debt Security being sold or (y) within 20 days after such Collateral Debt Security is sold (or, if earlier, on or prior to the last day of the Reinvestment Period), in one or more substitute Collateral Debt Securities having an aggregate principal balance at least equal to 105% of the principal balance of the Collateral Debt Security being sold, (B) the aggregate principal balance of all such sales (including sales made pursuant to Trading Plans) pursuant to this paragraph (5) does not exceed any applicable limitations imposed by the Rating Agencies and (C) Moody's has not withdrawn its rating (including any private or confidential rating), if any, of any Class of Notes or reduced (and not restored) any such rating below the rating in effect on the Closing Date by more than one rating subcategory (in the case of the Class A Notes and Class B Notes) or two rating subcategories (in the case of Class C Notes), or the holders of a majority in aggregate outstanding principal amount of the Controlling Class have consented in writing to the sale of the Collateral Debt Securities under this paragraph (5) in the event that Moody's has withdrawn or reduced its rating in accordance with this paragraph (c).

On or prior to the last day of the Reinvestment Period, Principal Proceeds (including those resulting from dispositions) may be reinvested in Collateral Debt Securities if the reinvestment criteria set forth under "—Eligibility Criteria" are satisfied.

"Credit Improved Security" means any Collateral Debt Security that satisfies one of the following criteria: (a) that so long as Moody's has not withdrawn its rating (including any private or confidential rating), if any, of any Class of Notes or reduced (and not restored) any such rating below the rating in effect on the Closing Date by more than one rating subcategory (in the case of the Class A Notes and Class B Notes) or two rating subcategories (in the

case of Class C Notes), has shown, in the judgment of the Collateral Manager, improved financial results since such Collateral Debt Security was purchased by the Issuer or, with respect to Asset-Backed Securities and mortgage-backed securities, there have been in the judgment of the Collateral Manager improvements in the quality of the underlying pool of collateral or an increase in the level of subordination; (b) the Collateral Manager (i)(A) believes that such Collateral Debt Security has decreased its spread over the interest rate on the applicable U.S. Treasury Benchmark by an amount exceeding 0.50% or has increased in price to 102% or more of its purchase price, in each case, since the date on which such Collateral Debt Security was acquired by the Issuer and (B) is able to sell such Collateral Debt Security at a price greater than or equal to the aggregate par amount of such Collateral Debt Security as of the date of such sale or (ii) believes that such Collateral Debt Security has increased in price beyond any applicable percentage of its purchase price specified by Moody's which Moody's requires in order for the Collateral Manager to be able to sell such Collateral Debt Security at a price less than the aggregate par amount of such Collateral Debt Security as of the date of such sale; or (c) such Collateral Debt Security has been upgraded or put on a watch list for possible upgrade by one or more rating subcategories by one or more Rating Agencies since it was acquired by the Issuer and the Collateral Manager believes that the issuer of such Collateral Debt Security has shown improved financial results since such Collateral Debt Security was purchased by the Issuer.

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

"Defaulted Security" means any Collateral Debt Security:

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

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

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

not to treat such Collateral Debt Security as a Defaulted Security and (b) such decision satisfies the Rating Condition;

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

(5) that is a Defaulted Synthetic Security;

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

(7) that is a Deliverable Obligation or Synthetic Security Collateral that does not satisfy paragraphs (1) through (43) of the Eligibility Criteria at the time such Deliverable Obligation or Synthetic Security Collateral is delivered to the Issuer; or

(8) that is a CBO/CLO Security in respect of which all payment obligations have been accelerated as a result of a vote or other consensual action by the applicable requisite percentage of the holders thereof pursuant to the related Underlying Instruments;

*provided* that, notwithstanding anything in this definition to the contrary, a Senior CBO/CLO Security will not be considered a Defaulted Security for purposes of this definition if (x) such Senior CBO/CLO Security is in default under the related Underlying Instruments solely because the aggregate outstanding amount of one or more tranches (whether taken individually or collectively, as the case may be) of the rated securities of the related issuer of such Senior CBO/CLO Security exceeds the aggregate par value of the underlying assets of such issuer, (y) either (1) the overcollateralization default provision(s) or coverage test(s) (howsoever described) applicable to such Senior CBO/CLO Securities in the related Underlying Instruments (I) require a level of compliance by the issuer thereof that is substantially equivalent (as determined by the Collateral Manager in its reasonable business judgment, treating the Class A-1 Notes hereunder as equivalent to such Senior CBO/CLO Securities) to a requirement that the Class A-1 Overcollateralization Ratio be greater than or equal to 100% or any higher percentage and (II) such provisions(s) or test(s) are satisfied or (2) the aggregate par value of the underlying assets of such issuer is greater than or equal to the aggregate outstanding amount of such Senior CBO/CLO Securities and any securities that rank *pari passu* with such Senior CBO/CLO Securities and (z) the holders of such Senior CBO/CLO Securities constitute the "controlling class" (howsoever described in the related Underlying Instruments) or, acting as a class, have the ability to determine which remedies are exercised in connection with a default described in clause (x) above.

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

"Defaulted Synthetic Security" means (a) 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 any of clauses (1) through (4) of the definition



thereof or (b) a Synthetic Security as to which a "credit event" (as defined in the Underlying Instruments relating to the relevant Synthetic Security) has occurred, *provided* that, in the case of any Synthetic Security referencing more than one Reference Obligation, such Synthetic Security shall not be treated as a Defaulted Synthetic Security but shall be deemed to be a Written Down Security, solely to the extent of the maximum amount of the notional amount or principal amount of the Synthetic Security subject to such credit event.

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

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

(a) (i) the long-term debt obligations of the relevant Synthetic Security Counterparty are rated (A) less than "Baa3" by Moody's, (B) "Baa3" by Moody's and such rating is on watch for possible downgrade or (C) "D" or "SD" by Standard & Poor's, or (ii) the rating of the relevant Synthetic Security Counterparty by Standard & Poor's is withdrawn for reasons relating to the credit quality of such Synthetic Security Counterparty; *provided* that the foregoing shall not apply so long as the Synthetic Security Counterparty shall periodically within the time frames required by the Rating Agencies 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) such Synthetic Security Counterparty has defaulted in the performance of any of such Synthetic Security Counterparty's payment, delivery or collateralization obligations under such Synthetic Security.

"Written Down Security" means (a) 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) or (b) solely to the extent of the maximum amount of the notional amount or principal amount of such Synthetic Security, any Synthetic Security referencing more than one Reference Obligation as to which a "credit event" (as defined in the Underlying Instruments relating to the relevant Synthetic Security) has occurred.

Pursuant to the Indenture, the Issuer shall use all commercially reasonable efforts to sell any Defaulted Security (other than a Synthetic Security, the Reference Obligation of which is a credit-linked note that became a Defaulted Security due to a payment default by the Synthetic Security Counterparty) at a price which, in the sole judgment of the Collateral Manager, is commercially reasonable within one year after such Collateral Debt Security became a Defaulted Security (or within one year of such later date as such Collateral Debt Security may first be sold in accordance with its terms and applicable law); *provided* that (a) the Issuer may at any time, so long as it has complied with its obligation to use all commercially reasonable efforts to sell such Defaulted Security in accordance with the foregoing, hold any Collateral Debt Security that is a Defaulted Security for a period in excess of one year after such Collateral Debt Security became a Defaulted Security (any such Collateral Debt Security, an "Extended Defaulted Security") if, in the sole judgment of the Collateral Manager, continuing to hold such Extended Defaulted Security for such extended period is in the best commercial interests of the Issuer, (b) from and including the date three years after any such Extended Defaulted Security first became a Defaulted Security (or such later date as such Extended Defaulted Security may first be sold in accordance with its terms and applicable law), such Extended Defaulted Security (each, a "Three Year Extended Defaulted Security") shall be deemed to constitute an Equity Security for all purposes of the Indenture except that it will not be subject to the provisions relating to sale of Equity Securities set forth in the Indenture and (c) if the aggregate principal balance of all Extended Defaulted Securities at any time exceeds 5% of the Net Outstanding Portfolio Collateral Balance, the Collateral Manager shall promptly identify in a written notice to the Trustee Extended Defaulted Securities with an aggregate principal balance which, when taken together with the aggregate principal balance of all Three Year Extended Defaulted Securities, is equal to or exceeds the amount of such excess, and each Extended Defaulted Security identified in such notice shall, in addition to the Three Year Extended Defaulted Securities, be deemed to constitute an Equity Security for all

purposes of the Indenture except that it will not be subject to the provisions relating to sale of Equity Securities set forth in the Indenture.

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

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

Any purchase or disposition of a Collateral Debt Security will be conducted on an "arm's-length basis" for fair market value and in accordance with the requirements of the Management Agreement, and, if effected with the Collateral Manager, the Issuer, the Trustee or any Affiliate of any of the foregoing, will be effected in a secondary market transaction on terms as favorable to the Noteholders as would be the case if such person were not so Affiliated; *provided* that (1) after the Closing Date, the Collateral Manager will not direct the Trustee to acquire a Collateral Debt Security for inclusion in the Collateral from the Collateral Manager or any of its Affiliates as principal or to sell an obligation included in the Collateral to the Collateral Manager or any of its Affiliates as principal; and (2) after the Closing Date, the Collateral Manager shall not direct the Trustee to acquire any Collateral Debt Security for inclusion in the Collateral from any account or portfolio for which the Collateral Manager serves as investment advisor or direct the Trustee to sell any Collateral Debt Security from the Collateral to any account or portfolio for which the Collateral Manager serves as investment advisor unless such transactions comply with all requirements of any applicable laws. The Trustee shall have no responsibility to oversee compliance with the above conditions by the other parties.

### **The Hedge Agreements**

Under the Indenture, (a) the acquisition by the Issuer of any Non-USD Collateral Debt Security or any Fixed Rate USD Collateral Debt Security will be conditional upon the entry by the Issuer (or the Issuer having entered) into one or more swap agreement(s) that hedge only fixed/floating interest rate risk and/or (other than in the case of a Fixed Rate USD Collateral Debt Security) cross currency risk and (b) the Issuer may in its discretion enter into one or more swap agreement(s) that hedge only fixed/floating interest rate risk with respect to a Floating Rate USD Collateral Debt Security upon or following the acquisition thereof by the Issuer (each such agreement, and any replacement therefor entered into in accordance with the Indenture, a "Hedge Agreement") with a counterparty or counterparties with respect to which the Rating Condition has been satisfied (each, a "Hedge Counterparty").

The Issuer shall enter into a Hedge Agreement only if the Hedge Counterparty shall be required in accordance with the terms of the Hedge Agreement to pay additional amounts to the Issuer sufficient to cover any withholding tax due on payments made by the Hedge Counterparty to the Issuer under such Hedge Agreement, subject to the Issuer making customary payee tax representations and providing customary tax documentation and only if such Hedge Agreement contains "limited recourse" and "non-petition" provisions equivalent to the "limited recourse" and "non-petition" provisions set forth in the Indenture. The Issuer shall not enter into any Hedge Agreement the acquisition (including the manner of 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.

The costs of entry (if any) incurred by the Issuer in connection with its entry (i) into the Hedge Agreement shall be paid out of amounts standing to the credit of the Uninvested Proceeds Account or Principal Collection

Account, as applicable; and (ii) any replacement Hedge Agreement, shall be paid out of (1) *first*, amounts standing to the credit of the Hedge Termination Receipt Account in accordance with paragraph (a) of "—The Accounts—Hedge Termination Receipt Account" and/or amounts standing to the credit of the Hedge Replacement Receipt Account in accordance with paragraph (a) of "—The Accounts—Hedge Replacement Receipt Account" and (2) *second*, in accordance with the "Priority of Payments".

The initial Hedge Counterparty with respect to any Hedge Agreement effective on the Closing Date shall be AIG Financial Products Corp., located at 50 Danbury Road, Wilton, Connecticut 06897.

Pursuant to the Priority of Payments, (a) any Issuer Interest Exchange Amounts and Issuer Hedge Termination Payments (together with any accrued interest thereon, but excluding, for the avoidance of doubt, any Defaulted Hedge Termination Payments) will be payable pursuant to paragraph (4) under "Priority of Payments—Interest Proceeds" to the extent not paid, in the case of any Issuer Interest Exchange Amounts, from funds available in the Euro Collection Sub-Accounts or Sterling Collection Sub-Accounts and, in the case of the Issuer Hedge Termination Payments, funds available in the applicable Due Period in the Hedge Replacement Receipt Account and (b) Defaulted Hedge Termination Payments and Hedge Replacement Payments will be payable out of the Hedge Termination Receipt Account and/or the Hedge Replacement Receipt Account. See "—The Accounts—Hedge Termination Receipt Account and Hedge Replacement Receipt Account". Each Hedge Agreement will be governed by New York law.

Except where the Rating Condition is otherwise satisfied by agreement between the relevant Hedge Counterparty and the Rating Agencies, certain ratings triggers will apply to each Hedge Agreement. In the event that the Hedge Rating Determining Party with respect to a Hedge Counterparty under each Transaction (as defined in the relevant Hedge Agreement) entered into under the relevant Hedge Agreement fails to satisfy the relevant rating thresholds under such Hedge Agreement, then such Hedge Counterparty will be required, within the timeframe required by the Rating Agencies following the occurrence of such failure and at its own cost, to:

- (i) transfer all of its rights and obligations under each Transaction (as defined in the relevant Hedge Agreement) entered into under the relevant Hedge Agreement to a replacement Hedge Counterparty that satisfies the rating requirements imposed by the Rating Agencies; or
- (ii) procure a guarantor that satisfies the rating requirements imposed by the Rating Agencies to guarantee absolutely and unconditionally all of such Hedge Counterparty's (or its successor's) obligations under each Transaction (as defined in the relevant Hedge Agreement) entered into under the relevant Hedge Agreement; or
- (iii) obtain confirmation that the Rating Condition is satisfied with respect to such failure to satisfy the rating requirements imposed by the Rating Agencies; or
- (iv) post collateral pursuant to and in accordance with the Credit Support Annex under the relevant Hedge Agreement or as may be required by one or more of the Rating Agencies in accordance with such Hedge Agreement.

If a Hedge Counterparty does not comply with such requirements within the timeframe required by the Rating Agencies following its failure to satisfy the relevant rating thresholds under such Hedge Agreement, such failure to so comply may constitute an Event of Default or an Additional Termination Event (as defined in the relevant Hedge Agreement) with respect to such Hedge Counterparty as to which such Hedge Counterparty may be the sole Affected Party (as defined in the relevant Hedge Agreement) and each Transaction (as defined in the relevant Hedge Agreement) may be an Affected Transaction (as defined in the relevant Hedge Agreement).

"Hedge Rating Determining Party" means, with respect to any Hedge Agreement, (a) unless clause (b) applies with respect to such Hedge Agreement, the related Hedge Counterparty or any transferee thereof or (b) any Affiliate of the related Hedge Counterparty or any transferee thereof that unconditionally and absolutely guarantees 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 Trustee shall deposit all collateral received from each Hedge Counterparty under each Hedge Agreement into separate securities accounts in the name of the Trustee and each such account will be designated a "Hedge Counterparty Collateral Account". Each Hedge Counterparty Collateral Account will be maintained for the benefit of the Noteholders, such Hedge Counterparty and the Trustee.

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

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

Additional termination events specific to the Non-USD Hedge Agreements will also apply, which will likely include termination events relating to the maturity date of the related Non-USD Collateral Debt Security, the related Non-USD Collateral Debt Security becoming a Defaulted Security or Written-Down Security and the sale of the related Non-USD Collateral Debt Security.

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

Each replacement Hedge Agreement shall provide that any Defaulted Hedge Termination Payment payable under the terminated Hedge Agreement (other than any Defaulted Hedge Termination Payment arising as a result of a "Termination Event" caused by a "Tax Event" or "Illegality" (each as defined in the relevant Hedge Agreement)) shall be payable by the replacement Hedge Counterparty except to the extent that such Defaulted Hedge Termination Payment has been waived by the withdrawing Hedge Counterparty, and payment thereof by the replacement Hedge Counterparty shall constitute a condition precedent to such replacement Hedge Agreement becoming effective.

#### Provisions relating to Non-USD Hedge Agreements only

The Trustee is authorized pursuant to the Indenture to convert any Principal Proceeds or Interest Proceeds received in respect of any Unhedged Non-USD Collateral Debt Security into U.S. Dollars upon receipt thereof at the prevailing U.S. Dollar/Sterling or U.S. Dollar/euro (as applicable) spot rate of exchange at the time of such conversion, to the extent that such amounts are not (a) payable to any Hedge Counterparty pursuant to the terms of a Non-USD Hedge Agreement or (b) applied to the purchase of replacement Collateral Debt Securities denominated in the same currency as such Unhedged Non-USD Collateral Debt Security.

In the event that (x) a Non-USD Hedge Agreement terminates prior to the maturity date of the related Non-USD Collateral Debt Security and (y) notwithstanding the termination of such Non-USD Hedge Agreement, the Issuer intends to continue to hold such Non-USD Collateral Debt Security until the maturity date thereof, the

Collateral Manager, acting on behalf of the Issuer, shall (in circumstances under which the Hedge Counterparty was the "Defaulting Party" or "Affected Party" as defined in such Non-USD Hedge Agreement) use reasonable efforts to enter into a replacement Non-USD Hedge Agreement. In the event that, notwithstanding the use of such reasonable efforts, the Collateral Manager is unable to enter into a replacement Non-USD Hedge Agreement, the Collateral Manager shall be entitled at its option either to (a) if the relevant Non-USD Hedge Agreement was terminated as a result of an "Illegality", "Tax Event" or "Bankruptcy" with respect to which the Hedge Counterparty was the "Defaulting Party" or "Affected Party" (each as defined in such Non-USD Hedge Agreement) and the aggregate principal balance of Unhedged Non-USD Collateral Debt Securities immediately following such termination does not exceed 1% of the Net Outstanding Portfolio Collateral Balance, continue to hold the related Non-USD Collateral Debt Security on behalf of the Issuer for 30 days following such termination (or such longer period as shall satisfy the Rating Condition) (*provided* that the Hedge Counterparty shall continue to use reasonable efforts to enter into a replacement Non-USD Hedge Agreement during such 30 day period) or (b) sell the applicable Non-USD Collateral Debt Security, and shall pay principal of and interest on such Non-USD Collateral Debt Security (in the case of clause (a)) or sale proceeds received in respect of such Non-USD Collateral Debt Security (in the case of clause (b)) to the relevant Hedge Counterparty, to the extent required pursuant to the terms of such Non-USD Hedge Agreement, and/or to the extent not so required, the Trustee shall convert all or part of such principal, interest or sale proceeds, as applicable, into U.S. Dollars and shall pay them into (in the case of payments in respect of interest) the Interest Collection Account or (in the case of payments in respect of principal and sale proceeds) the Principal Collection Account, as applicable. In the case of clause (b), the aggregate amount of sale proceeds will be calculated net of any Issuer Hedge Termination Payment but will not be adjusted for any Defaulted Hedge Termination Payment. In the event that such principal and interest (in the case of clause (a)) or sale proceeds (in the case of clause (b)) are insufficient to pay any Issuer Hedge Termination Payment to the relevant Hedge Counterparty in full prior to the next following Distribution Date, such amount (including any Defaulted Hedge Termination Payment and interest thereon for the period from and including the date of termination to but excluding the date of payment at a rate per annum (calculated on the basis of a year of 360 days and twelve 30-day months) equal to the interest rate from time to time payable on the Class A-1 Notes) shall be paid out of Interest Proceeds and the Principal Proceeds on the next following 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 Distribution Date shall be payable on the first Distribution Date on which such amount may be paid in accordance with the Priority of Payments.

For the purposes of the Coverage Tests and the Weighted Average Spread Test, a Non-USD Collateral Debt Security shall be included as a Collateral Debt Security having the relevant characteristics of the related Non-USD Hedge Agreement and not of the related Non-USD Collateral Debt Security, unless the Collateral Manager determines otherwise and the Rating Condition is satisfied and the consent of a majority in aggregate principal amount of the Controlling Class has been obtained in respect of such determination.

For purposes of the Collateral Quality Tests (other than the Weighted Average Spread Test), a Non-USD Collateral Debt Security shall be included as a Collateral Debt Security having the relevant characteristics of the related Non-USD Collateral Debt Security and not of the related Non-USD Hedge Agreement, unless the Collateral Manager determines otherwise and the Rating Condition has been satisfied in respect of such determination.

#### Provisions relating to USD Hedge Agreements only

In the event that amounts are applied to the redemption of Notes on any Distribution Date in accordance with the Priority of Payments by reason of a Rating Confirmation Failure or a failure to satisfy any of the Coverage Tests, then, subject to the satisfaction of the Rating Condition, the floating-fixed rate interest swap under a USD Hedge Agreement may be subject to partial termination on such Distribution Date with respect to a portion of the notional amount thereof that is attributable to the aggregate outstanding principal amount of Notes so redeemed on such Distribution Date.

