CONFIDENTIAL

DAVIS SQUARE FUNDING III, LTD.

(Incorporated with limited liability in the Cayman Islands)

DAVIS SQUARE FUNDING III (DELAWARE) CORP.

U.S.$ 337,000,000 Class A-1LT-a Floating Rate Notes Due 2039
U.S.$ 60,500,000 Class A-2 Floating Rate Notes Due 2039
U.S.$ 20,000,000 Class B Floating Rate Notes Due 2039
U.S.$ 75,000,000 Class C Participating Notes Due 2039
U.S.$ 9,500,000 Class D Participating Notes Due 2039

Secured Primarily by a Portfolio of Commercial Mortgage-Backed Securities, Residential Mortgage-Backed Securities, CDO Securities, Insured Securities, Asset-Backed Securities, REIT Debt Securities, Interest Only Securities and Synthetic Securities

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The Class A-1LT-a Notes and the Class A-2 Notes (the Class A-1LT-a Notes and the Class A-2 Notes together, the "Class A Notes"), the Class B Notes, the Class C Notes and the Class D Notes (the Class C Notes and the Class D Notes together, the "Subordinated Notes," and the Subordinated Notes together with the Class A Notes and the Class B Notes, the "Notes") are being offered in the United States to qualified institutional buyers (as defined in Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act")) in reliance on Rule 144A under the Securities Act, and, solely in the case of the Subordinated Notes, to accredited investors (as defined in Rule 501(a) under the Securities Act) who have a net worth of not less than $10 million in transactions exempt from registration under the Securities Act. The Notes are being offered hereby in the United States only to persons that are also "qualified purchasers" for purposes of Section 3(c)(7) under the United States Investment Company Act of 1940, as amended (the "Investment Company Act"). In addition to the offering of the Notes in the United States, the Notes are being concurrently offered outside the United States to non-U.S. Persons in offshore transactions in reliance on Regulation S ("Regulation S") under the Securities Act. See "Underwriting." TCW Asset Management Company ("TCW") will act as investment advisor to the Issuer (in such capacity, the "Investment Advisor").

See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Notes.

There is no established trading market for the Notes. Application may be made to admit the Notes on a stock exchange of the Issuer's choice, if practicable. There can be no assurance that such admission will be sought or granted.

It is a condition of the issuance of the Notes that the Class A-1LT-a Notes, the Class A-1LT-b Notes and the Class A-2 Notes each be issued with a rating of "Aaa" by Moody's Investors Service, Inc. ("Moody's"), "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and "AAA" by Fitch Ratings ("Fitch" and together with Moody's and S&P, the "Rating Agencies"), that the Class B Notes be issued with a rating of at least "Aa2" by Moody's, "AA" by S&P and "AA" by Fitch, that the Class C Notes be issued with a rating of at least "A3" by Moody's and " A-" by Fitch as to the Rated Principal Amount of the Class C Notes and interest thereon only and that the Class D Notes be issued with a rating of at least "Ba1" by Moody's as to the Rated Principal Amount of the Class D Notes only. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. See "Ratings."

See "Underwriting" for a discussion of the terms and conditions of the purchase of the Notes by the Initial Purchasers.

THE ASSETS OF THE ISSUER ARE THE SOLE SOURCE OF PAYMENTS ON THE NOTES. THE NOTES DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, THE INVESTMENT ADVISOR, GOLDMAN, SACHS & CO. (AS INITIAL PURCHASER), THE ISSUER ADMINISTRATOR, THE NOTE AGENTS, THE SHARE TRUSTEE OR ANY OF THEIR RESPECTIVE AFFILIATES.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, AND NEITHER OF THE ISSUERS WILL BE REGISTERED UNDER THE INVESTMENT COMPANY ACT. THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS SUCH TERMS ARE DEFINED UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE NOTES ARE BEING OFFERED HEREBY ONLY TO (A) (1) QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND, SOLELY IN THE CASE OF THE SUBORDINATED NOTES, ACCREDITED INVESTORS (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) THAT HAVE A NET WORTH OF NOT LESS THAN $10 MILLION AND, WHO ARE (2) QUALIFIED PURCHASERS FOR PURPOSES OF SECTION 3(C)(7) UNDER THE INVESTMENT COMPANY ACT OR, SOLELY IN THE CASE OF THE SUBORDINATED NOTES, "KNOWLEDGEABLE EMPLOYEES" WITH RESPECT TO THE ISSUER WITHIN THE MEANING OF RULE 3c-5 UNDER THE INVESTMENT COMPANY ACT AND (B) CERTAIN NON-U.S. PERSONS OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT. PURCHASERS AND SUBSEQUENT TRANSFEREES OF RULE 144A SUBORDINATED NOTES WILL BE REQUIRED TO EXECUTE AND DELIVER A LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS, AND PURCHASERS AND SUBSEQUENT TRANSFEREES OF CLASS A NOTES, CLASS B NOTES AND REGULATION S SUBORDINATED NOTES WILL BE DEEMED TO HAVE MADE SUCH REPRESENTATIONS AND AGREEMENTS, AS SET FORTH UNDER "NOTICE TO INVESTORS." THE NOTES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED UNDER "NOTICE TO INVESTORS."

The Notes are being offered by Goldman, Sachs & Co. and by Calyon Securities (USA) Inc. (in the case of the Notes offered outside the United States, selling through their respective selling agents) (together, the "Initial Purchasers"), as specified herein, subject to their right to reject any order in whole or in part, in one or more negotiated transactions or otherwise at varying prices to be determined at the time of sale *plus* accrued interest, if any, from October 21, 2004 (the "Closing Date"). The Class A-1LT-b Notes and the CP Notes are not offered hereby. It is expected that all of the Class A Notes and the Class B Notes, and the Subordinated Notes sold outside the United States, will be ready for delivery in book-entry form only in New York, New York, on or about the Closing Date, through the facilities of The Depository Trust Company ("DTC") (in the case of the Notes sold outside the United States, for the accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream"), against payment therefor in immediately available funds. It is expected that the Subordinated Notes sold in reliance on Rule 144A will be ready for delivery in definitive, certificated form in New York, New York on the Closing Date, against payment therefor in immediately available funds. The Notes will be issued in minimum denominations of $100,000 and integral multiples of $1,000 in excess thereof.

Goldman, Sachs & Co. **CALYON**

Offering Circular dated October 18, 2004.

Davis Square Funding III, Ltd., a company incorporated with limited liability under the laws of the Cayman Islands (the "Issuer"), and Davis Square Funding III (Delaware) Corp., a Delaware corporation (the "Co-Issuer" and, together with the Issuer, the "Issuers"), will issue U.S.$337,000,000 principal amount of Class A-1LT-a Floating Rate Notes Due 2039 (the "Class A-1LT-a Notes"), U.S.$60,500,000 principal amount of Class A-2 Floating Rate Notes Due 2039 (the "Class A-2 Notes" and, together with the Class A-1LT-a Notes and the Class A-1LT-b Notes (as defined herein), the "Class A Notes"), and the Issuer will issue U.S.$20,000,000 principal amount of Class B Floating Rate Notes Due 2039 (the "Class B Notes"), U.S.$75,000,000 principal amount of Class C Participating Notes Due 2039 (the "Class C Notes") and U.S.$9,500,000 principal amount of Class D Participating Notes Due 2039 (the "Class D Notes," and together with the Class C Notes, the "Subordinated Notes," and the Subordinated Notes together with the Class A Notes and the Class B Notes, the "Notes") pursuant to a Trust Deed (the "Trust Deed") dated as of the Closing Date among the Issuers and LaSalle Bank National Association, as trustee (the "Trustee"). Additional Notes of all existing Classes may be issued and sold during the Reinvestment Period *provided* the conditions described herein are satisfied. For definitions of certain capitalized terms used in this Offering Circular see "Appendix A—Certain Definitions" and for the location of the definitions of those and other terms, see "Index of Defined Terms."

On the Closing Date, the Issuers will also issue U.S.$1,000,000,000 of commercial paper notes (the "CP Notes") with maturities of up to nine months from the date of issuance. In the event that the Put Option under the Put Agreement is exercised in whole or in part prior to its expiration, the Issuer will issue the Class A-1LT-b Notes (the "Class A-1LT-b Notes") in one or more placements to the Put Counterparty which will have an aggregate principal amount equal to the face amount of the CP Notes to be retired in connection therewith. Payments to the CP Notes and the Class A-1LT-b Notes, if any, will be paid *pari passu* with the Class A-1LT-a Notes. The CP Notes and the Class A-1LT-b Notes are not offered hereby.

The net proceeds received from, and associated with, the offering of the Notes and the CP Notes will be applied by the Issuer at the direction of the Investment Advisor to purchase a portfolio consisting primarily of Commercial Mortgage-Backed Securities, Residential Mortgage-Backed Securities, CDO Securities, Insured Securities, Asset-Backed Securities, REIT Debt Securities, Interest Only Securities and Synthetic Securities (collectively, "Collateral Assets," each as more fully defined herein), and pending the purchase of Collateral Assets, Eligible Investments. On the Closing Date, the Issuer will also enter into the Hedge Agreements and thereafter may enter into additional Hedge Agreements and Securities Lending Agreements.

Interest will be payable on the Notes in arrears on the 8th day of every calendar month, commencing January 10, 2005, or if any such date is not a Business Day, the immediately following Business Day (each such date, a "Payment Date"). For each Interest Accrual Period, the Class A-1LT-a Notes, the Class A-2 Notes and the Class B Notes will bear interest at a per annum rate equal to LIBOR *plus* 0.365%, 0.62% and 0.80%, respectively, and the Class C Notes will bear interest at a per annum rate equal to 2%. The Class C Notes and Class D Notes will be entitled to additional distributions to the extent of funds available in accordance with the Priority of Payments on each Payment Date.

All payments on the Notes and the CP Notes will be made from Proceeds (and, with respect to the CP Notes, the CP Reserve Accounts, as described herein) available in accordance with the Priority of Payments. On each Payment Date, payments on the Class A Notes and the CP Notes will generally be senior to payments on the Class B Notes, the Class C Notes and the Class D Notes; payments on the Class B Notes will generally be senior to payments on the Class C Notes and the Class D Notes; and payments on the Class C Notes will generally be senior to payments on the Class D Notes, in accordance with the Priority of Payments as described herein.

The Class A Notes and the Class B Notes are subject to mandatory redemption and the CP Notes are subject to Defeasance on any Payment Date if either Class A/B Coverage Test is not satisfied or if the Class C Overcollateralization Ratio is less than 75% as of the related Determination Date. The Notes are also subject to redemption and the CP Notes are subject to Defeasance in whole and not in part (i) at any time as a result of a Tax Redemption, (ii) as a result of an Optional Redemption (a) on and after the Payment Date in November 2008 upon the direction or consent of a Majority of the Holders of

the Class D Notes, and (b) on and after the Payment Date in November 2009 upon the direction or consent of a Majority of the Holders of the Class C Notes and (iii) on the Auction Payment Date of each year as a result of a successful Auction. The stated maturity of the Notes is the Payment Date in November 2039 (the "Stated Maturity"). The actual final distributions on the Notes are expected to occur substantially earlier than the Stated Maturity. See "Risk Factors—Notes—Average Lives, Duration and Prepayment Considerations."

The Class A Notes and the Class B Notes sold in reliance on Rule 144A under the Securities Act ("Rule 144A") will be evidenced by one or more global notes (the "Rule 144A Global Notes") in fully registered form without coupons, deposited with a custodian for, and registered in the name of, a nominee of The Depository Trust Company ("DTC"). Beneficial interests in the Rule 144A Global Notes will trade in DTC's Same Day Funds Settlement System, and secondary market trading activity in such interests will therefore settle in immediately available funds. Except as described herein, beneficial interests in the Rule 144A Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants. The Class C Notes and Class D Notes will be evidenced by one or more definitive notes in fully registered form. See "Description of the Notes."

The Notes that are being offered hereby in reliance on the exemption from registration under Regulation S (the "Regulation S Notes") have not been and will not be registered under the Securities Act and neither of the Issuers will be registered under the Investment Company Act. The Regulation S Notes may not be offered or sold within the United States or to U.S. Persons (as defined in Regulation S) unless the purchaser certifies or is deemed to have certified that it is a qualified institutional buyer as defined in Rule 144A (a "Qualified Institutional Buyer") and a "qualified purchaser" for the purposes of Section 3(c)(7) of the Investment Company Act (a "Qualified Purchaser") or, solely in the case of the Subordinated Notes, that it is an "accredited investor" as defined in Rule 501(a) under the Securities Act (an "Accredited Investor") who has a net worth of not less than $10 million and a Qualified Purchaser, and takes delivery in the form of an interest in a Rule 144A Global Note or a Subordinated Note in an amount equal to at least $100,000. See "Description of the Notes" and "Underwriting."

The requirements set forth under "Notice to Investors" apply only to Notes offered in the United States, except for the requirements set forth in Paragraphs (4), (5), (6), (13) and (14) and except that the Regulation S Notes will bear the legends set forth in Paragraphs (10) and (11) under "Notice to Investors."

THE ISSUERS ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR OTHER THAN INFORMATION PROVIDED IN SECTION ENTITLED "THE INVESTMENT ADVISOR." THE INVESTMENT ADVISOR ACCEPTS RESPONSIBILITY FOR THE INFORMATION PROVIDED IN "THE INVESTMENT ADVISOR" SECTION. TO THE BEST OF THE KNOWLEDGE AND THE BELIEF OF THE ISSUERS, THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

This offering circular is confidential and is being furnished by the Issuers in connection with an offering exempt from registration under the Securities Act, solely for the purpose of enabling a prospective investor to consider the purchase of the Notes described herein. The information contained in this offering circular has been provided by the Issuers and other sources identified herein. Except in respect of the information contained under the heading "The Investment Advisor," for which the Investment Advisor accepts sole responsibility, no representation or warranty, express or implied, is made by the Initial Purchasers, the Investment Advisor, the Put Counterparty, any Hedge Counterparty or its guarantor, the Trustee, the Collateral Agent or the Note Agents as to the accuracy or completeness of such information, and nothing contained in this offering circular is, or shall be relied upon as, a promise or representation by the Initial Purchasers, the Investment Advisor, the Trustee, the Put Counterparty, the Collateral Agent, any Hedge Counterparty or its guarantor, or the Note Agents. Any reproduction or

distribution of this offering circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Notes is prohibited. Each offeree of the Notes, by accepting delivery of this offering circular, agrees to the foregoing.

No person has been authorized to give any information or to make any representation other than those contained in this offering circular, and, if given or made, such information or representation must not be relied upon as having been authorized. This offering circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates, or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this offering circular nor any sale hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date of this offering circular.

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

THE NOTES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The distribution of this offering circular and the offering and sale of the Notes in certain jurisdictions may be restricted by law. The Issuers and the Initial Purchasers require persons into whose possession this offering circular comes to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on offering and sales of the Notes, see "Underwriting." This offering circular does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful.

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 ANNOTATED ("RSA 421-B") 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 OF NEW HAMPSHIRE 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.

There are restrictions on the offer and sale of the Notes in the United Kingdom. No action has been taken to permit the Notes to be offered to the public in the United Kingdom. This document may only be issued or passed on in or into the United Kingdom to any person to whom the document may lawfully be issued or passed on by reason of, or of any regulation made under, Section 58 of the Financial Services Act of 1986 of Great Britain. It is the responsibility of all persons under whose control or into whose possession this document comes to inform themselves about and to ensure observance of all applicable provisions of the Public Offers of Securities Regulation 1995, as amended, and the Financial Services and Markets Act 2000 of the United Kingdom in respect of anything done in relation to the Notes from or otherwise involving the United Kingdom. See "Underwriting."

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

The Issuers (and, with respect to the information contained in this offering circular under the heading "The Investment Advisor," the Investment Advisor), having made all reasonable inquiries, confirm that the information contained in this offering circular is true and correct in all material respects and is not misleading, that the opinions and intentions expressed in this offering circular are honestly held and that there are no other facts the omission of which would make any such information or the expression of any such opinions or intentions misleading. The Issuers (and, with respect to the information in this offering circular under the heading "The Investment Advisor," the Investment Advisor) take responsibility accordingly. The delivery of this offering circular at any time does not imply that the information herein is correct at any time subsequent to the date of this offering circular.

EACH PURCHASER OF THE NOTES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN EACH JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS SUCH NOTES OR POSSESSES OR DISTRIBUTES THIS OFFERING CIRCULAR AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED FOR THE PURCHASE, OFFER OR SALE BY IT OF SUCH NOTES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTIONS TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NONE OF THE ISSUERS, THE INITIAL PURCHASERS, THE TRUSTEE, THE CP NOTE PLACEMENT AGENTS, THE PUT COUNTERPARTY, THE INVESTMENT ADVISOR, THE COLLATERAL AGENT, ANY HEDGE COUNTERPARTY OR ITS GUARANTOR, THE COLLATERAL ADMINISTRATOR OR THE NOTE AGENTS SPECIFIED HEREIN SHALL HAVE ANY RESPONSIBILITY THEREFOR.

NOTICE TO INVESTORS

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

Each purchaser who has purchased Class A Notes or Class B Notes and each non-U.S. Person who has purchased Subordinated Notes in an offshore transaction will be deemed to have represented and agreed, and each U.S. Person who is a purchaser of Class C Notes or Class D Notes will be required to represent and agree, in each case with respect to such Notes, as follows (terms used herein that are defined in Rule 144A, Regulation D or Regulation S are used herein as defined therein):

(1) (a) In the case of Class A Notes or Class B Notes sold in reliance on Rule 144A (the "Rule 144A Class A/B Notes"), the purchaser of such Rule 144A Class A/B Notes (i) is a qualified institutional buyer (as defined in Rule 144A) (a "Qualified Institutional Buyer") that is not a broker-dealer which owns and invests on a discretionary basis less than $25 million in securities of issuers that are not affiliated persons of the dealer and 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, if investment decisions with respect to the plan are made by beneficiaries of the plan, (ii) is aware that the sale of Class A Notes or Class B Notes, as applicable, to it is being made in reliance on Rule 144A, (iii) is acquiring the Rule 144A Class A/B Notes for its own account or for the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion, and in a principal amount of not less than $100,000 for the purchaser and for each such account and (iv) will provide notice of the transfer restrictions described in this "Notice to Investors" to any subsequent transferees.

(b) In the case of the Class C Notes and Class D Notes, the purchaser of such Class C Notes or Class D Notes, as applicable, (i) is a Qualified Institutional Buyer that is not a broker-dealer which owns and invests on a discretionary basis less than $25 million in securities of issuers that are not affiliated persons of the dealer and 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, if investment decisions with respect to the plan are made by beneficiaries of the plan, (ii) is aware that the sale of the Class C Notes or Class D Notes, as applicable, to it is being made in reliance on Rule 144A, (iii) is acquiring the Class C Notes or Class D Notes, as applicable, for its own account or for the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion, and, unless otherwise permitted by the Trust Deed, is purchasing the Class C Notes or Class D Notes, as applicable, in a principal amount of not less than $100,000 for the purchaser and for each such account and (iv) will provide notice of the transfer restrictions described in this "Notice to Investors" to any subsequent transferees; or, if the purchaser is not a Qualified Institutional Buyer, such purchaser (i) is a person who is an "accredited investor" (as defined in Rule 501(a) under the Securities Act) (an "Accredited Investor") who has a net worth of not less than $10 million that is purchasing the Class C Notes or Class D Notes, as applicable, for its own account, (ii) is not acquiring the Class C Notes or Class D Notes, as applicable, with a view to any resale or distribution thereof, other than in accordance with the restrictions set forth below, (iii) is purchasing the Class C Notes or Class D Notes, as applicable, in a principal amount of not less than $100,000 (unless otherwise permitted by the Trust Deed) and (iv) will provide notice of the transfer restrictions described in this "Notice to Investors" to any subsequent transferees.

(2) The purchaser understands that the Notes have not been and will not be registered or qualified under the Securities Act or any applicable state securities laws or the securities laws of any other jurisdiction, are being offered only in a transaction not involving any public offering, and may be reoffered, resold or pledged or otherwise transferred only (A)(i) to a person whom the purchaser reasonably believes is a Qualified Institutional Buyer that is not a broker-dealer which owns and invests on a discretionary basis less than $25 million in securities of issuers that are not affiliated persons of the dealer and 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, if investment decisions with respect to the plan are made by beneficiaries of the plan, and is purchasing for its own account or for the account of a Qualified Institutional Buyer as to which the purchaser exercises sole

investment discretion, in a transaction meeting the requirements of Rule 144A, (ii) to a non-U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (iii) solely in the case of the Class C Notes and Class D Notes, to an Accredited Investor, and who shall have satisfied, and shall have represented, warranted, covenanted and agreed in the case of Rule 144A Subordinated Notes, or shall be deemed to have satisfied, and shall be deemed to have represented, warranted, covenanted and agreed in the case of Regulation S Subordinated Notes, that it will continue to comply with, all requirements for transfer of the Class C Notes and Class D Notes specified in this offering circular, the Note Agency Agreement, and, in the case of the Rule 144A Subordinated Notes, in the Subordinated Notes Purchase and Transfer Letter and all other requirements for it to qualify for an exemption from registration under the Securities Act and (B) in accordance with all applicable securities laws of the states of the United States. Before any interest in a Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, the transferor will be required to provide the Note Transfer Agent with a written certification (in the form provided in the Note Agency Agreement) as to compliance with the transfer restrictions described herein. Before any interest in a Rule 144A Subordinated Note may be offered, sold, pledged or otherwise transferred, the transferee will be required to provide the Issuer and the Note Transfer Agent with a letter, substantially in the form attached as Schedule D to the Note Agency Agreement (the "Subordinated Notes Purchase and Transfer Letter"). The purchaser understands and agrees that any purported transfer of Notes to a purchaser that does not comply with the requirements of this paragraph (2) will, in the case of the Class A Notes, the Class B Notes and the Regulation S Subordinated Notes, be null and void *ab initio* and, in the case of the Rule 144A Subordinated Notes, not be permitted or registered by the Note Transfer Agent. The purchaser further understands that the Issuers have the right to compel any beneficial owner of Notes that is a U.S. Person and is not a Qualified Institutional Buyer and a Qualified Purchaser or, in the case of Class C Notes or Class D Notes only, an Accredited Investor and either a Qualified Purchaser or a Knowledgeable Employee, to sell its interest in such Notes, or the Issuers may sell such Notes on behalf of such owner.

(3) In the case of the Rule 144A Class A/B Notes and the Class C Notes and Class D Notes described in paragraph (1)(b) above, the purchaser of such Notes also understands that neither of the Issuers has been registered under the Investment Company Act. The purchaser and each account for which the purchaser is acquiring such Notes is a qualified purchaser for the purposes of Section 3(c)(7) of the Investment Company Act (a "Qualified Purchaser") or, in the case of the Class C Notes and Class D Notes only, the purchaser is a "Knowledgeable Employee" with respect to the Issuer within the meaning of Rule 3c-5 under the Investment Company Act (a "Knowledgeable Employee"). The purchaser is acquiring Notes in a principal amount of not less than $100,000. The purchaser (or if the purchaser is acquiring Notes for any account, each such account) is acquiring the Notes as principal for its own account for investment and not for sale in connection with any distribution thereof. The purchaser and each such account: (a) was not formed for the specific purpose of investing in the Notes (except when each beneficial owner of the purchaser and each such account is a Qualified Purchaser or, in the case of the Class C Notes and Class D Notes only, each beneficial owner of the purchaser is a Knowledgeable Employee), (b) to the extent the purchaser is a private investment company formed before April 30, 1996, the purchaser has received the necessary consent from its beneficial owners, (c) is not a pension, profit sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made and (d) is not a broker-dealer that owns and invests on a discretionary basis less than $25,000,000 in securities of unaffiliated issuers. Further, the purchaser agrees with respect to itself and each such account: (i) that it shall not hold such Notes for the benefit of any other person and shall be the sole beneficial owner thereof for all purposes and (ii) that it shall not sell participation interests in the Notes or enter into any other arrangement pursuant to which any other person shall be entitled to a beneficial interest in the distributions on the Notes. The purchaser understands and agrees that any purported transfer of Notes to a purchaser that does not comply with the requirements of this paragraph (3) will, in the case of the Class A Notes, the Class B Notes and the Regulation S Subordinated Notes, be null and void *ab initio* and, in the case of the Rule 144A Subordinated Notes, not be permitted or registered by the Note Transfer Agent. The purchaser further understands that the Issuers have the right to compel any beneficial owner of Notes that is a U.S. Person

and is not a Qualified Purchaser, or, in the case of the Class C Notes and Class D Notes only, a Knowledgeable Employee, to sell its interest in such Notes, or the Issuers may sell such Notes on behalf of such owner.