In addition, subject to satisfaction of the Rating Condition, the Collateral Manager may on any Distribution Date direct the Issuer to submit a request to the relevant Hedge Counterparty that the Notional Amount of any interest rate swap or cap outstanding under a USD Hedge Agreement be reduced by the amount specified in such notice, and each USD Hedge Agreement will provide that, so long as no "Event of Default" (as defined in such USD Hedge Agreement) with respect to the Issuer has occurred and is continuing, the failure by the relevant Hedge Counterparty to agree to any such requested reduction shall constitute an "Additional Termination Event" for

purposes of such USD Hedge Agreement. Upon any such termination or reduction of a notional amount under a USD Hedge Agreement, a termination payment with respect to the notional amount terminated or reduced may become payable by the relevant Hedge Counterparty or the Issuer to the other party under the USD Hedge Agreement.

Amounts payable upon any such termination or reduction will be 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 per annum (calculated using a 30/360 day count fraction) equal to the interest rate from time to time payable on the Class A-1 Notes, shall be payable on such 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 Distribution Date shall be payable on the first Distribution Date on which such amount may be paid in accordance with the Priority of Payments.

### **Reclassified Securities**

Provided that an Event of Default has not occurred and is not continuing and, except as expressly set forth below, the Rating Condition is satisfied with respect thereto, the Collateral Manager may from time to time advise the Issuer to designate any Collateral Debt Security currently existing, or about to be included, in the Collateral as one or more reclassified securities (each, a "Reclassified Security") in accordance with the Indenture which, unless the Rating Condition is satisfied with respect to any other arrangement, shall take the form of debt securities issued pursuant to a refinancing of the relevant Collateral Debt Security. Upon such designation and (if applicable) issuance, such Reclassified Security or Securities shall be credited by the Trustee to a single, segregated trust account (each, a "Reclassified Security Account") established by the Trustee for the benefit of the Secured Parties.

The Collateral Manager, on behalf of the Issuer, will assign to each Reclassified Security an interest rate coupon (each, a "Reclassified Security Coupon"), a principal balance (each, a "Reclassified Security Principal Balance") and a maturity date (each, a "Reclassified Security Maturity Date"). In addition, the Collateral Manager will apply for (x) an Applicable Recovery Rate for such Reclassified Security and (y) a shadow rating of such Reclassified Security from one or more Rating Agencies (each such rating, a "Reclassified Security Rating").

Any payments received with respect to a Collateral Debt Security designated as a Reclassified Security will be applied as follows:

*First*, an amount equal to the product of (i) Reclassified Security Coupon and (ii) Reclassified Security Principal Balance, will be transferred to the Interest Collection Account to be applied as Interest Proceeds in the next following Distribution Date;

*Second*, an amount up to the Reclassified Security Principal Balance (and until such balance is reduced to zero) will be transferred to the Principal Collection Account to be applied as Principal Proceeds in the next following Distribution Date; and

*Third*, the remainder will be transferred to the Interest Collection Account to be applied as Interest Proceeds in the next following Payment Date.

Notwithstanding anything to the contrary in this Offering Circular, for purposes of the Coverage Tests, the Collateral Quality Tests and the Eligibility Criteria, a Reclassified Security will be treated as a Collateral Debt Security having the characteristics necessary for any determination with respect to compliance with the Coverage Tests, the Collateral Quality Tests and the Eligibility Criteria which will be set forth in an officer's certificate of the Collateral Manager delivered to the Trustee on or prior to the date of reclassification.

## The Accounts

### Collection Accounts

All distributions on the Collateral Debt Securities and any proceeds received from the disposition of any such Collateral Debt Securities, to the extent such distributions or proceeds constitute Interest Proceeds, and any amounts payable to the Issuer by the Hedge Counterparties under the Hedge Agreements (other than amounts received by the Issuer by reason of an event of default or termination event under any Hedge Agreement or other comparable event that are required to be used for the purchase by the Issuer of a replacement Hedge Agreement) will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the "Interest Collection Account"). The Interest Collection Account will be subdivided into a U.S. Dollar sub-account for amounts remitted in U.S. Dollars (the "USD Interest Collection Sub-Account"), a Sterling sub-account for amounts remitted in Sterling (the "Sterling Interest Collection Sub-Account") and a euro sub-account for amounts remitted in euros (the "Euro Interest Collection Sub-Account"), each of which will be established and maintained under the Indenture by the Trustee. All references herein to the Interest Collection Account shall be deemed to include each of the foregoing sub-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 Principal Proceeds (unless simultaneously reinvested in Collateral Debt Securities or Eligible Investments) will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the "Principal Collection Account"). The Principal Collection Account will be subdivided into a U.S. Dollar sub-account for amounts remitted in U.S. Dollars (the "USD Principal Collection Sub-Account"), a Sterling sub-account for amounts remitted in Sterling (the "Sterling Principal Collection Sub-Account" and, together with the Sterling Interest Collection Sub-Account, the "Sterling Collection Sub-Accounts") and a euro sub-account for amounts remitted in euros (the "Euro Principal Collection Sub-Account" and, together with the Euro Interest Collection Sub-Account, the "Euro Collection Sub-Accounts"), each of which will be established and maintained under the Indenture by the Trustee. All references herein to the Principal Collection Account shall be deemed to include each of the foregoing sub-accounts.

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

Amounts received in the Collection Accounts during a Due Period 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 Distribution Date; *provided* that prior to making any such investment, the Trustee shall convert any Principal Proceeds or Interest Proceeds into Dollars at the prevailing U.S. Dollar/ Sterling or U.S. Dollar/euro (as applicable) spot rate of exchange at the time of such conversion, to the extent necessary to enable the Trustee to make such investment. All such proceeds will be retained in the Collection Accounts unless used to purchase Collateral Debt Securities during the Reinvestment Period in accordance with the Eligibility Criteria, to honor commitments with respect thereto entered into during the Reinvestment Period, to pay Issuer Hedge Termination Payments (including any Defaulted Hedge Termination Payments) up to an amount not exceeding the aggregate amount of Hedge Replacement Receipts, or used as otherwise permitted under the Indenture. See "—Eligibility Criteria".

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

- (a) cash;

- (b) direct Registered obligations of, and Registered obligations the timely payment of principal and interest on which is fully and expressly guaranteed by, the United States or any agency or instrumentality of the United States the obligations of which are expressly backed by the full faith and credit of the United States;
- (c) demand and time deposits in, certificates of deposit of, bankers' acceptances payable within 183 days of issuance issued by, or Federal funds sold by any depository institution or trust company incorporated under the laws of the United States or any state thereof and subject to supervision and examination by Federal and/or state banking authorities so long as the commercial paper and/or the debt obligations of such depository institution or trust company (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have a credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's), not less than "AA+" by Standard & Poor's and not less than "AA" by Fitch (or not less than "A" by Fitch if payable within 30 days of issuance) 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 (or not less than "F-1" by Fitch if payable within 30 days of issuance) in the case of commercial paper and short-term debt obligations; *provided* that (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "A1" by Moody's (and, if such rating is "A1", such rating is not on watch for possible downgrade by Moody's), (ii) in the case of commercial paper and short-term debt obligations with a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's and (iii) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "AA" by Fitch (or not less than "A" if such security has a maturity of less than 30 days);
- (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 not less than "A" by Fitch if such security has a maturity of less than 30 days) 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 (or not less than "F-1" by Fitch if such security has a maturity of less than 30 days) at the time of such investment; *provided* that (1) 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), (2) 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 (3) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "AA" by Fitch (or not less than "A" if such security has a maturity of less than 30 days);
- (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 (or not less than "F-1" by Fitch if such security has a maturity of less than 30 days); *provided* that (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's), (ii) 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 (iii) in



each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "AA" by Fitch (or not less than "A" if such security has a maturity of less than 30 days);

- (g) Registered Reinvestment Agreements issued by any bank, or a Registered Reinvestment Agreement issued by any insurance company or other corporation or entity organized under the laws of the United States or any state thereof, in each case, that has a credit rating of "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 "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) 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;
- (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 a rating of "AAA"/"V-1+" by Fitch; *provided* that such fund or vehicle is formed and has its principal office outside the United States; and
- (i) investments in the shares of PIMCO U.S. Dollar Liquidity Fund, a class of shares issued by PIMCO Funds: Global Investors Series plc, a company incorporated with limited liability as an investment company with variable capital incorporated under the laws of Ireland with registration number 276928, and listed on the Irish Stock Exchange with ISIN Code IE0002460750 and SEDOL Code 0246075; *provided* that (i) at the time of investment therein, such fund has a rating of "Aaa" by Moody's, a rating of "AAAm" or "AAAm/G" by Standard & Poor's and the highest credit rating assigned by Fitch, (ii) in no event shall the aggregate amount invested by the Issuer in such fund exceed the lesser of (A) 50% of the total assets held by such fund at any time and (B) 3% of the Net Outstanding Portfolio Collateral Balance and (iii) certain other conditions described in the Management Agreement shall be satisfied,

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

#### Payment Account

On or prior to the Business Day prior to each Distribution Date, the Trustee will deposit into a single, segregated account established and maintained by the Trustee under the Indenture (the "Payment Account") for the benefit of the Secured Parties all funds in the Collection Accounts (other than amounts that the Issuer is entitled to reinvest in accordance with the Eligibility Criteria, which may be retained in the Collection Accounts for subsequent reinvestment, if the Issuer so elects as set forth in the Indenture) required for payments to Noteholders and payments of fees and expenses in accordance with the priority described under "Description of the Notes—Priority of Payments".

### Uninvested Proceeds Account

On the Closing Date, the Trustee will deposit into a single, segregated account established and maintained by the Trustee under the Indenture (the "Uninvested Proceeds Account") all Uninvested Proceeds (other than the organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser and the Collateral Manager), the expenses of offering the Offered Securities and amounts deposited in the Expense Account on such date). The Collateral Manager on behalf of the Issuer may direct the Trustee to, and upon such direction the Trustee shall, (i) invest funds in the Uninvested Proceeds Account in (a) Collateral Debt Securities, (b) Eligible Investments or (c) U.S. Agency Securities designated by the Collateral Manager or (ii) withdraw cash from the Uninvested Proceeds Account or, to the extent that funds standing to the credit of the Uninvested Proceeds Account are insufficient, from the Principal Collection Account, and deposit it into a Synthetic Security Counterparty Account in connection with the purchase of a Defeased Synthetic Security; *provided* that after the Ramp-Up Completion Date, the Issuer shall not be permitted to hold any U.S. Agency Securities in the Uninvested Proceeds Account unless such U.S. Agency Securities would be eligible for purchase by the Issuer as a Collateral Debt Security on the Ramp-Up Completion Date (in which case such investment shall be deemed to be a Collateral Debt Security). 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 Distribution Date. Investment earnings on U.S. Agency Securities will remain on deposit in the Uninvested Proceeds Account until the last day of the Reinvestment Period. The Trustee shall transfer any Uninvested Proceeds remaining on deposit in the Uninvested Proceeds Account on the last day of the Reinvestment Period to the Payment Account to be treated as Principal Proceeds on the next Distribution Date and distributed in accordance with the Priority of Payments.

"U.S. Agency Securities" means Registered obligations of (i) the U.S. Treasury, (ii) the U.S. Federal government or any agency or department thereunder or (iii)(A) the Federal National Mortgage Association, (B) the Student Loan Marketing Association or (C) the Federal Home Loan Mortgage Corporation, in each case with a stated maturity that does not exceed Stated Maturity of the Notes.

### Expense Account

On the Closing Date, after payment of the organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser and the Collateral Manager) and the expenses of offering the Offered Securities, U.S.\$150,000 from the proceeds of the offering of the Offered Securities will be deposited by the Trustee into a single, segregated account established and maintained by the Trustee under the Indenture (the "Expense Account"). On each Distribution Date, to the extent that funds are available for such purpose in accordance with the Priority of Payments and subject to the dollar limitation set forth in paragraph (2) under "Description of the Notes–Priority of Payments–Interest Proceeds", the Trustee will deposit into the Expense Account an amount from Interest Proceeds (and, to the extent that Interest Proceeds are insufficient, from Principal Proceeds) such that the amount on deposit in the Expense Account (after giving effect to such deposit) will equal U.S.\$150,000. Amounts on deposit in the Expense Account may be withdrawn from time to time to pay accrued and unpaid administrative expenses of the Co-Issuers (other than fees and expenses of the Trustee). All funds on deposit in the Expense Account will be invested in Eligible Investments. All amounts remaining on deposit in the Expense Account at the time when substantially all of the Issuer's assets have been sold or otherwise disposed of will be deposited by the Trustee into the Payment Account for application as Interest Proceeds on the immediately succeeding Distribution Date.

### Interest Reserve Account

On the Closing Date, after payment of the organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser and the Collateral Manager), the expenses of offering the Offered Securities and the proceeds of the offering of the Offered Securities deposited into the Expense Account, U.S.\$200,000 from the proceeds of the offering of the Offered Securities will be deposited by the Trustee into a single, segregated account established and maintained by the Trustee under the Indenture (the "Interest Reserve Account"). All funds on deposit in the Interest

Reserve Account will be invested in Eligible Investments. Except as otherwise provided in the Indenture, the only permitted withdrawals from the Interest Reserve Account shall be to transfer to the Payment Account for application as Interest Proceeds on the first Distribution Date the amount standing to the credit of the Interest Reserve Account on such date.

#### Interest Equalization Account

Pursuant to the Indenture, the Trustee will, prior to the Closing Date, cause to be established a single and segregated account to be held in the name of the Issuer in trust for the benefit of the Secured Parties (the "Interest Equalization Account").

For purposes of the foregoing: (a) "Annual Pay Securities" means Collateral Debt Securities that provide for periodic payments of interest in cash less frequently than semi-annually but no less frequently than annually; and (b) "Semi-Annual Pay Securities" means Collateral Debt Securities that provide for periodic payments of interest in cash less frequently than quarterly but no less frequently than semi-annually.

The Trustee shall during any Due Period deposit (i) 50% of the Scheduled Distributions of interest received in respect of any Semi-Annual Pay Security (adjusted by the Collateral Manager to reflect any differences in applicable day count fractions and equalize quarterly interest cash flows) and (ii) 75% of the scheduled distributions of interest received in respect of any Annual Pay Security during such Due Period (adjusted by the Collateral Manager to the extent necessary to reflect any differences in applicable day count fractions and equalize quarterly interest cash flows) into the Interest Equalization Account. Amounts deposited in the Interest Equalization Account in respect of any Due Period, together with investment earnings thereon, shall be paid into the Interest Collection Account on the last day of the next succeeding Due Period (to be applied as Interest Proceeds in accordance with the Priority of Payments on the related Distribution Date). In addition, in connection with any redemption of the Notes, the full amount on deposit in the Interest Equalization Account shall be paid into the Interest Collection Account and available to pay the Redemption Price of the Notes as if such amount had originally been on deposit in the Interest Collection Account. All funds on deposit in the Interest Equalization Account will be invested in Eligible Investments.

#### Synthetic Security Counterparty Accounts

For each Defeased Synthetic Security, the Trustee will establish a single, segregated trust 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 the Collateral Manager, the Trustee will withdraw from the Principal Collection Account and deposit into each Synthetic Security Counterparty Account the amount required to secure the obligations of the Issuer in accordance with the terms of the related 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 Offered Securities, which amount shall be at least equal to the amount referred to in paragraph (a) of the definition of Defeased Synthetic Security. The Collateral Manager shall direct any such deposit only during the Reinvestment Period and only to the extent that monies are available for the purchase of Collateral Debt Securities in accordance with the terms of the Indenture. 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. Except for investment earnings, the Issuer shall not have any legal, equitable or beneficial interest in any of the Synthetic Security Counterparty Accounts other than in accordance with the Indenture, the applicable Synthetic Security and applicable law.

Amounts and property credited to a Synthetic Security Counterparty Account will be withdrawn by the Trustee and applied to the payment of any amounts payable by the Issuer to the related Synthetic Security Counterparty 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 will direct the Trustee to deposit such amounts in the Interest Collection Account. Except for interest on Eligible Investments credited to a Synthetic Security Counterparty Account 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 any of the Collateral Quality Tests or the Coverage Tests, but the Defeased Synthetic Security that relates to such Synthetic Security Counterparty Account shall be considered an asset of the Issuer for such purposes.

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 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.

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 and to the extent that the terms of any Synthetic Security require the Synthetic Security Counterparty to secure its obligations with respect to such Synthetic Security, the Trustee will establish a single, segregated trust account held in the name of the Trustee for the benefit of the Secured Parties in respect of such Synthetic Security (each such account, a "Synthetic Security Issuer Account"). Upon the written instructions of the Collateral Manager (acting on behalf of the Issuer), the Trustee, the Issuer and the Custodian shall enter into an account control agreement with respect to such account in form substantially similar to the Account Control Agreement. The Trustee shall credit to any such Synthetic Security Issuer Account all funds and other property that are 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 the Collateral Manager (acting on behalf of the Issuer) in writing and in accordance with the terms of the applicable Synthetic Security, amounts on deposit in a Synthetic Security Issuer Account shall be invested in Eligible Investments. Income received on amounts credited to each 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, but the Synthetic Security that relates to such Synthetic Security Issuer Account shall be so considered an asset of the Issuer for such purposes.

In accordance with the terms of the applicable Synthetic Security, funds and other property standing to the credit of the related Synthetic Security Issuer Account shall, as directed by the Collateral Manager (acting on behalf of the Issuer) in writing, be withdrawn by the Trustee and applied to the payment of any amount payable by the related Synthetic Security Counterparty to the Issuer. All funds and other property standing to the credit of the related Synthetic Security Issuer Account after payment of all amounts owing from the related Synthetic Security Counterparty to the Issuer in accordance with the terms of the related Synthetic Security shall be withdrawn from

such Synthetic Security Issuer Account and paid or transferred to the related Synthetic Security Counterparty in accordance with the terms of 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.

#### Asset Funding Reserve Accounts

If and to the extent that any Collateral Debt Security (other than a Defeased Synthetic Security) requires the Issuer to make future payments or advances with respect to such Collateral Debt Security, the Trustee will establish a segregated trust account in respect of each such Collateral Debt Security (each such account, a "Asset Funding Reserve Account") that will be held in the name of the Trustee in trust for the benefit of the issuer of such Collateral Debt Security (or in the case of a Synthetic Security, 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 Underlying Instrument and the Indenture. As directed by the Collateral Manager, the Trustee shall, on the date such Collateral Debt Security is purchased by the Issuer, withdraw from the Principal Collection Account on the date of acquisition of such Collateral Debt Security or Synthetic Security and deposit into the related Asset Funding Reserve Account the aggregate amount that the Issuer could be required to advance to the issuer of such Collateral Debt Security or, in the case of a Synthetic Security, the related Synthetic Security Counterparty in accordance with the terms of such Collateral Debt Security. The Collateral Manager shall direct any such deposit only during the Reinvestment Period and only to the extent that monies are available for the purchase of Collateral Debt Securities in accordance with the terms of the Indenture. All assets in any Asset Funding Reserve Account must be Eligible Investments.

Amounts credited to an Asset Funding Reserve Account shall be withdrawn by the Trustee and applied to the payment of any amounts payable by the Issuer to the issuer of such Collateral Debt Security or the related Synthetic Security Counterparty in accordance with the terms of the related Underlying Instrument. The Collateral Manager shall direct the Trustee to deposit any interest on Eligible Investments credited to an Asset Funding Reserve Account in the Interest Collection Account. The Collateral Manager shall direct the Trustee to withdraw any other amounts held in an Asset Funding Reserve Account after payment of all amounts owing from the Issuer to the issuer of such Collateral Debt Security (or the related Synthetic Security Counterparty) in accordance with the terms of the related Underlying Instrument from such Asset Funding Reserve Account and deposit such amounts in the Principal Collection Account for application in accordance with the terms of the Indenture.

Except for interest on Eligible Investments credited to an Asset Funding Reserve Account payable to the Issuer pursuant to the preceding paragraph, amounts contained in an Asset Funding Reserve Account shall not be considered to be an asset of the Issuer for purposes of any of the Collateral Quality Tests or Coverage Tests.

Each Asset Funding Reserve 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.

#### Custodial Account

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

The Custodial 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), at least "BBB+" by Standard & Poor's and at least "BBB+" by Fitch and a combined capital and surplus in excess of U.S.\$250,000,000.

#### Hedge Termination Receipt Account

The Issuer will, with respect to any Hedge Agreement, procure that (1) all Defaulted Hedge Termination Receipts and all Hedge Counterparty Termination Payments in respect thereof are paid into a single, segregated account established and maintained by the Trustee under the Indenture in the name of the Issuer in trust for the benefit of the Secured Parties (the "Hedge Termination Receipt Account") promptly upon receipt thereof and (2) amounts are paid (and that no other payments are made) out of the Hedge Termination Receipt Account in accordance with the following:

(a) at any time, in payment of any Hedge Replacement Payment in respect thereof, up to an amount equal to (i) the Defaulted Hedge Termination Receipt received by the Issuer in respect thereof or (ii) the Hedge Counterparty Termination Payment received by the Issuer in respect thereof; and

(b) the balance of all Eligible Investments standing to the credit of the Hedge Termination Receipt Account shall be transferred to the Principal Collection Account (i) in the event that the Collateral Manager determines not to replace such Hedge Agreement that has terminated, the Rating Condition has been satisfied with respect to such transfer and the consent of a majority in aggregate outstanding principal amount of the Controlling Class has been received in respect of such determination; (ii) if termination of such Hedge Agreement under which Defaulted Hedge Termination Receipts are payable occurs on a Redemption Date; (iii) to the extent that Defaulted Hedge Termination Receipts in respect thereof exceed the Hedge Replacement Payment; or (iv) to the extent Hedge Counterparty Termination Payments in respect thereof exceed the Hedge Replacement Payment.

The Collateral Manager on behalf of the Issuer may direct the Trustee to, and upon such direction the Trustee shall, invest, or cause to be invested, funds in the Hedge Termination Receipt Account in Eligible Investments designated by the Collateral Manager. The Trustee shall transfer all interest and other income from such Eligible Investments in to the Interest Collection Account for application as Interest Proceeds in accordance with the Priority of Payments on such date (or if such date is not a Distribution Date, on the immediately succeeding Distribution Date).

The Hedge Termination Receipt 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), at least "BBB+" by Standard & Poor's and at least "BBB+" by Fitch and a combined capital and surplus in excess of U.S.\$250,000,000.

#### Hedge Replacement Receipt Account

The Issuer will, with respect to any Hedge Agreement, procure that (1) all Hedge Replacement Receipts in respect thereof are paid into a single, segregated account established and maintained by the Trustee under the Indenture in the name of the Issuer in trust for the benefit of the Secured Parties (the "Hedge Replacement Receipt Account") promptly upon receipt thereof and (2) amounts are paid (and that no other payments are made) out of the Hedge Replacement Receipt Account in accordance with the following:

(a) at any time, in payment of any Issuer Hedge Termination Payment or Defaulted Hedge Termination Payment in respect thereof, up to an amount equal to the Hedge Replacement Receipts received by the Issuer in respect thereof; and

(b) the balance of all Eligible Investments standing to the credit of the Hedge Replacement Receipt Account shall be transferred to the Principal Collection Account.

The Collateral Manager on behalf of the Issuer may direct the Trustee to, and upon such direction the Trustee shall, invest, or cause to be invested, funds in the Hedge Replacement Receipt Account in Eligible

Investments designated by the Collateral Manager. The Trustee shall transfer all interest and other income from such Eligible Investments into the Interest Collection Account for application as Interest Proceeds in accordance with the Priority of Payments on such date (or if such date is not a Distribution Date, on the immediately succeeding Distribution Date).

The Hedge Replacement Receipt 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), at least "BBB+" by Standard & Poor's and at least "BBB+" by Fitch and a combined capital and surplus in excess of U.S.\$250,000,000.

#### Class P Account

The Class P Underlying Note and any proceeds received thereon or from any disposition thereof will be remitted to a single, segregated account held in the United States in the name of the Trustee (the "Class P Account") on behalf of and for the benefit of the Holders of the Class P Combination Securities, to the extent of the Class P Note. All distributions paid with respect to the Class P Preference Share Component shall also be deposited into such Class P Account on the Distribution Date with respect to the Preference Shares on behalf of, and for the benefit of, the Holders of the Class P Combination Securities and held therein until the distribution thereof on the related Distribution Date with respect to the Class P Combination Securities. Funds and other property standing to the credit of the Class P Account that constitute Class P Collateral will be available for application to the amounts due to the Holders of the Class P Combination Securities as described under "Description of the Combination Securities". Amounts standing to the credit of the Class P Account that constitute distributions paid with respect to the Class P Preference Share Component will be available for application to the Holders of the Class P Combination Securities on the Distribution Date on which such funds were credited as described under "Description of the Combination Securities". The Class P 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), at least "BBB+" by Standard & Poor's and at least "BBB+" by Fitch and a combined capital and surplus in excess of U.S.\$250,000,000.

## THE COLLATERAL MANAGER

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

### General

Certain administrative and advisory functions with respect to the Collateral will be performed by the Collateral Manager under the collateral management agreement to be entered into between the Issuer and the Collateral Manager (the "Management Agreement"). In accordance with the Collateral Quality Tests and the Coverage Tests and other requirements set forth in the Indenture, and in accordance with the provisions of the Management Agreement, the Collateral Manager will (i) select the portfolio of Collateral Debt Securities and Eligible Investments, (ii) instruct the Trustee with respect to any disposition or tender of a Collateral Debt Security and investment in Eligible Investments, (iii) monitor the Collateral Debt Securities, (iv) monitor the performance of the relevant Hedge Counterparty under each Hedge Agreement, including, without limitation, the continuing ability of such counterparty to perform its obligations thereunder and otherwise comply with the applicable ratings requirements set forth in the Indenture and/or the applicable Hedge Agreement and (v) provide the Issuer with certain information received from Wells Fargo Bank, National Association (the "Collateral Administrator") as described below, with respect to the composition of the Collateral Debt Securities, any disposition or tender of a Collateral Debt Security, the reinvestment of the proceeds of any such disposition in Eligible Investments and with respect to the retention of the proceeds of any such disposition or the application thereof toward the purchase of a substitute Collateral Debt Security.

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

The Indenture and the Management Agreement place significant restrictions on the Collateral Manager's ability to advise the Issuer to buy and 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 which the Collateral Manager might consider in the best interests of the Issuer and the Noteholders.

The Collateral Manager and its Affiliates may engage in other business and furnish investment management, advisory and other types of services to other clients whose investment policies differ from those followed by the Collateral Manager on behalf of the Issuer, as required by the Indenture. The Collateral Manager may make recommendations to or effect transactions for such other clients which may differ from those effected with respect to the Collateral Debt Securities. Some of the Asset-Backed Securities purchased by the Issuer on the Closing Date may be purchased from portfolios of Asset-Backed Securities held by one or more of the Collateral Manager and its clients and Affiliates. The Issuer will purchase Asset-Backed Securities from the Collateral Manager or any such client or Affiliate on the Closing Date only to the extent (a) such purchases are made at fair market value and otherwise on arms' length terms and (b) the Collateral Manager determines that such purchases are consistent with the investment guidelines and objectives of the Issuer, the restrictions contained in the Indenture and applicable law. After the Closing Date, the Issuer will not purchase or sell any Asset-Backed Securities directly from or to the Collateral Manager or any such client or Affiliate.

The Collateral Manager, its Affiliates and accounts for which the Collateral Manager or any Affiliate thereof acts as investment adviser may at times own Notes of one or more other Classes. At any given time, the Collateral Manager and its Affiliates will not be entitled to vote the Offered Securities held by any of such Collateral Manager, its Affiliates and accounts for which such Collateral Manager or any Affiliate thereof acts as investment



adviser (and for which such Collateral Manager or such Affiliate has discretionary authority) with respect to any assignment or termination of, any of the express rights or obligations of the Collateral Manager under the Management Agreement or the Indenture (including the exercise of any rights to remove such Collateral Manager or terminate the Management Agreement or approve or object to a Replacement Officer), or any amendment or other modification of the Management Agreement or the Indenture increasing the rights or decreasing the obligations of the Collateral Manager. However, at any given time the Collateral Manager and its Affiliates will be entitled to vote Notes held by them and by such accounts with respect to all other matters. See "Risk Factors—Certain Conflicts of Interest."

### **Pacific Investment Management Company LLC**

Pacific Investment Management Company LLC ("PIMCO") will act as Collateral Manager. PIMCO is an investment advisory firm providing fixed income investment advisory and management services to large and medium sized, foreign and domestic, corporate and public clients, including a number of the largest pension funds in the United States. PIMCO was founded in 1971, and had approximately U.S.\$348.8 billion in assets under management as of June 30, 2003. Its principal office is located at 840 Newport Center Drive, Suite 300, Newport Beach, California 92660.

PIMCO is a Delaware limited liability company whose managing member is PIMCO Advisors L.P. ("PIMCO Advisors"). PIMCO was organized as a Delaware general partnership until May 4, 2000. On May 5, 2000, PIMCO was converted to a Delaware limited liability company. Also on May 5, 2000, Allianz of America, Inc., a subsidiary of Allianz AG, completed the acquisition of approximately 70% of the outstanding partnership interests in PIMCO Advisors, of which PIMCO is a subsidiary. As a result of this transaction, PIMCO Advisors and its subsidiaries, including PIMCO, are now controlled by Allianz AG, a leading provider of financial services, particularly in Europe. However, PIMCO remains operationally independent, continues to operate under its existing name, and now leads the global fixed income investment efforts of Allianz AG. With the addition of PIMCO Advisors, as of December 31, 2001, the Allianz group manages assets of approximately U.S.\$1.05 trillion, for retail and institutional clients.

PIMCO is registered as an investment advisor with the SEC and as a commodity trading advisor with the Commodity Futures Trading Commission. PIMCO's investment advisory activities include acting as investment advisor to five affiliated investment company fund families: PIMCO Funds: Pacific Investment Management Series, PIMCO Funds: Multi-Manager Series, PIMCO Variable Insurance Trust, PIMCO Advisors Funds plc and PIMCO Commercial Mortgages Securities Trust, Inc. PIMCO's investment advisory portfolios contained as of December 31, 2001 approximately U.S.\$46 billion of asset-backed securities. PIMCO and its affiliates also serve as a general partner and/or manager of limited partnerships or other limited liability companies organized to issue collateralized debt obligations secured by senior loans. PIMCO generally receives fees for its services based upon a percentage of assets under management.

PIMCO is a registered investment advisor, and as such files certain information with the SEC on a periodic basis. Such information as well as other information about PIMCO, its affiliates and certain of the funds managed by PIMCO is available at the public reference facilities of the SEC at Room 1024, 450 Fifth Street N.W., Washington, D.C. 20549 and at the regional office of the SEC located Suite 1400, Citicorp Center, 14<sup>th</sup> Floor, 500 West Madison Street, Chicago, Illinois 60661. Certain of such information may also be accessed electronically by means of the SEC's home page on the Internet at <http://www.sec.gov>. The SEC's home page does not form a part of the Listing Particulars.

### **Investment Strategy**

PIMCO's general investment philosophy for its investment advisory clients stresses a long-term or secular focus, active management, with measured risk taking, and the application of strong analytical capabilities across all fixed income market sectors. Under this philosophy, longer term macro-economic trends are key inputs to portfolio strategy, and moderate portfolio duration ranges are favored to reduce volatility relative to client-specified benchmarks. PIMCO's investment strategy begins with an intensive review of long-term and cyclical trends to anticipate interest rates, volatility, yield curve shape and credit trends. These forecasts become the bases for the

major portfolio strategies. PIMCO then uses a quantitative valuation framework to select specific portfolio investments.

### **PIMCO Personnel**

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

#### *Joshua Anderson, CFA*

Mr. Anderson is a Vice President and a portfolio manager in our ABS/MBS group who also manages the ABS research team. Before joining PIMCO in 2003, he was an institutional investor ranked analyst at Merrill Lynch covering both the residential ABS and CDO sectors. Prior to that, he was a portfolio manager at Merrill Lynch Investment Managers. Mr. Anderson has nine years of investment experience and holds an MBA in both accounting and finance from the State University of New York, Buffalo and the CPA certification. In addition, he is a CFA charterholder and Series 7, 63 and 65 certified.

#### *David Andrews*

Mr. Andrews is a Senior Vice President and a senior member of the credit analyst team responsible for research coverage on autos, airlines and aerospace/defense. Mr. Andrews has over twenty-one years of industry experience. Prior to joining PIMCO, he was a Director in Investment Grade Fixed Income Research at UBS Warburg/Paine Webber covering US autos, transportation, aerospace/defense and capital goods companies. In 2002, Mr. Andrews was ranked third for investment grade autos by Institutional Investor Magazine's annual ranking of Fixed Income Analysts. Prior to joining UBS Warburg he spent six years at Moody's and was responsible for global ratings of all automobile companies. He holds a bachelor's degree from Kenyon College, an MBA from the Lublin School of Business at Pace University and also attended the Executive Program at the University of Virginia.

#### *David G. Behenna*

Mr. Behenna joined PIMCO in 2000 as a consultant to assist with distressed or defaulted debt investments. Since 1993, he has provided financial advisory services to a variety of clients, including a private investment partnership that invested in distressed securities and special situations. Mr. Behenna previously was a member of a team that managed a \$5 billion portfolio of high yield and distressed securities held by the bankruptcy estate of Drexel Burnham Lambert, where he had worked for more than seven years as a generalist investment banker focused on high yield debt offerings. Mr. Behenna has over nineteen years of investment experience and holds a bachelor's degree from Northeastern University and an MBA from Harvard Business School.

#### *Felix Blomenkamp, CFA*

Mr. Blomenkamp is a Portfolio Manager and Head of the European Collateralized Sector Team, responsible for ABS and Pfandbriefe in Europe. Mr. Blomenkamp joined the firm in 1998, having been previously associated with Allianz Life Insurance Company in Stuttgart as Portfolio Manager for the loan portfolio. Mr. Blomenkamp has nine years of investment experience and holds a Master's degree in Business Administration from the University of Wuerzburg, Germany.

#### *Adam Borneleit, CFA*

Mr. Borneleit is a Senior Vice President, credit analyst and a member of PIMCO's credit research team. He joined the firm in 2000, previously having been associated with SunAmerica's high-yield group, PriceWaterhouse-Moscow's corporate finance group, and Prudential's private-placement group. Mr. Borneleit has nine years of investment experience. He holds bachelor's degrees in both economics and French from the University of Pennsylvania's Wharton School and College of Arts and Sciences, and an MBA from Stanford University's Graduate School of Business.

Robert Boyd

Mr. Boyd is a Senior Structure Analyst in PIMCO's high yield portfolio management group. He also oversees a CDO research and structuring team. Mr. Boyd joined the firm in 1998 in PIMCO's mutual fund client service group, having previously been associated with American Express Financial Advisors. He also previously worked as an analyst in both account management and product management. Mr. Boyd has seven years of investment experience and holds a bachelor's degree in Finance from California State University, Long Beach and an MBA from the Marshall School of Business at the University of Southern California.

Giang Bui

Ms. Bui is a structured credit analyst and a member of the ABS/MBS group. She graduated from the University of California, San Diego with dual degrees in business management and bioengineering. She has three years of investment experience and is currently a CFA Level III candidate.

Michael Chang, CFA

Mr. Chang is a credit analyst and a member of the credit research team. He joined the firm in 2000 and previously held positions as a portfolio associate on the high-yield trading desk, and as an account management analyst. Mr. Chang has four years of investment experience and holds bachelor's degrees in both finance and international business from the University of British Columbia.

Cyrille R. Conseil, CFA

Mr. Conseil is a Senior Vice President and credit analyst. Mr. Conseil joined the firm in 1998, previously having been associated with the high-yield group at Moody's Investors Service. Over the past twelve years, Mr. Conseil has been involved in corporate credit research for both speculative- and investment-grade issues. He has over twelve years of investment experience and holds a bachelor's degree in economics from The Wharton School of the University of Pennsylvania and an MBA in finance/international business from Columbia University Graduate School of Business.

Jürgen Dahlhoff

Mr. Dahlhoff is a credit analyst within the European Corporate Team in Munich (Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH) and responsible for Basic Industries and Capital Goods. He joined the Fixed Income Team in January 2000. Mr. Dahlhoff has a Diploma in banking from the German Chamber of Industry and Commerce after completing a 2-½ year training program. He achieved the highest score among 50 trainees. Mr. Dahlhoff has five years of investment experience and a Master's degree in mathematics and economics from the University of Dortmund, Germany. He holds a professional qualification as a CEFA-Investment Analyst.

Craig A. Dawson, CFA

Mr. Dawson is a Senior Vice President and member of PIMCO's product management group. He focuses on credit products, including investment-grade corporates, high yield and global credit. Mr. Dawson joined the firm in 1999, having been previously associated with Wilshire Associates, an investment consulting firm. He has ten years of investment experience and holds a bachelor's degree in quantitative economics from the University of California, San Diego, and an MBA in analytic finance from the University of Chicago Graduate School of Business.

Chris P. Dialynas

Mr. Dialynas is a Managing Director, portfolio manager, and a senior member of PIMCO's investment strategy group. He joined PIMCO in 1980. Mr. Dialynas has written extensively and lectured on the topic of fixed income investing. He served on the Editorial Board of The Journal of Portfolio Management and was a member of Fixed Income Curriculum Committee of the Association for Investment Management and Research. He has twenty-

four years of investment experience and holds a bachelor's degree in economics from Pomona College, and holds an MBA in finance from The University of Chicago Graduate School of Business.

Stefanie D. Evans

Ms. Evans is a Vice President, mortgage credit analyst and a member of the mortgage team, providing credit analysis support to portfolio management. Ms. Evans joined the firm in 1993, having worked in the finance department of IDM Corporation, a real estate development firm. She has eleven years of investment experience and holds a bachelor's degree with a concentration in finance from the California State University, Long Beach.

Yuri P. Garbuzov

Mr. Garbuzov is a Senior Vice President and portfolio manager based in London. He is responsible for the firm's European High Yield, European convertibles and Global structured bank paper. Mr. Garbuzov also develops quantitative analytics and risk management tools as a financial engineer. He joined the firm in 1997, previously having been associated with the Institute of Physics of the Russian Academy of Sciences and Harvard Project on Economic Reform in Moscow. Mr. Garbuzov has eight years of investment experience and holds a master's degree in physics from the Moscow Institute of Physics and Technology, and an MBA from the University of Chicago Graduate School of Business.

Ana Cortes Gonzales

Ms. Cortes Gonzales is a member of the European ABS Team. Her primary duties involve analyzing and trading ABS. Ms. Cortes Gonzales joined the firm in 2003, previously having been associated with DZ BANK in Frankfurt Germany, where she also started her professional career as a trainee in 2000. She has four years of investment experience and holds a Master's degree in Economics from the University of Bonn.

Gregory T. Gore

Mr. Gore is a Vice President and credit analyst in the credit research group. He joined the firm in 2002, previously having been an equity research analyst at W.R. Hambrecht, as well as, the Montgomery Division of Banc of America Securities. He has eight years of investment experience and holds a bachelor's degree in both literature and economics from Brown University, and an MBA from the University of California, Berkeley.

Ilka Heckenmueller

Ms. Heckenmueller is a credit analyst with the European Corporate Team in Munich (Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH) and responsible for Basic Industries and Capital Goods. Prior to joining the Fixed Income Team in November 1999, she accomplished an International Trainee Program at DZ Bank (former DG Bank Deutsche Genossenschaftsbank) where she also worked as a credit manager and analyst for the Syndicated Loan Desk in Frankfurt and New York for five years. She holds a Diploma in Banking from the German Chamber of Industry and Commerce after a 2-year apprenticeship program. Ms. Heckenmueller studied Business Administration in Frankfurt, Germany and Lille, France and received a Master's degree in Business Administration from the University of Frankfurt, Germany.

Jeff Helsing

Mr. Helsing is a Vice President and a trader focusing on Investment Grade Corporate Securities. He joined PIMCO in 1999, previously having been affiliated with Prudential Securities Institutional Fixed Income Sales. Mr. Helsing has five years of investment experience and holds a bachelor's degree in finance from Arizona State University and is currently a CFA Level II candidate.

David C. Hinman, CFA

Mr. Hinman is an Executive Vice President and portfolio manager. He focuses on corporate bonds and manages global credit, closed-end funds, and cash and synthetic investment-grade CDO's. At his time at

PIMCO, he has managed a variety of credit products, including high yield funds, CDO's and followed several sectors as a lead credit analyst. He joined PIMCO in 1995, previously having been associated with Merrill Lynch & Co. in New York where he underwrote high yield corporate bonds. Prior to that, he was a credit analyst with First Union Corporation (now Wachovia). Mr. Hinman has thirteen years of investment experience and holds a bachelor's degree in finance from the University of Alabama and an MBA in finance and accounting from The Wharton School of Business at the University of Pennsylvania.