(4) (a) With respect to the Class A Notes and the Class B Notes, each purchaser will be deemed, by its purchase and holding, to have represented and warranted that either (i) the purchaser is not and will not be an "employee benefit plan" (as defined in Section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA")), a plan which is subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code"), any entity whose underlying assets include "plan assets" by reason of any such plan's investment in the entity, or any employee benefit or other plan which is subject to any federal, state, local or foreign law or regulation that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code ("Similar Law") or (ii) the purchaser's purchase and holding of a Class A Note or a Class B Note do not and will not constitute or result in a prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or Similar Law for which an exemption is not available. The purchaser understands and agrees that any purported transfer of a Class A Note or a Class B Note, as applicable, to a purchaser that does not comply with the requirements of this paragraph (4)(a) shall be null and void *ab initio*.

(b) With respect to the Rule 144A Subordinated Notes: the purchaser or transferee must disclose in writing in advance to the Note Transfer Agent (i) whether or not it is (A) an "employee benefit plan" (as defined in Section 3(3) of ERISA), whether or not subject to the provisions of Title I of ERISA, (B) a "plan" described in Section 4975 of the Code, or (C) an entity whose underlying assets include "plan assets" within the meaning of ERISA by reason of any such plan's investment in the entity (all such persons and entities described in clauses (A) through (C) being referred to herein as "Benefit Plan Investors"); (ii) if the purchaser or transferee is a Benefit Plan Investor, the purchase and holding or transfer and holding of Class C Notes or Class D Notes do not and will not constitute or result in a prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or Similar Law for which an exemption is not available; and (iii) whether or not it is the Issuer or any other person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of the Issuer, a person who provides investment advice for a fee (direct or indirect) with respect to the assets of the Issuer, or any "affiliate" (within the meaning of 29 C.F.R. Section 2510.3-101(f)(3)) of any such person (a "Controlling Person")). If a purchaser is an insurance company acting on behalf of its general account, it will be permitted to so indicate, and to identify a maximum percentage of the assets in its general account that are or may become "plan assets," in which case the insurance company will be required to make certain further agreements that would apply in the event that such maximum percentage is thereafter exceeded. The purchaser agrees that, before any interest in a Rule 144A Subordinated Note may be offered, sold, pledged or otherwise transferred, the transferee will be required to provide the Note Transfer Agent with a Subordinated Notes Purchase and Transfer Letter, stating, among other things, (i) whether the transferee is a Benefit Plan Investor or a Controlling Person, and (ii) that such transfer and subsequent holding do not and will not result in a non-exempt prohibited transaction. The purchaser acknowledges and agrees that no purchase or transfer will be permitted, and the Note Transfer Agent will not register any such transfer, to the extent that the purchase or transfer would result in Benefit Plan Investors owning 25% or more of the outstanding Class C Notes or 25% or more of the outstanding Class D Notes immediately after such purchase or transfer (determined in accordance with the Plan Asset Regulation and the Note Agency Agreement). The foregoing procedures are intended to enable Rule 144A Subordinated Notes to be purchased by or transferred to Benefit Plan Investors at any time, although no assurance can be given that there will not be circumstances in which purchases or transfers of Rule 144A Subordinated Notes will be required to be restricted in order to comply with the aforementioned 25% limitation. See "ERISA Considerations."

(c) With respect to the Regulation S Subordinated Notes: the purchaser or transferee thereof will be deemed to have represented and warranted, that (i) it is not a Benefit Plan Investor, (ii) it is not a Controlling Person and (iii) it, and any fiduciary of it causing it to acquire such Subordinated Notes, agrees to indemnify and hold harmless the Issuers, the Investment Advisor, the Trustee and their respective affiliates from any cost, damage or loss incurred by them as a result of it being or being deemed to be a Benefit Plan Investor or a Controlling Person. In addition, each purchaser or transferee

of a Regulation S Subordinated Note will be required to covenant that (i) it will not transfer any Subordinated Note represented by an interest in a Regulation S Global Note to a Benefit Plan Investor or a Controlling Person and (ii) it will require each transferee of its interest to make the representations and covenants provided for in this paragraph. Any purported purchase or transfer of Subordinated Notes represented by a Regulation S Global Note by a purchaser or to a transferee that does not comply with the foregoing will be null and void *ab initio*.

(5) The purchaser is not purchasing the Notes with a view toward the resale, distribution or other disposition thereof in violation of the Securities Act. The purchaser understands that an investment in the Notes involves certain risks, including the risk of loss of its entire investment in the Notes under certain circumstances. The purchaser has had access to such financial and other information concerning the Issuers and the Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Notes, including an opportunity to ask questions of, and request information from, the Issuer.

(6) In connection with the purchase of the Notes: (i) none of the Issuers, the Initial Purchasers, the Put Counterparty, the CP Note Placement Agents, the Investment Advisor, the Trustee, the Collateral Agent, the Collateral Administrator, the Note Agents, any Hedge Counterparty or its guarantor, the Issuer Administrator or the Share Trustee is acting as a fiduciary or financial or investment advisor for the purchaser; (ii) the purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuers, the Initial Purchasers, the Put Counterparty, any Hedge Counterparty or its guarantor, the CP Note Placement Agents, the Investment Advisor, the Trustee, the Collateral Agent, the Collateral Administrator, the Note Agents, the Issuer Administrator, or the Share Trustee other than in this offering circular for such Notes and any representations expressly set forth in a written agreement with such party; (iii) none of the Issuers, the Initial Purchasers, the Put Counterparty, the CP Note Placement Agents, the Investment Advisor, the Trustee, the Collateral Agent, the Collateral Administrator, the Note Agents, any Hedge Counterparty or its guarantor, the Issuer Administrator or the Share Trustee has given to the purchaser (directly or indirectly through any other person) any assurance, guarantee or representation whatsoever as to the expected or projected success, profitability, return, performance, results, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Notes; (iv) the purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Note Agency Agreement) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuers, the Initial Purchasers, the Put Counterparty, the CP Note Placement Agents, the Trustee, the Collateral Agent, the Collateral Administrator, any Hedge Counterparty or its guarantor, the Note Agents, the Issuer Administrator or the Share Trustee; (v) the purchaser has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of the Notes with a full understanding of all of the risks thereof (economic and otherwise), and is capable of assuming and willing to assume (financially and otherwise) those risks; and (vi) the purchaser is a sophisticated investor; *provided* that, no representation or agreement in clause (i), (ii) or (iv) herein is required to be made, or deemed to be made, with respect to the Investment Advisor, by any purchaser that is the Investment Advisor, any affiliate of the Investment Advisor, or any fund or account that is managed or advised by the Investment Advisor.

(7) The purchaser understands that the Issuer may demand that any Holder of Rule 144A Global Notes who is determined not to be both a Qualified Institutional Buyer and a Qualified Purchaser and any Holder of Regulation S Global Notes who is determined to be a U.S. Person at the time of acquisition of such Notes, sell the Notes (A) to a person who is both a Qualified Institutional Buyer and a Qualified Purchaser in a transaction meeting the requirements of Rule 144A or (B) to a person who is not a U.S. Person in a transaction meeting the requirements of Regulation S and, if the Holder does not comply with such demand within thirty (30) days thereof, the Issuer may sell such Holder's interest in the Note.

(8) The purchaser acknowledges that it is its intent and that it understands it is the intent of the Issuer that, for purposes of U.S. federal income, state and local income and franchise tax and any other income taxes, the Issuer will be treated as a corporation, the Notes (other than Subordinated Notes) will be treated as indebtedness of the Issuer, and the Subordinated Notes will be treated as equity in the Issuer; the purchaser agrees to such treatment and agrees to take no action inconsistent with such treatment.

(9) The purchaser understands that the Issuers, the Trustee, the Initial Purchasers, the Investment Advisor and their counsel will rely upon the accuracy and truth of the foregoing representations, and the purchaser hereby consents to such reliance.

(10) Pursuant to the terms of the Trust Deed, unless otherwise determined by the Issuers in accordance with the Trust Deed, the Class A Notes and the Class B Notes will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUERS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUERS THAT THE NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER AND 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, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000 FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING, TO A PURCHASER THAT (V) IS A QUALIFIED PURCHASER FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. EACH HOLDER HEREOF SHALL BE DEEMED TO MAKE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE NOTE AGENCY AGREEMENT. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUERS, THE NOTE TRANSFER AGENT OR ANY INTERMEDIARY. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE NOTE AGENCY AGREEMENT TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUERS HAVE THE RIGHT, UNDER THE TRUST DEED, TO COMPEL ANY BENEFICIAL OWNER OF AN INTEREST IN A RULE 144A GLOBAL NOTE (AS

DEFINED IN THE TRUST DEED) THAT IS A U.S. PERSON AND IS NOT BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER TO SELL ITS INTEREST IN THE NOTES, OR MAY SELL SUCH INTERESTS ON BEHALF OF SUCH OWNER.

THE HOLDER HEREOF, BY PURCHASING AND HOLDING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUERS THAT EITHER (I) THE HOLDER IS NOT AND WILL NOT BE AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) THAT IS SUBJECT TO ERISA, A PLAN THAT IS SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF SUCH PLAN'S INVESTMENT IN THE ENTITY, OR ANY EMPLOYEE BENEFIT OR OTHER PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR (II) THE HOLDER'S PURCHASE AND HOLDING OF THIS NOTE DO NOT AND WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR SIMILAR LAW FOR WHICH AN EXEMPTION IS NOT AVAILABLE. ANY PURPORTED TRANSFER OF THIS NOTE TO A HOLDER THAT DOES NOT COMPLY WITH THE REQUIREMENTS SET FORTH ABOVE SHALL BE NULL AND VOID *AB INITIO.*

ANY TRANSFER, PLEDGE OR OTHER USE OF THIS NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.).

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE NOTE AGENCY AGREEMENT.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE NOTE PAYING AGENT.

(11) Pursuant to the terms of the Trust Deed, unless otherwise determined by the Issuer in accordance with the Trust Deed, the Subordinated Notes sold to non-U.S. Persons in offshore transactions (the "Regulation S Subordinated Notes") will bear a legend to the following effect:

THIS SUBORDINATED NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SUBORDINATED NOTE, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH SUBORDINATED NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25 MILLION IN SECURITIES OF ISSUER THAT ARE NOT AFFILIATED PERSONS OF THE DEALER AND 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, IF INVESTMENT DECISIONS WITH RESPECT TO THE

PLAN ARE MADE BY BENEFICIARIES OF THE PLAN, AND IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND IN EACH CASE IN AN AMOUNT OF NOT LESS THAN $100,000. FURTHERMORE THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER REPRESENTS FOR THE BENEFIT OF THE ISSUER THAT IT (V) IS EITHER A QUALIFIED PURCHASER FOR THE PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT OR A "KNOWLEDGEABLE EMPLOYEE" WITH RESPECT TO THE ISSUER WITHIN THE MEANING OF RULE 3c-5 UNDER THE INVESTMENT COMPANY ACT (A "KNOWLEDGEABLE EMPLOYEE"), (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER OR EACH BENEFICIAL OWNER OF THE PURCHASER IS A KNOWLEDGEABLE EMPLOYEE), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25,000,000 IN SECURITIES OF UNAFFILIATED ISSUER AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. EACH HOLDER OF THIS SUBORDINATED NOTE SHALL BE DEEMED TO MAKE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE NOTE AGENCY AGREEMENT. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUERS, THE NOTE TRANSFER AGENT OR ANY INTERMEDIARY. EACH TRANSFEROR OF THE SUBORDINATED NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE NOTE AGENCY AGREEMENT TO ITS TRANSFEREE.

THE HOLDER HEREOF, BY PURCHASING SUBORDINATED NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUERS THAT (A) IT IS NOT (1) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), WHETHER OR NOT SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (2) A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (3) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF ANY SUCH PLAN'S INVESTMENT IN THE ENTITY (EACH SUCH PERSON AND ENTITY DESCRIBED IN CLAUSES (1) THROUGH (3), "BENEFIT PLAN INVESTORS), (B) IT IS NOT ANY PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) THAT HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER, A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON (A "CONTROLLING PERSON") AND (C) IT, AND ANY FIDUCIARY OF IT CAUSING IT TO ACQUIRE THIS SUBORDINATED NOTE, AGREES TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE CO-ISSUER, THE INVESTMENT ADVISOR, THE TRUSTEE AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF IT BEING OR BEING DEEMED TO BE A BENEFIT PLAN INVESTOR. IN ADDITION, EACH PURCHASER THEREOF WILL BE REQUIRED TO COVENANT THAT (I) IT WILL NOT TRANSFER ANY SUBORDINATED NOTE REPRESENTED BY AN INTEREST IN A REGULATION S GLOBAL NOTE TO A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND (II) IT WILL REQUIRE EACH TRANSFEREE OF ITS INTEREST TO MAKE THE REPRESENTATIONS AND COVENANTS PROVIDED FOR IN THIS PARAGRAPH. ANY

PURPORTED PURCHASE OR TRANSFER OF SUBORDINATED NOTES REPRESENTED BY A REGULATION S GLOBAL NOTE BY A PURCHASER OR TO A TRANSFEREE THAT DOES NOT COMPLY WITH THE FOREGOING WILL BE NULL AND VOID *AB INITIO*.

THE TRANSFEREE OF THIS SUBORDINATED NOTE WILL BE DEEMED TO HAVE REPRESENTED THAT THE TRANSFEREE IS NOT A U.S. PERSON.

ANY TRANSFER, PLEDGE OR OTHER USE OF THIS SUBORDINATED NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN, UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY SUBORDINATED NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR OF SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.).

TRANSFERS OF THIS SUBORDINATED NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS SUBORDINATED NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE NOTE AGENCY AGREEMENT.

DISTRIBUTIONS TO THE HOLDERS OF THE SUBORDINATED NOTES ARE SUBORDINATE TO THE PAYMENT ON EACH PAYMENT DATE OF PRINCIPAL OF AND INTEREST ON THE CLASS A NOTES AND CLASS B NOTES OF THE ISSUERS AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE SECURITY AGREEMENT.

(12) Pursuant to the terms of the Trust Deed, unless otherwise determined by the Issuer in accordance with the Trust Deed, the Subordinated Notes sold to U.S. Persons ("Rule 144A Subordinated Notes") will bear a legend to the following effect:

THIS SUBORDINATED NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SUBORDINATED NOTE, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH SUBORDINATED NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25 MILLION IN SECURITIES OF ISSUER THAT ARE NOT AFFILIATED PERSONS OF THE DEALER AND 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, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY BENEFICIARIES OF THE PLAN, AND IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND IN EACH CASE IN AN AMOUNT OF NOT LESS THAN $100,000. FURTHERMORE THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER REPRESENTS FOR THE BENEFIT OF THE ISSUER THAT IT (V) IS EITHER A QUALIFIED PURCHASER FOR THE PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT OR A "KNOWLEDGEABLE EMPLOYEE" WITH RESPECT TO THE ISSUER WITHIN THE MEANING OF RULE 3c-5 UNDER THE INVESTMENT COMPANY ACT (A

"KNOWLEDGEABLE EMPLOYEE"), (W) WAS NOT INCORPORATED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER OR EACH BENEFICIAL OWNER OF THE PURCHASER IS A KNOWLEDGEABLE EMPLOYEE), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY INCORPORATED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25,000,000 IN SECURITIES OF UNAFFILIATED ISSUER AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL NOT BE PERMITTED OR REGISTERED BY THE NOTE TRANSFER AGENT. EACH TRANSFEROR OF THE SUBORDINATED NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE NOTE AGENCY AGREEMENT TO ITS TRANSFEREE.

IF THE TRANSFER OF SUBORDINATED NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(1) OR (A)(2) OF THE PRECEDING PARAGRAPH, THE TRANSFEREE OF THE SUBORDINATED NOTES WILL BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE NOTE TRANSFER AGENT A SUBORDINATED NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE NOTE AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS (1)(X) A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER THAT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER AND 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, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY BENEFICIARIES OF THE PLAN, OR (Y) AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(A) UNDER THE SECURITIES ACT) AND (2) EITHER A QUALIFIED PURCHASER OR A KNOWLEDGEABLE EMPLOYEE FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT.

IF THE TRANSFER OF SUBORDINATED NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(3) OF THE SECOND PRECEDING PARAGRAPH, THE TRANSFEREE OF THE SUBORDINATED NOTES WILL BE REQUIRED TO DELIVER TO THE ISSUER AND THE NOTE TRANSFER AGENT A SUBORDINATED NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE NOTE AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S).

THE PURCHASER OR TRANSFEREE OF THIS SUBORDINATED NOTE MUST DISCLOSE IN WRITING IN ADVANCE TO THE NOTE TRANSFER AGENT (i) WHETHER OR NOT IT IS (A) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), WHETHER OR NOT SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) A "PLAN" DESCRIBED IN SECTION 4975(e)(1) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF ANY SUCH PLAN'S INVESTMENT IN THE ENTITY (EACH SUCH PERSON AND ENTITY DESCRIBED IN CLAUSES (A) THROUGH (C), A "BENEFIT PLAN INVESTOR"); (ii) IF THE PURCHASER OR TRANSFEREE IS A BENEFIT PLAN INVESTOR, THAT THE PURCHASE AND HOLDING OR TRANSFER AND HOLDING OF THIS SUBORDINATED NOTE DO NOT AND WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975

OF THE CODE ("SIMILAR LAW") FOR WHICH AN EXEMPTION IS NOT AVAILABLE; AND (iii) WHETHER OR NOT IT IS ANY PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) THAT HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101) (THE "PLAN ASSET REGULATION") OF ANY SUCH PERSON (A "CONTROLLING PERSON"). IF A PURCHASER IS AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT, IT WILL BE PERMITTED TO SO INDICATE, AND TO IDENTIFY A MAXIMUM PERCENTAGE OF THE ASSETS IN ITS GENERAL ACCOUNT THAT ARE OR MAY BECOME "PLAN ASSETS," IN WHICH CASE THE INSURANCE COMPANY WILL BE REQUIRED TO MAKE CERTAIN FURTHER AGREEMENTS THAT WOULD APPLY IN THE EVENT THAT SUCH MAXIMUM PERCENTAGE IS THEREAFTER EXCEEDED. THE PURCHASER AGREES THAT, BEFORE ANY INTEREST IN THIS SUBORDINATED NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, THE TRANSFEREE WILL BE REQUIRED TO PROVIDE THE NOTE AGENT WITH A SUBORDINATED NOTES PURCHASE AND TRANSFER LETTER (SUBSTANTIALLY IN THE FORM ATTACHED TO THE NOTE AGENCY AGREEMENT) STATING, AMONG OTHER THINGS, (I) WHETHER THE TRANSFEREE IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON, AND (II) THAT SUCH TRANSFER AND SUBSEQUENT HOLDING DO NOT AND WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION. THE NOTE TRANSFER AGENT WILL NOT PERMIT OR REGISTER ANY PURCHASE OR TRANSFER OF SUBORDINATED NOTES TO THE EXTENT THAT THE PURCHASE OR TRANSFER WOULD RESULT IN BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE OUTSTANDING CLASS C NOTES OR 25% OR MORE OF THE OUTSTANDING CLASS D NOTES IMMEDIATELY AFTER SUCH PURCHASE OR TRANSFER DETERMINED IN ACCORDANCE WITH THE PLAN ASSET REGULATION AND WITH THE TRUST DEED.

DISTRIBUTIONS TO THE HOLDERS OF THE SUBORDINATED NOTES ARE SUBORDINATE TO THE PAYMENT ON EACH PAYMENT DATE OF PRINCIPAL OF AND INTEREST ON THE CLASS A NOTES AND CLASS B NOTES OF THE ISSUERS AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE SECURITY AGREEMENT.

(13) The purchaser is not purchasing the Notes in order to reduce any U.S. federal income tax liability or pursuant to a tax avoidance plan with respect to U.S. federal income taxes within the meaning of U.S. Treasury regulation 1.881-3(a)(4).

(14) The purchaser agrees, in the case of the Class A Notes and the Class B Notes, to treat such Notes as debt and, in the case of the Subordinated Notes, to treat such Subordinated Notes as equity for United States federal, state and local income and franchise tax and any other income tax purposes.

THE ISSUERS ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR OTHER THAN INFORMATION PROVIDED IN SECTION ENTITLED "THE INVESTMENT ADVISOR." THE INVESTMENT ADVISOR ACCEPTS RESPONSIBILITY FOR THE INFORMATION PROVIDED IN "THE INVESTMENT ADVISOR" SECTION. TO THE BEST OF THE KNOWLEDGE AND THE BELIEF OF THE ISSUERS, THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with the resale of the Notes, the Issuers will be required under the Note Agency Agreement to furnish upon request to a holder or beneficial owner of a Note and to a prospective investor who is a Qualified Institutional Buyer designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) if, at the time of the

request neither the Issuer nor the Co-Issuer, is a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

To the extent the Issuer or the Trustee delivers any annual or periodic reports to the Holders of the Notes, the Issuer or the Trustee, as applicable, will include in such report a reminder that (1) each holder (other than those holders who are not U.S. Persons and have purchased their Notes outside the United States pursuant to Regulation S) is required to be (a) a Qualified Institutional Buyer or, solely in the case of the Subordinated Notes, an Accredited Investor and (b) a Qualified Purchaser or, solely in the case of the Subordinated Notes, a Knowledgeable Employee, that, in the case of the Subordinated Notes, can make all of the representations in the Subordinated Notes Purchase and Transfer Letter applicable to a holder who is a U.S. Person; (2) the Notes can only be transferred to a transferee that is (i) (a) a Qualified Institutional Buyer or, solely in the case of the Subordinated Notes, an Accredited Investor and (b) a Qualified Purchaser or, solely in the case of the Subordinated Notes, a Knowledgeable Employee or (ii) a non-U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 under Regulation S; and (3) the Issuers have the right to compel any holder who does not meet the transfer restrictions set forth in the Trust Deed and Note Agency Agreement to transfer its Notes to a person designated by the Issuer or sell such Notes on behalf of the holder on such terms as the Issuer may determine in its discretion.

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

SUMMARY

The following summary is qualified in its entirety by the detailed information appearing elsewhere in this offering circular. For definitions of certain terms used in this offering circular see "Appendix A — Certain Definitions" and for the location of the definitions of those and other terms, see "Index of Defined Terms." For a discussion of certain factors to be considered in connection with an investment in the Notes see "Risk Factors."

The Issuers

Davis Square Funding III, Ltd. (the "Issuer") is a company incorporated under the laws of the Cayman Islands for the primary purpose of acquiring the Collateral Assets, Eligible Investments, entering into Hedge Agreements and the Put Agreement, co-issuing the Class A Notes, the Class B Notes and the CP Notes, issuing the Subordinated Notes and the Ordinary Shares and engaging in certain related transactions. All the Notes will be issued on or about October 21, 2004 (the "Closing Date"). The CP Notes will be issued on the Closing Date and from time to time thereafter.

The Issuer will not have any substantial assets other than the portfolio of Commercial Mortgage-Backed Securities, Residential Mortgage-Backed Securities, CDO Securities, Insured Securities, Asset-Backed Securities, REIT Debt Securities, Interest Only Securities and Synthetic Securities, (collectively, "Collateral Assets"); Eligible Investments; interest rate exchange protection agreements entered into between the Issuer and an Interest Rate Swap Counterparty (the "Interest Rate Swap Agreements"); cashflow timing protection agreements entered into between the Issuer and a Cashflow Swap Counterparty (the "Cashflow Swap Agreements"); currency rate exchange protection agreements entered into between the Issuer and a Currency Swap Counterparty (the "Currency Swap Agreements" and, together with the Interest Rate Swap Agreements and the Cashflow Swap Agreements, the "Hedge Agreements"); rights under the Put Agreement; rights under any Securities Lending Agreements; and certain other assets. The Collateral Assets, the Eligible Investments, the rights of the Issuer under the Hedge Agreements, the Securities Lending Agreements and certain other assets of the Issuer will be pledged by the Issuer to the Collateral Agent under the Security Agreement (the "Security Agreement") dated as of the Closing Date, between the Issuer and LaSalle Bank National Association, as trustee, collateral agent and securities intermediary (the "Trustee," the "Collateral Agent" and the "Securities Intermediary"), for the benefit of the Secured Parties, as security for, among other obligations, the Issuers' obligations under the Notes and the CP Notes.

Davis Square Funding III (Delaware) Corp. (the "Co-Issuer" and, together with the Issuer, the "Issuers") is a corporation incorporated under the laws of the State of Delaware for the sole purpose of co-issuing the Class A Notes, the Class B Notes and the CP Notes.

The Co-Issuer will not have any assets (other than $100 of equity capital) and will not pledge any assets to secure the Notes and the CP Notes. The Co-Issuer will have no claim against the Issuer in respect of the Collateral Assets or otherwise.

The Investment Advisor

TCW Asset Management Company, a California corporation ("TCW"), will perform certain advisory and administrative functions with respect to the Collateral pursuant to an investment advisory agreement to be dated as

of the Closing Date (the "Investment Advisory Agreement") between the Issuer and TCW, as investment advisor (in such capacity, the "Investment Advisor"). TCW is a registered investment advisor under the United States Investment Advisers Act of 1940, as amended (the "Advisers Act"). See "The Investment Advisor" and "The Investment Advisory Agreement".