Mark T. Hudoff

Mr. Hudoff is an Executive Vice President and portfolio manager. Mr. Hudoff joined the firm in 1996, previously having been associated with Bank Credit Analyst Research Group where he worked as a fixed income strategist. He also has been associated with International City Managers Association, Quantitative Risk Management Group and Martin Marietta Corporation as a financial analyst. He has seventeen years of investment experience and holds a bachelor's degree in economics from Arizona State University, and an MBA in finance from the University of Chicago School of Business.

Daniel J. Ivascyn

Mr. Ivascyn is an Executive Vice President, portfolio manager and a member of PIMCO's mortgage team. Mr. Ivascyn joined the firm in 1998, previously having been associated with Bear Stearns in the asset backed securities group as well as T. Rowe Price and Fidelity Investments. He has thirteen years of investment experience and holds a degree in economics from Occidental College and an MBA in analytic finance from the University of Chicago Graduate School of Business.

Elissa Johnson

Ms. Johnson is a credit analyst with PIMCO Europe Ltd., based in London responsible for the Pan-European Utility and Industrial sectors. She joined the firm in 2002, previously having worked at Morley and Merrill Lynch. Euromoney, Credit Magazine and Institutional Investor ranked Ms. Johnson as a top credit analyst for the European High Grade Utilities and European High Grade Consumer Product sectors for the past three years. She has over nine years of investment experience, holds an M.A. in economics from Cambridge University, and is a Fellow of the Securities Institute.

Raymond G. Kennedy, CFA

Mr. Kennedy is a Managing Director, portfolio manager and senior member of PIMCO's investment strategy group. He manages High Yield funds and oversees bank loan trading and collateralized debt obligations. Mr. Kennedy joined the firm in 1996, previously having been associated with the Prudential Insurance Company of America as a private placement asset manager, where he was responsible for investing and managing a portfolio of investment grade and high yield privately placed fixed income securities. Prior to that, he was a consultant for Andersen Consulting (now Accenture) in Los Angeles and London. He has seventeen years of investment management experience and holds a bachelor's degree from Stanford University and an MBA from the Anderson Graduate School of Management at the University of California, Los Angeles. Mr. Kennedy is also a member of LSTA.

Brian N. Kim

Mr. Kim is a credit analyst and member of the credit research team. He joined the firm in 2003. Mr. Kim holds a bachelor's degree in finance from the University of Southern California.

Dominique Linder

Mr. Linder is a Portfolio Manager with Allianz Capital Management and is responsible for managing several portfolios within the direct insurance holdings of the Allianz Group. As a member of the European Collateralized Debt Team, his specialty is the analysis of Asset Backed Securities, primarily MBS and CDOs. Mr. Linder joined Allianz Life Insurance in January of 1998 as a trader and portfolio manager in the loan department. In

July 1998 he commenced at Allianz Asset Management as a fixed income portfolio manager focusing on the Municipal Bond Market. Prior to joining Allianz, Mr. Linder worked as real estate broker. He has six years of investment experience and holds a Master's degree in Economics from the University of Muenster, Germany.

Dhruv Mallick

Mr. Mallick is a credit analyst and a member of the credit research team. He joined the firm in 2003 and previously held positions as an equity analyst covering separation and life science companies, and as an associate analyst covering specialty chemical companies with First Analysis Securities Corporation. Mr. Mallick has four years of investment experience and holds a bachelor's degree in neuroscience from Grinnell College, has completed a year of graduate study in Neuroscience at Northwestern University, and holds a Master of Science degree in financial markets from the Illinois Institute of Technology. He has passed all three levels of the CFA program.

Scott A. Mather

Mr. Mather is a Managing Director, and a senior member of PIMCO's portfolio management and strategy groups. He is head of Fixed Income in Munich (Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH) where he manages euro and pan-European portfolios and oversees portfolio management teams based in Munich (DIT) and London. In addition, he works closely with many Allianz related companies and is a Managing Director of DIT. Previously, he co-headed PIMCO's mortgage and ABS team and managed portfolios of European Supranationals and U.S. Agencies. Mr. Mather joined the firm in 1998, previously having been associated with Goldman Sachs in New York, where he was a fixed income trader specializing in a broad range of mortgage backed securities. He has ten years of investment experience and holds both a bachelor's and master's degree in engineering from the University of Pennsylvania, as well as a bachelor's degree in Finance from The Wharton School of the University of Pennsylvania.

Curtis A. Mewbourne

Mr. Mewbourne is an Executive Vice President, portfolio manager and a senior member of PIMCO's portfolio management and strategy groups. He is an Investment Grade Credit specialist and is an insurance specialty portfolio manager. He joined the firm in 1999, having spent the previous seven years trading fixed income securities at Salomon Brothers and Lehman Brothers. Mr. Mewbourne has thirteen years of investment experience, and holds a degree in Computer Science Engineering from the University of Pennsylvania.

Greg Miller, CFA

Mr. Miller is a trader on the High Yield desk focusing on Bank Loans. He previously worked at PIMCO on the ABS/MBS desk as a structure analyst and trade assistant. Mr. Miller joined PIMCO in 1998, previously having been affiliated with Chase Manhattan International, Ltd, London. He holds a bachelor's degree in Economics from Trinity College, Hartford, Connecticut.

Alfred Murata

Mr. Murata is a Vice President, portfolio manager and a member of PIMCO's mortgage team. He joined the firm in 2001. Previously, Mr. Murata was associated with Nikko Financial Technologies, where he researched and implemented algorithms to price exotic equity and interest rate derivatives. He has a Ph.D. in engineering-economic systems and operations research from Stanford University, and is a J.D. candidate at Stanford Law School. Mr. Murata holds a bachelor's degree in computer science from McGill University and a master's degree in engineering-economic systems and operations research from Stanford University. Mr. Murata has completed the Level I, II and III exams in the CFA program.

Rama Nambimadom

Mr. Nambimadom is a Vice President and a financial engineer. Prior to joining the firm in March 2002, he worked for three years as a Quantitative Analyst/Trader at the Interest Rate Derivatives trading desk at ABN AMRO and had consulting engagements with Morgan Stanley and the Bank of Montreal. He holds a master's degree in

financial mathematics from the University of Chicago and a Ph.D. in operations research from the University of Rochester.

Monika Nemeth

Ms. Nemeth is a credit analyst and a member of the credit research team. She joined the firm in 2003, previously having been associated with AIG Global Investment Corporation as the primary analyst within the Leveraged Finance Group. Ms. Nemeth has five years of industry experience and holds a bachelor's degree in economics from the University of California, Berkeley.

Alfonso Portillo

Mr. Portillo is a Vice President and an asset backed specialist and CDO structure analyst with our structured products group. He rejoined the firm in 2001 after working as a corporate trader on the High Grade desk of Payden and Rygel. Prior to that he was senior portfolio associate on the PIMCO mortgage hub. He has six years of investment experience, holds a bachelor's degree in Finance and Business Economics from the University of Southern California, and is a Level II candidate for the Chartered Financial Analyst designation.

Axel Potthof

Dr. Potthof is a Munich-based (Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH) Portfolio Manager and a member of PIMCO's European Corporate Credit team. He focuses on investment-grade and high yield corporate portfolios as well as CDOs. Prior to joining the firm in 1998, Dr. Potthof worked as an assistant researcher at the University of Hagen. He has also been associated with Deutsche Bank AG. He has written several fixed income articles and contributed a paper on Fundamental Credit Research to a Handbook of Portfolio Management. Dr. Potthof holds a Master's degree in Business Administration from the University of Mannheim, Germany, and a Ph.D. (summa cum laude) from the University of Hagen, Germany.

Sofia Ramos, CFA

Ms. Ramos is a credit analyst for the Pan European sector for PIMCO Europe based in London. She joined the firm in 2003, previously having been associated with Banco Portugues de Investimento (BPI, Portugal) as an equity research analyst (TMT sector). Ms. Ramos has four years of investment experience and holds a bachelor's degree (Licenciatura) in Economics from Faculdade de Economica de Porto, University of Porto, Portugal, and a master's degree in Finance from the London Business School. She is also a member of the Association for Investment Management and Research (AIMR).

Donna M. Riley

Ms. Riley is a Vice President and a credit analyst with a focus on the energy sector. She joined the firm in 2002, previously having been associated with Morgan Stanley Investment Management. Prior to that, Ms. Riley spent five years in corporate treasury and portfolio management at Ford Motor Company. Ms. Riley holds a bachelor's degree in risk management from Temple University and an MBA from the Kellogg School of Management at Northwestern University.

Rolando Rodrigues

Mr. Rodrigues is a credit analyst, responsible for European financials, diversified industrials, leisure and hotels. Prior to joining the firm in 2002, he held positions in Siemens Financial Services in Munich, Germany in treasury and credit. As a credit analyst he focused on technology, automotive suppliers, telecom, and utilities. Previously, he was active in the Portuguese Government's institute ICEP, where he structured and implemented a research project on international industrial strategy. Mr. Rodrigues has seven years of investment and research experience. He is a chartered accountant (Técnico Oficial de Contas), and holds both a degree in economics (Licenciatura) from the University of Porto, Portugal and an MBA from INSEAD in Fontainebleau, France.

Jason R. Rosiak

Mr. Rosiak is a Senior Vice President and portfolio manager. He focuses on high-yield corporate bonds and bank loans, oversees the construction of PIMCO's structured products and manages a trade-desk research group. Mr. Rosiak joined the firm in 1996, previously having been associated with Bankers Trust NA, where he worked in their mortgage backed securities division. He has eleven years of investment experience and holds a bachelor's degree in economics from the University of California, Los Angeles, and a master's degree in business administration from the Marshall School of Business at the University of Southern California.

Bob Sahota

Mr. Sahota is a credit analyst in the Australian PIMCO office. He joined the firm in 2003, previously having worked at AMP Henderson Global Investors where he was a portfolio manager for a structured debt portfolio. Mr. Sahota has eleven years of credit and investment experience in Australian banking and debt capital markets. He holds a bachelor's degree in commerce from the University of NSW, a Graduate Diploma in applied finance and investments - corporate finance stream from the Securities Institute of Australia.

Marion Scherzinger

Mrs. Scherzinger works as a senior research analyst within the European Credit Team in Munich (Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH). Her main research includes consumer non-cyclicals, healthcare/pharma, utilities, and other industrials. She is also an expert for international financial reporting. Prior to joining the Fixed Income Team in Munich (DIT), she worked as a credit analyst within the Dresdner Bank group specializing in due diligence and IPO transactions and as a financial analyst with Hoechst Marion Roussel (now Aventis). Mrs. Scherzinger has nine years of experience as a credit/financial analyst and holds a Master's degree in Business Administration from the University of Frankfurt, Germany, and qualified as an accountant in 1999.

Ivor Schucking

Mr. Schucking is a Senior Vice President and Director of European Credit Research. Prior to rejoining the firm in 2000, he was a director of credit research for Strong Capital Management and a credit analyst for PIMCO. Mr. Schucking also held positions as a financial economist with Montreal-based Bank Credit Analyst and as a tax consultant with Price Waterhouse. He has twelve years of investment experience and holds a bachelor's degree in economics and international business from New York University, and an MBA in finance and international business from the New York University Leonard N. Stern School of Business.

Gerlinde Schwab

Ms. Schwab is a Portfolio Manager and heads the European Money Market Team. She manages money market and Asset-backed portfolios and is a member of the European Collateralized team. She joined the firm in 1999, previously having been associated with Bayerische Hypotheken- und Wechsel Bank AG where she went through a trainee program. Ms. Schwab has six years of investment experience. She holds a master's degree in business administration from the University of Regensburg and studied Finance for one year at the University College of Dublin.

Timothy Shaler

Mr. Shaler is a Senior Vice President and corporate portfolio manager. He joined the firm in 1999, previously having worked for four years for Hong Kong companies specializing in property and company valuation. Mr. Shaler holds a bachelor's degree in business administration from Pepperdine University, an MA from the University of Chicago and an MBA in finance and international business, summa cum laude, from the University of Chicago Graduate School of Business.



W. Scott Simon

Mr. Simon is a Managing Director and a senior member of PIMCO's portfolio management and strategy groups, and head of the mortgage/asset backed securities team. He joined the firm in 2000 from Bear Stearns & Co. in New York, where he was a senior managing director and co-head of MBS pass-through trading. He also authored The Daily MBS Commentary. Mr. Simon has seven times been named to positions on the Institutional Investor All-America Fixed-Income Research Team, including first place honors in MBS pass-throughs and overall MBS strategies. He has twenty-one years investment experience, and holds a bachelor's and master's degrees in industrial engineering from Stanford University.

Powell C. Thurston

Mr. Thurston is a Vice President, member of PIMCO's product management group and Secretary of the counterparty risk committee. He is responsible for the structured products business, including asset-backed securities, collateralized debt obligations, bank loans and credit derivatives. Mr. Thurston joined the firm in 1999, previously having been associated with Glassman-Oliver Economic Consultants, Inc. and The Vanguard Group. He has ten years of investment experience, and holds an honors degree in economics from the University of California, Irvine, and an MBA in finance from The Wharton School of the University of Pennsylvania.

Eva Traber

Ms. Traber is a member of the Portfolio Management Fixed Income Team in Munich (Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH) since November 2001. She supports the Portfolio Managers in bond and currency trading as well as reporting issues. In addition, she is deputy for the Money Market activities of the insurance cash pool and security lending. She joined the Asset Management Group in 1998 at the equity-trading desk of Allianz Asset Management (AAM). She holds a Diploma in Banking and passed the German trader's license.

Hansford B. Warner IV

Mr. Warner is a CDO structure analyst with our structured products group. He joined the firm in 2000, previously being associated with Jennison Associates, LLC in New York. Prior to joining the structured products group in 2004, he was the trade assistant on the PIMCO mortgage hub. He has six years of investment experience, holds a bachelor's degree in Finance from the University of Connecticut, and is a Level II candidate in the CFA program.

Christian Wild

Mr. Wild is a credit analyst with the European Corporate Team and focuses on the Telecom, Media and Technology sectors. He joined the firm in 1999 and has four years of investment experience. Prior to joining the fixed income team he went through the International Trainee program of the firm where he worked on both the fixed income and equity side. Mr. Wild holds a first class bachelor's degree with honors in Applied Economics from the University of Hertfordshire/Hertford (UK) and received a Master's degree with honors in Business Administration from the Catholic University of Eichstaett - WFI School of Business with concentrations in finance, international management and controlling.

Dylan Windham

Mr. Windham is a Vice President and a credit analyst within PIMCO's Investment Grade Corporate team. He joined the firm in 2002, previously having been associated with QIAGEN N.V., a German Biotech company, as a financial analyst. Mr. Windham holds a bachelor's degree in economics and a MBA in finance from the Haas School of Business at the University of California, Berkeley.

Charles Wyman

Mr. Wyman is an Executive Vice President and head of global credit research. Mr. Wyman joined the firm in 2001 from Morgan Stanley, where he was a principal and the senior telecom analyst in high yield. He previously covered the energy sector in high yield at Morgan Stanley and was ranked second in Institutional Investor's annual poll for 1999 and 2000. Prior to Morgan Stanley, Mr. Wyman spent ten years at Lehman Brothers in mergers and acquisitions, corporate finance, and equity capital markets, and as an analyst for oil exploration and production companies. He has eighteen years of investment experience and holds a bachelor's degree from Harvard University and an MBA from Harvard Business School.

Rosa Yi

Ms. Yi is a structured credit analyst and a member of the ABS/MBS group. Prior to joining the group in July 2002, she spent three years at an investment management firm known as Roger Engemen and Associates, a wholly owned subsidiary of Phoenix Investment Partners. Ms. Yi obtained her bachelor's degree in economics from the University of California at Berkeley and is currently a Level III candidate in the Chartered Financial Analyst program.

Changhong Zhu

Dr. Zhu is an Executive Vice President and portfolio manager. He joined the firm in 1999, previously having been associated with investment portfolio of BankAmerica, where he focused on derivatives trading and modeling. Dr. Zhu holds a bachelor's degree in physics from the University of Science and Technology of China and a Ph.D. in physics from the University of Chicago.

Legal

Mohan V. Phansalkar

Mr. Phansalkar is the Chief Legal Officer and a Managing Director. Mr. Phansalkar joined the firm in 1999, having been previously associated with Trust Company of the West in Los Angeles as a Senior Vice President and Associate General Counsel for a period of approximately six years. Prior to that, Mr. Phansalkar was in private practice for a period of six years. He holds a bachelors degree in economics and political science from Washington University and a JD from Columbia University School of Law, where he was a Harlan Fiske Stone scholar.

## THE MANAGEMENT AGREEMENT

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

The "Senior Collateral Management Fee" will accrue from the Closing Date at a rate per annum of 0.30% of the Quarterly Asset Amount, payable in arrears on each Distribution Date (i.e., 0.075% multiplied by such Quarterly Asset Amount) (adjusted, in the case of the Quarterly Asset Amount with respect to the first Distribution Date, to reflect the portion of a year represented by the initial Interest Period) multiplied by such Quarterly Asset Amount). Any unpaid Senior Collateral Management Fee that is deferred due to the operation of the Priority of Payments will not accrue interest. Any Senior Collateral Management Fee accrued prior to the resignation or removal of the Collateral Manager will continue to be payable to the Collateral Manager on the Distribution Date immediately following the effectiveness of such resignation or removal in accordance with the Priority of Payments.

The "Subordinate Collateral Management Fee" will accrue from the Closing Date at a rate per annum of 0.25% per annum of the Quarterly Asset Amount, payable in arrears on each Distribution Date (i.e., 0.0625% multiplied by such Quarterly Asset Amount) (adjusted, in the case of the Quarterly Asset Amount with respect to the first Distribution Date, to reflect the portion of a year represented by the initial Interest Period) multiplied by such Quarterly Asset Amount). Any unpaid Subordinate Collateral Management Fee that is deferred due to the operation of the Priority of Payments will not accrue interest. Any Subordinate Collateral Management Fee accrued prior to the resignation or removal of the Collateral Manager will continue to be payable to the Collateral Manager on the Distribution Date immediately following the effectiveness of such resignation or removal in accordance with the Priority of Payments.

In addition, if on any Distribution Date (including any date on which the Preference Shares are redeemed) the Preference Shareholders have received an annualized internal rate of return of at least 12.5% per annum (the "Target Return") on the aggregate liquidation preference of the Preference Shares for the period from the Closing Date to such Distribution Date (after taking into account any distributions made or to be made in respect of the Preference Shares on such Distribution Date and all prior Distribution Dates in accordance with the Priority of Payments and the payment of any Incentive Collateral Management Fee on such Distribution Date in accordance with the Priority of Payments), the Issuer shall, on such Distribution Date and on each Distribution Date thereafter, pay to PIMCO (or any successor Collateral Manager that acts as Collateral Manager on such Distribution Date) in accordance with the Priority of Payments an "Incentive Collateral Management Fee" in an amount, with respect to any Distribution Date, equal to 20% of the sum of (a) the Interest Proceeds (if any) remaining after the payment of all amounts payable pursuant to paragraphs (1) through (11) under "Description of the Notes—Priority of Payments—Interest Proceeds" on such 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 (10) and (11) of under "Description of the Notes—Priority of Payments—Interest Proceeds") paragraph (9) under "Description of the Notes—Priority of Payments—Principal Proceeds" on such Distribution Date. Incentive Collateral Management Fee will continue to be payable to PIMCO or such successor Collateral Manager following any resignation or removal of PIMCO or such successor Collateral Manager, as the case may be. For the purposes of computing the Incentive Collateral Management Fee, the "internal rate of return" means, on any Distribution Date, the per annum discount rate at which the sum of the following cashflows is equal to zero (assuming discounting on a bond-equivalent yield basis): (1) the aggregate liquidation preference of the Preference Shares issued on the Closing Date (which amount will be deemed to be negative for purposes of this calculation); and (2) each distribution in respect of Preference Shares made on or prior to such Distribution Date (which amount will be positive for purposes of this calculation).

For the purpose of calculating the Senior Collateral Management Fee and the Subordinate Collateral Management Fee, the Quarterly Asset Amount will be calculated as if the principal balance of each Interest Only Security were equal to the Aggregate Amortized Cost thereof.

To the extent not paid on any Distribution Date when due, any accrued Senior Collateral Management Fee or Subordinate Collateral Management Fee will be deferred and will be payable on subsequent Distribution Dates in

accordance with the Priority of Payments. Any unpaid Collateral Management Fee that is deferred due to the operation of the Priority of Payments will not accrue interest.

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

In performing its duties under the Management Agreement and the Indenture, the Collateral Manager shall use reasonable care and perform its obligations in good faith and in a manner consistent with the procedures and practices that a prudent collateral manager would employ relating to assets of the nature and character of the Collateral, using a degree of skill and attention no less than that which the Collateral Manager customarily exercises with respect to comparable assets that it manages for others in accordance with its existing practices and procedures relating to assets of the nature and character of the Collateral (such standard of care, the "Collateral Manager Standard of Care").

None of the Collateral Manager, its Affiliates or any of their respective directors, officers, agents, stockholders, partners or employees will be liable to the Issuer, the Trustee, the Preference Share Paying Agent, the Noteholders, the Preference Shareholders, the Initial Purchaser or any other person for any acts, recommendations or omissions of the Collateral Manager or its Affiliates or any of their respective directors, officers, agents, stockholders, partners or employees under or in connection with the Management Agreement or the terms of the Indenture applicable to it or for any decrease in the value of the Collateral, except (i) by reason of acts or omissions constituting bad faith, willful misconduct or gross negligence in the performance or reckless disregard of the duties of the Collateral Manager under the Management Agreement and the terms of the Indenture applicable to it and (ii) with respect to the information regarding the Collateral Manager provided in writing by the Collateral Manager for inclusion in this Offering Circular. The Issuer will indemnify the Collateral Manager, its Affiliates and their respective directors, officers, agents, stockholders, partners or employees from and against any and all expenses, losses, damages, judgments, assessments, costs, demands, charges, claims or other liabilities of any nature whatsoever (including reasonable attorney's fees and expenses and accountant's fees and expenses) in respect of or arising from any acts or omissions made in good faith in the performance of the duties of the Collateral Manager under the Management Agreement and the terms of the Indenture applicable to it, except (i) by reason of acts or omissions constituting bad faith, willful misconduct or gross negligence in the performance or reckless disregard of the duties of the Collateral Manager under the Management Agreement and the terms of the Indenture applicable to it and (ii) with respect to the information regarding the Collateral Manager provided in writing by the Collateral Manager for inclusion in this Offering Circular. Any such indemnification by the Issuer will be paid in accordance with the Priority of Payments.

The Collateral Manager may not assign its rights or responsibilities under the Management Agreement (i) unless such assignment will not cause the Issuer, the Co-Issuer or the pool of Collateral to become subject to income or withholding tax that would not have been imposed but for such assignments, (ii) 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 (except that the Collateral Manager may assign all of its rights and responsibilities under the Management Agreement to one of its Affiliates without the consent of the Issuer, the Trustee or any Noteholder) and (iii) upon the receipt of a Rating Confirmation, except that pursuant to the Management Agreement the Collateral Manager may assign all of its rights and responsibilities thereunder to an Affiliate without the consent of the Issuer, the Trustee or any Noteholder. In addition, the Collateral Manager may, pursuant to the Management Agreement, enter into arrangements pursuant to which its Affiliates or third parties may perform certain services and render advice (including investment advice) on behalf of the Collateral Manager, but such arrangements shall not relieve the Collateral Manager from any of its duties or obligations thereunder.

The Collateral Manager may resign upon 90 days' prior written notice to the Issuer, the Trustee and each Hedge Counterparty *provided* that (i) no such resignation shall be effective unless a Replacement Manager is appointed as described below and (ii) that the Collateral Manager shall have the right to resign immediately if, due to a change in applicable law or regulation, the performance by the Collateral Manager of its duties under the Indenture and the Management Agreement would be a violation of such law or regulation.

The Management Agreement provides that, so long as any Class A Notes or Class B Notes are outstanding, the Collateral Manager may be removed by the Issuer at the direction of the holders of at least 66-2/3% in aggregate outstanding principal amount of the Controlling Class of Notes (excluding any Notes held by the Collateral Manager or any of its Affiliates) if the Class A/B Overcollateralization Test is less than 100% as of the immediately preceding Determination Date, upon not less than 45 days' prior written notice to the Collateral Manager. The Management Agreement also provides that the Collateral Manager may at any time be removed for "cause" (as defined in the Management Agreement, which definition includes the occurrence of a Termination Event) upon 15 Business Days' prior written notice by the Issuer, which will effect such removal at the direction of (i) holders of at least 66-2/3% in aggregate outstanding principal amount of the Controlling Class of Notes and (ii) a Special-Majority-in-Interest of Preference Shareholders (excluding any Notes or Preference Shares held by the Collateral Manager or any of its Affiliates). In determining whether a specified percentage of holders of Notes or Preference Shares has directed any such removal as described above or given any objection to a successor Collateral Manager or Replacement Officer as described below, Offered Securities held by one or more of the Collateral Manager, any of its Affiliates and any account as to which the Collateral Manager or any of its Affiliates has discretionary investment authority will be excluded. In determining whether a specified percentage of holders of Notes has directed any such removal as described above or given any objection to a successor Collateral Manager or Replacement Officer as described below, Notes held by one or more of the Collateral Manager, any of its Affiliates and any account as to which the Collateral Manager or any of its Affiliates has discretionary investment authority will be excluded.

For purposes of the Management Agreement, "cause" means any of the following events:

- (i) the Collateral Manager knowingly and willfully breaches, or knowingly and willfully takes any action that it knows violates, any provision of the Management Agreement or any term of the Indenture applicable to it;
- (ii) the Collateral Manager breaches in any material respect any provision of the Management Agreement or any terms of the Indenture applicable to it and fails to cure such breach within 30 days after notice of such failure is given to the Collateral Manager unless, if such failure is remediable, the Collateral Manager has taken action that the Collateral Manager in good faith believes will remedy, and that does in fact remedy, such failure within 90 days after notice of such failure is given to the Collateral Manager;
- (iii) the Collateral Manager (A) ceases to be able to, or admits in writing its inability to, pay its debts when and as they become due, (B) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or takes advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (C) makes an assignment for the benefit of its creditors, (D) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or (E) is adjudicated as insolvent or to be liquidated;
- (iv) (A) the occurrence of an act by the Collateral Manager that constitutes fraud or criminal activity in the performance of its obligations under the Management Agreement, or (B) the Collateral Manager or any of its executive officers who are primarily responsible for the administration of the Collateral shall be indicted for a felony offense materially relating to advisory services with respect to the Collateral, subject to certain limited exceptions set forth in the Management Agreement;

- (v) an Event of Default under the Indenture (other than an Event of Default referred to in clauses (iii), (iv), (v), (vi) or (vii) of the definition thereof) as a result of the breach by the Collateral Manager of any provision of the Management Agreement or any section of the Indenture applicable to it;
- (vi) either of the Co-Issuers or the pool of Collateral becomes an investment company required to be registered under the Investment Company Act resulting from actions taken or recommended by the Collateral Manager and such requirement has not been eliminated after a period of 45 days; or
- (vii) the Collateral Manager consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another person and, at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee person fails to assume all the obligations of such party under the Management Agreement by operation of law or pursuant to an agreement reasonably satisfactory to the other party to the Management Agreement.

No removal, termination or resignation of the Collateral Manager will be effective unless (a) a successor Collateral Manager (the "Replacement Manager") has agreed in writing to assume all of the Collateral Manager's duties and obligations pursuant to the Management Agreement and (b) the Replacement Manager is not objected to by holders of more than 50% in aggregate outstanding principal amount of the Controlling Class of Notes or a Majority-in-Interest of Preference Shareholders within 30 days after notice. In addition, no removal or resignation of the Collateral Manager while any Notes are outstanding will be effective until the appointment by the Issuer of a Replacement Manager (i) that is an established institution that is legally qualified and has the capacity to act as Collateral Manager under the Management Agreement, as successor to the Collateral Manager thereunder, and to assume of all of the responsibilities, duties and obligations of the Collateral Manager thereunder and under the applicable terms of the Indenture, (ii) the appointment of which, and the performance of the duties specified in this Agreement by which, will not cause the Issuer or the Co-Issuer or the pool of Collateral to become subject to income or withholding tax that would not have been imposed but for such appointment or required to register under the provisions of the Investment Company Act and (iii) with respect to the appointment of which the Rating Condition has been satisfied. Any proposed Replacement Manager must be prepared and able to assume the duties of the Collateral Manager within 60 days after the date of notice of termination or resignation of the Collateral Manager, and the Collateral Manager will not be released from its obligations under the Management Agreement until such Replacement Manager has assumed the duties of the Collateral Manager.

In the event that, following resignation of the Collateral Manager, a Replacement Manager shall not have assumed all the Collateral Manager's duties and obligations under the Management Agreement within 180 days after such resignation, the resigning Collateral Manager may petition any court of competent jurisdiction for the appointment of a Replacement Manager, which appointment shall not require the consent of, nor be subject to the approval of, the Issuer or any holder of the Offered Securities. Upon the appointment by a court of competent jurisdiction of a Replacement Manager all responsibilities, duties and obligations of the Collateral Manager under the Management Agreement shall be assumed by the Replacement Manager and all powers of the Collateral Manager under the Management Agreement shall be vested in the Replacement Manager, and the Collateral Manager shall be released from its obligations under the Management Agreement. Following the resignation or removal of any Collateral Manager and the appointment of a Replacement Manager, the provisions of the Management Agreement shall continue to inure to the benefit of the Collateral Manager in respect of any action taken or omitted to be taken by such Collateral Manager in its capacity as such while it was Collateral Manager under the Management Agreement and the Collateral Manager shall remain liable for its acts or omissions under the Management Agreement arising prior to such resignation or removal and for any expenses, losses, damages, liabilities, demands, charges and claims (including reasonable attorneys' fees) in respect of or arising out of a breach of the representations and warranties made by the Collateral Manager in the Management Agreement or from any failure of the Collateral Manager to comply with its obligations under the Management Agreement to deliver property and documents relating to the Issuer and the Collateral that are in its possession.

For so long as PIMCO is the Collateral Manager, upon the occurrence of a change of control (as defined in the Management Agreement) with respect to the Collateral Manager or an event that would result in such a change of control, PIMCO (or any successor) shall, not later than 60 days after the earlier of such occurrence or event or of its receipt of notice of such occurrence or event, provide notice to the Issuer and the Trustee of such event or occurrence. Holders of at least 66-2/3% in aggregate outstanding principal amount of each Class of Notes voting

together as a single class (excluding any Notes held by the Collateral Manager or any of its Affiliates) and a Special-Majority-in-Interest of Preference Shares (excluding any Preference Shares held by the Collateral Manager or any of its Affiliates), acting together, may, within 30 days after notice of a change of control with respect to the Collateral Manager, or an event that would result in such a change of control, is delivered to the Issuer and to the Trustee direct the Issuer to terminate the Management Agreement by providing notice to the Trustee of such termination. In the event that holders of at least 66-2/3% in aggregate outstanding principal amount of the Notes voting together as a single class (excluding any Notes held by the Collateral Manager or any of its Affiliates) and a Special-Majority-in-Interest of Preference Shareholders (excluding any Preference Shares held by the Collateral Manager or any of its Affiliates), acting together, fail to terminate the Management Agreement following receipt of notice of a change of control with respect to the Collateral Manager or an event that would result in such a change of control, such change of control shall be deemed approved and the Management Agreement shall not be terminated as a result thereof.

Pursuant to the Indenture, the Trustee is entitled to exercise the rights and remedies of the Issuer under the Management Agreement (a) upon the occurrence of an Event of Default until such time, if any, as such Event of Default is cured or waived, (b) upon the occurrence of an event specified in the Management Agreement pursuant to which the Issuer is entitled to remove the Collateral Manager for "cause" or (c) upon a default in the performance, or breach, of any covenant, representation, warranty or other agreement of the Collateral Manager under the Management Agreement or in any certificate or writing delivered pursuant thereto if (i) holders of at least 25% in aggregate outstanding principal amount of the Notes of any Class give notice of such default or breach to the Trustee and the Collateral Manager and (ii) such default or breach (if remediable) continues for a period of 30 days.

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

The Management Agreement provides that the Collateral Manager shall be deemed to have complied with its responsibility under the Management Agreement with respect to the requirement that the acquisition (including the manner of acquisition), ownership, enforcement and disposition of a security will not cause the Issuer to be engaged in a U.S. trade or business for U.S. Federal income tax purposes in acquiring CDO Obligations, Other ABS, Guaranteed Corporate Debt Securities or Corporate Debt Securities on behalf of the Issuer if certain requirements are satisfied. These requirements are discussed in "Security for the Notes—Eligibility Criteria".

## INCOME TAX CONSIDERATIONS

The following is a summary based on present law of certain Cayman Islands and U.S. Federal income tax considerations for prospective purchasers of the Notes, the Combination Securities or the Preference Shares. It addresses only purchasers that buy in the original offering at the original offering price, hold the Notes, the Combination Securities or the Preference Shares as capital assets and, in the case of U.S. Holders, as defined below, 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, securities traders and dealers, partnerships and other pass-through entities or persons holding the Notes, the Combination Securities or the 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, Combination Security or a Preference Share, as the context may require. A "U.S. Holder" is a Holder that is, for U.S. Federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation, or other business entity taxable as a corporation organized in or under the laws of the United States or its political subdivisions, (iii) (a) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (b) that has a valid election in effect to be treated as a U.S. person or (iv) an estate the income of which is subject to U.S. Federal income taxation regardless of its source. If a partnership (including any entity treated as a partnership for U.S. Federal income tax purposes) is a beneficial owner of a Note or Preference Share, the tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder of Notes or Preference Shares that is a partnership and partners in that partnership should consult their own tax advisors as to the U.S. Federal income tax consequences of acquiring, holding and disposing of the Notes or Preference Shares. A "Non-U.S. Holder" is any Holder other than a U.S. Holder or a partnership.

### Taxation of the Issuer

#### Cayman Islands Taxation

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

#### U.S. Taxation

Freshfields Bruckhaus Deringer LLP, special U.S. Federal income tax counsel to the Issuer, will provide the Issuer with an opinion of counsel to the effect that, although there is no authority directly addressing the U.S. Federal income tax treatment of a non-US corporation engaging in similar activities, the Issuer will not be engaged in a trade or business within the United States except to the extent the Indenture permits investments in certain Equity Securities issued by non-corporate entities that are so engaged. This opinion will be based on certain assumptions regarding the Issuer and this offering (including assumptions that the Issuer will operate in accordance with the Transaction Documents). Prospective investors should be aware that an opinion of counsel is not binding on the U.S. Internal Revenue Service (the "IRS") or the courts, and that no ruling will be sought from the IRS regarding the U.S. Federal income tax treatment of the Issuer. Accordingly, there can be no assurance that the IRS will not take a position that is contrary to the conclusion expressed by Freshfields Bruckhaus Deringer LLP in its opinion, or that a court will not agree with the contrary position of the IRS if the matter were litigated.

As long as the Issuer is not engaged in a U.S. trade or business, its net income will not be subject to U.S. Federal income tax. Should the Issuer acquire Equity Securities issued by a non-corporate entity engaged in a U.S.



trade or business, those investments should not cause the Issuer's income from other investments to become subject to net income tax in the United States. The Issuer also expects that payments received on the Collateral Debt Securities, the U.S. Agency 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. Payments with respect to Equity Securities likely will be subject to withholding taxes imposed by the United States or other countries from which such payments are sourced. The 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 payments on the Notes or Combination Securities or distributions on the Preference Shares. Holders are not subject to any income, capital, transfer, sales or other taxes in the Cayman Islands in respect of their purchase, holding or disposition of the Notes (except that (a) each Class of Notes will be subject to a fixed stamp duty of CI\$500 and (b) an instrument transferring title to a Note or Combination Security, if brought to or executed in the Cayman Islands, will be subject to nominal Cayman Islands stamp duty).

### *U.S. Taxation of Notes*

Freshfields Bruckhaus Deringer LLP, special U.S. Federal income tax counsel to the Issuer, will provide the Issuer with an opinion of counsel to the effect that the Class A Notes and the Class B Notes will be treated and the Class C Notes should be treated as debt for U.S. Federal income tax purposes. The Issuer intends to treat 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 Class A Note and Class B Note generally will be includible in the gross income of a U.S. Holder in accordance with its regular method of tax accounting. Because interest on the Class C Notes may be deferred, all interest (including interest on accrued but unpaid interest) will be treated as original issue discount ("OID") unless the likelihood of deferral is remote. 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 on any payment date and regardless of its regular method of accounting. The Issuer has not determined whether the likelihood of interest being deferred is remote for this purpose. Thus, the Issuer will treat all interest on the Class C Notes as OID, and the following discussion assumes that treatment is correct. Even if the likelihood of deferral were remote, if the Issuer in fact defers an interest payment, a U.S. Holder thereafter must accrue OID on the principal amount (including accrued and undistributed OID) of the Class C Notes.

A U.S. Holder of a floating rate Note must accrue interest on the 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 increase (or decrease) if the interest actually paid (or, in the case of the Class C Notes, payable) during the period is more (or less) than the amount accrued at the hypothetical rate. U.S. Holders therefore generally will recognize income for each period equal to the amount paid (or, in the case of the Class C Notes, payable) during that period. Interest on a Note will be ordinary income. Assuming the Issuer is not engaged in a U.S. trade or business, the interest will be from sources outside the United States.

A U.S. Holder will recognize gain or loss on the disposition of a Note in an amount equal to the difference between the amount realized (other than accrued but unpaid interest) and the U.S. Holder's adjusted tax basis in the Note. The gain or loss generally will be capital gain or loss from sources within the United States. If a U.S. Holder'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 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 paid to a Non-U.S. Holder also will not be subject to U.S. net income tax unless the interest is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States. Gain realized by a Non-U.S. Holder on the disposition of a Note will not be subject to U.S. tax unless (i) the gain is effectively connected with the Holder's conduct of a U.S. trade or business or (ii) the Holder is an individual present in the United States for at least 183 days during the taxable year of disposition and certain other conditions are met.

*Alternative Treatment.* The U.S. Internal Revenue Service 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 generally be the same as those of investing in the Preference Shares.

#### U.S. Taxation of Combination Securities

Although each Combination Security is a single instrument in form, the Issuer intends to treat Holders of Combination Securities as directly owning for U.S. Federal, state and local income tax purposes the underlying Class C-1 Notes or the Class P Note, as the case may be, and the Preference Shares. Further, the Issuer intends to treat Holders of the Class P Note as directly owning the Class P Underlying Note for U.S. Federal, state and local income tax purposes. By acquiring a Combination Security, each Holder will agree to treat the Combination Security in that way for U.S. tax purposes, and the remainder of this discussion assumes the treatment is correct.

A Holder of Combination Securities should determine its tax basis in the Class C-1 Notes, the Class P Underlying Note and the Preference Shares by allocating its purchase price between the components of a security in accordance with their relative fair market values on the purchase date. Payments on the Combination Securities should be treated for U.S. Federal income tax purposes as payments on the Class C-1 Notes, the Class P Underlying Note or the Preference Shares to the extent properly attributable to related payments on the Class C-1 Notes, the Class P Underlying Note or the Preference Shares. A sale or exchange of a Combination Security should be treated as a sale or exchange of the underlying Class C-1 Notes, the Class P Underlying Note and Preference Shares, and the amount realized from the sale or exchange should be allocated between those Class C-1 Notes, the Class P Underlying Note and Preference Shares in accordance with their relative fair market values. The exchange of Combination Securities for the underlying Class C-1 Notes, the Class P Underlying Note and the Preference Shares should not be a taxable event. A Holder of Combination Securities should review the portions of this summary under the headings "Taxation of the Holders—U.S. Taxation of Notes", "Taxation of the Holders – U.S. Taxation of Class P Note" and "Taxation of the Holders—U.S. Taxation of Preference Shares".

#### U.S. Taxation of Class P Underlying Note

The Issuer and, by their purchase of the Class P Combination Securities, Holders will agree that Holders of the Class P Combination Securities will be treated as the owners of a pro rata interest in the Class P Note and, therefore, the Class P Underlying Note itself for U.S. Federal, state and local income tax purposes.

*U.S. Holders.* The Class P Underlying Note will be treated as having been issued with OID, and a U.S. Holder will be required to include annually in its income as interest the amounts of OID that accrue on the Class P Underlying Note. The amount of OID includible in income by the U.S. Holder is the sum of the daily portions of OID with respect to the Class P Underlying Note for each day during the taxable year or portion of the taxable year or portion of the taxable year in which such U.S. Holder held a Class P Underlying Note. The daily portion is determined by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. The amount of OID allocable to any accrual period is an amount equal to the product of the Class P Underlying Note's adjusted issue price at the beginning of such accrual period and properly adjusted for the length of the accrual period times the Class P Underlying Note's yield to maturity (determined by compounding at the end of each accrual period). The adjusted issue price at the beginning of any accrual period is equal to the issue price increased by the accrued OID for each prior accrual period and reduced by any payments on the Class P Underlying Note received in an earlier accrual period.

The income will be ordinary income from sources within the United States. A U.S. Holder generally will recognize gain or loss on sale, redemption or other disposition of its interest in the Class P Underlying Note equal to the difference between the amount realized and the U.S. Holder's adjusted tax basis (which shall include OID accruals) in the Class P Underlying Note. Gain or loss generally will be capital gain or loss from sources within the United States.