Securities Offered

On the Closing Date, the Issuer and the Co-Issuer will issue U.S.$337,000,000 aggregate principal amount of Class A-1LT-a Floating Rate Notes Due 2039 (the "Class A-1LT-a Notes"), U.S.$60,500,000 principal amount of Class A-2 Floating Rate Notes Due 2039 (the "Class A-2 Notes" and, together with the Class A-1LT-a Notes and the Class A-1LT-b Notes (as defined below), the "Class A Notes") and U.S.$20,000,000 principal amount of Class B Floating Rate Notes Due 2039 (the "Class B Notes"), and the Issuer will issue U.S.$75,000,000 principal amount of Class C Participating Notes Due 2039 (the "Class C Notes") and U.S.$9,500,000 principal amount of Class D Participating Notes Due 2039 (the "Class D Notes" and, together with the Class C Notes, the "Subordinated Notes," and the Subordinated Notes together with the Class A Notes and the Class B Notes, the "Notes") pursuant to a Trust Deed (the "Trust Deed") dated as of the Closing Date among the Issuers and LaSalle Bank National Association, as trustee (the "Trustee").

The Notes will also be subject to a Note Agency Agreement (the "Note Agency Agreement") dated as of the Closing Date among the Issuers, LaSalle Bank National Association, as principal paying agent for the Notes (the "Principal Note Paying Agent"), the Trustee and LaSalle Bank National Association, as registrar (the "Note Registrar"), as calculation agent (the "Calculation Agent"), as transfer agent (the "Note Transfer Agent") and as paying agent for the Notes (the "Note Paying Agent" and, together with the Principal Note Paying Agent, the Note Registrar, the Calculation Agent, the Note Transfer Agent and the Listing and Paying Agent, if any, the "Note Agents").

Other Securities

The Issuers will also issue on the Closing Date, and from time to time thereafter, U.S.$1,000,000,000 of commercial paper notes (the "CP Notes") with maturities of up to 9 months from the date of issuance. The CP Notes (including any LIBOR CP Notes as described herein) will be issued pursuant to an issuing and paying agency agreement (the "CP Issuing and Paying Agency Agreement"), dated as of the Closing Date, between the Issuer and LaSalle Bank National Association, as CP Issuing and Paying Agent (the "CP Issuing and Paying Agent"). The maturity date of any CP Note will be extendable by up to two Business Days in the event the Put Option is exercised in accordance with the Put Agreement. See "Security for the Notes–Put Agreement" herein. If the Put Option under the Put Agreement is exercised in whole or in part, the Issuer will issue the Class A-1LT-b Notes (the "Class A-1LT-b Notes", such Class A-1LT-b Notes together with the Class A-1LT-a Notes, the "Class A-1LT Notes") in one or more placements to the Put Counterparty which will have an aggregate principal amount equal to the face amount of CP Notes to be retired in connection with the exercise of the Put Option. The CP Notes and the Class A-1LT-b Notes are not offered hereby.

Closing Date

The Issuers will issue the Class A Notes, the Class B Notes and the CP Notes and the Issuer will issue the Class C Notes and the Class D Notes on or about October 21, 2004 (the "Closing Date").

Record Date	Payments in respect of principal of and interest on the Class A Notes and the Class B Notes issued as Global Notes will be made to the person in whose name the relevant Global Note is registered at the close of business on the Business Day prior to such Payment Date. For the Class C Notes and Class D Notes, payments in respect of principal and interest and additional distributions will be made to the person in whose name the relevant Note is registered as of the close of business 10 Business Days prior to such Payment Date.
Status of the Securities	The Class A Notes, the Class B Notes and the CP Notes will be limited recourse obligations of the Issuers and the Subordinated Notes will be limited recourse obligations of the Issuer. The Class A-1LT-a Notes will be *pro rata* with the Class A-2 Notes with respect to the payment of interest and principal, except after an Event of Default and in the case of a mandatory redemption due to the failure to satisfy either of the Class A/B Coverage Tests or if the Class C Overcollateralization Ratio is less than 75%, wherein the Class A-1LT-a Notes will be paid in full on such Payment Date prior to any payments of principal on the Class A-2 Notes as more fully described in the Priority of Payments. Payments with respect to the CP Notes and the Class A-1LT-b Notes will be paid *pari passu* with payments on the Class A-1LT-a Notes. On each Payment Date, the Class A Notes and the CP Notes will be senior in right of payment to the Class B Notes, Class C Notes and Class D Notes, the Class B Notes will be senior in right of payment to the Class C Notes and the Class D Notes, and the Class C Notes will be senior in right of payment to the Class D Notes, to the extent provided in the Priority of Payments. See "Description of the Notes—Status and Security" and "—Priority of Payments."
Use of Proceeds	The net proceeds from and associated with the offering of the Notes and the CP Notes issued on the Closing Date (including an initial payment to the Issuer from the initial Interest Rate Swap Counterparty and the initial Cashflow Swap Counterparty), after the payment of applicable fees and expenses, are expected to equal approximately $1,529,000,000. Approximately $1,522,000,000 of the net proceeds will be used by the Issuer on the Closing Date to purchase, or enter into agreements to purchase, a diversified portfolio of Collateral Assets which satisfy the Eligibility Criteria with an aggregate Principal Balance of approximately $1,493,000,000 and with accrued interest of approximately $3,250,000 and to enter into one or more Hedge Agreements as the Investment Advisor deems appropriate. The remaining net proceeds, constituting approximately $3,910,000 will be deposited in the Collection Account, invested in Eligible Investments and used to purchase additional Collateral Assets and possibly to enter into additional Hedge Agreements. See "Security for the Notes—Purchase of Collateral Assets" and "Use of Proceeds."
Interest Payments and Certain Distributions	The Class A-1LT-a Notes will bear interest during each Interest Accrual Period at a per annum rate equal to the London interbank offered rate for one-month Eurodollar deposits ("LIBOR") for such Interest Accrual Period *plus* 0.365% (the "Class A-1LT-a Note Interest Rate"), commencing on the Closing Date. The Class A-1LT-b-1 Notes will bear interest during each Interest Accrual Period at a per annum rate equal to LIBOR for such Interest Accrual Period *plus* 0.26% before the November 2008 Payment Date, and 0.38% thereafter (the "Class A-1LT-b-1 Note Interest Rate"),

commencing on their date of issuance. The Class A-1LT-b-2 Notes will bear interest during each Interest Accrual Period at a per annum rate equal to LIBOR for such Interest Accrual Period *plus* (i) 0.15% before the November 2005 Payment Date, (ii) 0.20% from the November 2005 Payment Date to but excluding the November 2008 Payment Date and (iii) 0.32% thereafter (the "Class A-1LT-b-2 Note Interest Rate"), commencing on their date of issuance. The Class A-2 Notes will bear interest during each Interest Accrual Period at a per annum rate equal to LIBOR for such Interest Accrual Period *plus* 0.62% (the "Class A-2 Note Interest Rate"), commencing on the Closing Date. The Class B Notes will bear interest during each Interest Accrual Period at a per annum rate equal to LIBOR for such Interest Accrual Period *plus* 0.80% (the "Class B Note Interest Rate"), commencing on the Closing Date. The Class C Notes will bear interest during each Interest Accrual Period at a per annum rate equal to 2% commencing on the Closing Date (the "Class C Note Interest Rate").

The CP Notes (other than the LIBOR CP Notes as described herein) will be issued at a discount. To the extent CP Notes are issued with an equivalent LIBOR based interest rate (the "LIBOR CP Notes"), they will mature on a Payment Date and will have a maturity that is more than one month and up to nine months after their issuance. CP Notes issued with a maturity greater than 90 days after their issuance are required to be LIBOR CP Notes. The LIBOR CP Notes will bear interest during each Interest Accrual Period at a per annum rate equal to LIBOR (or, for a designated maturity of less than one month, the linear interpolation thereof) for such Interest Accrual Period, commencing on their date of issuance (the "LIBOR CP Note Interest Rate"). Interest on the LIBOR CP Notes will be payable on each Payment Date pari passu with interest on the Class A Notes as described in the Priority of Payments. The maturity date of any CP Note is extendable by up to two Business Days in the event the Put Option is exercised in accordance with the Put Agreement. See "Security for the Notes–Put Agreement" herein. If the maturity date of a CP Note is so extended, the holder thereof will be entitled to receive accrued interest for the period of such extension at a per annum rate equal to LIBOR *plus* 0.165%. Payment of such accrued interest will be made first from the CP Discount Reserve Account and, then, to the extent of any shortfall, from the Collection Account in accordance with the Security Agreement.

LIBOR for the first Interest Accrual Period with respect to the Class A Notes, the LIBOR CP Notes and the Class B Notes will be determined as of the second Business Day preceding the Closing Date. Calculations of interest on the Class A Notes and the Class B Notes will be made on the basis of a 360-day year and the actual number of days in each Interest Accrual Period.

To the extent interest is not paid on any Class C Notes on any Payment Date as a result of the operation of the Priority of Payments, such unpaid amount will be added to the principal amount, as applicable, of the Class C Notes ("Class C Deferred Interest"), and shall accrue interest at the Class C Note Interest Rate to the extent lawful and enforceable, until the Payment Date on which such interest is available to be paid in accordance with the Priority of Payments. Failure to pay interest on any Class A Notes, LIBOR CP Notes or Class B Notes when due will be an Event of Default under the Trust Deed; *however*, the failure to pay any

interest on the Class C Notes will not be an Event of Default under the Trust Deed. See "Description of the Notes—Class A Notes and Class B Notes—Interest on the Class A Notes and the Class B Notes", "—Subordinated Notes—Interest on the Class C Notes" and "—Priority of Payments."

With respect to any Payment Date and the Class A Notes, the LIBOR CP Notes and the Class B Notes, the "Interest Accrual Period" is the period commencing on and including the immediately preceding Payment Date (or the Closing Date in the case of the first Interest Accrual Period, or the date of issuance in the case of the first Interest Accrual Period of any LIBOR CP Notes or any Class A-1LT-b Notes) and ending on and including the day immediately preceding such Payment Date. With respect to any Payment Date and the Class C Notes, the "Interest Accrual Period" is the period commencing on and including the 8th day of the calendar month in which the preceding Payment Date occurred (or the Closing Date in the case of the first Interest Accrual Period) and ending on and excluding the 8th day of the calendar month in which such Payment Date occurs.

On each Payment Date, the Holders of the Class C Notes and the Holders of the Class D Notes will be entitled to receive additional distributions to the extent of funds available in accordance with the Priority of Payments. See "Description of the Notes—Priority of Payments."

Principal Payments

The Notes will mature on the Payment Date in November 2039 (the "Stated Maturity") unless redeemed or retired prior thereto. The average life of the Notes is expected to be substantially shorter than the number of years from issuance until Stated Maturity for each Class of Notes. See "Description of the Notes—Class A Notes and Class B Notes—Principal of the Class A Notes and the Class B Notes," "—Subordinated Notes—Principal of and Additional Distributions on the Subordinated Notes" and "Risk Factors—Notes—Average Lives, Duration and Prepayment Considerations."

Principal generally will not be payable on the Class A Notes, the CP Notes or the Class B Notes prior to the end of the Reinvestment Period, except if either Class A/B Coverage Test is not satisfied or if the Class C Overcollateralization Ratio is less than 75% with respect to any Determination Date. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments."

Principal generally will be payable on the Notes and the CP Notes by the Issuer on the Payment Date occurring in November 2008, at the discretion of the Investment Advisor to the extent of any Principal Proceeds which were not reinvested in Collateral Assets before the end of the Reinvestment Period and on each Payment Date commencing on the Payment Date occurring in December 2008. Principal will be payable earlier if the Reinvestment Period is terminated prior to November 2008 (as described herein) or if the Investment Advisor notifies the Trustee in writing that it has determined that investments in additional Collateral Assets within the foreseeable future would either be impractical or not beneficial. After the Reinvestment Period, on any Payment Date on which (i) the long term ratings of the Class A Notes are no lower than the

original ratings of the Class A Notes assigned to them by each Rating Agency, (ii), the long term ratings of the Class B Notes are no lower than the original ratings of the Class B Notes assigned to them by each Rating Agency and (iii) the Class A/B Coverage Tests are satisfied, and unless the Notes have been accelerated due to an Event of Default, Principal Proceeds will be paid to the Holders of the Class A Notes and the CP Notes, *pro rata*, in an amount required to increase (or maintain) the Class A Adjusted Overcollateralization Ratio to the specified target level of 108.1% (subject to the Minimum Class A Adjusted Overcollateralization). After achieving and maintaining such target level, the payment of Principal Proceeds will shift to the Holders of the Class B Notes in an amount required to increase (or maintain) the Class B Adjusted Overcollateralization Ratio to the specified target level of 106.4% (subject to the Minimum Class B Adjusted Overcollateralization). After achieving and maintaining such target level, the payment of Principal Proceeds will shift to the Holders of the Class C Notes until the principal of the Class C Notes is paid in full, and thereafter, the payment of Principal Proceeds will shift to the Class D Notes which will receive distributions in an amount equal to the amount needed to complete the Class D Yield Make Whole Payment after giving effect to all other distributions to the Class D Notes on such Payment Date. After the payments described in the preceding sentence, any remaining Principal Proceeds will be applied to the other items specified in the Priority of Payments, including additional distributions to the Class D Notes and to the Investment Advisor as part of the Incentive Investment Advisor Fee.

Principal on the Class A-1LT-a Notes, the Class A-1LT-b Notes, if any, the CP Notes and the Class A-2 Notes will be paid by the Issuer either *pro rata* or *first* to the Class A-1LT-a Notes, the Class A-1LT-b Notes, if any, and the CP Notes and *second* to the Class A-2 Notes depending on the circumstances as more fully described in the Priority of Payments.

Payments of principal on the Class B Notes on any Payment Date are subordinate to payments of principal due on the Class A Notes and CP Notes on such Payment Date. Payments of principal on the Class C Notes on any Payment Date are subordinate to payments of principal due on the CP Notes, Class A Notes and Class B Notes on such Payment Date. Payments of principal on the Class D Notes on any Payment Date generally are subordinate to payments of principal due on the CP Notes, Class A Notes, Class B Notes and the Class C Notes on such Payment Date. See "Description of the Notes—Priority of Payments."

Auction

Sixty days prior to the Payment Date occurring in November of each year commencing on the November 2014 Payment Date (each such date, an "Auction Payment Date"), the Investment Advisor shall take steps to conduct an auction (the "Auction") of the Collateral Assets in accordance with procedures specified in the Trust Deed. If the Investment Advisor receives one or more bids from Eligible Bidders not later than ten Business Days prior to the Auction Payment Date equal to or greater than the Minimum Bid Amount, it will sell the Collateral Assets for settlement on or before the fifth Business Day prior to such Auction Payment Date and the Notes, to the extent not redeemed prior thereto, will be redeemed in whole and the CP Notes will be Defeased in whole on the Auction Payment Date.

If any single bid, or the aggregate amount of multiple bids, does not equal or exceed the aggregate Minimum Bid Amount or if there is a failure at settlement, then the Collateral Assets will not be sold and no redemption of Notes and no Defeasance of the CP Notes on the related Auction Payment Date will be made.

Optional Redemption and Tax Redemption

The Class A Notes and the Class B Notes may be redeemed and the CP Notes may be Defeased by the Issuers and the Subordinated Notes may be redeemed by the Issuer from Liquidation Proceeds in whole but not in part (a) on any Payment Date on or after November 2008, at the written direction of, or with the written consent of, a Majority of the Class D Notes and (b) on any Payment Date on or after the Payment Date in November 2009, at the written direction of, or with the written consent of, a Majority of the Class C Notes (each such redemption, an "Optional Redemption").

The Notes may also be redeemed and the CP Notes Defeased from Liquidation Proceeds in whole but not in part on any Payment Date during or after the Non-Call Period upon the occurrence of a Tax Event, at the written direction of, or with the written consent of, a Majority of any Class of Notes which, as a result of the occurrence of such Tax Event, has not received 100% of the aggregate amount of principal and interest due and payable on such Class (such redemption, a "Tax Redemption").

In the event of an Optional Redemption or a Tax Redemption as described above, the Notes will be redeemed and the CP Notes will be Defeased at their Optional Redemption Prices and Tax Redemption Prices, respectively, as described herein. The Optional Redemption Prices for the Class C Notes and Class D Notes will differ depending on whether the Holders of such Notes direct the Optional Redemption and the year in which such redemption occurs. See "Description of the Notes—Optional Redemption and Tax Redemption" and "—Priority of Payments."

No Notes will be redeemed and no CP Notes will be Defeased pursuant to an Optional Redemption or Tax Redemption unless the expected Liquidation Proceeds equal or exceed the Total Redemption Amount.

Mandatory Redemption

On any Payment Date on which either Class A/B Coverage Test is not satisfied or the Class C Overcollateralization Ratio is less than 75% as of the preceding Determination Date, principal payments will be applied *first*, to the Class A-1LT-a Notes, the Class A-1LT-b Notes, if any, and the CP Notes, *pro rata*, until the Class A-1LT-a Notes, the Class A-1LT-b Notes and the CP Notes have been paid or Defeased in full, *second*, to the Class A-2 Notes until the Class A-2 Notes have been paid in full and, *third*, to the Class B Notes until the Class B Notes have been paid in full. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments."

Put Agreement

On or prior to the Closing Date, the Issuer will enter into a put agreement (together with the related schedule and confirmation, the "Put Agreement") with CALYON (the "Put Counterparty"). Under the Put Agreement, subject to certain conditions to exercise, if the Issuer gives the Put Counterparty notice in accordance with the Put Agreement of the occurrence of certain events (including, among other things, that it is unable to place new CP Notes having a maturity not exceeding nine months and a discount or interest rate less than or equal to the Maximum

	Put Option Strike Rate in an amount at least equal to the face amount of maturing CP Notes less amounts on deposit in the CP Discount Reserve Account and the CP Principal Reserve Account), the Put Counterparty will on the day such CP Notes mature provide the Issuer with sufficient funds to enable the Issuer to repay maturing CP Notes in accordance with the Put Agreement. In exchange for such funds, the Issuer will deliver to the Put Counterparty Class A-1LT-b Notes in an equivalent amount. See "Security for the Notes—Put Agreement."
CP Discount Reserve Facility	On or prior to the Closing Date, the Issuer will enter into a Cashflow Swap Agreement with AIG Financial Products Corp. (the "Cashflow Swap Counterparty") which will provide a reserve for the CP Notes (the "CP Discount Reserve Facility"). Under the CP Discount Reserve Facility, the Cashflow Swap Counterparty will be required to pay the Interim Cashflow Swap Payment, subject to the Capped CP Amount, to the CP Discount Reserve Account on November 8, 2004, November 23, 2004, December 8, 2004, and December 23, 2004, and thereafter, on or about the fifteenth day prior to each Payment Date (or if such day is not a Business Day, the next Business Day) (each, an "Interim Payment Date") and on or about each Payment Date (together with each Interim Payment Date, the "Cashflow Swap Payment Dates"). The Interim Cashflow Swap Payments, together with amounts on deposit in the CP Discount Reserve Account and amounts to be deposited to the CP Discount Reserve Account on each Payment Date by the Issuer in accordance with the Priority of Payments, will ensure that the amount on deposit in the CP Discount Reserve Account on each Interim Payment Date is at least equal to the CP Discount Reserve Required Amount. See "Security for the Notes—Hedge Agreements—Cashflow Swap Agreements."
Non-Call Period	The period from the Closing Date to and including the Payment Date in November 2008 (the "Non-Call Period").
Reinvestment Period	The period from the Closing Date and ending on the first to occur of: (i) the end of the Due Period related to the Payment Date in November 2008, and (ii) the occurrence of an Event of Default resulting in acceleration of the Notes and the CP Notes. In addition, the Reinvestment Period will be terminated if the Investment Advisor notifies the Trustee in writing that it has determined that investments in additional Collateral Assets within the foreseeable future would either be impractical or not beneficial or if the Class A/B Overcollateralization Ratio is less than 102.4% as of any Measurement Date.
Reinvestment in Collateral Assets	Principal Proceeds in respect of the Collateral Assets will be used during the Reinvestment Period to purchase Collateral Assets or Eligible Investments meeting the criteria specified herein. The Reinvestment Criteria consist of the Eligibility Criteria, the Collateral Profile Test, the Collateral Quality Tests and the Class A/B Coverage Tests. See "Security for the Notes—Substitute Collateral Assets and Reinvestment Criteria."
	Sale Proceeds from the disposition of Credit Risk Obligations and Unscheduled Principal Payments received after the Reinvestment Period may be reinvested in substitute Collateral Assets, so long as the Reinvestment Criteria are satisfied and such amounts are reinvested no later than the last Business Day of the Due Period following the Due Period in which such amounts were received.

Class A/B Coverage Tests and Collateral Quality Tests

The following table identifies certain of the Class A/B Coverage Tests and the Collateral Quality Tests, and, with respect to each test, where applicable, the value at which such test is satisfied and the expected value on the Closing Date. The Class A/B Coverage Tests and the Collateral Quality Tests will be applied to determine whether the Issuer is permitted to purchase substitute Collateral Assets and to determine application of funds under the Priority of Payments.

Test	Value at Which Test Is Satisfied	Expected Value on Closing Date
Coverage:		
Class A/B Overcollateralization Test	equal to or greater than 103.0%	105.8%
Class A/B Interest Coverage Test	equal to or greater than 100.1% on the first Payment Date and equal to or greater than 110.0% thereafter	116.9%[1]
Collateral Quality:		
Moody's Diversity Test	greater than or equal to 18	18
Moody's Maximum Rating Distribution Test	maximum of 45	36
Maximum Weighted Average Life Test	initially less than or equal to 5.5 years and declining as stated herein	4.81 years
Moody's Minimum Weighted Average Recovery Rate Test	equal to or greater than 52.5%	56.3%
Weighted Average Spread Test	equal to or greater than 0.84%	0.90%
Weighted Average Coupon Test	equal to or greater than 6.06%	6.12%
Fitch Maximum Weighted Average Rating Factor	less than or equal to 1.0	0.76
S&P Minimum Average Recovery Rate Test	equal to or greater than 60%	64.2%

[1] Pro forma, assuming 30 days of interest on fully invested proceeds of the offering of the Notes, in accordance with the Collateral Assets Assumptions described herein. Assuming swap cash flows and forward 1-month LIBOR set as of October 14, 2004.

See "Security for the Notes—The Class A/B Coverage Tests" and "—The Collateral Quality Tests" and "Description of the Notes—Priority of Payments."

Certain Adjusted Overcollateralization Ratios	After the Reinvestment Period, if the Class A Adjusted Overcollateralization Ratio is and is maintained at 108.1%, Principal Proceeds may be distributed to the Class B Notes, the Class C Notes and the Class D Notes in accordance with the Priority of Payments, subject to the Minimum Class A Adjusted Overcollateralization. The expected value of the Class A Adjusted Overcollateralization Ratio on the Closing Date is 107.3%. After the Reinvestment Period, if the Class B Adjusted Overcollateralization Ratio is and is maintained at 106.4%, Principal Proceeds may be distributed to the Class C Notes and the Class D Notes in accordance with the Priority of Payments, subject to the Minimum Class B Adjusted Overcollateralization. The expected value of the Class B Adjusted Overcollateralization Ratio on the Closing Date is 105.8%.
Reports	With respect to each Payment Date, beginning in January 2005, a remittance report will be made available to Holders of the Notes, the Investment Advisor, the Issuer, the Note Paying Agent, the CP Issuing and Paying Agent, the CP Note Placement Agents, the Put Counterparty and the Hedge Counterparties (each, a "Payment Report") which will provide information with respect to payments to be made on the related Payment Date to Holders of the Notes and the CP Notes. With respect to each Payment Date, beginning in February 2005, a note valuation report (each, a "Note Valuation Report") will be made available to Holders of the Notes, the Put Counterparty and the CP Note Placement Agents which will provide information on the Collateral Assets and compliance with the Reinvestment Criteria, as well as information with respect to payments on the Notes and the CP Notes.
The Offering	The Notes are being offered to non-U.S. Persons in offshore transactions in reliance on Regulation S, and otherwise in the United States to persons who are Qualified Institutional Buyers purchasing in reliance on the exemption from registration under Rule 144A or, with respect to Subordinated Notes only, Accredited Investors purchasing in transactions exempt from registration under the Securities Act. Each purchaser other than a non-U.S. Person purchasing in an offshore transactions in reliance on Regulation S must also be a Qualified Purchaser. Each Accredited Investor must have a net worth of at least $10 million. See "Description of the Notes—Form of the Notes," "Underwriting" and "Notice to Investors."
Additional Issuance	Additional notes of all existing Classes and additional CP Notes (in addition to any CP Notes included in the then existing CP Note program) may be issued and sold on or before November 8, 2005, and the Issuer will use the proceeds to purchase additional Collateral Assets and, if applicable, enter into additional Hedge Agreements. The issuance of additional securities is conditioned upon satisfaction of certain conditions in the Trust Deed including those described under "Description of the Notes—The Note Agency Agreement, the Trust Deed and the Security Agreement—Trust Deed—Additional Issuance."
Minimum Denominations	The Notes will be issued in minimum denominations of $100,000 and integral multiples of $1,000 in excess thereof.