*Non-U.S. Holders.* A Non-U.S. Holder of a Class P Underlying Note will not be subject to U.S. net income tax unless income from the component 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 Class P Underlying 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 183 days or more during the taxable year of disposition and certain other conditions are met.

Upon redemption of the Class P Underlying Note, withholding tax will apply to the portion of any amount received by a Non-U.S. Holder that is attributable to accrued OID unless the holder certifies that it is not a United States person for U.S. Federal income tax purposes or certifies that the payment is effectively connected with a U.S. trade or business. Special certification rules apply to Class P Underlying Notes held by non-U.S. partnerships and certain other non-U.S. entities.

*Alternative Treatment.* The IRS may challenge the treatment of the Class P Underlying Note. If the challenge succeeded, the Class P Underlying Note may be characterized as either debt of the Issuer or an equity interest in the Issuer, in which case the consequences of an investment in the Class P Combination Securities would be different and possibly adverse to a U.S. Holder. Investors should consult their own tax advisors with respect to the consequences of such characterizations.

#### U.S. Taxation of Preference Shares

*U.S. Holders.* Subject to the passive foreign investment company rules, the controlled foreign corporation rules and the foreign personal holding company rules discussed below, a U.S. Holder generally must treat distributions received with respect to the Preference Shares as dividend income. Dividends will not be eligible for the dividends-received deduction allowable to corporations or for the special reduced rate applicable to qualified 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 for foreign tax credit purposes. 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 (including a gift and certain exchanges in a corporate reorganization). 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 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 treated as income from sources within the United States. 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 all the information and documentation 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. persons 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. person, 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 (a "FPHC") if five or fewer U.S. citizens or resident individuals own (directly, indirectly or by attribution) more than 50% (by vote or value) of the Preference Shares and any other interests treated as equity in the Issuer. If the Issuer is an FPHC, a U.S. Holder generally will be required to include in income constructive dividends equal to its share of the Issuer's specially adjusted taxable income whether or not the Issuer distributes the income. The constructive dividends would be treated as income from U.S. sources in proportion to the income that the Issuer receives from U.S. sources. A U.S. Holder's basis in its equity in the Issuer would increase by any amounts the holder includes in income currently.

The 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 be subject to the CFC rules and not the PFIC rules. If the Issuer is both a CFC and an FPHC, a 10% U.S. Shareholder will be subject to the CFC rules while other U.S. Holders will be subject to the FPHC rules and, with respect to any excess distributions or gains not taxed under the FPHC rules, the PFIC rules. If the Issuer is an FPHC but not a CFC, any U.S. Holder of a Preference Share will be subject to the FPHC rules and, with respect to any excess distributions or gains not taxed under the FPHC rules, to the PFIC rules. Each prospective purchaser should consult its tax advisor about the application of the PFIC, CFC and FPHC rules to its particular situation.

U.S. Holders generally must report, with their tax return for the tax year that includes the Closing Date, certain information relating to their purchase of the Preference Shares on IRS Form 926. **In the event a U.S. Holder fails to file any such required form, the U.S. Holder could be subject to a penalty equal to 10% of the gross amount paid for the Preference Shares subject to a maximum penalty equal to \$100,000 (except in cases of intentional disregard).** 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 those regulations, which require disclosure of certain types of transactions whether or not they were undertaken for tax reasons. 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.

*Special Considerations for Tax-Exempt Investors.*

Special considerations apply to pension plans and other investors that are subject to tax only on their unrelated business taxable income ("UBTI"). A tax-exempt investor's interest income and gain from the Notes and the Preference Shares generally would not be treated as UBTI provided such investor's investment in the Notes or Preference Shares is not debt-financed. However, a tax-exempt investor that owns more than fifty percent of the Preference Shares of the Issuer and also owns Notes should consider the possible application of the special UBTI rules for interest received from controlled entities. Each prospective tax-exempt investor should consult its own tax advisor regarding the tax consequences to it of an investment in the Notes or the Preference Shares.

*U.S. Information Reporting and Backup Withholding*

Payments of principal and interest on the Notes and Combination Securities, distributions on the Preference Shares and proceeds from the disposition of the Notes, Combination Securities 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 certain required documentation to the payor or otherwise establishes an exemption. Any amount withheld may be credited against a Holder's U.S. Federal income tax liability, if any, 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 PURCHASER SHOULD CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES, THE COMBINATION SECURITIES OR THE PREFERENCE SHARES UNDER THE INVESTOR'S OWN CIRCUMSTANCES.**

## ERISA CONSIDERATIONS

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

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

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

Each of the Issuer, the Co-Issuer, the Initial Purchaser and the Collateral Manager as a result of their own activities or because of the activities of an Affiliate, may be considered a Party-In-Interest or a Disqualified Person with respect to Plans. Accordingly, prohibited transactions within the meaning of Section 406 of ERISA and Section 4975 of the Code may arise if Notes are acquired by a Plan with respect to which any of the Issuer, the Co-Issuer, the Initial Purchaser, the Collateral Manager, the obligors on the Collateral Debt Securities or any of their respective Affiliates is a Party-In-Interest or Disqualified Person. In addition, if a Party-In-Interest or Disqualified Person with respect to a Plan owns or acquires a beneficial interest in the Issuer or the Co-Issuer, the acquisition or holding of Notes by or on behalf of the Plan could be considered to constitute an indirect prohibited transaction. Moreover, the acquisition or holding of Notes or other indebtedness issued by the Issuer or the Co-Issuer by or on behalf of a Party-In-Interest or Disqualified Person with respect to a Plan that owns or acquires a beneficial interest in the Issuer or the Co-Issuer, as the case may be, also could give rise to an indirect prohibited transaction. Certain exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are PTE 90-1, regarding investments by insurance company pooled separate accounts; PTE 91-38, regarding investments by bank collective investment funds; PTE 84-14, regarding transactions effected by a "qualified professional asset manager"; PTE 96-23, regarding investments by certain in-house asset managers; and PTE 95-60, regarding investments by insurance company general accounts. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. If a purchase of Notes were to be a non-exempt prohibited transaction, the purchase might have to be rescinded.

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

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

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

It is intended that the ownership interests in the Preference Shares (including the Preference Shares constituting the Preference Share Components of the Combination Securities) that are held by Benefit Plan Investors will be maintained at a level below the 25% Threshold (excluding Preference Shares held by Controlling Persons, such as the Preference Shares held by an Affiliate of the Collateral Manager) by limiting the aggregate amount of Preference Shares (including the Preference Shares constituting the Preference Share Components of the Combination Securities) that may be held by Benefit Plan Investors to below the 25% Threshold. In this regard, each Original Purchaser of Preference Shares or Combination Securities will be required to provide information in the Investor Application Form pursuant to which such Preference Shares or Combination Securities 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 or Combination Securities 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 (or Combination Securities Registrar in the case of the Combination Securities) 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 or a Definitive Combination Security will be required to execute and deliver to the Issuer and the Preference Share Registrar a transfer certificate in the form attached as an exhibit to the Preference Share Agency Agreement or the Indenture (in the case of a Combination Security) to the effect that such owner will, prior to any sale, pledge or other transfer by it of any Definitive Preference Share or Definitive Combination Security (or any interest therein), obtain from the transferee a duly executed transferee certificate in the form attached to the Preference Share Agency Agreement or the Indenture (in the case of a Combination Security), and such other certificates and other information as the Issuer, the Collateral Manager or the applicable Paying Agent may reasonably require to confirm that the proposed transfer substantially complies with the transfer restrictions contained in the Issuer Charter and the Preference Share Agency Agreement or the Indenture (in the case of a Combination Security).

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

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

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

EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF A NOTE OR COMBINATION SECURITY 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 COMBINATION SECURITY OR ANY INTEREST THEREIN WILL NOT BE), AND IS NOT (AND FOR SO LONG AS IT HOLDS ANY NOTE OR COMBINATION SECURITY 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 PURCHASE AND OWNERSHIP OF SUCH NOTE OR COMBINATION SECURITY WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT CONSTITUTE A VIOLATION OF SUCH SIMILAR LAW). AN INVESTOR THAT IS A BENEFIT PLAN INVESTOR SUBJECT TO TITLE I OF ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW WILL BE REQUIRED TO CERTIFY THAT ITS INVESTMENT IN PREFERENCE SHARES OR COMBINATION SECURITIES 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 OR COMBINATION SECURITY WILL BE REQUIRED TO CERTIFY WHETHER OR NOT IT IS A BENEFIT PLAN INVESTOR. NO PREFERENCE SHARES OR COMBINATION SECURITIES MAY BE TRANSFERRED TO BENEFIT PLAN INVESTORS AFTER THE CLOSING DATE.



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

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

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

## PLAN OF DISTRIBUTION

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

The Co-Issuers have been advised by the Initial Purchaser that the Initial Purchaser proposes to sell the Offered Securities (a) in the case of a sale in the United States in reliance upon an exemption from the registration requirements of the Securities Act, to (i) "qualified institutional buyers" as defined in Rule 144A under the Securities Act ("Qualified Institutional Buyers"), (ii) to a limited number of institutional "accredited investors" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act ("Institutional Accredited Investors") and (iii) solely in the case of the Preference Shares, a limited number of "accredited investors" within the meaning of Rule 501(a) of the Securities Act ("Accredited Investors") that, in each case, are Qualified Purchasers and (b) to certain persons who are not U.S. Persons in offshore transactions in reliance on Regulation S under the Securities Act. For purposes hereof, "Qualified Purchaser" means (i) a "qualified purchaser" as defined in the Investment Company Act, (ii) a "knowledgeable employee" with respect to the Issuer within the meaning of Rule 3c-5 under the Investment Company Act or (iii) a company beneficially owned exclusively by one or more such "qualified purchasers" and/or "knowledgeable employees".

### United States

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

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

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

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

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

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

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

### **United Kingdom**

The Initial Purchaser will also represent and agree as follows:

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

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

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

### **Cayman Islands**

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

### **General**

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

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

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

## CLEARING SYSTEMS

### Global Securities

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

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

### Payments or Distributions on a Global Security

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

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

### Transfers and Exchanges for Definitive Securities

Interests in a Global Security will be exchangeable or transferable, as the case may be, for a Definitive Security if (a) DTC notifies the Issuer that it is unwilling or unable to continue as depositary for such Security, (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 Security is required by law to take physical delivery of securities in definitive form, (d) in the case of a Global Note, there is an Event of Default under the Notes or (e) the transferee is otherwise unable to pledge its interest in a Global Security. Because DTC can only act on behalf of Participants, which in turn act on behalf of indirect Participants and certain banks, the ability of a person having a beneficial interest in a Global Security to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may require that such interest in a Global Security be exchanged for a Definitive Security.

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

### **Cross-Border Transfers and Exchanges**

Subject to compliance with the transfer restrictions applicable to the Offered Securities described under "Transfer Restrictions", cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, 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 depository; 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 depository to take action to effect final settlement on its behalf by delivering or receiving interests in a Regulation S Global Security in DTC and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg participants and Euroclear participants may not deliver instructions directly to the depositories of Euroclear or Clearstream, Luxembourg.

Because of time zone differences, cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interests in a Regulation S Global Security 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.

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

### **DTC, Euroclear and Clearstream**

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

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

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in Global Securities 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.

## TRANSFER RESTRICTIONS

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

### Representations by Original Purchaser

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

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

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

(3) *Minimum Denomination or Number.* The purchaser agrees that no Security (or any interest therein) may be sold, pledged or otherwise transferred in a denomination of less than the applicable minimum denomination set forth herein (in the case of the Notes) or in a number less than the applicable minimum trading lot set forth herein (in the case of the Preference Shares); *provided* that those investors that, with the consent of the Initial Purchaser, purchased less than 100 Preference Shares on the Closing Date, and any transferees of the Preference Shares acquired by such investor, 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 and that the certificates representing the Offered Securities will bear a legend setting forth such restriction. The purchaser understands that neither the Issuer nor (in the case of the Notes) the Co-Issuer has any obligation to register the Offered Securities under the Securities Act or to comply with the requirements for any exemption from the registration requirements of the Securities Act (other than to supply information specified in Rule 144A(d)(4) of the Securities Act as required by the Indenture).

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

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

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

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

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

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

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

(8) *Limited Liquidity.* The purchaser understands that there is no market for the Offered Securities and that there can be no assurance that a secondary market for any of the Offered Securities will develop, or if a secondary market does develop, that it will provide the holders of such Offered Securities with liquidity of investment or that it will continue for the life of the Offered Securities. It further understands that, although the Initial Purchaser may from time to time make a market in one or more Classes of Notes or Preference Shares, the Initial Purchaser is under no obligation to do so and, following the commencement of any market-making, may discontinue the same at any time. Accordingly, the purchaser must be prepared to hold its Offered Securities for an indefinite period of time or until the applicable Stated Maturity (or, in the case of the Preference Shares, the winding-up of the Issuer).

(9) *Investment Company Act.* The purchaser either (a) is not a U.S. Person or (b) is a Qualified Purchaser. The purchaser agrees that no sale, pledge or other transfer of an Offered Security (or any interest therein) may be made (i) to a transferee acquiring a Restricted Security (or any interest therein) except to a transferee that is a Qualified Purchaser, (ii) to a transferee acquiring a Regulation S Security (or any interest therein) except to a transferee that is not a U.S. Person or (iii) if such transfer would have the



effect of requiring either of the Co-Issuers or the Collateral to be registered as an investment company under the Investment Company Act. If the purchaser is a U.S. Person that is an entity that would be an investment company but for the exception provided for in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act (any such entity, an "excepted investment company") (a) all of the beneficial owners of outstanding securities (other than short-term paper) of such entity (such beneficial owners determined in accordance with Section 3(c)(1)(A) of the Investment Company Act) that acquired such securities on or before April 30, 1996 ("pre-amendment beneficial owners") and (b) all pre-amendment beneficial owners of the outstanding securities (other than short-term paper) of any excepted investment company that, directly or indirectly, owns any outstanding securities of such entity, have consented to such entity's treatment as a Qualified Purchaser in accordance with the Investment Company Act.

(10) *ERISA*. In the case of a purchaser of a Note, either (a) it is not (and for so long as it holds any Note or any interest therein will not be) and is not acting on behalf of (and for so long as it hold any nor 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 Similar Law, or (b) its purchase and ownership of such Note will be covered by a prohibited transaction class exemption issued by the United States Department of Labor (or, in the case of governmental or church plan, will not constitute a violation of such Similar Law).

In the case of a purchaser of a Preference Share or a Combination Security, it understands that it will be required to certify that (i) if such purchaser is a Benefit Plan Investor that is subject to Title I of ERISA, Section 4975 of the Code or any Similar Law, its investment in Preference Shares or Combination Securities 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 or (ii) it is an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country and is not subject to any United States laws governing the establishment or administration of employee benefit plans.

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

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

(11) *Limitations on Flow-Through Status*. It is (a) not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle) and (b) if it is a Qualifying Investment Vehicle, (x) it has only one class of securities outstanding (other than any nominal share capital the distributions in respect of which are not correlated to or dependent upon distributions on, or the performance of, the Offered Securities) and (y) either (1) none of the beneficial owners of its securities is a U.S. Person or (2) some or all of the beneficial owners of its securities are U.S. Persons and each such beneficial owner has certified to the purchaser that such owner is a Qualified Purchaser. A purchaser is a "Flow-Through Investment Vehicle" if: (i) in the case of a purchaser that would be an investment company but for the exception in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, the amount of the purchaser's investment in the Offered Securities exceeds 40% of the total assets (determined on a consolidated basis with its subsidiaries) of the purchaser, (ii) any person owning any equity or similar interest in the purchaser has the ability to control any investment decision of the purchaser (other than a general partner or similar

entity) or to determine, on an investment-by-investment basis, the amount of such person's contribution to any investment made by the purchaser, (iii) the purchaser was organized or reorganized for the specific purpose of acquiring any Offered Securities or (iv) additional capital or similar contributions were specifically solicited from any person owning an equity or similar interest in the purchaser for the purpose of enabling the purchaser to purchase Offered Securities. A "Qualifying Investment Vehicle" means an entity as to which all of the beneficial owners of any securities issued by such entity have made, and as to which (in accordance with the document pursuant to which such entity was organized or the agreement or other document governing such securities) each such beneficial owner must require any transferee of any such security to make each of the representations set forth in this Offering Circular and (where applicable) an Investor Application Form and/or the transfer certificate pursuant to which such Offered Securities were transferred to such entity (in each case, with appropriate modifications satisfactory to the Issuer to reflect the indirect nature of the interests of such beneficial owners in the Offered Securities, including any modification permitting an initial beneficial owner of securities issued by such entity to represent that it is an Institutional Accredited Investor or Accredited Investor).

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

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

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

(15) *Tax Treatment.* The purchaser acknowledges that it is the intent of the Issuer that, for U.S. Federal, state and local income tax purposes, the Issuer will be treated as a corporation and the Class A Notes, Class B Notes and Class C Notes will be treated as debt of the Issuer only and not of the Co-Issuer. The purchaser further acknowledges that it is the intent of the Issuer that, for U.S. Federal, state and local income tax purposes, the Combination Securities will be treated as direct ownership of (a) in the case of the Class C-1 Combination Securities, the underlying Class C-1 Note Component and Class C-1 Preference Component and (b) in the case of the Class P Combination Securities, the underlying Class P Preference Share Component and the Class P Note. Further, the purchaser acknowledges that Holders of the Class P Note will be treated as directly owning the Class P Underlying Note. The purchaser agrees to such treatment, to report all income (or loss) in accordance with such treatment and to take no action inconsistent with such treatment.

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

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (A **QUALIFIED INSTITUTIONAL BUYER**) WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (**RULE 144A**) PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE

EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A OR (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH 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 RELEVANT JURISDICTION. NEITHER OF THE CO-ISSUERS NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE *INVESTMENT COMPANY ACT*). NO TRANSFER OF A NOTE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE TRUSTEE NOR THE NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT, (II) A COMPANY EACH OF WHOSE BENEFICIAL OWNERS IS A "QUALIFIED PURCHASER", (III) A "KNOWLEDGEABLE EMPLOYEE" WITH RESPECT TO THE ISSUER AS SPECIFIED IN RULE 3C-5 PROMULGATED UNDER THE INVESTMENT COMPANY ACT OR (IV) A COMPANY OWNED EXCLUSIVELY BY KNOWLEDGEABLE EMPLOYEES (ANY PERSON DESCRIBED IN CLAUSES (I) THROUGH (IV)), A *QUALIFIED PURCHASER*, (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING EITHER OF THE CO-ISSUERS OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER WOULD BE MADE TO A U.S. PERSON THAT IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE INDENTURE) OR (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE (IF ANY) ATTACHED AS AN EXHIBIT TO THE INDENTURE REFERRED TO BELOW. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT THAT EITHER (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS ANY NOTE OR 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 ACTING ON BEHALF OF) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A "PLAN" AS DEFINED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR 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 (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT CONSTITUTE A VIOLATION OF SUCH SIMILAR LAW).

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 AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a) (1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT PURCHASED SUCH NOTE (OR ANY INTEREST THEREIN) IN THE INITIAL DISTRIBUTION) 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 COMMERCIALY REASONABLE SALE (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610(b) OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE CO-ISSUERS AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (I) A QUALIFIED INSTITUTIONAL BUYER AND (II) A QUALIFIED PURCHASER AND (2) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF SUCH NOTE (OR INTEREST THEREIN) HELD BY SUCH BENEFICIAL OWNER.

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

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

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

In addition, the IRS requires notes that are issued with original issue discount (“OID”) to bear a legend. For Notes (such as the Class C Notes) that have OID because the Issuer has not determined whether the likelihood of deferral is remote, all interest will be treated as OID and, therefore, the amount of OID will be equal to the interest payable (including interest on deferred interest that has been added to principal) on the Class C Notes for that period. Accordingly, the legend on the Class C Notes will also have the following:

THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT (“OID”) FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF OID, ISSUE DATE AND YIELD TO MATURITY OF THIS NOTE MAY BE OBTAINED BY WRITING TO: DIRECTOR, STRUCTURED CREDIT PRODUCTS GROUP, MERRILL LYNCH, PIERCE, FENNER & SMITH, INCORPORATED, (NORTH TOWER), 4 WORLD FINANCIAL CENTER, 7TH FLOOR, NEW YORK, NY 10080.

(17) *Legend for the Class C-1 Combination Securities.* Each purchaser of a Class C-1 Combination Security (or any beneficial interest therein) understands and agrees that a legend in substantially the following form will be placed on each Combination Security:

THIS CLASS C-1 COMBINATION SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE *SECURITIES ACT*), OR THE

SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (A **QUALIFIED INSTITUTIONAL BUYER**) WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (**RULE 144A**), PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT (**REGULATION S**), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE, ISSUER CHARTER AND THE PREFERENCE SHARE AGENCY AGREEMENT REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY RELEVANT JURISDICTION. NEITHER THE CO-ISSUERS NOR THE COLLATERAL HAVE BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE **INVESTMENT COMPANY ACT**). NO TRANSFER OF A CLASS C-1 COMBINATION SECURITY (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE ISSUER NOR THE COMBINATION SECURITY 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 EACH OF WHOSE BENEFICIAL OWNERS IS A QUALIFIED PURCHASER, (III) A "KNOWLEDGEABLE EMPLOYEE" WITH RESPECT TO THE ISSUER AS SPECIFIED IN RULE 3C-5 PROMULGATED UNDER THE INVESTMENT COMPANY ACT OR (IV) A COMPANY OWNED EXCLUSIVELY BY KNOWLEDGEABLE EMPLOYEES (ANY PERSON DESCRIBED IN CLAUSES (I) THROUGH (IV), A QUALIFIED PURCHASER), (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING EITHER CO-ISSUER OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER IS MADE TO A PLAN INVESTOR (AS DEFINED IN THE PLAN ASSET REGULATION OF THE UNITED STATES DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3-101(f) (A **BENEFIT PLAN INVESTOR**)) AFTER THE CLOSING DATE, (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO IS A U.S. PERSON THAT IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE INDENTURE), (E) OR SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE 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 OF COMBINATION SECURITIES WILL BE REQUIRED TO CERTIFY THAT ITS INVESTMENT IN COMBINATION SECURITIES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, A VIOLATION OF A MATERIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW). ACCORDINGLY, AN INVESTOR IN COMBINATION SECURITIES MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

IF, NOTWITHSTANDING THE RESTRICTIONS ON TRANSFER CONTAINED IN THE INDENTURE, THE ISSUER DETERMINES THAT ANY BENEFICIAL OWNER OF A RESTRICTED CLASS C-1 COMBINATION SECURITY (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 AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a) (1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT PURCHASED SUCH COMBINATION SECURITY (OR ANY INTEREST THEREIN) IN THE INITIAL DISTRIBUTION) 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 COMBINATION SECURITY (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 COMBINATION SECURITY TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610(b) OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE CO-ISSUERS AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (I) A QUALIFIED INSTITUTIONAL BUYER AND (II) A QUALIFIED PURCHASER AND (2) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF SUCH COMBINATION SECURITY (OR INTEREST THEREIN) HELD BY SUCH BENEFICIAL OWNER.

In addition, the IRS requires notes that are issued with original issue discount ("OID") to bear a legend. For Notes (such as the Class C Notes) that have OID because the Issuer has not determined whether the likelihood of deferral is remote, all interest will be treated as OID and, therefore, the amount of OID will be equal to the interest payable (including interest on deferred interest that has been added to principal) on the Class C Notes for that period. Accordingly, the legend on the Class C-1 Combination Securities will also have the following:

THE CLASS C-1 NOTE COMPONENT OF THIS CLASS C-1 COMBINATION SECURITY HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF OID, ISSUE DATE AND YIELD TO MATURITY OF THE CLASS C-1 NOTE COMPONENT MAY BE OBTAINED BY WRITING TO: DIRECTOR, STRUCTURED CREDIT PRODUCTS GROUP, MERRILL LYNCH, PIERCE, FENNER & SMITH, INCORPORATED, (NORTH TOWER), 4 WORLD FINANCIAL CENTER, 7TH FLOOR, NEW YORK, NY 10080.

(18) *Legend for Class P Combination Securities.* The purchaser understands and agrees that a legend in substantially the following form will be placed on each certificate representing any Class P Combination Securities:

THE CLASS P COMBINATION SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (A QUALIFIED INSTITUTIONAL BUYER) WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (RULE 144A), PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT (REGULATION S) OR (3) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (SUBJECT TO THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY RELEVANT JURISDICTION. NEITHER THE ISSUER NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE INVESTMENT COMPANY ACT). NO TRANSFER OF A CLASS P COMBINATION SECURITY (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE TRUSTEE NOR THE COMBINATION SECURITY REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER

WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT, (II) A COMPANY EACH OF WHOSE BENEFICIAL OWNERS IS A QUALIFIED PURCHASER, (III) A "KNOWLEDGEABLE EMPLOYEE" WITH RESPECT TO THE ISSUER AS SPECIFIED IN RULE 3C-5 PROMULGATED UNDER THE INVESTMENT COMPANY ACT OR (IV) A COMPANY OWNED EXCLUSIVELY BY KNOWLEDGEABLE EMPLOYEES (ANY PERSON DESCRIBED IN CLAUSES (I) THROUGH (IV), A QUALIFIED PURCHASER), (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING THE ISSUER OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER IS MADE TO A BENEFIT PLAN INVESTOR (AS DEFINED IN THE PLAN ASSET REGULATION OF THE UNITED STATES DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3-101(f) (A BENEFIT PLAN INVESTOR)) AFTER THE CLOSING DATE, (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON WHICH IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE TRANSFER CERTIFICATE ATTACHED TO THE INDENTURE) OR (E) EXCEPT IN THE CASE OF A TRANSFER OF A BENEFICIAL INTEREST IN A REGULATION S GLOBAL COMBINATION SECURITY TO A TRANSFEREE WHO IS ACQUIRING A BENEFICIAL INTEREST IN A REGULATION S GLOBAL COMBINATION SECURITY, 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 INDENTURE REFERRED TO HEREIN. EACH HOLDER OF CLASS P COMBINATION SECURITIES WILL BE REQUIRED TO CERTIFY THAT ITS INVESTMENT IN CLASS P COMBINATION SECURITIES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, A VIOLATION OF A MATERIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW). ACCORDINGLY, AN INVESTOR IN CLASS P COMBINATION SECURITIES MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE INDENTURE, THE ISSUER DETERMINES THAT ANY HOLDER OF THIS SECURITY OR AN INTEREST HEREIN (I) IS A U.S. PERSON AND (II) IS NOT BOTH (A) A QUALIFIED INSTITUTIONAL BUYER (OR AN "ACCREDITED INVESTOR" (AN ACCREDITED INVESTOR) WITHIN THE MEANING OF RULE 501(A) UNDER THE SECURITIES ACT THAT PURCHASED SUCH SECURITY IN CONNECTION WITH THE INITIAL DISTRIBUTION THEREOF) 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 AND (2) A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE COLLATERAL MANAGER OR THE ISSUER, THE TRUSTEE 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 COLLATERAL MANAGER (CONDUCTED BY THE TRUSTEE 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 TRUSTEE, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (1) A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR AND (2) A QUALIFIED PURCHASER, AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURITY HELD BY SUCH HOLDER, AND THE INTEREST IN THIS SECURITY SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE CLASS P COMBINATION SECURITIES.

In addition, for Notes such as the Class P Underlying Note that have OID because their stated redemption price at maturity exceeds their issue price, the amount of OID in each period is equal to the excess of the product of the note's adjusted issue price at the beginning of the accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over the sum of any qualified stated interest allocable to the accrual period. Accordingly, the legend on the Class P Combination Securities will also have the following:

THE CLASS P UNDERLYING NOTE UNDERLYING THE CLASS P NOTE COMPONENT OF THIS CLASS P COMBINATION SECURITY HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF OID, ISSUE DATE AND YIELD TO MATURITY OF THE CLASS P UNDERLYING NOTE MAY BE OBTAINED BY WRITING TO: DIRECTOR, STRUCTURED CREDIT PRODUCTS GROUP, MERRILL LYNCH, PIERCE, FENNER & SMITH, INCORPORATED, (NORTH TOWER), 4 WORLD FINANCIAL CENTER, 7TH FLOOR, NEW YORK, NY 10080.

The following shall be inserted in the case of any Regulation S Global Combination Securities:

UNLESS THIS COMBINATION SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (*DTC*) TO THE COMBINATION SECURITY 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 COMBINATION SECURITY CERTIFICATE REPRESENTS REGULATION S GLOBAL COMBINATION SECURITIES 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 CLASS P COMBINATION SECURITIES 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 COMBINATION SECURITY CERTIFICATE FOR A DEFINITIVE COMBINATION SECURITY CERTIFICATE OR UPON ANY EXCHANGE OR TRANSFER OF A DEFINITIVE COMBINATION SECURITY CERTIFICATE FOR AN INTEREST IN THIS REGULATION S GLOBAL COMBINATION SECURITY CERTIFICATE IN ACCORDANCE WITH THE INDENTURE, THIS REGULATION S GLOBAL COMBINATION SECURITY CERTIFICATE SHALL BE ENDORSED TO REFLECT THE CHANGE OF THE PRINCIPAL AMOUNT EVIDENCED HEREBY.

IN ADDITION, NO TRANSFER OF THIS COMBINATION SECURITY (OR ANY INTEREST HEREIN) MAY BE MADE (AND NONE OF THE TRUSTEE, THE COMBINATION SECURITY REGISTRAR AND THE CO-ISSUERS WILL RECOGNIZE ANY SUCH TRANSFER) IF SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO 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 COMBINATION SECURITIES. EACH TRANSFEREE IS REQUIRED TO PROVIDE WRITTEN NOTICE OF THE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREES.

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

THE PREFERENCE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (A **QUALIFIED INSTITUTIONAL BUYER**) WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (**RULE 144A**), PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT (**REGULATIONS**) OR (3) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (SUBJECT TO THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE ISSUER CHARTER AND THE PREFERENCE SHARE AGENCY AGREEMENT REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY RELEVANT JURISDICTION. NEITHER THE ISSUER NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE **INVESTMENT COMPANY ACT**). NO TRANSFER OF A PREFERENCE SHARE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE ISSUER NOR THE PREFERENCE SHARE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT, (II) A COMPANY EACH OF WHOSE BENEFICIAL OWNERS IS A QUALIFIED PURCHASER, (III) A "KNOWLEDGEABLE EMPLOYEE" WITH RESPECT TO THE ISSUER AS SPECIFIED IN RULE 3C-5 PROMULGATED UNDER THE INVESTMENT COMPANY ACT OR (IV) A COMPANY OWNED EXCLUSIVELY BY KNOWLEDGEABLE EMPLOYEES (ANY PERSON DESCRIBED IN CLAUSES (I) THROUGH (IV), A **QUALIFIED PURCHASER**), (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING THE ISSUER OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER IS MADE TO A BENEFIT PLAN INVESTOR (AS DEFINED IN THE PLAN ASSET REGULATION OF THE UNITED STATES DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3-101(f) (A **BENEFIT PLAN INVESTOR**)) AFTER THE CLOSING DATE, (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON WHICH IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE TRANSFER CERTIFICATE ATTACHED TO THE PREFERENCE SHARE AGENCY AGREEMENT) OR (E) EXCEPT IN THE CASE OF A TRANSFER OF A BENEFICIAL INTEREST IN A REGULATION S GLOBAL PREFERENCE SHARE TO A TRANSFEREE WHO IS ACQUIRING A BENEFICIAL INTEREST IN A REGULATION S GLOBAL PREFERENCE SHARE, SUCH TRANSFER WOULD BE MADE TO A PERSON WHO IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE ATTACHED AS AN EXHIBIT TO THE PREFERENCE SHARE AGENCY AGREEMENT REFERRED TO HEREIN. EACH HOLDER OF PREFERENCE SHARES WILL BE REQUIRED TO CERTIFY THAT ITS INVESTMENT IN PREFERENCE SHARES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED

TRANSACTION UNDER SECTION 406 OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, A VIOLATION OF A MATERIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW). ACCORDINGLY, AN INVESTOR IN PREFERENCE SHARES MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE PREFERENCE SHARE AGENCY AGREEMENT, THE ISSUER DETERMINES THAT ANY HOLDER OF THIS SECURITY OR AN INTEREST HEREIN (I) IS A U.S. PERSON AND (II) IS NOT BOTH (A) A QUALIFIED INSTITUTIONAL BUYER (OR AN "ACCREDITED INVESTOR" (AN *ACCREDITED INVESTOR*) WITHIN THE MEANING OF RULE 501(A) UNDER THE SECURITIES ACT THAT PURCHASED SUCH SECURITY IN CONNECTION WITH THE INITIAL DISTRIBUTION THEREOF) 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 AND (2) A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE COLLATERAL MANAGER OR THE ISSUER, THE PREFERENCE SHARE PAYING AGENT SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO, CAUSE SUCH HOLDER'S INTEREST IN THIS SECURITY TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE ARRANGED BY THE COLLATERAL MANAGER (CONDUCTED BY THE PREFERENCE SHARE PAYING AGENT IN ACCORDANCE WITH SECTION 9-610(b) OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT MAY DECLINE SPEEDILY IN VALUE) TO A PERSON THAT CERTIFIES TO THE PREFERENCE SHARE PAYING AGENT, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (1) A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR AND (2) A QUALIFIED PURCHASER, AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURITY HELD BY SUCH HOLDER, AND THE INTEREST IN THIS SECURITY SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE PREFERENCE SHARES.

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

UNLESS THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (*DTC*) TO THE PREFERENCE SHARE 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 DEPOSITORY, 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 AGENCY AGREEMENT, THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE SHALL BE ENDORSED TO REFLECT THE CHANGE OF THE PRINCIPAL AMOUNT EVIDENCED HEREBY.

Investor Representations on Resale

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

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

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

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

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

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

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

## LISTING AND GENERAL INFORMATION

1. Application will be made to the Irish Stock Exchange for the Offered Securities to be admitted to the Daily Official List. In connection with the listing of the Offered Securities on the Irish Stock Exchange, this Offering Circular will be filed with the Registrar of Companies of Ireland pursuant to Regulation 13 of the European Communities (Stock Exchange) Regulations, 1984 of Ireland.
2. For fourteen days following the date of this Offering Circular, copies of the Issuer Charter, the Certificate of Incorporation and By-laws of the Co-Issuer, the Administration Agreement, the Indenture, the Preference Share Agency Agreement, the Collateral Administration Agreement, form of Investor Application Form, the Management Agreement and the forms of USD Hedge Agreement and Non-USD Hedge Agreement will be available for inspection and the transfer certificates will be available for inspection at the offices of the Paying Agent located in Dublin, Ireland and at the offices of the Issuer. The Issuer is not required by Cayman Islands law, and the Issuer does not intend, to publish annual reports and accounts. The Co-Issuer is not required by Delaware state law, and the Co-Issuer does not intend, to publish annual reports and accounts. The Indenture, however, requires the Issuer to provide the Trustee with a written certificate, on an annual basis, that to the best of its knowledge following review of the activities of the prior year, no Event of Default has occurred or if there has been an Event of Default, the certificate shall set forth the nature and status thereof, including actions undertaken to remedy the same.
3. Copies of the Issuer Charter, the Certificate of Incorporation and By-laws of the Co-Issuer, the Administration Agreement, form of Investor Application Form, the resolutions of the Board of Directors of the Issuer authorizing the issuance of the Offered Securities and the execution of the Indenture, the Preference Share Agency Agreement, the Collateral Administration Agreement, the Management Agreement and the forms of USD Hedge Agreement and Non-USD Hedge Agreement 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 Columbia, Maryland at the office of the Trustee and at the office of the Paying Agent located in Dublin, Ireland.
4. So long as any Offered Securities are listed on the Irish Stock Exchange, copies of the monthly reports and quarterly note valuation reports with respect to the Offered Securities and the Collateral Debt Securities will be prepared by the Issuer in accordance with the Indenture and will be obtainable free of charge upon request in Ireland at the offices of the Irish Paying Agent located in Dublin, Ireland. The monthly reports will be prepared each month (excluding any month in which a quarterly note valuation report is prepared), beginning with the monthly report for September 2004, and the quarterly note valuation reports will be prepared each March, June, September and December, beginning in December 2004.
5. Each of the Co-Issuers represents that there has been no material adverse change in its financial position since its date of creation. Other than as described herein under "The Co-Issuers", since the dates of incorporation of the Co-Issuers, the Co-Issuers have not commenced operations and no annual accounts or reports have been prepared as of the date of the listing particulars.
6. Neither of the Co-Issuers is involved in any litigation or arbitration proceedings relating to claims on amounts which are material in the context of the issue of the Offered Securities, nor, so far as either of the Co-Issuers is aware, is any such litigation or arbitration involving it pending or threatened.
7. The issuance of the Offered Securities was authorized by the Board of Directors of the Issuer on August 24, 2004. The issuance of the Notes was authorized by the Board of Directors of the Co-Issuer on August 24, 2004.
8. According to the rules and regulations of the Irish Stock Exchange, the Notes shall be freely transferable and therefore no transaction made on the Irish Stock Exchange shall be cancelled.

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

	<u>Regulation S Common Codes</u>	<u>Regulation S Global Note CUSIP Numbers</u>	<u>Restricted Global Note CUSIP Numbers</u>	<u>Regulation S International Securities Identification Numbers</u>
Class A-1 Notes	019905080	G25766AA7	229196AA8	USG25766AA76
Class A-2 Notes	019905101	G25766AB5	229196AB6	USG25766AB59
Class B Notes	019905128	G25766AD1	229196AD2	USG25766AD16
Class C-1 Notes	019905144	G25766AE9	229196AE0	USG25766AE98
Class C-2 Notes	019905179	G25766AF6	229196AF7	USG25766AF63
Preference Shares	019905209	G25765200	229195201	KYG257652001
Class C-1 Combination Securities	019911039	G25766AG4	229196AG5	USG25766AG47
Class P Combination Securities	019925277	G25765AA9	229195AA0	USG25765AA93

## **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 Shearman & Sterling LLP, New York, New York.

**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 <sup>1</sup>					
	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 <sup>1</sup>					
	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%

<sup>1</sup> 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 <sup>1</sup>					
	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 <sup>1</sup>					
	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%

<sup>1</sup> 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 <sup>1</sup>					
	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 Guaranteed Corporate Debt Security, the recovery rate will be 30%. If the Collateral Debt Security is a Corporate Debt Security, the recovery rate will be determined in accordance with the following table:**

A Corporate Debt Security which has a rating from Moody's three or more subcategories lower than the Moody's Rating of such Corporate Debt Security	2%
A Corporate Debt Security which has a rating from Moody's two subcategories lower than the Moody's Rating of such Corporate Debt Security	10%
A Corporate Debt Security which has a rating from Moody's one subcategory lower than the Moody's Rating of such Corporate Debt Security	15%
A Corporate Debt Security which has a rating from Moody's equal to its Moody's Rating	30%
A Corporate Debt Security which has a rating from Moody's one subcategory higher than the Moody's Rating of such Corporate Debt Security	35%
A Corporate Debt Security which has a rating from Moody's one subcategory higher than the Moody's Rating of such Corporate Debt Security	30%

<sup>1</sup> 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 Guaranteed 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	Recovery Rate						
	AAA	AA	A	BBB	BB	B	CCC
"AAA"	80.0%	85.0%	90.0%	90.0%	90.0%	90.0%	90.0%
"AA-", "AA" or "AA+"	70.0%	75.0%	85.0%	90.0%	90.0%	90.0%	90.0%
"A-", "A" or "A+"	60.0%	65.0%	75.0%	85.0%	90.0%	90.0%	90.0%
"BBB-", "BBB" or "BBB+"	50.0%	55.0%	65.0%	75.0%	85.0%	85.0%	85.0%

- B. If the Collateral Debt Security (other than a Synthetic Security, REIT Debt Security or a Guaranteed 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	Recovery Rate						
	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 Guaranteed 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 Guaranteed Corporate Debt Security) is a REIT Debt Security, the recovery rate will be 40%.**
- E. If the Collateral Debt Security is a Guaranteed Corporate Debt Security, the recovery rate will be 37%.**
- F. If the Collateral Debt Security is a Corporate Debt Security, the recovery rate will be as set forth in the table below:**

Type of Corporate Debt Security	Recovery Rate
Senior Secured	40%
Senior Unsecured	25%
Subordinated	15%

- G. The following categories of Collateral Debt Securities are excluded from the Standard & Poor's Recovery Rate Matrix: Project Finance Securities, ABS Future Flow Securities, Synthetic Securities, CDOs of ABS, CDOs of CDOs, Market Value CDO Securities, REIT Debt Securities, Guaranteed Asset-Backed Securities, Interest Only Securities, Principal Only Securities and NIM Securities. Any Collateral Debt Security excluded from the Standard & Poor's Recovery Rate Matrix must be assigned a recovery rate by Standard & Poor's.**