Form of the Notes	Each Class of Notes sold in offshore transactions in reliance on Regulation S will initially be represented by one or more temporary global notes (each, a "Temporary Regulation S Global Note") which will be exchangeable for a beneficial interest in one or more permanent global notes of the related Class (each, a "Regulation S Global Note"). Each Class of Rule 144A Class A/B Notes will be issued in the form of one or more global notes in fully registered form (the "Rule 144A Global Notes" and, together with the Temporary Regulation S Global Notes and the Regulation S Global Notes, the "Global Notes"). Beneficial interests in the Global Notes and the Rule 144A Subordinated Notes may not be transferred except in compliance with the transfer restrictions described herein. See "Description of the Notes—Form of the Notes" and "Notice to Investors".
Governing Law	The Security Agreement will be governed by the laws of the State of New York; *provided, however,* that certain provisions of the Security Agreement will be governed by English law. The Notes, the Note Agency Agreement and the Trust Deed will be governed by English law.
Listing and Trading	There is currently no market for the Notes and there can be no assurance that such a market will develop. See "Risk Factors—Notes—Limited Liquidity and Restrictions on Transfer." Application may be made by the Issuer to admit the Notes on a stock exchange of the Issuer's choice, if practicable. There can be no assurance that such admission will be sought or granted. See "Listing and General Information."
Ratings	It is a condition of the issuance of the Notes that the Class A-1LT-a Notes, the Class A-1LT-b Notes, if any, and the Class A-2 Notes each be issued with a rating of "Aaa" by Moody's, "AAA" by S&P and "AAA" by Fitch, that the Class B Notes be issued with a rating of "Aa2" by Moody's, "AA" by S&P and "AA" by Fitch, that the Class C Notes be issued with a rating of at least "A3" by Moody's and "A-" by Fitch as to the ultimate receipt of the Rated Principal Amount of the Class C Notes and interest thereon at the Class C Note Interest Rate only and that the Class D Notes be issued with a rating of at least "Ba1" by Moody's as to the ultimate receipt of the Rated Principal Amount of the Class D Notes only. The Rated Principal Amount of the Class C Notes is reduced by all distributions to the Class C Notes in excess of interest thereon at the Class C Note Interest Rate. The Rated Principal Amount of the Class D Notes is reduced by all distributions to the Class D Notes. Moody's and Fitch's rating of the Class C Notes does not address the receipt of any Class C Priority Payments after the Rated Principal Amount of the Class C Notes and interest thereon has been paid in full. Moody's rating of the Class D Notes does not address the receipt of any Class D Priority Payments, Class D Subordinated Payments or Class D Yield Make Whole Payments in excess of the Rated Principal Amount of the Class D Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning Rating Agency. See "Ratings."
Tax Status	See "Income Tax Considerations".
ERISA Considerations	See "ERISA Considerations".

RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider, in addition to the matters set forth elsewhere in this offering circular, the following factors:

Notes

Limited Liquidity and Restrictions on Transfer. There is currently no market for the Notes. Although the Initial Purchasers have advised the Issuers that they intend to make a market in the Class A Notes and the Class B Notes, neither of the Initial Purchasers is obligated to do so, and any such market-making with respect to the Class A Notes or the Class B Notes may be discontinued at any time without notice. There can be no assurance that any secondary market for any of the Notes will develop or, if a secondary market does develop, that it will provide the Holders of the Notes with liquidity of investment or that it will continue for the life of such Notes. Since it is likely that there will never be a secondary market for the Subordinated Notes, a purchaser must be prepared to hold its Subordinated Notes until their Stated Maturity.

In addition, no sale, assignment, participation, pledge or transfer of the Notes may be effected if, among other things, it would require any of the Issuer, the Co-Issuer or any of their officers or directors to register under, or otherwise be subject to the provisions of, the Investment Company Act or any other similar legislation or regulatory action. Furthermore, the Notes will not be registered under the Securities Act or any state securities laws or the laws of any other jurisdiction, and the Issuer has no plans, and is under no obligation, to register the Notes under the Securities Act or any state securities laws or under the laws of any other jurisdiction. The Notes are subject to certain transfer restrictions and can be transferred only to certain transferees as described herein under "Description of the Notes—Form of the Notes" and "Notice to Investors." Such restrictions on the transfer of the Notes may further limit their liquidity. Application may be made by the Issuer to admit the Notes on a stock exchange of the Issuer's choice, if practicable, but there can be no assurance that such admission will be sought or granted.

Limited Recourse Obligations. The Class A Notes, the CP Notes and the Class B Notes will be limited recourse obligations of the Issuers, and the Subordinated Notes will be limited recourse obligations of the Issuer, payable solely from the Collateral pledged by the Issuer to secure the Notes and the CP Notes. None of the Investment Advisor, the Initial Purchasers, the Put Counterparty, the CP Issuing and Paying Agent, the CP Note Placement Agents, the Trustee, the Collateral Agent, the Issuer Administrator, the Share Trustee, the Note Agents, the Hedge Counterparties, any Synthetic Security Counterparties or any affiliates of any of the foregoing or the Issuers' affiliates or any other person or entity will be obligated to make payments on the Notes and the CP Notes. Consequently, Holders of the Notes and the CP Notes must rely solely on distributions on the Collateral pledged to secure the Notes and the CP Notes for the payment of principal and interest on the Notes and other distributions on the Subordinated Notes. 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 realization of the Collateral pledged to secure the Notes and the CP Notes, the obligations of the Issuers to pay such deficiency shall be extinguished.

Subordination of the Notes. Payments of interest on the Class A Notes due on any Payment Date will be paid *pro rata* and will be senior to payments of interest on the Class B Notes, and the Class C Notes on such Payment Date. Payments of interest on the Class B Notes due on any Payment Date will be senior to payments of interest on the Class C Notes on such Payment Date. Payments of interest on the Class C Notes due on any Payment Date will be senior to payments on the Class D Notes on such Payment Date. Principal on the Class A Notes will be paid *pro rata* on any Payment Date (except payment of principal of the Class A-1LT Notes and the CP Notes will be senior to payment of principal of the Class A-2 Notes if either of the Class A/B Coverage Tests is not be satisfied or if the Class C Overcollateralization Ratio is less than 75% as of any Determination Date, or if an Event of Default occurs that results in acceleration of the Notes) in accordance with the Priority of Payments and will be senior to

payments of principal of the Class B Notes, the Class C Notes and Class D Notes on such Payment Date, to the extent provided in the Priority of Payments. Payments with respect to the CP Notes and the Class A-1LT-b Notes, if any, will be paid *pari passu* with payments on the Class A-1LT-a Notes.

After the Reinvestment Period (or earlier if the Investment Advisor has notified the Trustee in writing that it has determined that investments in additional Collateral Assets would either be impractical or not beneficial), on any Payment Date on which certain conditions described herein are met, "shifting principal" method to pay principal in clause (12) of the Priority of Payments allows Holders of the Class C Notes to receive distributions of Principal Proceeds while the Class A Notes, the CP Notes and Class B Notes remain outstanding, and, if the principal of the Class C Notes has been paid in full, Holders of the Class D Notes to receive distributions of Principal Proceeds while the Class A Notes, the CP Notes and Class B Notes are outstanding, to the extent funds are available in accordance with the Priority of Payments. After the Class D Notes have received the Class D Yield Make Whole Amount, a portion of the Principal Proceeds otherwise distributable to the Class D Notes will be distributed to the Investment Advisor on each Payment Date as payment of the Incentive Investment Advisor Fee in accordance with the Priority of Payments. Amounts properly paid pursuant to the Priority of Payments to a junior Class of Notes or to the Investment Advisor will not be recoverable in the event of a subsequent shortfall in the amount required to pay a more senior Class of Notes or CP Notes.

Rating on the Class C Notes and the Class D Notes is a limited rating. The rating assigned by Moody's and Fitch to the Class C Notes is limited to the Rated Principal Amount of the Class C Notes and interest thereon at the Class C Note Interest Rate, and does not address the ultimate cash receipt of all principal and other distributions, including the Class C Priority Payment, which may be payable to such Notes. The rating assigned by Moody's to the Class D Notes is limited to the Rated Principal Amount of the Class D Notes and does not address the ultimate cash receipt of all principal and other distributions, including the Class D Priority Payment, the Class D Subordinated Payment and the Class D Yield Make Whole Payment which may be payable to such Notes. Because the Rated Principal Amount of the Class C Notes will be reduced by all distributions to the Class C Notes that are in excess of interest accrued thereon at the Class C Note Interest Rate and the Rated Principal Amount of the Class D Notes will be reduced by all distributions to the Class D Notes, the outstanding Rated Principal Amounts of each of the Class C Notes and Class D Notes are expected to be lower than their actual outstanding principal amount after the first few Payment Dates. In circumstances where the Class C Priority Payment or Class D Priority Payment is paid in part by operation of the Priority of Payments, the Rated Principal Amount of such Class C Notes or Class D Notes will decline but a Class C Deferred Priority Payment or a Class D Deferred Priority Payment, respectively, will rise, increasing the outstanding principal amount of such Class C Notes or Class D Notes. The Rated Principal Amounts of the Class C Notes and the Class D Notes are likely to be paid in full sooner than the actual principal amounts, and once the Rated Principal Amounts are paid in full, the rating assigned to such Class C Notes and Class D Notes, respectively, will be withdrawn. In such event, the Rating Agency Condition and other conditions requiring confirmation of the ratings on the Class C Notes or the Class D Notes will no longer be in effect with respect to such Notes, even though the Class C Notes and the Class D Notes will not have received their full distributions of principal and the Class C Notes will not have received their full distributions of interest.

An action may result in a downgrading of the Class C Notes and still satisfy the rating conditions. As described in this offering circular, the Issuer or Investment Advisor may be required to obtain confirmation that the rating assigned by Moody's to the Class C Notes and the Class D Notes and by Fitch to the Class C Notes will not be withdrawn or reduced by two or more subcategories (either from the original rating as of the Closing Date or from the then current levels, as specified) prior to taking certain actions and making certain investments. Consequently, the Issuer or Investment Advisor could take certain actions or make certain investments that would cause the Class C Notes or the Class D Notes to be downgraded by one subcategory and the rating conditions would still be satisfied. Furthermore, after the Rated Principal Amount of the Class C Notes or the Class D Notes has been paid in full, the ratings on the Class C Notes or the Class D Notes, respectively, will be withdrawn and the rating conditions will no longer have to be satisfied with respect to such Class C Notes or Class D Notes even though such Notes may still be entitled to additional distributions.

Holders of the Controlling Class may not be able to effect a liquidation of the Collateral in an Event of Default. If an Event of Default occurs and is continuing, a Majority of the Controlling Class will be entitled to determine the remedies to be exercised under the Trust Deed, Note Agency Agreement and Security Agreement; however, the Majority of the Controlling Class will not be able to direct a sale or liquidation of the Collateral unless, among other things, the Trustee determines that the anticipated proceeds of such sale or liquidation (after deducting the reasonable expenses of such sale or liquidation) would be sufficient to pay in full the Total Redemption Amount. There can be no assurance that proceeds of a sale and liquidation, together with all other available funds, will be sufficient to pay in full the Total Redemption Amount.

Remedies pursued by the Holders of the Class A Notes could be adverse to the interests of the Holders of the Class B Notes or the Subordinated Notes. After the Class A Notes and the CP Notes have been redeemed, Defeased or otherwise paid in full, the Holders of the Class B Notes will be entitled to determine the remedies to be exercised under the Trust Deed, Note Agency Agreement and Security Agreement (except as noted above) if an Event of Default occurs. After the Class A Notes, the CP Notes and the Class B Notes have been redeemed, Defeased or otherwise paid in full, the Holders of the Subordinated Notes will be entitled to determine the remedies to be exercised under the Trust Deed, Note Agency Agreement and Security Agreement (except as noted above) if an Event of Default occurs. See "Description of the Notes—The Note Agency Agreement, the Trust Deed and the Security Agreement—Trust Deed—Events of Default."

Leveraged Investment. The Class B Notes and the Subordinated Notes represent a leveraged investment in the underlying Collateral Assets. The use of leverage generally magnifies an investor's opportunities for gain and risk of loss. Therefore, changes in the market value of the Class B Notes and the Subordinated Notes can be expected to be greater than changes in the market value of the underlying assets included in the Collateral Assets, which are also subject to credit, liquidity and, with respect to the fixed rate portion of the portfolio, interest rate risk.

Auction. There can be no assurance that an Auction of the Collateral Assets on any Auction Payment Date will be successful. The success of an Auction will shorten the average lives of the Notes and the duration of the Subordinated Notes and may reduce the yield to maturity of the Notes. Moreover, a successful Auction of the Collateral Assets is not required to result in any proceeds for distribution to the Holders of the Subordinated Notes in excess of the Auction Redemption Prices.

Optional Redemption and Tax Redemption of Notes. Subject to the satisfaction of certain conditions, the Notes may be optionally redeemed and the CP Notes may be optionally Defeased in whole and not in part (i) on any Payment Date after the Non-Call Period (i.e., beginning November 2008) at the written direction of, or with the written consent of, a Majority of the Class D Notes, (ii) on any Payment Date on or after the Payment Date in November 2009, at the written direction of, or with the written consent of, a Majority of the Class C Notes or (iii) on any Payment Date during or after the Non-Call Period upon the occurrence of a Tax Event, at the written direction of, or with the written consent of, a Majority of any Class of Notes, if as a result of an occurrence of a Tax Event, such Class of Notes has not received 100% of the aggregate amount of principal and interest due and payable on such Notes. The Optional Redemption Prices for the Class C Notes and Class D Notes will differ depending on whether the Holders of such Notes direct the Optional Redemption and the year in which such redemption occurs. Depending on whether the Holders of the Class C Notes or the Holders of the Class D Notes direct the redemption and the year in which such redemption occurs, the Class C Notes and Class D Notes may be redeemed at their Rated Principal Amounts and, with respect to the Class C Notes, interest that has accrued thereon (or, in some cases with respect to the Class D Notes, at the Class D Yield Make Whole Payment, and interest that has accrued thereon), which amounts are likely to be less than the full unpaid principal amounts of such Notes and any Class C Priority Payments, Class C Deferred Priority Payments, Class D Priority Payments and Class D Deferred Priority Payments. Consequently, Holders of the Class C Notes and Class D Notes may not be paid in full upon the occurrence of an Optional Redemption or Tax Redemption.

There can be no assurance that after payment of the redemption prices for the Notes and the CP Notes and all other amounts payable in accordance with the Priority of Payments, any additional

Proceeds will remain to distribute to the Holders of the Subordinated Notes upon redemption. See "Description of the Notes—Optional Redemption and Tax Redemption." An Optional Redemption or Tax Redemption of the Notes and the CP Notes could require the Investment Advisor to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the Collateral Assets sold. In addition, the redemption procedures in the Security Agreement may require the Investment Advisor to aggregate securities to be sold together in one block transaction, thereby possibly resulting in a lower aggregate realized value for the Collateral Assets sold. In any event, there can be no assurance that the market value of the Collateral Assets will be sufficient for the Holders of the Subordinated Notes to direct an Optional Redemption or, in the case of a Tax Redemption, for the Holders of the affected Class of Notes to direct a Tax Redemption. A decrease in the market value of the Collateral Assets would adversely affect the proceeds that could be obtained upon a sale of the Collateral Assets; consequently, the conditions precedent to the exercise of an Optional Redemption or a Tax Redemption may not be met. The interests of the Holders of either the Class C Notes or Class D Notes in determining whether to elect to effect an Optional Redemption and the interests of the Holders of the affected Class of Notes with respect to a Tax Redemption may be different from the interests of the Holders of the other Classes of Notes in such respect. The Holders of the Notes also may not be able to invest the proceeds of the redemption of the Notes in one or more investments providing a return equal to or greater than the Holders of the Notes expected to obtain from their investment in the Notes.

Mandatory Redemption of the Class A Notes and the Class B Notes. If either Class A/B Coverage Test is not met or the Class C Overcollateralization Ratio is less than 75% on the Determination Date immediately preceding a Payment Date, Proceeds that otherwise might have been paid as interest to or distributed to the Holders of the Subordinated Notes will be used to redeem Class A Notes and the Class B Notes and to Defease the CP Notes until such Notes and CP Notes are paid or Defeased in full. This could result in an elimination, deferral or reduction in the amounts available to make payments and distributions to Holders of the Subordinated Notes. See "Security for the Notes—The Class A/B Coverage Tests." Any such redemptions will shorten the average life and duration and may adversely affect the yield on the Subordinated Notes.

Collateral Accumulation. In anticipation of the issuance of the Notes, an affiliate of Goldman Sachs & Co. and/or a consolidated entity controlled by Goldman Sachs & Co. or an affiliate thereof has agreed to "warehouse" approximately $1,500,000,000 aggregate principal amount of Collateral Assets selected by the Investment Advisor for resale to the Issuer pursuant to the terms of a forward purchase agreement. Of such amount, it is expected that a portion will be purchased from affiliates of Goldman Sachs & Co. and a portion will be purchased from third parties. Pursuant to the terms of such forward purchase agreement, the Issuer will be obligated to purchase the "warehoused" assets *provided* such Collateral Assets satisfy the Eligibility Criteria on the Closing Date for a formula purchase price designed to reflect the yields or spreads at which the Collateral Assets were purchased (using the prepayment speed and other assumptions used to set the initial price of each individual asset), as adjusted for any hedging gain or loss and any loss or gain on any Collateral Assets sold to a party other than the Issuer during the warehousing period. Consequently, the market values of "warehoused" Collateral Assets at the Closing Date may be less than or greater than the formula purchase price paid by the Issuer. In addition, if a Collateral Asset becomes ineligible during the warehousing period and is not purchased by the Issuer on the Closing Date, or if a Collateral Asset is otherwise sold at the direction of the Investment Advisor or Goldman Sachs & Co. (which sale may only occur with the consent of the Initial Purchaser's affiliate), the Issuer will bear the loss or receive the gain on the sale of such Collateral Asset to a third party.

Reinvestment Period Provisions. During the Reinvestment Period, so long as certain requirements are met, the Investment Advisor will have discretion to dispose of certain Collateral Assets and to reinvest the Sale Proceeds in substitute Collateral Assets in compliance with the Reinvestment Criteria, except as otherwise described herein. Furthermore, during the Reinvestment Period, to the extent that any Collateral Assets prepay, mature or amortize, the Investment Advisor will seek, subject to the Reinvestment Criteria, to invest the proceeds thereof in additional Collateral Assets. After the Reinvestment Period, the Investment Advisor may reinvest Unscheduled Principal Payments and Sale Proceeds from Credit Risk Obligations in Collateral Assets in compliance with the Reinvestment Criteria.

There may be potentially substantial lags between the receipt of principal of the Collateral Assets and the reinvestment thereof, during which the proceeds will be invested in lower yielding short term high quality investments. In the event of a decline, generally, in interest rates or in asset yields, the Investment Advisor may not be able to reinvest principal received at rates at least equal to the current yields on such assets or at the reinvestment rates presented herein. Such substitute Collateral Assets may bear interest at a lower rate or may have a lower rate of return than the Collateral Assets that were replaced. Any decrease in the yield on the Collateral Assets may have the effect of reducing the amounts available to make distributions on the Notes. There can be no assurance that in the event Collateral Assets are sold, called, prepay, amortize or mature, yields on Collateral Assets that are eligible for purchase will be at the same levels as those replaced, that the characteristics of any additional Collateral Assets purchased will be the same as those replaced or as to what the timing of the purchase of any additional Collateral Assets will be. See "Security for the Notes—Substitute Collateral Assets and Reinvestment Criteria."

Early Termination of the Reinvestment Period and Early Payments of Principal. Although the Reinvestment Period is expected to terminate at the end of the Due Period relating to the Payment Date occurring in November 2008, the Reinvestment Period will terminate prior to such date if an Event of Default resulting in acceleration of the Notes occurs or if the Class A/B Overcollateralization Ratio is less than 102.4% as of any Measurement Date. Further, the Reinvestment Period will terminate if the Investment Advisor notifies the Trustee in writing that, in light of the composition of the Collateral Assets, general market conditions and other factors, the Investment Advisor (in its sole discretion) has determined that investments in additional Collateral Assets within the foreseeable future would either be impractical or not beneficial. If the Reinvestment Period terminates prior to the end of the Due Period relating to the Payment Date occurring in November 2008, or if principal payments are made during the Reinvestment Period, such early termination or early payments will shorten the expected average lives of the Notes and the expected duration of the Subordinated Notes described under "Yield Considerations."

Recharacterization of Interest Proceeds. The Investment Advisor may direct the Collateral Agent, at any time during the Reinvestment Period, to sell Credit Improved Obligations, Credit Risk Obligations, or Defaulted Obligations as well as engage in Discretionary Sales of Collateral Assets which are not Credit Improved Obligations, Credit Risk Obligations, or Defaulted Obligations subject to certain percentage limits, as described herein. After the Reinvestment Period, the Issuer may sell only Credit Risk Obligations and Defaulted Obligations. Sale Proceeds from all sales during the Reinvestment Period and from sales of Credit Risk Obligations and from Unscheduled Principal Payments after the Reinvestment Period may be reinvested in substitute Collateral Assets in compliance with the Reinvestment Criteria. The Issuer is not required to use Sale Proceeds to purchase substitute Collateral Assets which have a par value equal to or greater than the par value of the specific Collateral Asset sold. However, the Issuer is obligated to maintain par on an aggregate basis by adding to Principal Proceeds on each Determination Date from other Proceeds an amount equal to the excess, if any, of (a) the par amount of Collateral Assets sold, principal payments and any recoveries on Defaulted Obligations in such Due Period *minus* the discount to par realized from the sale of Credit Risk Obligations and Defaulted Obligations and the discount to par realized on any recoveries on Defaulted Obligations in such Due Period over (b) the Principal Balance of Collateral Assets purchased in such Due Period and Eligible Investments acquired with Principal Proceeds in such Due Period which are outstanding on the related Determination Date for such Due Period *(provided, however,* that the sum of (i) the excess of the aggregate of all prior Payment Dates of the amounts described in sub-clause (b) over the aggregate for all prior Payment Dates of the amounts described in sub-clause (a) and (ii) the excess of the Aggregate Principal Amount on the Closing Date over $1,500,000,000 will be applied to reduce the excess of amounts described in sub-clause (a) over amounts described in sub-clause (b) to, but not less than, zero). Thus, in the event the Issuer is unable to purchase substitute Collateral Assets in an amount sufficient to replace the par amount of the sold Collateral Assets (or with respect to Credit Risk Obligations and Defaulted Obligations, the Sale Proceeds) on a cumulative basis, it will be required to treat as Principal Proceeds a portion of Proceeds that would otherwise constitute interest collections on the Collateral Assets. As long as the Class A Notes and the CP Notes are outstanding, the recharacterization of any such amounts as Principal Proceeds to replace par will reduce the amount of Proceeds available for distribution to the Holders of the Subordinated Notes.

Average Lives, Duration and Prepayment Considerations. The average lives of the Notes and the duration of the Subordinated Notes are expected to be shorter than the number of years until their Stated Maturity. See "Yield Considerations."

The average lives of the Notes and the duration of the Subordinated Notes will be affected by the financial condition of the obligors on or issuers of the Collateral Assets and the characteristics of the Collateral Assets, including the existence and frequency of exercise of any prepayment, optional redemption or sinking fund features, the prepayment speed, the occurrence of any early amortization events, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level of recoveries in respect of any Defaulted Obligations, the frequency of tender or exchange offers for the Collateral Assets and the tenor of any sales or substitutions of Collateral Assets.

Some or all of the loans underlying the RMBS or Asset-Backed Securities may be prepaid at any time and the commercial mortgage loans underlying the CMBS may also be subject to prepayment (although certain of such commercial mortgage loans may have "lockout" periods, defeasance provisions, prepayment penalties or other disincentives to prepayment). The REIT Debt Securities may provide for redemption at the option of the issuer that could result in the early repayment thereof. Defaults on and liquidations of the loans underlying the RMBS, Asset-Backed Securities or the CMBS may also lead to early repayment thereof. Prepayments on loans are affected by a number of factors. If prevailing rates for similar loans fall below the interest rates on such loans, prepayment rates would generally be expected to increase. Conversely, if prevailing rates for similar loans rise above the interest rates on such loans, prepayment rates would generally be expected to decrease. The existence and frequency of such prepayments, optional redemptions, defaults and liquidations will affect the average lives of, and credit support for, the Notes and the duration of the Subordinated Notes. See "Yield Considerations" and "Security for the Notes."

Projections, Forecasts and Estimates. Estimates of the weighted average lives or duration of, and returns on, the Notes included herein or in any supplement to this offering circular, together with any other projections, forecasts and estimates provided to prospective purchasers of the Notes, are forward looking statements. Such statements are necessarily speculative in nature, as they are based on certain assumptions. It can be expected that some or all of the assumptions underlying such statements will not reflect actual conditions. Accordingly, there can be no assurance that any estimated projections, forecasts or estimates will be realized or that the forward looking statements will materialize, and 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 the Collateral Assets, differences in the actual allocation of the Collateral Assets among asset categories from those assumed, mismatches between the timing of accrual and receipt of Proceeds from the Collateral Assets and the effectiveness of the Hedge Agreements, among others.

None of the Issuer, the Co-Issuer, the Investment Advisor, the Initial Purchasers, the Collateral Agent, the Collateral Administrator, the Note Agents or any of their respective affiliates has any obligation to update or otherwise revise any projections, including any revisions to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

Dependence on Key Personnel. The success of the Issuer will be dependent on the financial and managerial expertise of the investment professionals of the Investment Advisor. In the event that one or more of the investment professionals of the Investment Advisor were to leave the Investment Advisor, the Investment Advisor would have to re-assign responsibilities internally and/or hire one or more replacement employees and such a loss could have a material adverse effect on the performance of the Issuer. See "The Investment Advisor" and "Risk Factors—Certain Conflicts of Interest. "

Relation to Prior Investment Results. The prior investment results of the Investment Advisor and the services associated with the Investment Advisor or any other entity or person described herein are not indicative of the Issuer's future investment results. The nature of, and risks associated with, the Issuer's

future investments may differ substantially from those investments and strategies undertaken historically by such persons and entities. There can be no assurance that the Issuer's investments will perform as well as the past investments of any such persons or entities.

Collateral Assets

Nature of Collateral. The Collateral is subject to credit, liquidity, interest rate and currency exchange risks. In addition, Sale Proceeds and Proceeds of Collateral Assets that prepay, mature, or amortize will be reinvested 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 collateral securing the Notes and the CP Notes has been established to withstand certain assumed deficiencies in payment occasioned by defaults in respect of the Collateral Assets. See "Ratings." If any deficiencies exceed such assumed levels, however, payment of the Notes could be adversely affected. To the extent that a default occurs with respect to any Collateral Asset securing the Notes and the CP Notes and the Issuer (upon the advice of the Investment Advisor) sells or otherwise disposes of such Collateral Asset, it is not likely that the proceeds of such sale or other disposition will be equal to the amount of principal and interest owing to the Issuer in respect of such Collateral Asset.

The market value of the Collateral Assets generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of the Collateral Assets (or, with respect to Synthetic Securities, of the counterparties of such Synthetic Securities and of the obligors on or issuers of the Reference Obligations), the credit quality of the underlying pool of assets in any Collateral Asset that is an Asset-Backed Security or Mortgage-Backed Security, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. None of the Issuer, the Co-Issuer, the Initial Purchasers, the Investment Advisor, the Trustee or the Collateral Agent has any liability or obligation to the Holders of Notes as to the amount or value of, or decrease in the value of, the Collateral Assets from time to time.

In the event that a Collateral Asset becomes a Credit Risk Obligation, the Investment Advisor may either sell or retain the affected asset. There can be no assurance as to the timing of the Investment Advisor's sale of the affected asset, or if there will be any market for such asset or as to the rates of recovery on such affected asset. The inability to realize immediate recoveries at the recovery levels assumed herein may result in lower cash flow which may adversely affect payments on the Subordinated Notes.

Although the Issuer is permitted to invest in Collateral Assets of certain foreign obligors and Synthetic Securities, the Issuer may find that, as a practical matter, these investment opportunities or investments in obligations of issuers located in certain countries are not available to it for a variety of reasons such as the limitations imposed by the Eligibility Criteria and Collateral Profile Tests and requirements with respect to Synthetic Securities that the Issuer receive confirmation of the ratings of the Notes from each of the Rating Agencies except for Form-Approved Synthetic Securities.

For the foregoing reasons and otherwise, at any time there may be a limited universe of investments that would satisfy the Reinvestment Criteria given the other investments in the Issuer's portfolio. As a result, the Investment Advisor may at times find it difficult to purchase suitable investments for the Issuer. See "Security for the Notes—Purchase of Collateral Assets" and "—Eligibility Criteria and Collateral Profile Tests."

The ability of the Issuer to sell Collateral Assets prior to maturity is subject to certain restrictions under the Security Agreement.

PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSIDER AND ASSESS FOR THEMSELVES THE LIKELY LEVEL OF DEFAULTS ON THE COLLATERAL ASSETS, AS WELL AS THE LIKELY LEVEL AND TIMING OF RECOVERIES ON THE COLLATERAL ASSETS.

Commercial Mortgage-Backed Securities. The Collateral Assets may include Commercial Mortgage-Backed Securities ("CMBS"), including without limitation CMBS Conduit Securities, CMBS Large Loan Securities, CMBS Single Asset Securities, CMBS Franchise Securities, CMBS Credit Tenant Lease Securities and CMBS RE-REMIC Securities.

Holders of CMBS bear various risks, including credit, market, interest rate, structural and legal risks. CMBS are securities backed by obligations (including certificates of participation in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as shopping malls, other retail space, office buildings, industrial or warehouse properties, hotels, rental apartments, nursing homes, senior living centers and self-storage. Risks affecting real estate investments include general economic conditions, the condition of financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The cyclicality and leverage associated with real estate-related investments have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other investments. In addition, commercial mortgage loans generally lack standardized terms, tend to have shorter maturities than residential mortgage loans and may provide for the payment of all or substantially all of the principal only at maturity. Additional risks may be presented by the type and use of a particular commercial property. For instance, commercial properties that operate as hospitals and nursing homes may present special risks to lenders due to the significant governmental regulation of the ownership, operation, maintenance and financing of health care institutions. Hotel and motel properties are often operated pursuant to franchise, management or operating agreements which may be terminable by the franchisor or operator; and the transferability of a hotel's operating, liquor and other licenses upon a transfer of the hotel, whether through purchase or foreclosure, is subject to local law requirements. All of these factors increase the risks involved with commercial real estate lending. Commercial lending is generally viewed as exposing a lender to a greater risk of loss than residential one-to-four family lending since it typically involves larger loans to a single borrower than residential one-to-four family lending.

Commercial mortgage lenders typically look to the debt service coverage ratio of a loan secured by income-producing property as an important measure of the risk of default on such a loan. Commercial property values and net operating income are subject to volatility, and net operating income may be sufficient or insufficient to cover debt service on the related mortgage loan at any given time. The repayment of loans secured by income-producing properties is typically dependent upon the successful operation of the related real estate project rather than upon the liquidation value of the underlying real estate. Furthermore, the net operating income from and value of any commercial property may be adversely affected by risks generally incidental to interests in real property, including events which the borrower or manager of the property, or the issuer or servicer of the related issuance of commercial mortgage-backed securities, may be unable to predict or control, such as changes in general or local economic conditions and/or specific industry segments; declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies; acts of God; and social unrest and civil disturbances. The value of commercial real estate is also subject to a number of laws, such as laws regarding environmental clean-up and limitations on remedies imposed by bankruptcy laws and state laws regarding foreclosures and rights of redemption. Any decrease in income or value of the commercial real estate underlying an issue of CMBS could result in cash flow delays and losses on the related issue of CMBS.

A commercial property may not readily be converted to an alternative use in the event that the operation of such commercial property for its original purpose becomes unprofitable. In such cases, the conversion of the commercial property to an alternative use would generally require substantial capital expenditures. Thus, if the borrower becomes unable to meet its obligations under the related commercial mortgage loan, the liquidation value of any such commercial property may be substantially less, relative to the amount outstanding on the related commercial mortgage loan, than would be the case if such commercial property were readily adaptable to other uses. The exercise of remedies and successful realization of liquidation proceeds may be highly dependent on the performance of CMBS servicers or

special servicers, of which there may be a limited number and which may have conflicts of interest in any given situation. The failure of the performance of such CMBS servicers or special servicers could result in cash flow delays and losses on the related issue of CMBS.

The CMBS included in the Collateral Assets at any time may pay fixed rates of interest. Fixed rate CMBS, like all fixed-income securities, generally decline in value as interest rates rise. Moreover, although generally the value of fixed-income securities increases during periods of falling interest rates, this inverse relationship may not be as marked in the case of CMBS due to the increased likelihood of prepayments during periods of falling interest rates. This effect is mitigated to some degree for mortgage loans providing for a period during which no prepayments may be made. However, prepayments on the underlying commercial mortgage loans may still result in a reduction of the yield on the related issue of CMBS.

At any one time, a portfolio of CMBS may be backed by commercial mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the commercial mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations.

Mortgage loans underlying a CMBS issue may provide for no amortization of principal or may provide for amortization based on a schedule substantially longer than the maturity of the mortgage loan, resulting in a "balloon" payment due at maturity. If the underlying mortgage borrower experiences business problems, or other factors limit refinancing alternatives, such balloon payment mortgages are likely to experience payment delays or even default. As a result, the related issue of CMBS could experience delays in cash flow and losses.

In addition, structural and legal risks include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), the assets of the issuer could be treated as never having been truly sold by the originator to the issuer and could be substantively consolidated with those of the originator, or the transfer of such assets to the Issuer could be voided as a fraudulent transfer. Challenges based on such doctrines could result also in cash flow delays and losses on the related issue of CMBS.

Residential Mortgage-Backed Securities. The Collateral Assets may include Residential Mortgage-Backed Securities ("RMBS"), including without limitation RMBS Agency Securities, RMBS Residential A Mortgage Securities, RMBS Residential B/C Mortgage Securities, RMBS Manufactured Housing Loan Securities and RMBS Home Equity Loan Securities.

Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one- to four-family residential mortgage loans. Such loans may be prepaid at any time. See "Yield Considerations." Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by Agencies and the securities issued are guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

At any one time, a portfolio of RMBS may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the residential mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such

areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations. In addition, the residential mortgage loans may include so-called "jumbo" mortgage loans, having original principal balances that are higher than is generally the case for residential mortgage loans. As a result, such portfolio of RMBS may experience increased losses.

Each underlying residential mortgage loan in an issue of RMBS may have a balloon payment due on its maturity date. Balloon residential mortgage loans involve a greater risk to a lender than self-amortizing loans, because the ability of a borrower to pay such amount will normally depend on its ability to obtain refinancing of the related mortgage loan or sell the related mortgaged property at a price sufficient to permit the borrower to make the balloon payment, which will depend on a number of factors prevailing at the time such refinancing or sale is required, including, without limitation, the strength of the residential real estate markets, tax laws, the financial situation and operating history of the underlying property, interest rates and general economic conditions. If the borrower is unable to make such balloon payment, the related issue of RMBS may experience losses.

Prepayments on the underlying residential mortgage loans in an issue of RMBS will be influenced by the prepayment provisions of the related mortgage notes and may also be affected by a variety of economic, geographic and other factors, including the difference between the interest rates on the underlying residential mortgage loans (giving consideration to the cost of refinancing) and prevailing mortgage rates and the availability of refinancing. In general, if prevailing interest rates fall significantly below the interest rates on the related residential mortgage loans, the rate of prepayment on the underlying residential mortgage loans would be expected to increase. Conversely, if prevailing interest rates rise to a level significantly above the interest rates on the related mortgages, the rate of prepayment would be expected to decrease. Prepayments could reduce the yield received on the related issue of RMBS.

Structural and Legal Risks of CMBS and RMBS. Residential mortgage loans in an issue of RMBS may be subject to various federal and state laws, public policies and principles of equity that protect consumers, which among other things may regulate interest rates and other charges, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and regulate debt collection practices. Violation of certain provisions of these laws, public policies and principles may limit the servicer's ability to collect all or part of the principal of or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions. Any such violation could result also in cash flow delays and losses on the related issue of RMBS.

In addition, structural and legal risks of CMBS and RMBS include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), the assets of the issuer could be treated as never having been truly sold by the originator to the issuer and could be substantively consolidated with those of the originator, or the transfer of such assets to the issuer could be voided as a fraudulent transfer. Challenges based on such doctrines could result also in cash flow delays and losses on the related issue of CMBS or RMBS.

It is not expected that CMBS or RMBS (other than the RMBS Agency Securities) will be guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on CMBS and RMBS will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans.

It is expected that some of the CMBS and RMBS owned by the Issuer may be subordinated to one or more other senior classes of securities of the same series for purposes of, among other things, offsetting losses and other shortfalls with respect to the related underlying commercial mortgage loans. In addition, in the case of CMBS and certain RMBS, no distributions of principal will generally be made with respect to any class until the aggregate principal balances of the corresponding senior classes of securities have been reduced to zero. As a result, the subordinate classes are more sensitive to risk of loss and writedowns than senior classes of such securities.

CDO Securities. The Collateral Assets may include CDO Securities which include CDO Structured Product Securities, CDO RMBS Securities or CDO Commercial Real Estate Securities. CDO Securities generally are limited recourse obligations of the issuer thereof payable solely from the underlying assets of the issuer ("CDO Collateral") or proceeds thereof. Consequently, holders of CDO Securities must rely solely on distributions on the underlying CDO Collateral or proceeds thereof for payment in respect thereof. If distributions on the underlying CDO Collateral are insufficient to make payments on the CDO Securities, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligations of the issuer to pay such deficiency shall be extinguished. Many subordinate classes of CDO Securities provide that a deferral of interest thereon does not constitute an event of default and the holders of such securities will not have available to them any associated default remedies. During such periods of non-payment, such non-paid interest will generally be capitalized and added to the outstanding principal balance of the related security. Any such deferral will reduce the amount of current payments made on such CDO Securities.

CDO Securities are subject to credit, liquidity and interest rate risks. The assets backing CDO Securities may consist of high yield debt securities, loans, structured finance securities and other debt instruments. High yield debt securities are generally unsecured (and loans may be unsecured) and may be subordinated to certain other obligations of the issuer thereof. The below investment grade ratings of high yield securities reflect a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the issuer to make payments of principal or interest. Such investments may be speculative. Recently, there has been a significant increase in the default rates reported on high yield corporate debt securities and loans. An increase in the default rates of high yield corporate debt securities or loans could increase the likelihood that payments may not be made to holders of CDO Securities which are secured by high yield corporate debt securities and loans.

Issuers of CDO Securities may acquire interests in loans and other debt obligations by way of assignment or participation. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution.

In purchasing participations, an issuer of CDO Securities will usually have a contractual relationship only with the selling institution, and not the borrower. The issuer generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor have the right to object to certain changes to the loan agreement agreed to by the selling institution. The issuer may not directly benefit from the collateral supporting the related loan and may be subject to any rights of set-off the borrower has against the selling institution. In addition, in the event of the insolvency of the selling institution, under the laws of the United States of America and the states thereof, the issuer may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the loan. Consequently, the issuer may be subject to the credit risk of the selling institution as well as of the borrower.

CDO Securities are subject to interest rate risk. The CDO Collateral of an issuer of CDO Securities may bear interest at a fixed (floating) rate while the CDO Securities issued by such issuer may bear interest at a floating (fixed) rate. As a result, there could be a floating/fixed rate or basis mismatch between such CDO Securities and CDO Collateral which bears interest at a fixed rate and there may be a timing mismatch between the CDO Securities and assets that bear interest at a floating rate as the interest rate on such assets bearing interest at a floating rate may adjust more frequently or less frequently, on different dates and based on different indices than the interest rates on the CDO Securities. As a result of such mismatches, an increase or decrease in the level of the floating rate indices could adversely impact the ability to make payments on the CDO Securities.

REIT Debt Securities. A portion of the Collateral Assets may consist of REIT Debt Securities other than REIT Hotel and Leisure Debt Securities. REIT Debt Securities are generally unsecured and investments in REIT Debt Securities involve special risks. In particular, real estate investment trusts (as

defined in Section 856 of the Code) generally are permitted to invest solely in real estate or real estate-related assets and are subject to the inherent risks associated with such investments. Consequently, the financial condition of any REIT Debt Security may be affected by the risks described above with respect to commercial mortgage loans and commercial mortgage-backed securities and similar risks, including (i) risks of delinquency and foreclosure, and risks of loss in the event thereof, (ii) the dependence upon the successful operation of and net income from real property, (iii) risks that may be presented by the type and use of a particular commercial property and (iv) the difficulty of converting certain property to an alternative use.

The real estate investment trusts issuing the REIT Debt Securities invest in one or more of the retail, office, industrial, self storage and residential real estate sectors. Each such property type is subject to particular risks. For example, retail properties are subject to risks of competition for tenants, events affecting anchor or other major tenants, tenant concentration, property condition and competition of their tenants with other local retailers, discount stores, factory outlet centers, video shopping networks, catalogue retailers, direct mail and telemarketing and Internet retailers. Office and industrial properties are subject to risks relating to the quality of their tenants, tenant and industry concentration, local economic conditions, and the age, condition, adaptability and location of the property.

Risks of REIT Debt Securities may include (among others): (i) limited liquidity and secondary market support, (ii) substantial market price volatility resulting from changes in prevailing interest rates, (iii) subordination to the prior claims of banks and other senior lenders, (iv) the operation of optional redemption or sinking fund provisions during periods of declining interest rates, (v) the possibility that earnings of the issuer may be insufficient to meet its debt service and (vi) the declining creditworthiness and potential for insolvency of the issuer of such REIT Debt Securities during periods of rising interest rates and economic downturn. An economic downturn or an increase in interest rates could severely disrupt the market for REIT Debt Securities and adversely affect the value of outstanding REIT Debt Securities and the ability of the issuers thereof to repay principal and interest.

Issuers of REIT Debt Securities may be highly leveraged and may not have available to them more traditional methods of financing. The risk associated with acquiring the securities of such issuers generally is greater than is the case with more highly rated securities. For example, during an economic downturn or a sustained period of rising interest rates, issuers of REIT Debt Securities may be more likely to experience financial stress, especially if such issuers are highly leveraged. During such periods, timely service of debt obligations may also be adversely affected by specific issuer developments, or the unavailability of additional financing. The risk of loss due to default by the issuer may be significantly greater for the holders of REIT Debt Securities because such securities are unsecured. In addition, the Issuer may incur additional expenses to the extent it is required to seek recovery upon a default of a REIT Debt Security (or any other Collateral Asset) or participate in the restructuring of such obligation. Furthermore, although the Issuer as a holder of a REIT Debt Security may be entitled to vote on certain matters with respect to such REIT Debt Security on which bondholders are entitled to vote under the indenture pursuant to which such REIT Debt Security was issued, such as the remedy for an "event of default" on a REIT Debt Security, the Investment Advisor on behalf of the Issuer may not be able to control such remedies. Moreover, in some instances the Issuer and other holders of an issue of REIT Debt Securities may be compelled to vote as a class with securities issued in other issuances of any underlying issuer.

As a result of the limited liquidity of REIT Debt Securities, their prices have at times experienced significant and rapid decline when a substantial number of holders decided to sell. In addition, the Issuer may have difficulty disposing of certain REIT Debt Securities because there may be a thin trading market for such securities. Reduced secondary market liquidity may have an adverse impact on market price and the Issuer's ability to dispose of particular issues if they become Defaulted Obligations or Credit Risk Obligations.

Because REIT Debt Securities generally evidence an unsecured debt obligation of the related underlying issuer, the REIT Debt Securities will rank junior to any secured debt of the related underlying issuer, and thus, the REIT Debt Securities would be subordinated to the prior payment in full of such debt.

Accordingly, any change in an underlying issuer's ability to meet its debt service requirements may have an adverse effect on the ability of the Issuer to make required payments on the Notes and in the event of an underlying issuer's bankruptcy, the Issuer, as the owner of the REIT Debt Securities, will become a general creditor of such underlying issuer. In addition, certain of the underlying issuers may be structured as "UPREITs," which hold most of their assets through an operating partnership in which another entity holds a general partnership interest. Any REIT Debt Securities issued by such an UPREIT may effectively be subordinated to the other debts of the operating partnership. Furthermore, it is likely that the underlying issuers will have outstanding debt secured by mortgages on one or more of their properties. If any underlying issuer is unable to meet its mortgage payments, the mortgage securing its properties could be foreclosed upon by, or the properties could be otherwise transferred to, the mortgagee with a consequent loss of income and asset value to such underlying issuer. Any foreclosure would reduce the likelihood of payment in full of the related REIT Debt Security and in some cases could impair the ability of the related underlying issuer to continue to operate, thus further reducing the likelihood of payment of the related REIT Debt Security.

Issuers of REIT Debt Securities may be subject to certain of the following additional risks due to their organizational and operational structure, each of which may adversely affect the value of the REIT Debt Securities. The profitability of an underlying issuer will depend in part on its ability to manage its properties in a cost-efficient and profitable manner. In many cases, the properties of any underlying issuer will be managed by third party management companies or non-controlled affiliated companies. Therefore, a non-controlled party may take actions that are adverse to the holders of the related REIT Debt Security.

Finally, a real estate investment trust must continue to satisfy certain U.S. federal income tax requirements and real estate investment trust qualification requirements. Failure of an underlying issuer in any taxable year to qualify as such will render such underlying issuer subject to tax on its taxable income at regular corporate rates. The additional tax liability of an underlying issuer for the year or years involved would reduce the net earnings of such underlying issuer and would adversely affect its ability to make payments on the REIT Debt Securities of which it is an issuer.

Asset-Backed Securities. A portion of the Collateral Assets may be Structured Finance Securities and Structured Corporate Securities that are Asset Backed Securities other than CMBS Securities, RMBS Securities, CDO Securities, Insured Securities, REIT Debt Securities, Interest Only Securities or Synthetic Securities. 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. Individual transactions can differ markedly in both structure and execution. Important determinants of the risk associated with issuing or holding Asset-Backed Securities include the relative seniority or subordination of the class of Asset-Backed Securities held by an investor, the relative allocation of principal and interest payments in the priorities by which such payments are made under the governing documents, how credit losses affect the issuing vehicle and the return to investors, whether collateral represents a fixed set of specific assets or accounts, whether the underlying collateral assets are revolving or closed-end, under what terms (including maturity of the asset-backed instrument) any remaining balance in the accounts may revert to the issuing company and the extent to which the company that is the actual source of the collateral assets is obligated to provide support to the issuing vehicle or to the investors. With respect to some types of Asset-Backed Securities, the risk is more closely correlated with the default risk on corporate bonds of similar terms and maturities than with the performance of a pool of receivables. In addition, certain Asset-Backed Securities (particularly subordinated Asset-Backed Securities) provide that the non-payment of interest in cash on such securities will not constitute an event of default in certain circumstances and the holders of such securities will not have available to them any associated default remedies. Interest not paid in cash will generally be capitalized and added to the outstanding principal balance of the related security. Any such deferral will reduce the yield on such Asset-Backed Securities.

Holders of Asset-Backed Securities bear various risks, including credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks. Credit risk arises from losses due to defaults by the borrowers in the underlying collateral and the issuer's or servicer's failure to

perform. These two elements may be related, as, for example, in the case of a servicer which 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 most 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 holders of securities and from the need to mark to market the excess servicing or spread account proceeds carried on the balance sheet. For the holder of the security, interest rate risk depends on the expected life of the Asset-Backed Securities which may depend on prepayments on the underlying assets or the occurrence of wind-down or termination events.

If the servicer becomes subject to financial difficulty or otherwise ceases to be able to carry out its functions, it may be difficult to find other acceptable substitute servicers and cash flow disruptions or losses may occur, particularly with non-standard receivables or receivables originated by private retailers who collect many of the payments at their stores. Structural and legal risks include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), the assets of the Issuer could be treated as never having been truly sold by the originator to the Issuer and could be substantively consolidated with those of the originator, or the transfer of such assets to the issuer could be voided as a fraudulent transfer. Challenges based on such doctrines could result also in cash flow delays and reductions. Other similar risks relate to the degree to which cash flows on the assets of the Issuer may be commingled with those on the originator's other assets.

Synthetic Securities. A portion of the Collateral Assets may consist of Synthetic Securities. The economic return on a Synthetic Security depends substantially upon the performance of the related Reference Obligation. Reference Obligations may consist of any debt securities or other obligations which satisfy the Eligibility Criteria (except that they may pay interest less frequently than semiannually). Synthetic Securities generally have probability of default, recovery upon default and expected loss characteristics, which are closely correlated to the corresponding Reference Obligation, but may have different maturity dates, coupons, payment dates or other non-credit characteristics than the corresponding Reference Obligation. In addition to the credit risks associated with holding the Reference Obligation, with respect to Synthetic Securities, the Issuer will usually have a contractual relationship only with the related Synthetic Security Counterparty, and not with the Reference Obligor of the Reference Obligation. Due to the fact that a Synthetic Security, particularly a Synthetic Security structured as a default swap, may be illiquid or may not be terminable on demand (or terminable on demand only upon payment of a substantial fee by the Issuer), the Investment Advisor's discretion in determining when to dispose of a Synthetic Security may be limited. The Issuer generally will have no right to directly enforce compliance by the Reference Obligor with the terms of the Reference Obligation nor any rights of set-off against the Reference Obligor, nor have any voting rights with respect to the Reference Obligation. The Issuer will not directly benefit from the collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation. In addition, in the event of the insolvency of the Synthetic Security Counterparty, the Issuer will be treated as a general creditor of such Synthetic Security Counterparty, and will not have any claim with respect to the Reference Obligation. Consequently, the Issuer will be subject to the credit risk of the Synthetic Security Counterparty as well as that of the Reference Obligor. As a result, concentrations of Synthetic Securities in any one Synthetic Security Counterparty subject the Notes to an additional degree of risk with respect to defaults by such Synthetic Security Counterparty as well as by the Reference Obligor. It is expected that the Initial Purchaser and/or one or more of its affiliates, with acceptable credit support arrangements, if necessary, may act as Synthetic Security Counterparty with respect to all or a portion of the Synthetic Securities, which may create certain conflicts of interest. See "—Certain Conflicts of Interest."