### Part III

#### Fitch Recovery Rate Matrix

<u>Domicile</u>	<u>Seniority</u>	<u>Ratings*</u>					
		<u>AAA*</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>
ABS Senior (> 10%)		60.00%	65.00%	75.00%	85.00%	90.25%	95.00%
ABS Senior (< 10%)		48.00%	56.00%	64.00%	72.00%	76.00%	80.00%
ABS Mezzanine IG (> 10%)		30.00%	38.00%	46.00%	54.00%	65.00%	75.00%
ABS Mezzanine IG (< 10%)		20.00%	27.00%	35.00%	42.00%	50.00%	55.00%
ABS Non IG (> 10%)		15.00%	18.00%	21.00%	26.00%	32.00%	35.00%
ABS Non IG (< 10%)		0.00%	4.00%	8.00%	12.00%	16.00%	20.00%
Emerging Markets	Sovereign Debt	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Emerging Markets	Senior Secured Debt	24.00%	25.50%	27.00%	28.50%	29.25%	30.00%
Emerging Markets	Senior Unsecured Debt	12.00%	12.75%	13.50%	14.25%	14.63%	15.00%
United States	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
United States	REITS	52.00%	55.25%	58.50%	61.75%	63.38%	65.00%
United States	Senior Secured (Non IG)	56.00%	59.50%	63.00%	66.50%	68.25%	70.00%
United States	Jr Secured (Non IG)	24.00%	25.50%	27.00%	28.50%	29.25%	30.00%
United States	Senior Unsecured (Non IG)	36.00%	38.25%	40.50%	42.75%	43.88%	45.00%
United States	Subordinate (Non IG)	24.00%	25.50%	27.00%	28.50%	29.25%	30.00%
United States	Senior Unsecured (IG)	44.00%	46.75%	49.50%	52.25%	53.63%	55.00%
United States	Subordinate (IG)	24.00%	25.50%	27.00%	28.50%	29.25%	30.00%
Australia	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Australia	Senior Secured (Non IG)	60.00%	63.75%	67.50%	71.25%	73.13%	75.00%
Australia	Jr Secured (Non IG)	40.00%	42.50%	45.00%	47.50%	48.75%	50.00%
Australia	Senior Unsecured (Non IG)	14.40%	15.30%	16.20%	17.10%	17.55%	18.00%
Australia	Subordinate (Non IG)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Australia	Senior Unsecured (IG)	32.00%	34.00%	36.00%	38.00%	39.00%	40.00%
Australia	Subordinate (IG)	24.00%	25.50%	27.00%	28.50%	29.25%	30.00%
Austria	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Austria	Senior Secured (Non IG)	44.00%	46.75%	49.50%	52.25%	53.63%	55.00%
Austria	Jr Secured (Non IG)	32.00%	34.00%	36.00%	38.00%	39.00%	40.00%
Austria	Senior Unsecured (Non IG)	18.00%	19.13%	20.25%	21.38%	21.94%	22.50%
Austria	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Austria	Senior Unsecured (IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Austria	Subordinate (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Belgium	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Belgium	Senior Secured (Non IG)	40.00%	42.50%	45.00%	47.50%	48.75%	50.00%
Belgium	Jr Secured (Non IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Belgium	Senior Unsecured (Non IG)	16.00%	17.00%	18.00%	19.00%	19.50%	20.00%
Belgium	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Belgium	Senior Unsecured (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Belgium	Subordinate (IG)	12.00%	12.75%	13.50%	14.25%	14.63%	15.00%
Canada	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Canada	Senior Secured (Non IG)	48.00%	51.00%	54.00%	57.00%	58.50%	60.00%
Canada	Jr Secured (Non IG)	32.00%	34.00%	36.00%	38.00%	39.00%	40.00%
Canada	Senior Unsecured (Non IG)	16.00%	17.00%	18.00%	19.00%	19.50%	20.00%

Canada	Subordinate (Non IG)	16.00%	17.00%	18.00%	19.00%	19.50%	20.00%
Canada	Senior Unsecured (IG)	32.00%	34.00%	36.00%	38.00%	39.00%	40.00%
Canada	Subordinate (IG)	24.00%	25.50%	27.00%	28.50%	29.25%	30.00%
Denmark	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Denmark	Senior Secured (Non IG)	40.00%	42.50%	45.00%	47.50%	48.75%	50.00%
Denmark	Jr Secured (Non IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Denmark	Senior Unsecured (Non IG)	16.00%	17.00%	18.00%	19.00%	19.50%	20.00%
Denmark	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Denmark	Senior Unsecured (IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Denmark	Subordinate (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Finland	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Finland	Senior Secured (Non IG)	40.00%	42.50%	45.00%	47.50%	48.75%	50.00%
Finland	Jr Secured (Non IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Finland	Senior Unsecured (Non IG)	16.00%	17.00%	18.00%	19.00%	19.50%	20.00%
Finland	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Finland	Senior Unsecured (IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Finland	Subordinate (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
France	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
France	Senior Secured (Non IG)	32.00%	34.00%	36.00%	38.00%	39.00%	40.00%
France	Jr Secured (Non IG)	24.00%	25.50%	27.00%	28.50%	29.25%	30.00%
France	Senior Unsecured (Non IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
France	Subordinate (Non IG)	8.00%	8.50%	9.00%	9.50%	9.75%	10.00%
France	Senior Unsecured (IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
France	Subordinate (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Germany	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Germany	Senior Secured (Non IG)	44.00%	46.75%	49.50%	52.25%	53.63%	55.00%
Germany	Jr Secured (Non IG)	32.00%	34.00%	36.00%	38.00%	39.00%	40.00%
Germany	Senior Unsecured (Non IG)	18.00%	19.13%	20.25%	21.38%	21.94%	22.50%
Germany	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Germany	Senior Unsecured (IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Germany	Subordinate (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Greece	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Greece	Senior Secured (Non IG)	24.00%	25.50%	27.00%	28.50%	29.25%	30.00%
Greece	Jr Secured (Non IG)	16.00%	17.00%	18.00%	19.00%	19.50%	20.00%
Greece	Senior Unsecured (Non IG)	12.00%	12.75%	13.50%	14.25%	14.63%	15.00%
Greece	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Greece	Senior Unsecured (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Greece	Subordinate (IG)	12.00%	12.75%	13.50%	14.25%	14.63%	15.00%
Hong Kong	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Hong Kong	Senior Secured (Non IG)	60.00%	63.75%	67.50%	71.25%	73.13%	75.00%
Hong Kong	Jr Secured (Non IG)	40.00%	42.50%	45.00%	47.50%	48.75%	50.00%
Hong Kong	Senior Unsecured (Non IG)	14.40%	15.30%	16.20%	17.10%	17.55%	18.00%
Hong Kong	Subordinate (Non IG)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Hong Kong	Senior Unsecured (IG)	32.00%	34.00%	36.00%	38.00%	39.00%	40.00%
Hong Kong	Subordinate (IG)	24.00%	25.50%	27.00%	28.50%	29.25%	30.00%
Iceland	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Iceland	Senior Secured (Non IG)	40.00%	42.50%	45.00%	47.50%	48.75%	50.00%
Iceland	Jr Secured (Non IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%

Iceland	Senior Unsecured (Non IG)	16.00%	17.00%	18.00%	19.00%	19.50%	20.00%
Iceland	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Iceland	Senior Unsecured (IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Iceland	Subordinate (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Ireland	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Ireland	Senior Secured (Non IG)	60.00%	63.75%	67.50%	71.25%	73.13%	75.00%
Ireland	Jr Secured (Non IG)	40.00%	42.50%	45.00%	47.50%	48.75%	50.00%
Ireland	Senior Unsecured (Non IG)	14.00%	14.88%	15.75%	16.63%	17.06%	17.50%
Ireland	Subordinate (Non IG)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Ireland	Senior Unsecured (IG)	32.00%	34.00%	36.00%	38.00%	39.00%	40.00%
Ireland	Subordinate (IG)	24.00%	25.50%	27.00%	28.50%	29.25%	30.00%
Israel	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Israel	Senior Secured (Non IG)	24.00%	25.50%	27.00%	28.50%	29.25%	30.00%
Israel	Jr Secured (Non IG)	16.00%	17.00%	18.00%	19.00%	19.50%	20.00%
Israel	Senior Unsecured (Non IG)	12.00%	12.75%	13.50%	14.25%	14.63%	15.00%
Israel	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Israel	Senior Unsecured (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Israel	Subordinate (IG)	12.00%	12.75%	13.50%	14.25%	14.63%	15.00%
Italy	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Italy	Senior Secured (Non IG)	24.00%	25.50%	27.00%	28.50%	29.25%	30.00%
Italy	Jr Secured (Non IG)	16.00%	17.00%	18.00%	19.00%	19.50%	20.00%
Italy	Senior Unsecured (Non IG)	12.00%	12.75%	13.50%	14.25%	14.63%	15.00%
Italy	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Italy	Senior Unsecured (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Italy	Subordinate (IG)	12.00%	12.75%	13.50%	14.25%	14.63%	15.00%
Japan	Sovereign	12.00%	12.75%	13.50%	14.25%	14.63%	15.00%
Japan	Senior Secured (Non IG)	40.00%	42.50%	45.00%	47.50%	48.75%	50.00%
Japan	Jr Secured (Non IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Japan	Senior Unsecured (Non IG)	16.00%	17.00%	18.00%	19.00%	19.50%	20.00%
Japan	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Japan	Senior Unsecured (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Japan	Subordinate (IG)	12.00%	12.75%	13.50%	14.25%	14.63%	15.00%
Liechtenstein	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Liechtenstein	Senior Secured (Non IG)	40.00%	42.50%	45.00%	47.50%	48.75%	50.00%
Liechtenstein	Jr Secured (Non IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Liechtenstein	Senior Unsecured (Non IG)	16.00%	17.00%	18.00%	19.00%	19.50%	20.00%
Liechtenstein	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Liechtenstein	Senior Unsecured (IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Liechtenstein	Subordinate (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Luxembourg	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Luxembourg	Senior Secured (Non IG)	40.00%	42.50%	45.00%	47.50%	48.75%	50.00%
Luxembourg	Jr Secured (Non IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Luxembourg	Senior Unsecured (Non IG)	16.00%	17.00%	18.00%	19.00%	19.50%	20.00%
Luxembourg	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Luxembourg	Senior Unsecured (IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Luxembourg	Subordinate (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Malaysia	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Malaysia	Senior Secured (Non IG)	40.00%	42.50%	45.00%	47.50%	48.75%	50.00%

Malaysia	Jr Secured (Non IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Malaysia	Senior Unsecured (Non IG)	16.00%	17.00%	18.00%	19.00%	19.50%	20.00%
Malaysia	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Malaysia	Senior Unsecured (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Malaysia	Subordinate (IG)	12.00%	12.75%	13.50%	14.25%	14.63%	15.00%
Netherlands	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Netherlands	Senior Secured (Non IG)	40.00%	42.50%	45.00%	47.50%	48.75%	50.00%
Netherlands	Jr Secured (Non IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Netherlands	Senior Unsecured (Non IG)	16.00%	17.00%	18.00%	19.00%	19.50%	20.00%
Netherlands	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Netherlands	Senior Unsecured (IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Netherlands	Subordinate (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
New Zealand	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
New Zealand	Senior Secured (Non IG)	60.00%	63.75%	67.50%	71.25%	73.13%	75.00%
New Zealand	Jr Secured (Non IG)	40.00%	42.50%	45.00%	47.50%	48.75%	50.00%
New Zealand	Senior Unsecured (Non IG)	14.40%	15.30%	16.20%	17.10%	17.55%	18.00%
New Zealand	Subordinate (Non IG)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
New Zealand	Senior Unsecured (IG)	32.00%	34.00%	36.00%	38.00%	39.00%	40.00%
New Zealand	Subordinate (IG)	24.00%	25.50%	27.00%	28.50%	29.25%	30.00%
Norway	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Norway	Senior Secured (Non IG)	40.00%	42.50%	45.00%	47.50%	48.75%	50.00%
Norway	Jr Secured (Non IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Norway	Senior Unsecured (Non IG)	16.00%	17.00%	18.00%	19.00%	19.50%	20.00%
Norway	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Norway	Senior Unsecured (IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Norway	Subordinate (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Portugal	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Portugal	Senior Secured (Non IG)	32.00%	34.00%	36.00%	38.00%	39.00%	40.00%
Portugal	Jr Secured (Non IG)	24.00%	25.50%	27.00%	28.50%	29.25%	30.00%
Portugal	Senior Unsecured (Non IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Portugal	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Portugal	Senior Unsecured (IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Portugal	Subordinate (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Singapore	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Singapore	Senior Secured (Non IG)	60.00%	63.75%	67.50%	71.25%	73.13%	75.00%
Singapore	Jr Secured (Non IG)	40.00%	42.50%	45.00%	47.50%	48.75%	50.00%
Singapore	Senior Unsecured (Non IG)	14.40%	15.30%	16.20%	17.10%	17.55%	18.00%
Singapore	Subordinate (Non IG)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Singapore	Senior Unsecured (IG)	32.00%	34.00%	36.00%	38.00%	39.00%	40.00%
Singapore	Subordinate (IG)	24.00%	25.50%	27.00%	28.50%	29.25%	30.00%
Spain	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Spain	Senior Secured (Non IG)	32.00%	34.00%	36.00%	38.00%	39.00%	40.00%
Spain	Jr Secured (Non IG)	24.00%	25.50%	27.00%	28.50%	29.25%	30.00%
Spain	Senior Unsecured (Non IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Spain	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Spain	Senior Unsecured (IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Spain	Subordinate (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
South Africa	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%

South Africa	Senior Secured (Non IG)	50.00%	53.13%	56.25%	59.38%	60.94%	62.50%
South Africa	Jr Secured (Non IG)	34.00%	36.13%	38.25%	40.38%	41.44%	42.50%
South Africa	Senior Unsecured (Non IG)	15.20%	16.15%	17.10%	18.05%	18.53%	19.00%
South Africa	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
South Africa	Senior Unsecured (IG)	30.00%	31.88%	33.75%	35.63%	36.56%	37.50%
South Africa	Subordinate (IG)	22.00%	23.38%	24.75%	26.13%	26.81%	27.50%
South Korea	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
South Korea	Senior Secured (Non IG)	40.00%	42.50%	45.00%	47.50%	48.75%	50.00%
South Korea	Jr Secured (Non IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
South Korea	Senior Unsecured (Non IG)	16.00%	17.00%	18.00%	19.00%	19.50%	20.00%
South Korea	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
South Korea	Senior Unsecured (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
South Korea	Subordinate (IG)	12.00%	12.75%	13.50%	14.25%	14.63%	15.00%
Sweden	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Sweden	Senior Secured (Non IG)	40.00%	42.50%	45.00%	47.50%	48.75%	50.00%
Sweden	Jr Secured (Non IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Sweden	Senior Unsecured (Non IG)	16.00%	17.00%	18.00%	19.00%	19.50%	20.00%
Sweden	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Sweden	Senior Unsecured (IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Sweden	Subordinate (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Switzerland	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Switzerland	Senior Secured (Non IG)	44.00%	46.75%	49.50%	52.25%	53.63%	55.00%
Switzerland	Jr Secured (Non IG)	32.00%	34.00%	36.00%	38.00%	39.00%	40.00%
Switzerland	Senior Unsecured (Non IG)	18.00%	19.13%	20.25%	21.38%	21.94%	22.50%
Switzerland	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Switzerland	Senior Unsecured (IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Switzerland	Subordinate (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Taiwan	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Taiwan	Senior Secured (Non IG)	40.00%	42.50%	45.00%	47.50%	48.75%	50.00%
Taiwan	Jr Secured (Non IG)	28.00%	29.75%	31.50%	33.25%	34.13%	35.00%
Taiwan	Senior Unsecured (Non IG)	16.00%	17.00%	18.00%	19.00%	19.50%	20.00%
Taiwan	Subordinate (Non IG)	4.00%	4.25%	4.50%	4.75%	4.88%	5.00%
Taiwan	Senior Unsecured (IG)	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
Taiwan	Subordinate (IG)	12.00%	12.75%	13.50%	14.25%	14.63%	15.00%
United Kingdom	Sovereign	20.00%	21.25%	22.50%	23.75%	24.38%	25.00%
United Kingdom	Senior Secured (Non IG)	60.00%	63.75%	67.50%	71.25%	73.13%	75.00%
United Kingdom	Jr Secured (Non IG)	40.00%	42.50%	45.00%	47.50%	48.75%	50.00%
United Kingdom	Senior Unsecured (Non IG)	14.40%	15.30%	16.20%	17.10%	17.55%	18.00%
United Kingdom	Subordinate (Non IG)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
United Kingdom	Senior Unsecured (IG)	32.00%	34.00%	36.00%	38.00%	39.00%	40.00%
United Kingdom	Subordinate (IG)	24.00%	25.50%	27.00%	28.50%	29.25%	30.00%

**\*The ratings refer to the then-current rating of the most senior outstanding Class of Notes rated by Fitch.**



## SCHEDULE B

### Moody's Specified Types

For the purpose of determining compliance with the Eligibility Criteria, the Collateral Manager will divide the Asset-Backed Securities to be pledged to the Trustee on Closing Date 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.

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

"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.

"Catastrophe Bonds" means Asset Backed Securities that entitle the holder thereof to receive a fixed principal or similar amount and a specified return on such amount and generally have the following characteristics: (1) the issuer of which enters into a swap, insurance contract, or similar arrangement with a counterparty pursuant to which the issuer agrees to pay amounts to the counterparty upon the occurrence of specified events, including but not limited to: hurricanes, earthquakes and other events; and (2) the payment of which depends primarily upon the occurrence and/or severity of such events.

"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, 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 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.

"High-Yield CDO Securities" means CBO/CLO Securities which entitle the holders thereof to receive payments that depend primarily on the cash flow from a portfolio of Asset-Backed Securities or Corporate Debt Securities that are obligations of issuers that have a Moody's Rating below "Baa3".

"High-Yield CLO Securities" means CBO/CLO Securities which entitle the holders thereof to receive payments that depend primarily on the cash flow from a portfolio of commercial and industrial bank loans that are obligations of obligors that have a Moody's Rating below "Baa3".

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

"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.

"Investment Grade CDO Securities" means CBO/CLO Securities which entitle the holders thereof to receive payments that depend primarily on the cash flow from a portfolio of Asset-Backed Securities or Corporate Debt Securities that are obligations of issuers that have a Moody's Rating of at least "Baa3".

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

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

"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.

"Tobacco 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 in legal actions related to tobacco products to receive future scheduled payments under settlement agreements that are funded by annuity contracts, which receivables may have varying maturities.

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

"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 become a Specified Type after the Closing Date as described below and are 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.

After the Closing Date, any other type of Asset-Backed Security may be designated as a "Specified Type" (and designated as an "ABS Type Diversified Security", an "ABS Type Residential Security" or an "ABS Type Undiversified Security") in a notice from the Collateral Manager to the Trustee so long as Moody's has confirmed in writing to the Issuer, the Trustee and the Collateral Manager that such designation satisfies the Rating Condition. If any type of Asset-Backed Security shall be so designated as an additional Specified Type, the definition of each Specified Type of Asset-Backed Security in existence prior to such designation shall be construed to exclude such newly-designated Specified Type of Asset-Backed Security.

"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.

## 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 Part II of Schedule E unless otherwise agreed to by Standard & Poor's. Accordingly, the Standard & Poor's Rating of such Asset-Backed Securities must be determined pursuant to clause (i) or (ii) of the definition of "Standard & Poor's Rating" in the Offering Circular. This Schedule may be modified from time to time by Standard & Poor's and its applicability should be confirmed with Standard & Poor's prior to use.

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

## SCHEDULE E

### Part I Moody's Notching of Asset-Backed Securities

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

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

The following notching conventions are with respect to Fitch:

<b>Residential Mortgage Related</b>			
	"AAA"	"AA+" to "BBB"	Below "BBB"
Jumbo A	1	2	4
Alt-A or mixed pools	1	3	5

HEL (including Residential B&C)	<i>No notching</i>	<i>No notching</i>	<i>No notching</i>
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For dual-rated Jumbo A or Alt-A transactions, take the lower of the two ratings on the security, apply the appropriate single-rated notching guideline as set forth in the definition of Moody's Rating, then go up by 1/2 notch.

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

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

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

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

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

**Table A**

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

CMBS – Single Property				
<b>5. CBO/CLO Cashflow Securities</b> 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
<b>6. REITs</b> 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
<b>7. Specialty Structured</b> Stadium Financings Project Finance Future flows	-3	-4	-3	-4
<b>8. Residential Mortgages</b> Residential "A" Residential "B/C" Home Equity Loans	-1	-2	-2	-3
<b>9. Real Estate Operating Companies</b>	-1	-2	-2	-3

As of November 2003



## INDEX OF DEFINED TERMS

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