The Issuer may also purchase Synthetic Securities structured as default swaps. In such cases, the Investment Advisor on behalf of the Issuer may be required to purchase an item of Default Swap Collateral and pledge to the related Synthetic Security Counterparty a first priority security interest in such Default Swap Collateral. In the event a "credit event" occurs under a Synthetic Security structured as a default swap, the related Default Swap Collateral will be delivered to the related Synthetic Security

Counterparty pursuant to the terms of the related Synthetic Security. In the event that no "credit event" under a Synthetic Security structured as a default swap occurs prior to the termination or scheduled maturity of such Synthetic Security, the related Default Swap Collateral will be released from the lien of the Synthetic Security Counterparty and be treated as a Collateral Asset or Eligible Investment to the extent it meets the definition of either such term upon the termination or scheduled maturity of such Synthetic Security pursuant to the terms of the related Synthetic Security. If the Investment Advisor elects to sell or terminate a portion of a Synthetic Security prior to its scheduled maturity, the Investment Advisor will cause such portion of the related Default Swap Collateral required to make any termination payment owed to the related Synthetic Security Counterparty to be delivered to the Synthetic Security Counterparty and the remaining portion of such Default Swap Collateral not required to be pledged to such Synthetic Security Counterparty to be delivered to the Collateral Agent free of such lien. The Investment Advisor has no right to sell or transfer any Default Swap Collateral until the applicable Synthetic Security is terminated or matures, even under circumstances where the Default Swap Collateral deteriorates in credit quality. In addition, the Issuer may realize a loss upon any sale of any Default Swap Collateral.

Insolvency Considerations with Respect to Issuers of Collateral Assets. Various laws enacted for the protection of creditors may apply to the Collateral Assets. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an issuer of a Collateral Asset, such as a trustee in bankruptcy, were to find that the issuer did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting the Collateral Asset and, after giving effect to such indebtedness, the issuer (i) was insolvent, (ii) was engaged in a business for which the remaining assets of such issuer constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could determine to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, to subordinate such indebtedness to existing or future creditors of such issuer, or to recover amounts previously paid by such issuer in satisfaction of such indebtedness. The measure of insolvency for purposes of the foregoing will vary. Generally, an issuer would be considered insolvent at a particular time if the sum of its debts were then greater than all of its property at a fair valuation, or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether the issuer was "insolvent" after giving effect to the incurrence of the indebtedness constituting the Collateral Asset or that, regardless of the method of valuation, a court would not determine that the issuer was "insolvent" upon giving effect to such incurrence. In addition, in the event of the insolvency of an issuer of a Collateral Asset, payments made on such Collateral Asset could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year) before insolvency. Payments made under residential mortgage loans may also be subject to avoidance in the event of the bankruptcy of the borrower.

In general, if payments on a Collateral Asset are avoidable, whether as fraudulent conveyances or preferences, such payments could be recaptured. To the extent that any such payments are recaptured, the resulting loss generally will be borne first by the Holders of the Subordinated Notes, and finally by the Holders of the Class A Notes and the CP Notes.

The Collateral Assets consisting of obligations of non-U.S. issuers may be subject to various laws enacted in the countries of their issuance for the protection of creditors. These insolvency considerations will differ depending on the country in which each issuer is located or domiciled and may differ depending on whether the issuer is a non-sovereign or a sovereign entity.

Defaulted Obligations and Deferred Interest PIK Bonds. If any Collateral Asset becomes a Defaulted Obligation and is liquidated in accordance with the terms of the related underlying documents, it is unlikely that the Issuer will receive the full amount of principal and interest accrued on such Collateral Asset and, consequently, the resulting shortfall would adversely affect the ability of the Issuer to pay the unpaid principal of, and interest on, the Notes. In addition, with respect to a Deferred Interest PIK Bond the shortfall of Proceeds would adversely affect the Issuer's ability to pay amounts due in respect of the Notes.

Illiquidity of Collateral Assets; Certain Restrictions on Transfer. There may be a limited trading market for many of the Collateral Assets purchased by the Issuer, and in certain instances there may be effectively no trading market therefor. The Issuer's investment in illiquid Collateral Assets may restrict its ability to dispose of such investments if they become Defaulted Obligations or Credit Risk Obligations, in a timely fashion and for an attractive price. Illiquid Collateral Assets may trade at a discount from comparable, more liquid investments.

In addition, it is expected that substantially all of the Collateral Assets other than a portion of the REIT Debt Securities and Asset-Backed Securities will generally not have been registered or qualified under the Securities Act, or the securities laws of any other jurisdiction, and no person or entity will be obligated to register or qualify any such Collateral Assets under the Securities Act or any other securities law. Consequently, the Issuer's transfer of such Collateral Assets will be subject to satisfaction of legal requirements applicable to transfers that do not require registration or qualification under the Securities Act or any applicable state securities laws and upon satisfaction of certain other provisions of the respective agreements pursuant to which the Collateral Assets were issued. It is expected that such transfers will also be subject to satisfaction of certain other restrictions regarding the transfer thereof to, for the benefit of or with assets of, a Plan, as well as certain other transfer restrictions. The existence of such transfer restrictions will negatively affect the liquidity of, and consequently the price that may be realized upon a sale of, such securities.

The illiquidity of Collateral Assets and the restrictions on transfer of Collateral Assets, in each case as described above, may affect the amount and timing of receipt of proceeds from the sale of Collateral Assets in connection with the exercise of remedies following an Event of Default.

Volatility of Collateral Assets' Market Value. The market value of the Collateral Assets will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, developments or trends in any particular industry and the financial condition of the issuers of the Collateral Assets. A decrease in the market value of the Collateral Assets would adversely affect the proceeds that could be obtained upon the sale of the Collateral Assets and could ultimately affect the ability of the Issuer to (a) effect an Optional Redemption, Tax Redemption or Auction, or (b) pay the principal of the Notes, or make additional distributions to the Subordinated Notes, upon a liquidation of the Collateral Assets following the occurrence of an Event of Default.

Interest Rate Risk; Hedge Agreements. There will be a floating/fixed rate or basis mismatch between the Class A Notes, the Class B Notes and the CP Notes and those underlying Collateral Assets that bear interest at a fixed rate and there will be a basis and timing mismatch between such Notes and the Collateral Assets which bear interest at a floating rate, since the interest rates on such Collateral Assets bearing interest at a floating rate may adjust more frequently or less frequently, on different dates and based on different indices, than the interest rate on the Class A Notes, the Class B Notes and the CP Notes. There will also be a basis mismatch between the Class C Notes and those underlying Collateral Assets that bear interest at a floating rate and a timing mismatch between such Notes and the Collateral Assets which bear interest on a non-monthly basis, since payments on the Class C Notes are payable monthly while the Collateral Assets may be payable less frequently. The fixed rates and the margins over LIBOR or other floating rates borne by replacement Collateral Assets may be lower than those on sold or amortized Collateral Assets which could cause a significant decline in interest coverage for the Notes. Further, an increase in LIBOR, and therefore in the interest rate borne by the Class A Notes, the Class B Notes and the LIBOR CP Notes, could adversely impact the interest coverage for the Notes, and a decrease in LIBOR, although also a decrease in the interest rate borne by the Class A Notes, the Class B Notes and the LIBOR CP Notes, could also adversely impact the interest coverage for the Notes because under the Interest Rate Swap Agreements the Issuer will generally be paying a fixed rate to the Interest Rate Swap Counterparty determined at closing and the fixed rates and spreads of subsequently purchased Collateral Assets may be lower.

On the Closing Date, the Issuer will enter into Interest Rate Swap Agreements to reduce the impact of the interest rate mismatch, and one or more Cashflow Swap Agreements to reduce the impact of the timing mismatches between the payments on the Notes and the LIBOR CP Notes and the receipt of

payments on the Collateral Assets. After the Closing Date, subject to the terms of the Security Agreement and the Investment Advisory Agreement including the requirement to satisfy the Rating Agency Condition, and subject to the constraints imposed by AIG FP, as the initial Interest Rate Swap Counterparty, the Investment Advisor may on behalf of the Issuer, employ a variety of hedging strategies, which strategies may vary during the life of the transaction. After the Closing Date, even if the Investment Advisor believes that engaging in a hedging technique (or replacing an existing Hedge Agreement that is terminated) would be beneficial, the Investment Advisor may be unable to do so because (among other reasons) such technique will not satisfy the Rating Agency Condition, the initial Interest Rate Swap Counterparty's consent may be required and not given, such technique may be too costly or insufficient funds may be available for such purpose or the Issuer may be unable to find a counterparty satisfying the requirements of the Security Agreement and a counterparty that is willing to receive payments from the Issuer subject to the other prior applications set forth in the Priority of Payments and in accordance with the terms of the Security Agreement. Accordingly, the Issuer may be unable, as a practical matter, to use hedging techniques to protect against interest rate risk. Despite the Issuer having the benefit of Hedge Agreements, there can be no assurance that the Collateral Assets and the Eligible Investments will in all circumstances generate sufficient Proceeds to make timely payments of stated interest on the Notes and the LIBOR CP Notes or amounts subordinated thereto. There is no assurance that any interest rate hedge will provide the necessary interest rate protection to the Notes and the LIBOR CP Notes or that the cashflow hedge will solve all timing mismatches.

The notional amounts in the Interest Rate Swap Agreements will be based on amortization schedules derived from the anticipated amortization of those Collateral Assets that are Fixed Rate Assets that the Issuer expects to own as of the Closing Date. The amortization schedules will be designed such that on the Closing Date and thereafter on each Measurement Date, the aggregate notional amount under such Interest Rate Swap Agreements will be slightly less than (i) the outstanding scheduled principal amount of the Notes scheduled to be outstanding on the related trade date less (ii) the outstanding principal amount of Collateral Assets that pay interest pursuant to a floating rate on such date. The Collateral Profile Tests restrict the amount of Floating Rate Assets and Floating Rate Securities that can be purchased. There can be no assurance that the actual amortization of the Collateral Assets will correspond to the anticipated amortization on which the Interest Rate Swap Agreements will be based. The Collateral Assets are subject to prepayment and extension risk which may result in a further mismatch between the cash flow anticipated on the Collateral Assets and any Hedge Agreements. See "—Certain Conflicts of Interest."

Except for Deemed Floating Asset Hedges and Deemed Fixed Asset Hedges with the initial Interest Rate Swap Counterparty, the Issuer may only enter into or terminate a Hedge Agreement if the Applicable Rating Agency Condition is satisfied. In the event a Hedge Agreement is terminated, the Issuer has agreed to use reasonable efforts to enter into a substitute Hedge Agreement unless the Applicable Rating Agency Condition would not be satisfied by a substitute Hedge Agreement, but there is no assurance that a substitute will be found or that the Applicable Rating Agency Condition will be satisfied. Any termination of a Hedge Agreement, whether in whole or in part, may require the Issuer to pay termination payments to the Hedge Counterparty, which amounts are payable in accordance with the Priority of Payments prior to any payments on the Notes and the CP Notes if the Issuer terminates the Hedge Agreement.

Because the Collateral Assets are subject to prepayment and extension risk, the notional amounts under the Interest Rate Swap Agreements from time to time may be greater or lower than the outstanding principal amount of Collateral Assets that the Interest Rate Swap Agreements were intended to hedge. Such an imbalance could require the Issuer to make payments to the Interest Rate Swap Counterparties that exceed the amounts earned from the Collateral Assets unless the Interest Rate Swap Agreements are partially terminated. A partial termination of an Interest Rate Swap Agreement may require that the Issuer pay a termination payment to the Interest Rate Swap Counterparty, which would reduce the Proceeds available for payment on the Notes and the CP Notes and may prevent the Applicable Rating Agency Condition from being satisfied, which would prevent the Issuer from effecting a partial termination. The Issuer may also enter into offsetting Interest Rate Swap Agreements, subject to satisfaction of the Applicable Rating Agency Condition and subject to the constraints imposed by AIG FP,

as the initial Interest Rate Swap Counterparty, pursuant to which the Interest Rate Swap Counterparty will agree to pay to the Issuer an amount equal to interest on the notional amount at a fixed interest rate specified therein and the Issuer will agree to pay the Interest Rate Swap Counterparty an amount equal to interest on the notional amount at LIBOR. To the extent the fixed rate received under the offsetting Interest Rate Swap Agreement is lower than the fixed rate paid under the initial Interest Rate Swap Agreement, there will be less Proceeds available for payments on the Notes.

The Issuer's ability to meet its obligations on the Notes will largely depend on the ability of the Hedge Counterparties to meet their respective obligations under the Hedge Agreements. In the event a Hedge Counterparty defaults or a Hedge Agreement is terminated, there can be no assurance that the amounts received from the Collateral Assets will be sufficient to provide for full payments due and payable on the Notes, or that amounts otherwise distributable to the Holders of the Subordinated Notes will not be reduced.

In the event of the insolvency of a Hedge Counterparty, the Issuer will be treated as a general creditor of such Hedge Counterparty. Consequently, the Issuer will be subject to the credit risk of each Hedge Counterparty. As a result, concentrations of Hedge Agreements in any one Hedge Counterparty subject the Notes to an additional degree of risk with respect to defaults by such Hedge Counterparty.

AIG Financial Products Corp. will be the initial Interest Rate Swap Counterparty and the initial Cashflow Swap Counterparty. Any Interest Rate Swap Counterparty or Cashflow Swap Counterparty may act as a Currency Swap Counterparty (subject to certain rating constraints), which may create certain conflicts of interest.

Prospective Purchasers of the Notes should consider and assess for themselves the likelihood of a default by the Hedge Counterparties, as well as the obligations of the Issuer under the Hedge Agreements, including the obligation to make termination payments to any Hedge Counterparties, and the likely ability of the Issuer to terminate or reduce any Hedge Agreements or enter into additional Hedge Agreements.

Collateral Assets Denominated in Non-U.S. Currencies. Investments in Collateral Assets denominated in non-U.S. Dollars create currency exchange risks for the Issuer (including the inability to repatriate currency, devaluation and non-exchangeability). In addition, Collateral Assets denominated in non-U.S. Dollars are likely to be issued by non-U.S. obligors and also involve risks unique to investments in obligations of foreign issuers. See "—International Investing" below. Because the Issuer will calculate its income in U.S. Dollars and will pay the Notes in U.S. Dollars, the Issuer will at the direction of the Investment Advisor enter into one or more Currency Swap Agreements with Currency Swap Counterparties in order to hedge the risks associated with exchange rate fluctuations if it purchases Collateral Assets which are not denominated in U.S. Dollars. However, the amount and timing of distributions on Non-U.S. Dollar Denominated Assets may not match the anticipated payments hedged by the Currency Swap Agreements, which would leave the amounts available to make payments on the Notes subject to risks from exchange rate fluctuations.

The Principal Balance of a Non-U.S. Dollar Denominated Asset will be an amount equal to the product of the outstanding balance of such Collateral Asset and the exchange rate set forth in the applicable Currency Swap Agreement. Because the notional amount of each Currency Swap Agreement is not linked directly to the principal balance of a Non-U.S. Dollar Denominated Asset, there can be no assurance that the notional amount of each Currency Swap Agreement will not at any time be less than or more than the outstanding principal amount of the applicable Non-U.S. Dollar Denominated Assets. If the prevailing "spot" rate on the spot market is less favorable to the Issuer than the rate established in the applicable Currency Swap Agreement, the calculation of the Principal Balance of the related Non-U.S. Dollar Denominated Asset may not represent the Issuer's actual foreign currency exposure, and correspondingly, the Aggregate Principal Amount, the denominator of each Collateral Profile Test and the Collateral Quality Tests may be overstated or understated when compared to the Issuer's actual exposure to the related foreign currency. Consequently, if such a mismatch exists the Issuer may have less U.S. Dollars available on the related Payment Date to satisfy its obligations under the Priority of Payments.

In addition, non-performance by any Currency Swap Counterparty of its obligations under the applicable Currency Swap Agreement could expose the Issuer to losses. If any Currency Swap Counterparty fails to make the payments required to be made by it under the related Currency Swap Agreement or if a Currency Swap Agreement is terminated (other than a termination or partial termination resulting from a payment in respect of the principal amount of any related Non-U.S. Dollar Denominated Assets), the amounts receivable from Non-U.S. Dollar Denominated Assets will be subject to the risk associated with exchanging the foreign currency collections received on Non-U.S. Dollar Denominated Assets into U.S. Dollars at then-available exchange rates until a replacement Currency Swap Agreement is executed. Conversion at the then available exchange rates may adversely affect the results of the required Class A/B Coverage Tests and the ability of the Issuer to make payments on the Notes.

International Investing. A portion of the Collateral Assets may consist of obligations of an issuer organized under the laws of the Bahamas, Bermuda, the Cayman Islands, the Channel Islands, Ireland, the Netherlands Antilles or any other commonly used domicile for structured product transactions or obligations of a Qualifying Foreign Obligor. Moreover, subject to compliance with certain of the Eligibility Criteria described herein, collateral securing some Collateral Assets 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. Moreover, foreign companies are not subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies.

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 Asset 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 Asset due to settlement problems could result either in losses to the Issuer due to subsequent declines in the value of such Collateral Asset 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 (which may make it more difficult to pay U.S. Dollar-denominated obligations such as the Collateral Assets). 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.

Lender Liability Considerations; Equitable Subordination. In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lenders or bondholders on the basis of various evolving legal theories (collectively, termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender or bondholder has violated a duty (whether implied

or contractual) of good faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or shareholders. Although it would be a novel application of the lender liability theories, the Issuer may be subject to allegations of lender liability. However, the Investment Advisor does not intend to engage in conduct that would form the basis for a successful cause of action based upon lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." Because of the nature of the Collateral Assets, the Issuer may be subject to claims from creditors of an obligor that Collateral Assets issued by such obligor that are held by the Issuer should be equitably subordinated. However, the Investment Advisor does not intend to engage in conduct that would form the basis for a successful cause of action based upon the equitable subordination doctrine.

The preceding discussion is based upon principles of United States federal and state laws. Insofar as Collateral Assets that are obligations of non-United States obligors are concerned, the laws of certain foreign jurisdictions may impose liability upon lenders or bondholders under factual circumstances similar to those described above, with consequences that may or may not be analogous to those described above under United States federal and state laws.

Securities Lending. The Collateral Assets may be loaned to banks, broker-dealers or other financial institutions (other than insurance companies), subject to the limitations set forth in the Investment Advisory Agreement. Any such loan must have a term of 90 days or less, and any borrower of Collateral Assets must (i) have a short-term senior unsecured debt rating or a guarantor with such rating of at least "P-1" by Moody's or a long-term rating or a guarantor with such rating at the time of the loan of at least "A1" from Moody's and (ii) have a short-term senior unsecured debt rating or a guarantor with such rating of at least "A-1+" from S&P and "F1+" from Fitch; *provided* that in each case the Moody's and S&P ratings shall be Actual Ratings. See "Security for the Notes—Purchase of Collateral Assets." Such loans will be required to be secured by cash or securities issued or guaranteed by the United States of America or any agency or instrumentality thereof, the obligations of which are expressly backed by the full faith and credit of the United States of America, in an amount at least equal to 102% of the market value of the loaned Collateral Assets, determined daily. However, in the event that the borrower of a loaned Collateral Asset defaults on its obligation to return such loaned Collateral Asset because of insolvency or otherwise, the Issuer could experience delays and costs in gaining access to the collateral posted by the borrower (and in extreme circumstances could be restricted from selling the collateral). In the event that the borrower defaults, the Holders of the Notes could suffer a loss to the extent that the realized value of the cash or securities securing the obligation of the borrower to return a loaned Collateral Asset (less expenses) is less than the amount required to purchase such Collateral Asset in the open market. This shortfall could be due to, among other things, discrepancies between the mark-to-market and actual transaction prices for the loaned Collateral Assets arising from limited liquidity or availability of the loaned Collateral Assets and, in extreme circumstances, the loaned Collateral Assets being unavailable at any price. The Rating Agencies may downgrade any of the Notes if a borrower of a Collateral Asset or, if applicable, the entity guaranteeing the performance of such borrower, has been downgraded by any of the Rating Agencies such that the Issuer is not in compliance with the Securities Lending Counterparty rating requirements. It is expected that the Initial Purchaser and/or one or more of its affiliates, with acceptable credit support arrangements, if necessary, may borrow Collateral Assets, which may create certain conflicts of interest. See "—Certain Conflicts of Interest."

Other Considerations

The Put Agreement; Conditions to Exercise of Put Option. The Put Option in respect of the CP Notes will be exercised on the date when: (i) the Issuers are not able to issue, sell or place new CP Notes having a tenor not exceeding nine months and a discount or interest rate less than or equal to the Maximum Put Option Strike Rate in an amount at least equal to the face amount of maturing CP Notes less amounts in the CP Discount Reserve Account (including the amount of any Put Counterparty Deposit Amount (as defined below) but excluding any withdrawals made or to be made from the CP Discount Reserve Account on such date) and the CP Principal Reserve Account, (ii) the short-term rating of the Put Counterparty is downgraded below "A-1" or "P-1" by S&P or Moody's, respectively, effective credit support is not posted in accordance with the Put Agreement, the Put Counterparty is not replaced in accordance with the Put Agreement, and Goldman, Sachs & Co. is the sole CP Note Placement Agent, (iii) a payment default has occurred with respect to the Class A Notes or the CP Notes, solely as a result of a failure by AIG FP to make a payment under a Hedge Agreement, (iv) an early termination condition exists under the Put Agreement as a consequence of the occurrence of an event of default or termination event thereunder for which the Put Counterparty is the defaulting or affected party, (v) the Put Counterparty, in its sole discretion, elects to terminate the Put Agreement in whole or in part or (vi) a prospective purchaser of CP Notes to be placed on any date fails in its obligation to pay the cash purchase price for such CP Notes it was obligated to purchase on such date. Each of the following conditions must be satisfied to exercise the Put Option: (1) no bankruptcy or insolvency default under the Trust Deed has occurred with respect to either Co-Issuer, (2) the amounts due to be paid to the Put Counterparty by the Issuer under the Put Agreement have been paid and (3) there is no, and there has not been any, Defaulted Interest on the Class A Notes or the LIBOR CP Notes or any default in the payment of discount on the other CP Notes (except if such Defaulted Interest or such default in the payment of discount on the other CP Notes resulted solely from AIG FP failing to make a payment under a Hedge Agreement). Notwithstanding the foregoing, the Put Option will not be exercised if, upon the occurrence of either condition described in clause (i) or (vi) above, the Issuer is able to issue CP Notes having a discount rate that is less than or equal to the Maximum Put Option Strike Rate on or before the date of settlement of such Put Option. The Put Counterparty will be permitted to make deposits to the CP Discount Reserve Account in an amount (the "Put Counterparty Deposit Amount") sufficient to prevent the Put Option from being exercised under certain conditions. If the Put Counterparty does make such a deposit, discount on the issued CP Notes may in certain cases, exceed the Maximum Put Option Strike Rate. The Put Counterparty is not entitled to be reimbursed for any such deposits. The Put Agreement is subject to typical ISDA default and termination provisions. In the event that the conditions to exercise the Put Option are not satisfied or the Put Counterparty does not, or is not able to, perform its obligations under the Put Option, the sole source that the Issuers may use to make payments on maturing CP Notes will be proceeds from the Collateral Assets, Eligible Investments, the Cashflow Swap Agreement and amounts on deposit in the Collection Account and the CP Reserve Accounts according to the Priority of Payments. In the event the Put Counterparty is downgraded, it has no obligation to replace itself or collateralize under the Put Agreement.

Voting Rights Held by Put Counterparty. The terms of the various Transaction Documents entitle the Put Counterparty to exercise certain voting rights on behalf of the CP Notes, pertaining to, among other things, the Collateral as described herein, subject to any applicable provision of law and any applicable provisions of such Transaction Documents.

Changes in Tax Law; No Gross-Up; U.S. Federal Income Tax Treatment of Issuer; U.S. Federal Income Tax Classification of the Subordinated Notes. Under the Eligibility Criteria, a Collateral Asset will be eligible for purchase by the Issuer if, at the time it is purchased, either the payments thereon are not subject to withholding taxes imposed by any jurisdiction of more than 15% of the interest amounts payable on the Collateral Asset or the obligor is required to make "gross-up" payments that cover the full amount of any such withholding taxes. In the case of Collateral Assets issued by U.S. obligors after July 18, 1984, payments thereon generally are exempt under current United States tax law from the imposition of United States withholding tax. However, there can be no assurance that, as a result of any change in any applicable law, treaty, rule or regulation or interpretation thereof, the payments on the Collateral

Assets would not in the future become subject to additional withholding taxes imposed by the United States of America or another jurisdiction. In that event, if the obligors of such Collateral Assets were not then required to make "gross-up" payments that cover the full amount of any such withholding taxes, the amounts available to make payments on, or distributions to, the Holders of the Notes would accordingly be reduced. There can be no assurance that remaining payments on the Collateral would be sufficient to make timely payments of interest on and payment of principal at the Stated Maturity of each Class of the Notes and to make any distributions to the Subordinated Notes.

In the event that any withholding tax is imposed on payments on the Notes, the Holders of such Notes will not be entitled to receive "grossed-up" amounts to compensate for such withholding tax. In addition, upon the occurrence of a Tax Event, the Issuer may on any Payment Date, whether during or after the Non-Call Period, simultaneously redeem in whole but not in part, at the Tax Redemption Prices specified herein, the Notes in accordance with the procedures described in the Trust Deed.

Generally, a non-U.S. corporation is subject to U.S. federal income tax on a net income basis (and also may be subject to a branch profits tax of 30%) in respect of earnings of the corporation that are effectively connected with its conduct of a U.S. trade or business. The Issuer plans to operate in a manner that does not cause it to be engaged in the conduct of a U.S. trade or business. However, the U.S. federal income tax treatment of the Issuer will not be entirely free from doubt, and the activities of the Issuer could be affected by subsequent events. If the Issuer were found to be engaged in a U.S. trade or business, the imposition of U.S. taxes described above would materially affect the Issuer's financial ability to make payments with respect to the Notes.

The Subordinated Notes will be treated as equity (and not debt) for U.S. federal income tax purposes. See "Income Tax Considerations—Treatment of U.S. Holders of the Subordinated Notes."

For additional tax considerations, see "Income Tax Considerations. "

ERISA. See "ERISA Considerations."

Lack of Operating History. The Issuer is a newly organized entity and has no significant prior operating history. Accordingly, the Issuer does not have a performance history for a prospective investor to consider.

Investment Company Act. Neither of the Issuers has registered with the United States Securities and Exchange Commission (the "SEC") as an investment company pursuant to the Investment Company Act. The Issuer has not so registered in reliance on an exception for investment companies organized under the laws of a jurisdiction other than the United States whose investors resident in the United States are solely Qualified Purchasers or solely in the case of the Subordinated Notes, Knowledgeable Employees and which do not make a public offering of their securities in the United States. Counsel for the Issuers will opine, in connection with the sale of the Notes by the Initial Purchaser, that neither the Issuer nor the Co-Issuer is on the Closing Date an investment company required to be registered under the Investment Company Act (assuming, for the purposes of such opinion, that the Notes are sold by the Initial Purchaser in accordance with the terms of the Purchase Agreement). No opinion or no-action position has been requested of the SEC.

If the SEC or a court of competent jurisdiction were to find that the Issuer or the Co-Issuer is required to register as an investment company, possible consequences include, but are not limited to, the SEC applying to enjoin the violation, investors suing the Issuer or the Co-Issuer, as applicable, to recover any damages caused by the violation and any contract to which the Issuer or the Co-Issuer, as applicable, is a party made in violation or whose performance involves a violation of the Investment Company Act being unenforceable unless enforcing such contract would produce a more equitable result. Should the Issuer or the Co-Issuer be subjected to any or all of the foregoing or to any other consequences, the Issuer or the Co-Issuer, as the case may be, would be materially and adversely affected.

The Notes are only permitted to be transferred to Qualified Institutional Buyers in transactions meeting the requirements of Rule 144A or, solely in the case of the Subordinated Notes, to Accredited Investors in transactions exempt from registration under the Securities Act, or in an offshore transaction, to a non-U.S. Person, complying with Rule 903 or Rule 904 of Regulation S. The Notes being offered in the United States are being offered only to persons that are also Qualified Purchasers or solely with respect to the Subordinated Notes, Knowledgeable Employees. Any non-permitted transfer will be voided and the Issuers can require the transferee to sell its Notes to a permitted transferee. See "Description of the Notes—Form of the Notes" and "Notice to Investors."

Credit Ratings. Credit ratings of debt securities represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value, therefore, they may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of the Collateral Assets will be used by the Investment Advisor only as preliminary indicators of investment quality.

Document Repository. Pursuant to the Trust Deed and the Security Agreement, the Issuer will consent to the posting of this Confidential Offering Circular, the Trust Deed, the Security Agreement and certain periodic reports required to be delivered pursuant to the Transaction Documents, together with any amendments or modifications thereto, to the internet-based password protected electronic repository of transaction documents relating to privately offered and sold collateralized debt obligation securities located at "www.cdolibrary.com".

Emerging Requirements of the European Community. As part of the harmonization of securities markets in Europe, the European Commission has adopted a directive known as the Prospectus Directive and is scheduled to adopt a directive known as the Transparency Directive as early as mid-2004 that, among other things, will regulate issuers of securities that are offered to the public or admitted to trading on a European Union regulated market. The European Commission also is expected to consider other directives, including a directive known as the Market Abuse Directive, which would affect issuers of securities listed on a European Union stock exchange. The listing of Notes on any European Union stock exchange would subject the Issuer to regulation under these directives, although the requirements applicable to the Issuer are not yet fully clarified. The Trust Deed will not require the Issuer to apply for, list or maintain a listing for any Class of Notes on a European Union stock exchange if compliance with these directives (or other requirements adopted by the European Commission or a relevant member state) becomes burdensome in the sole judgment of the Investment Advisor. Should the Notes be delisted from any exchange, the ability of the holders of such Notes to sell such Notes in the secondary market may be negatively impacted.

Certain Conflicts of Interest

Certain Conflicts of Interest Involving the Initial Purchasers. Various potential and actual conflicts of interest may arise from the conduct by the Initial Purchasers and their affiliates in other transactions with the Issuer, including, without limitation, acting as counterparty with respect to any Hedge Agreements, Securities Lending Agreements and Synthetic Securities. The Initial Purchasers will each initially act as a CP Note Placement Agent under the CP Placement Agreements. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

It is expected that Goldman, Sachs & Co. and/or its affiliates and selling agent will have placed or underwritten certain of the Collateral Assets at original issuance, will own equity or other securities of issuers of or obligors on Collateral Assets and will have provided investment banking services, advisory, banking and other services to issuers of Collateral Assets. From time to time, the Investment Advisor on behalf of the Issuer may purchase or sell Collateral Assets through Goldman, Sachs & Co. and/or any of its affiliates (collectively, "Goldman Sachs"). The Issuer may invest in the securities of companies affiliated with Goldman Sachs and/or any of its respective affiliates or in which Goldman Sachs and/or any of their respective affiliates have an equity or participation interest. The purchase, holding and sale of

such investments by the Issuer may enhance the profitability of Goldman Sachs' and/or any of its affiliates' own investments in such companies. In addition, it is expected that one or more affiliates of Goldman Sachs may also act as counterparty with respect to one or more Synthetic Securities or Securities Lending Agreements. The Issuer may invest in money market funds that are managed by TCW or Goldman Sachs or their respective affiliates; *provided* that such money market funds otherwise qualify as Eligible Investments. Goldman Sachs and/or a consolidated entity controlled by Goldman Sachs or an affiliate thereof intends to provide "warehouse" financing to the Issuer prior to the Closing Date. See "—Notes—Collateral Accumulation."

Various potential and actual conflicts of interest may also arise from the conduct by Calyon Securities (USA) Inc. and its affiliates, including CALYON, of other transactions with the Issuer, including, without limitation, acting as an Initial Purchaser and acting as a counterparty with respect to the Put Agreement, any Hedge Agreements, Securities Lending Agreements and Synthetic Securities. Calyon Securities (USA) Inc. will also act as an initial CP Note Placement Agent under the CP Note Placement Agency Agreement.

There is no limitation or restriction on the Initial Purchasers or any of their affiliates with regard to acting as investment advisor, initial purchaser or placement agent (or in a similar role) to other parties or persons. This and other future activities of the Initial Purchasers and/or their respective affiliates may give rise to additional conflicts of interest.

Conflicts of Interest Involving the Investment Advisor. Various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of the Investment Advisor, its affiliates or any funds managed by them and their respective clients and employees. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

Notwithstanding certain provisions of the Advisers Act, and internal policies of the Investment Advisor, that are meant to reduce the possibility of, or effect of, conflicts of interest, the size and scope of activities of the Investment Advisor create various potential and actual conflicts of interest that may arise from the advisory, investment and other activities of the Investment Advisor, its affiliates and their respective clients and employees.

Various potential and actual conflicts of interest may arise from the overall investment activity of the Investment Advisor and/or its affiliates. The Investment Advisor and its affiliates may invest, for their own account or for accounts for which they have investment discretion, in securities that would be appropriate investments for the Issuer; such investments may be the same as or different from those made on behalf of the Issuer. The Investment Advisor 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 or opportunity to other funds or accounts that the Investment Advisor or its affiliates manage or advise. In addition, Affiliates and clients of the Investment Advisor may invest in securities (or make loans) that are senior to, or have interests different from or adverse to, the Collateral Assets. The Investment Advisor may at certain times be simultaneously seeking to purchase or sell investments for the Issuer and any similar entity for which the Investment Advisor serves as manager in the future, or for its clients or affiliates. The effects of some of these actions may be adverse to the market from which the Investment Advisor seeks to buy, or to which the Investment Advisor seeks to sell, securities on behalf of the Issuer.

The Investment Advisor and its affiliates may also have equity and other investments in, may be lenders to, and may have other ongoing relationships with, the issuers of the Collateral Assets and may have provided advisory and other services to issuers of Collateral Assets. As a result, officers or affiliates may possess information relating to the Collateral Assets that is not known to the individuals at the Investment Advisor responsible for monitoring the Collateral Assets and performing other obligations under the Investment Advisory Agreement.

No provision in the Investment Advisory Agreement prevents the Investment Advisor 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 and its affiliates, the Trustee, the Holders of the Notes and the Hedge

Counterparties. Without limiting the generality of the foregoing, the Investment Advisor, its affiliates and their directors, officers, employees and agents may, among other things: (a) serve as directors, partners, officers, employees, agents, nominees or signatories for any issuer of any obligation included in the Collateral; (b) receive fees for services rendered to the issuer of any obligation included in the Collateral or any affiliate thereof; (c) be retained to provide services unrelated to the Investment Advisory 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; (e) sell any Collateral Asset or Eligible Investment to, or purchase any Collateral Asset from, the Issuer while acting in the capacity of principal or agent; and (f) 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 Obligation. Services of this kind may lead to conflicts of interest within the Investment Advisor, and may lead individual officers or employees of the Investment Advisor to act in a manner adverse to the Issuers.

The Investment Advisor and its affiliates currently provide and, in the future, will continue to provide services including advisory services to, investing in, lending to, or being affiliated with, clients that include issuers of securities similar to or the same as the Collateral Assets and affiliates of such issuers. In providing services to other clients, the Investment Advisor and its affiliates may recommend activities that would compete with or otherwise adversely affect the Issuer. In the course of managing the Collateral Assets held by the Issuers, the Investment Advisor may consider its relationships with other clients (including companies the securities of which are pledged to secure the Notes and the CP Notes) and its affiliates. The Investment Advisor may decline to make a particular investment for the Issuer in view of such relationships. In connection with business activities with or on behalf of others, the Investment Advisor 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 Investment Advisor may furnish investment management and advisory services to others that may have investment policies similar to those followed by the Investment Advisor with respect to the Issuer and that may own securities of the same class, or which are the same type, as the Collateral Assets. The Investment Advisor is under no obligation to make consistent recommendations to, or to effect similar transactions for, all or any of its clients.

In connection with its activities, the Investment Advisor and its affiliates may from time to time come into possession of material non-public information that limits the ability of the Investment Advisor to make an investment, and the Issuer's investments may be constrained as a consequence of the Investment Advisor's inability to use such information for advisory purposes or otherwise to take actions that would be in the best interest of the Issuer. In addition to legal prohibitions on the use of certain information, the Investment Advisor also has the option to refrain from directing the purchase or sale of securities issued by persons of which the Investment Advisor, its affiliates or any of its or their officers, directors or employees are directors or officers or persons for which the Investment Advisor or its affiliates act as financial adviser or underwriter. If the Investment Advisor exercises that option, the Issuer will forego the opportunities presented by such purchase or sale.

The Investment Advisor may also, at certain times, be seeking to effect purchases and sales of assets on behalf of the Issuer and on behalf of other clients for whom it serves as investment advisor or for any other clients or affiliates. The Investment Advisor may aggregate sales and purchase orders of securities placed with respect to the Collateral with similar orders being made simultaneously for other clients or other accounts managed by the Investment Advisor or with accounts of the affiliates of the Investment Advisor, if in the Investment Advisor's judgment such aggregation will result in an overall economic benefit to the Issuer, taking into consideration the advantageous selling or purchase price, brokerage commission and other expenses. However, no provision of the Investment Advisory Agreement requires the Investment Advisor or its affiliates to execute orders as part of concurrent authorizations or to aggregate orders.

In the selection of brokers and dealers, the Investment Advisor may take into account considerations other than the price offered by such brokers and dealers, including method and timing of trade execution, general market trends, research and other brokerage services furnished to the Investment Advisor or its affiliates by brokers and dealers. Benefits received by the Investment Advisor

that serve as the basis for using a particular broker or dealer may not accrue directly to the Issuer, and may be used by the Investment Advisor in connection with the Investment Advisor's other advisory services or investment operations.

The Investment Advisor, its affiliates, and funds or accounts for which the Investment Advisor or its affiliates act as an investment advisor may at times own Notes and CP Notes. The Investment Advisor may have a conflict of interest as between the interests of the Issuer and of any fund or account that owns Notes and CP Notes and for which it or an affiliate acts as an investment advisor. In addition, the Investment Advisor may rebate a portion of its Investment Advisor Fee, to any account which owns Notes and CP Notes and for which the Investment Advisor acts as investment advisor. It should not be assumed that the Investment Advisor, its affiliates and funds or accounts for which the Investment Advisor or its affiliates act as an investment advisor that may purchase Notes and/or CP Notes on the Closing Date will continue to hold the Notes and/or the CP Notes.

The Issuer, acting through the Investment Advisor, may engage in securities transactions with any affiliate of the Investment Advisor, in particular those of the affiliates of the Investment Advisor, other than The TCW Group, Inc. or any of its direct or indirect subsidiaries (referred to herein as "Permitted Affiliates"). Subject to the provisions of the Transaction Documents, including the Investment Advisory Agreement, the Investment Advisor will be permitted to acquire a security or an obligation on behalf of the Issuer to be included in the Collateral from its Permitted Affiliates as principal or agent, or from funds or accounts for which any Permitted Affiliate acts as investment advisor, or to sell an obligation to the Permitted Affiliates of the Investment Advisor as principal or agent or to funds or accounts for which any Permitted Affiliate acts as investment advisor. In addition, it is possible that, subject to the provisions of the Transaction Documents, including the Investment Advisory Agreement, the Investment Advisor may acquire an obligation on behalf of the Issuer to be included in the Collateral from itself or from any of its affiliates that are not Permitted Affiliates, or sell an obligation on behalf of the Issuer to itself or to any of its affiliates that are not Permitted Affiliates.

In the foregoing situations, the Investment Advisor and its Permitted Affiliate or other affiliate may have a potentially conflicting division of loyalties and responsibilities regarding both parties in the transaction. If an affiliate of the Investment Advisor acts as broker in an agency cross transaction, such person may receive commissions from one or both of the parties in the transaction. While the Investment Advisor anticipates that any such commissions charged will be at competitive market rates, the Investment Advisor may have interests in such transactions that are adverse to those of the Issuer, such as an interest in obtaining favorable commissions.

At any given time, the Investment Advisor and its affiliates will not be entitled to vote the Notes and/or the CP Notes held by any of the Investment Advisor, its affiliates or accounts for which the Investment Advisor or its affiliates act as investment advisor (and for which the Investment Advisor or such affiliate has discretionary authority) with respect to the removal of the Investment Advisor or termination or assignment of the Investment Advisory Agreement, or any amendment or other modification of the Investment Advisory Agreement or the Security Agreement increasing the rights or decreasing the obligations of the Investment Advisor. However, the Investment Advisor and its affiliates will be entitled to vote the Notes and/or the CP Notes held by them and by such accounts with respect to all other matters. The interests of the Investment Advisor may not in all cases be aligned with those of the Holders of the Notes and the CP Notes.

It is also possible that one or more affiliates of the Investment Advisor may also act as counterparty with respect to one or more Synthetic Securities or Securities Lending Agreements.

Anti-Money Laundering Provisions. The Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act"), signed into law on and effective as of October 26, 2001, imposes anti-money laundering obligations on different types of financial institutions, including banks, broker-dealers and investment companies. The USA PATRIOT Act requires the Secretary of the United States Department of the Treasury (the "Treasury") to prescribe regulations to define the types of investment companies subject to the USA

PATRIOT Act and the related anti-money laundering obligations. It is not clear whether Treasury will require entities such as the Issuer to enact anti-money laundering policies. It is possible that Treasury will promulgate regulations requiring the Issuers, the Initial Purchasers or other service providers to the Issuers, in connection with the establishment of anti-money laundering procedures, to share information with governmental authorities with respect to investors in the Notes and/or the Preferred Shares. Such legislation and/or regulations could require the Issuers to implement additional restrictions on the transfer of the Notes. As may be required, the Issuer reserves the right to request such information and take such actions as are necessary to enable it to comply with the USA PATRIOT Act.

The Issuer and the Issuer Administrator are subject to anti-money laundering laws and regulations in the Cayman Islands which impose specific requirements with respect to the obligation "to know your client." Except in relation to certain categories of institutional investors, the Issuer will require a detailed verification of each initial investor's identity and the source of the payment used by such investor for purchasing the Notes in a manner similar to the obligations imposed under the laws of other major financial centers. If the Cayman Islands authorities determined the Issuer was in violation of the anti-money laundering provisions, the Issuer could be subject to substantial criminal penalties. Payment of any such penalties could materially adversely affect the timing and amount of payments to Holders of the Notes.

The Issuer. The Issuer is a recently incorporated Cayman Islands exempted limited liability company and has no substantial prior operating history other than in connection with the acquisition of certain Collateral Assets that meet the Eligibility Criteria prior to the issuance of the Notes and the engagement of the Investment Advisor and the entering into of arrangements with respect thereto. The Issuer will have no significant assets other than the Collateral Assets, Eligible Investments, rights under the Hedge Agreements and certain other accounts and agreements entered into as described herein, and proceeds thereof, 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 Notes and the CP Notes as described herein, the issuance of the Ordinary Shares, the acquisition and disposition of, and investment and reinvestment in, Collateral Assets and Eligible Investments as described herein, the entering into of, and the performance of its obligations under, the Security Agreement, the Note Agency Agreement, the Trust Deed, the Hedge Agreements, the Put Agreement, the Account Control Agreement, the Investment Advisory Agreement, the Collateral Administration Agreement, any other applicable Transaction Document, the pledge of the Collateral as security for its obligations in respect of the Notes and the CP 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 Notes and the management of the Collateral and other activities incidental to the foregoing. Income derived from the Collateral Assets and other Collateral will be the Issuer's only source of cash.

The Co-Issuer. The Co-Issuer is a newly incorporated Delaware corporation and has no prior operating history. The Co-Issuer does not have and will not have any significant assets. The Co-Issuer will not engage in any business activity other than the co-issuance of the Notes and the CP Notes.

DESCRIPTION OF THE NOTES

The Class A Notes and the Class B Notes will be issued by the Issuers and the Subordinated Notes will be issued by the Issuer, pursuant to, constituted by, and have the benefit of, the Trust Deed, will be subject to the Note Agency Agreement and will be secured pursuant to the Security Agreement. The following summary describes certain provisions of the Notes, the Note Agency Agreement, the Trust Deed, the Security Agreement and the Put Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Notes, the Note Agency Agreement, the Trust Deed, the Security Agreement and the Put Agreement. Copies of the Note Agency Agreement, the Trust Deed, the Security Agreement and the Put Agreement may be obtained by prospective purchasers of the Notes upon request in writing to the Note Paying Agent at LaSalle Bank National Association, 135 South LaSalle Street, Suite 1625, Chicago, IL, 60603, Attention: CDO Trust Services Group, Davis Square Funding III, Ltd. (telephone number (312) 904-0908), and, so long as any

Notes are listed on any stock exchange, the Note Agency Agreement, the Trust Deed and the Security Agreement will be available for inspection upon prior reasonable notice free of charge from the office of the Trustee or the Listing and Paying Agent.

Status and Security

Under the terms of the Security Agreement, the Issuer will grant to the Collateral Agent and the CP Issuing and Paying Agent, as applicable, for the benefit and security of the Trustee on behalf of the Holders of the Notes and the CP Notes, the Hedge Counterparties, the Put Counterparty, the CP Note Placement Agents, the CP Issuing and Paying Agent and the Investment Advisor (collectively, the "Secured Parties"), a first priority security interest (other than with respect to the Default Swap Collateral Account) in certain of its assets that is free of any adverse claim to secure the Issuer's obligations with respect to the Notes and the CP Notes under, as applicable, the Trust Deed, the Note Agency Agreement, the Security Agreement, the CP Issuing and Paying Agency Agreement, the Put Agreement, the CP Placement Agreements, each Hedge Agreement and the Investment Advisory Agreement (the "Secured Obligations"). The assets which will be subject to the security interest of the Security Agreement will consist of (i) the Collateral Assets; (ii) the Collection Account; (iii) the Payment Account and the Note Payment Account (*provided* that the Note Payment Account may be a subaccount of the Payment Account); (iv) the Securities Lending Account (subject to the rights of the Securities Lending Counterparties); (v) the Hedge Termination Receipts Account and the Hedge Replacement Account (subject, in each case, to the rights of the Hedge Counterparties); (vi) the Expense Reserve Account; (vii) the Collateral Account; (viii) the Put Collateral Account; (ix) the CP Discount Reserve Account and the CP Principal Reserve Account (pledged only for the benefit of the Holders of the CP Notes); (x) the Hedge Collateral Account (subject to the rights of the Hedge Counterparties); (xi) the Synthetic Security Collateral Account and the Default Swap Collateral Account (subject to the rights of the Synthetic Security Counterparties) (items (ii) through (xi), the "Accounts"); (xii) Eligible Investments; (xi) the Issuer's rights under any Interest Rate Swap Agreements; (xii) the Issuer's rights under any Cashflow Swap Agreements; (xiii) the Issuer's rights under any Currency Swap Agreements; (xiv) the Issuer's rights under any Securities Lending Agreements; (xv) the Issuer's rights under the Investment Advisory Agreement; (xvi) the Issuer's rights under the Collateral Administration Agreement; (xvii) the Issuer's rights under the Put Agreement (*provided* that the Issuers' rights under the Put Agreement will be granted to the CP Issuing and Paying Agent for the benefit of the Holders of the CP Notes only, and not for the benefit of any other party), (xviii) the Issuer's rights under the CP Placement Agreements; (xvii) all money (as defined in the Uniform Commercial Code) delivered to the Collateral Agent; (xviii) all securities, investments and agreements of any nature in which the Issuer has an interest (except for the Issuer's bank account in the Cayman Islands and the proceeds of the Issuer Ordinary Shares and any transaction fees paid to the Issuer for issuing the Notes and the CP Notes which shall be deposited therein and any interest thereon or proceeds thereof); and (xix) all proceeds of the foregoing (collectively, the "Collateral").

Payments due on the CP Notes, payments of interest on and principal of the Notes and distributions to Holders of the Subordinated Notes will be made by the Issuer solely from the proceeds of the Collateral and the CP Reserve Accounts in accordance with the Priority of Payments.

The aggregate amount that will be available for payments required or permitted to be made on the CP Notes, the Notes and fees and expenses owed by the Issuers on any Payment Date will be the sum of (i) the Proceeds received during the period (a "Due Period") ending on (and including) the fifth Business Day prior to such Payment Date (or, in the case of a Due Period that is applicable to the Payment Date relating to the Stated Maturity of any Note, ending on (and including) the day preceding such Payment Date) and commencing immediately following the fifth Business Day prior to the preceding Payment Date (or, in the case of the Due Period relating to the first Payment Date, on the Closing Date) and not reinvested or retained for reinvestment in Collateral Assets, (ii) the Proceeds received during the related Due Period (or, in the case of the final Payment Date, on or prior to the Business Day immediately preceding the final Payment Date) from any additional issuance of Notes or CP Notes that were not reinvested or retained for reinvestment in Collateral Assets, (iii) any such amounts described in clauses (i) and (ii) received in prior Due Periods that were not disbursed on a previous Payment Date and not

reinvested or retained for reinvestment in Collateral Assets and (iv) in the case of the CP Notes, purchase proceeds of newly issued CP Notes, any amount paid pursuant to the Put Agreement and certain amounts on deposit in the CP Reserve Accounts.

Class A Notes and Class B Notes

Interest on the Class A Notes and Class B Notes

The Class A Notes and the Class B Notes will accrue interest from the Closing Date and such interest will be payable monthly on the 8th day of each calendar month, or if any such date is not a Business Day, on the immediately following Business Day, commencing in January 2005. For each Interest Accrual Period, the Class A-1LT-a Notes will bear interest at a per annum rate equal to LIBOR *plus* 0.365%, the Class A-1LT-b-1 Notes will bear interest at a per annum rate equal to LIBOR *plus* 0.26% before the November 2008 Payment Date, and 0.38% thereafter, the Class A-1LT-b-2 Notes will bear interest at a per annum rate equal to LIBOR *plus* (i) 0.15% before the November 2005 Payment Date, (ii) 0.20% from the November 2005 Payment Date to but excluding the November 2008 Payment Date and (iii) 0.32% thereafter, the Class A-2 Notes will bear interest at a per annum rate equal to LIBOR *plus* 0.62%, and the Class B Notes will bear interest at a per annum rate equal to LIBOR *plus* 0.80%.

LIBOR for the first Interest Accrual Period with respect to the Class A Notes and the Class B Notes will be determined as of the second Business Day preceding the Closing Date, and will be based on one month LIBOR. Calculations of interest on the Class A Notes and the Class B Notes will be made on the basis of a 360-day year and the actual number of days in each Interest Accrual Period. The "Interest Accrual Period," for any Payment Date with respect to the Class A Notes and the Class B Notes is the period commencing on and including the immediately preceding Payment Date (or the Closing Date in the case of the first Interest Accrual Period) and ending on and including the day immediately preceding such Payment Date. See "—Determination of LIBOR."

Interest will cease to accrue on each Class A Note and Class B Note from the date of repayment in full or its Stated Maturity, or in the case of partial repayment, on such part, unless payment of principal is improperly withheld or unless default is otherwise made with respect to such payments of principal. See "—Principal of the Class A Notes and the Class B Notes." To the extent lawful and enforceable, interest on any Defaulted Interest on any Class A Notes or Class B Notes entitled thereto will accrue at the interest rate applicable to such Class of Notes, until paid as provided herein.

The failure to pay interest or discount on any Class A Notes, CP Notes or Class B Notes when due and payable, and a continuation of such default for a period of 7 days, for so long as any Class A Notes, CP Notes or Class B Notes are outstanding, will constitute an Event of Default under the Trust Deed.

Principal of the Class A Notes and the Class B Notes

The Class A Notes and the Class B Notes will mature on the Payment Date in November 2039, unless redeemed or retired prior thereto due to, as applicable, payment in full, an Auction, Optional Redemption, Tax Redemption, mandatory redemption or occurrence of an Event of Default resulting in acceleration of the Notes.

Principal generally will not be payable by the Issuers on the Class A Notes, CP Notes or Class B Notes prior to the end of the Reinvestment Period; *provided, however,* that subject to the availability of funds therefor in accordance with the Priority of Payments, upon the failure to satisfy either of the Class A/B Coverage Tests with respect to a Payment Date, or if the Class C Overcollateralization Ratio is less than 75% on the preceding Determination Date, the Class A Notes, the Class B Notes and the CP Notes will be subject to mandatory redemption or Defeasance, as applicable, as follows: (x) the Class A-1LT-a Notes, the Class A-1LT-b Notes, if any, and the CP Notes will be subject to mandatory redemption or Defeasance, as applicable, *pro rata*, until paid or Defeased in full, (y) after the Class A-1LT-a Notes

and the Class A-1LT-b Notes, if any, have been paid, and the CP Notes have been Defeased or paid, in full, the Class A-2 Notes will be subject to mandatory redemption until paid in full and (z) after the Class A-2 Notes have been paid in full, the Class B Notes will be subject to mandatory redemption until paid in full. Upon an Event of Default resulting in acceleration of the Notes and the CP Notes and liquidation of the Collateral, subject to the availability of funds therefor in accordance with the Priority of Payments for Final Payment Dates, principal will be payable *first*, *pro rata*, to the Class A-1LT Notes and the CP Notes, until such Notes and CP Notes are paid or Defeased in full; *second*, to the Class A-2 Notes, until such Notes are paid in full; *third*, to the Class B Notes, until such Notes are paid in full, *fourth*, to the Class C Notes, until the Rated Principal Amount of the Class C Notes is paid in full; and *fifth*, to the Class D Notes until the Rated Principal Amount of the Class D Notes is paid in full. During the Reinvestment Period, principal will also be payable on any Payment Date for which the Investment Advisor has notified the Trustee in writing that it has determined that investments in additional Collateral Assets would be impractical or not beneficial. See "—Mandatory Redemption" and "Risk Factors—Notes—Average Lives, Duration and Prepayment Considerations."

Principal will be payable on the Class A Notes, the CP Notes and the Class B Notes by the Issuers in accordance with clause (12) of the Priority of Payments on each Payment Date commencing on the second Payment Date following the Reinvestment Period, or on the first Payment Date following the Reinvestment Period at the Investment Advisor's discretion to the extent of any Principal Proceeds which were not reinvested in Collateral Assets before the end of the Reinvestment Period (or on any earlier Payment Date if the Reinvestment Period has been terminated or if the Investment Advisor has notified the Trustee in writing that it has determined that investments in additional Collateral Assets would either be impractical or not beneficial). After the Reinvestment Period, Principal Proceeds will be paid to the CP Principal Reserve Account and to the Holders of the Class A Notes, *pro rata*, only in an amount required to increase (or maintain) the Class A Adjusted Overcollateralization Ratio to a specified target of 108.1% (subject to the Minimum Class A Adjusted Overcollateralization). After achieving and maintaining such target level and minimum, the payment of Principal Proceeds will shift to the Holders of the Class B Notes only in an amount required to increase (or maintain) the Class B Adjusted Overcollateralization Ratio to a specified target of 106.4% (subject to the Minimum Class B Adjusted Overcollateralization). After achieving and maintaining such target level and minimum, the payment of Principal Proceeds will shift to the Class C Notes until the Class C Notes are paid in full, and thereafter, the payment of Principal Proceeds will shift to the Class D Notes and potentially to the Incentive Investment Advisor Fee; *provided* that (i) (A) if the long term rating of the Class A Notes assigned by either Moody's, S&P or Fitch is lower than the long term rating originally assigned by such Rating Agency by at least one subcategory, principal that would be allocated to the Class B Notes and the Subordinated Notes on any Payment Date will be allocated, *pro rata,* to the Class A Notes and to the CP Principal Reserve Account until the earlier of the reinstatement of the original ratings of the Class A Notes or payment in full of the Class A Notes and Defeasance in full of the CP Notes, and (B) if the long term rating of the Class B Notes assigned by either Moody's, S&P or Fitch is lower than the long term rating originally assigned by such Rating Agency by at least one subcategory, principal that would be allocated to Subordinated Notes on any Payment Date will be allocated to the Class B Notes until the earlier of the reinstatement of the original ratings of the Class B Notes or payment in full of the Class B Notes and (ii) if either of the Class A/B Coverage Tests shall not have been satisfied on any Determination Date after the Class B Notes had received any payments of Principal Proceeds through this "shifting principal" allocation, all principal payments will be allocated on all subsequent Payment Dates, *first*, *pro rata*, to the CP Principal Reserve Account and to the Class A-1LT Notes until the Class A-1LT Notes are paid in full and the CP Notes are Defeased in full, *second*, to the Class A-2 Notes until the Class A-2 Notes are paid in full and, *third*, to the Class B Notes until the Class B Notes are paid in full.

The Investment Advisor will exercise its sole discretion in determining whether to reinvest Principal Proceeds in Collateral Assets or hold Principal Proceeds for reinvestment during the Reinvestment Period, and whether to reinvest Unscheduled Principal Payments and Sale Proceeds of Credit Risk Obligations after the Reinvestment Period, but in any event in accordance with the Reinvestment Criteria.

Subordinated Notes

Interest on the Class C Notes

On each Payment Date, the Holders of the Class C Notes will be entitled to receive, to the extent of available funds, after payment of items ranking higher in accordance with the Priority of Payments, and prior to any distribution to the Class D Notes, accrued and unpaid interest on the Rated Principal Amount of the Class C Notes at the Class C Note Interest Rate for the related Interest Accrual Period, the Class C Priority Payment and up to $100,000 in Class C Deferred Priority Payments. To the extent funds are not available on any Payment Date to pay interest on the Rated Principal Amount of the Class C Notes at the Class C Note Interest Rate, the interest not paid (the "Class C Deferred Interest") will not be due and payable on such Payment Date, but will be added to the Rated Principal Amount of the Class C Notes, and, to the extent lawful and enforceable, thereafter shall accrue interest at the Class C Note Interest Rate.

The failure to pay interest on the Class C Notes will not constitute an Event of Default under the Trust Deed. To the extent payable, interest on the Class C Notes will be payable monthly in arrears on each Payment Date.

Interest on the Class C Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The "Interest Accrual Period" for any Payment Date with respect to the Class C Notes and the Class D Notes is the period commencing on and including the 8th of the calendar month in which the preceding Payment Date (or the Closing Date in the case of the first Interest Accrual Period) occurs and ending on and excluding the 8th day of the calendar month in which such Payment Date occurs.

Principal of and Additional Distributions on the Subordinated Notes

In addition to interest and principal amounts payable to the Subordinated Notes described above, such Notes will be entitled to additional distributions to the extent legally available therefor in accordance with the Priority of Payments, as described below.

On each Payment Date, the Holders of the Class C Notes will be entitled to receive, after payment of items ranking higher in the Priority of Payments, the Class C Priority Payment and up to $100,000 in Class C Deferred Priority Payments. To the extent funds are not available on any Payment Date to pay the Class C Priority Payment, the amount not paid will not be due and payable on such Payment Date, but will be added to the outstanding principal balance of the Class C Notes, and, to the extent lawful and enforceable, thereafter shall accrue interest at the Class C Priority Accrual Rate. Calculations of the Class C Priority Payment will be made on the basis of actual days elapsed in a year of 360 days.

On each Payment Date, the Holders of the Class D Notes will be entitled to receive, after payment of items ranking higher in accordance with the Priority of Payments, an amount equal to the lesser of (i) the sum of (A) the Class D Priority Payment and (B) the lesser of the Class D Deferred Priority Payment and $10,000 and (ii) the Class D Yield Make Whole Payment, *plus* 80% of the amount by which the amount determined in clause (i) exceeds the Class D Yield Make Whole Payment. After the Class D Notes have received the Class D Yield Make Whole Payment in full, certain amounts previously allocable to the Class D Notes will be shared with the Investment Advisor as part of the Incentive Advisor Fee, with 80% of the allocable payments payable to the Class D Notes and 20% of the allocable payments payable to the Investment Advisor. See "—Priority of Payments." To the extent funds are not available on any Payment Date to pay the Class D Priority Payment, the amount not paid ("Class D Deferred Priority Payment") will not be due and payable on such Payment Date but will be added to the principal balance of the Class D Notes and, to the extent lawful and enforceable, shall thereafter accrue interest at the Class D Priority Accrual Rate. Calculations of the Class D Priority Payment will be made on the basis of a 360 day year consisting of twelve 30-day months.

After the Reinvestment Period, unless the Notes have been accelerated due to an Event of Default and, to the extent such funds are available therefor, Principal Proceeds may be paid on each Payment Date to the holders of the Class C Notes in accordance with clause (12) of the Priority of Payments.

Until the Class D Subordinated Payment has been reduced to zero, the Class C Notes will not receive any additional distributions other than principal and interest payments and the Class C Priority Payment from Proceeds. The Class D Notes will be entitled to additional distributions to the extent of funds available therefor in accordance with the Priority of Payments equal to the lesser of (i) the Class D Subordinated Payment and (ii) the amount needed to reduce the Class D Yield Make Whole Payment to zero (after giving effect to all prior distributions to the Class D Notes on such Payment Date in accordance with the Priority of Payments). See "—Priority of Payments."

Rated Principal Amounts of the Class C Notes and the Class D Notes

The rating assigned by Moody's and Fitch to the Class C Notes only applies to the Rated Principal Amount and interest that accrues on such Rated Principal Amount at the Class C Note Interest Rate and not to the payment of all distributions which may be payable to the Class C Notes. The "Rated Principal Amount" with respect to the Class C Notes is equal to the original principal amount of the Class C Notes as reduced by all distributions to the Class C Notes on each Payment Date in excess of the Class C Note Interest Rate on the Rated Principal Amount of the Class C Notes. The rating assigned by Moody's to the Class D Notes only applies to the Rated Principal Amount of the Class D Notes and not to the payment of all distributions which may be payable to the Class D Notes. The "Rated Principal Amount" with respect to the Class D Notes is equal to the original principal amount of the Class D Notes as reduced by all distributions to the Class D Notes on each Payment Date. Because the Class C Priority Payment may be greater than interest at the Class C Note Interest Rate on the Rated Principal Amount of the Class C Notes and because the Class D Priority Payment reduces the Rated Principal Amount of the Class D Notes, the outstanding Rated Principal Amounts of the Class C Notes and the Class D Notes are expected to be lower than the actual outstanding principal amounts of the Class C Notes and the Class D Notes, respectively, after the first few Payment Dates. In circumstances where the Class C Priority Payment or Class D Priority Payment is paid in part pursuant to the Priority of Payments, the Rated Principal Amounts of the Class C Notes and the Class D Notes will decline but a Class C Deferred Priority Payment or Class D Deferred Priority Payment will arise, increasing the outstanding principal amount of such Notes. The Rated Principal Amounts of the Class C Notes and the Class D Notes will likely be paid in full earlier than their actual principal amounts. The Trustee will maintain a record of the Rated Principal Amount of the Class C Notes and the Class D Notes, and such information will be made available in the Note Valuation Reports.

After the Rated Principal Amount of the Class C Notes or the Class D Notes has been paid in full, the rating of the Class C Notes or the Class D Notes, respectively, may be withdrawn by Moody's or Fitch, as applicable, even though such Notes may remain outstanding and may still be receiving distributions. In such event, the Rating Agency Condition will no longer be applicable with respect to the Class C Notes or the Class D Notes. Furthermore, after the actual principal amount of the Class C Notes or the Class D Notes has been paid in full, the Class C Notes or the Class D Notes will remain outstanding for purposes of receiving additional distributions in accordance with the Priority of Payments. See "Ratings."

CP Notes and Defeasance

The CP Notes (other than the LIBOR CP Notes as described herein) will be issued at a discount. To the extent CP Notes are issued with a LIBOR based interest rate (the "LIBOR CP Notes"), they will mature on a Payment Date and will have a maturity that is more than one month and up to nine months after their issuance. Any CP Note with a maturity that is more than 90 days must be a LIBOR CP Note. The LIBOR CP Notes will bear interest during each Interest Accrual Period at a per annum rate equal to LIBOR (or, for a designated maturity of less than one month, the linear interpolation thereof) for such Interest Accrual Period, commencing on their date of issuance (the "LIBOR CP Note Interest Rate") and

will be payable on each Payment Date pari passu with interest on the Class A-1LT-a Notes as described in the Priority of Payments. The maturity date of any CP Note will be extendable by up to two Business Days in the event the Put Option is exercised in accordance with the Put Agreement. See "Security for the Notes–Put Agreement" herein. If the maturity date of a CP Note is so extended, the holder thereof will be entitled to receive accrued interest for the period of such extension at a per annum rate equal to LIBOR *plus* 0.165%. Payment of interest accrued during any such extension will be made first from the CP Discount Reserve Account and, then, to the extent of any shortfall, from the Collection Account.

The LIBOR CP Notes will be subject to early redemption, in part or in whole, and to acceleration and amortization under the following circumstances as described in detail herein: (i) a successful Auction has occurred on or after the Payment Date in November 2014, (ii) the Holders of a Majority of the Class D Notes have directed an Optional Redemption on or after the Payment Date in November 2008 or the Holders of a Majority of the Class C Notes have directed an Optional Redemption on or after the Payment Date in November 2009, (iii) a Tax Redemption has occurred as a result of a Tax Event, (iv) a Class A/B Coverage Test was not satisfied or the Class C Overcollateralization Ratio was less than 75% as of any Determination Date, (v) the Reinvestment Period has ended and the aggregate principal amount of the Class A-1LT Notes is being paid down and (vi) an Event of Default has occurred under the Trust Deed and the Notes and the CP Notes have been accelerated. If the LIBOR CP Notes are being redeemed and Defeased in full, an amount necessary to pay the holders of the LIBOR CP Notes par will be deposited to the CP Principal Reserve Account and an amount equal to any accrued interest thereon will be paid to the CP Issuing and Paying Agent for payment to the holders of the LIBOR CP Notes directly and such LIBOR CP Notes will not continue to accrue interest beyond their respective Redemption Dates, dates of Mandatory Redemption in full or Final Maturity Dates, as applicable. Any amounts deposited to the CP Principal Reserve Account will be applied by the CP Issuing and Paying Agent on the applicable Redemption Date, date of Mandatory Redemption in full or Final Maturity Date to the Defeasance of such LIBOR CP Notes. In the event of a Mandatory Redemption or partial amortization of the CP Notes under the Trust Deed, the Defeasance of the CP Notes may not be in whole. The CP Issuing and Paying Agent, at the direction of the Investment Advisor upon consultation with the CP Note Placement Agents, will cause CP Notes to be Defeased in the order of their choice; *provided* that, if the liquidation proceeds available following an Event of Default and acceleration are not sufficient to pay the CP Notes in full or in any situation where the CP Notes would not receive payment in full (including in connection with a Mandatory Redemption or amortization on a Payment Date) the CP Notes will be Defeased *pro rata*.

When used herein, the term "Defease" or "Defeasance" means, with respect to any CP Note (other than a LIBOR CP Note), the depositing of cash into the CP Principal Reserve Account to be applied to the repayment of such CP Note on its maturity date, such maturity date set according to the terms of such CP Note, and, with respect to any LIBOR CP Note, the depositing of cash into the CP Principal Reserve Account to be applied to the repayment of the principal amount of such LIBOR CP Note on the earlier of its initial scheduled maturity date or on any Mandatory Redemption date, Redemption Date or Final Maturity Date where principal is paid to the CP Principal Reserve Account on account of a LIBOR CP Note. For the avoidance of doubt, accrued interest paid to the Holders of the LIBOR CP Notes upon a Mandatory Redemption, on a Payment Date, on a Redemption Date or on a Final Maturity Date or otherwise will not be deposited to the CP Principal Reserve Account but will instead be paid to the CP Issuing and Paying Agent for payment to the Holders of the LIBOR CP Notes and such amounts will not be used to Defease the LIBOR CP Notes.

The CP Notes (other than the LIBOR CP Notes) will not be subject to early redemption or to acceleration but will instead be subject to Defeasance under circumstances that would result in early redemption or acceleration of the LIBOR CP Notes. If the CP Notes (other than the LIBOR CP Notes) are Defeased under such circumstances, the amounts deposited to the CP Principal Reserve Account will not be applied by the CP Issuing and Paying Agent to the repayment of the CP Notes (other than the LIBOR CP Notes) until their respective maturity dates.

Determination of LIBOR

For purposes of calculating the Class A-1LT-a Note Interest Rate, the Class A-1LT-b-1 Note Interest Rate, the Class A-1LT-b-2 Note Interest Rate, the Class A-2 Note Interest Rate, the Class B Note Interest Rate and the Class C Priority Accrual Rate, the Issuers will appoint as agent LaSalle Bank National Association (in such capacity, the "Calculation Agent"). LIBOR shall be determined by the Calculation Agent in accordance with the following provisions:

(i) On the second Business Day prior to the commencement of an Interest Accrual Period (each such day, a "LIBOR Determination Date"), LIBOR shall equal the rate, as obtained by the Calculation Agent, for Eurodollar deposits for the one-month period which appears on Bridge Telerate Page 3750 (as Telerate is defined in the International Swaps and Derivatives Association, Inc. Annex to the 2000 ISDA Definitions (June 2000 version)), or such page as may replace Bridge Telerate Page 3750, as of 11:00 a.m. (London time) on such LIBOR Determination Date.

(ii) If, on any LIBOR Determination Date, such rate does not appear on Bridge Telerate Page 3750, or such page as may replace Bridge Telerate Page 3750, the Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks (as defined below) to leading banks in the London interbank market for Eurodollar deposits for the one-month period in an amount determined by the Calculation Agent by reference to requests for quotations as of approximately 11:00 a.m. (London time) on the 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 of such quotations. If, on any LIBOR Determination Date, only one or none of the Reference Banks provide such quotations, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that leading banks in the City of New York selected by the Calculation Agent are quoting on the relevant LIBOR Determination Date for Eurodollar deposits for the applicable period in an amount determined by the Calculation Agent by reference to the principal London offices of leading banks in the London interbank market; *provided, however*, that if the Calculation Agent is required but is unable to determine a rate in accordance with at least one of the procedures provided above, LIBOR shall be LIBOR as determined on the most recent date LIBOR was available. As used herein, "Reference Banks" means four major banks in the London interbank market selected by the Calculation Agent.

As soon as possible after 11:00 a.m. (New York 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 cause notice of the Class A-1LT-a Note Interest Rate, the Class A-1LT-b-1 Note Interest Rate, the Class A-1LT-b-2 Note Interest Rate, the Class A-2 Note Interest Rate, the Class B Note Interest Rate and the Class C Priority Accrual Rate for the next Interest Accrual Period and the amount of interest for such Interest Accrual Period payable in respect of each $1,000 principal amount of the Class A-1LT-a Notes (the "Class A-1LT-a Note Interest Amount"), the Class A-1LT-b-1 Notes (the "Class A-1LT-b-1 Note Interest Amount"), the Class A-1LT-b-2 Notes (the "Class A-1LT-b-2 Note Interest Amount"), the Class A-2 Notes (the "Class A-2 Note Interest Amount") and the Class B Notes (the "Class B Note Interest Amount") (each rounded to the nearest cent, with half a cent being rounded upward) on the related Payment Date to be communicated to the Issuers, DTC, Euroclear, Clearstream, the Note Paying Agents, the Trustee, the Investment Advisor, the Collateral Agent and the applicable stock exchange (as long as any of the Notes are listed thereon). In the last case, the Calculation Agent will furnish such information as soon as possible after its determination to stock exchange as long as any Notes are listed thereon. The Calculation Agent will also specify to the Issuers and the Investment Advisor the quotations upon which the Class A-1LT-a Note Interest Rate, the Class A-1LT-b-1 Note Interest Rate, the Class A-1LT-b-2 Note Interest Rate, the Class A-2 Note Interest Rate, the Class B Note Interest Rate and the Class C Priority Accrual Rate are based. The Calculation Agent shall notify the Issuers and the Investment Advisor before 5:00 p.m. (New York time) on any LIBOR Determination Date if it has been unable to determine the Class A-1LT-a Note Interest Rate, the Class A-1LT-b-1 Note Interest Rate, the Class A-1LT-b-2 Note Interest Rate, the Class A-2 Note Interest Rate, the Class B Note Interest Rate, the Class C Priority Accrual Rate, the Class A-1LT-a Note Interest Amount, the Class A-1LT-b-1 Note Interest Amount, the Class A-1LT-b-2 Note Interest Amount, the Class A-2 Note Interest Amount and the Class C Priority Payment (collectively, the "Interest Calculations"), together

with its reasons therefor. With respect to the Notes, "Business Day" means any day other than (x) Saturday or Sunday or (y) a day on which commercial banking institutions in New York, New York, Chicago, Illinois, Paris, France, London, England or any other city in which the Corporate Trust Office of the Trustee is located are authorized or obligated by law or executive order to be closed; *provided* that, if any action is required of the Listing and Paying Agent, solely for purposes of determining when such action of the Listing and Paying Agent is required, days on which commercial banking institutions are authorized or obligated by law or executive order to be closed in the city in which the Listing and Paying Agent is located will also be considered in determining whether such day is a "Business Day"; *provided, further*, that for the sole purpose of determining LIBOR, "Business Day" shall be defined as any day on which dealings in deposits in U.S. Dollars are transacted in the London interbank market.

The Calculation Agent may be removed by the Issuers at any time. If the Calculation Agent is unable or unwilling to act as such or is removed by the Issuers, or if the Calculation Agent fails to determine the applicable Interest Calculations for any Interest Accrual Period, the Issuers will promptly appoint as a replacement Calculation Agent a leading bank which is engaged in transactions in Eurodollar deposits in the international Eurodollar market and which does not control or is not controlled by or under common control with the Issuers or their affiliates. The Calculation Agent may not resign its duties without a successor having been duly appointed. In addition, for so long as any Notes are listed on any stock exchange and the rules of such exchange so require, notice of the appointment of any Calculation Agent will be furnished to such stock exchange. For so long as any of the Notes remain outstanding, there will at all times be a Calculation Agent for the purpose of calculating the applicable Interest Calculations. The determination of the applicable Interest Calculations by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

Auction

Sixty days prior to the Payment Date occurring in November of each year (each, an "Auction Payment Date") commencing on the November 2014 Payment Date, the Investment Advisor will take steps to conduct an auction (the "Auction") of the Collateral Assets in accordance with procedures specified in the Trust Deed. If the Investment Advisor receives one or more bids from Eligible Bidders not later than ten Business Days prior to an Auction Payment Date equal to or greater than the Minimum Bid Amount, it will sell the Collateral Assets for settlement on or before the fifth Business Day prior to the Auction Payment Date and the CP Notes will be Defeased and the Notes, to the extent not already redeemed, will be redeemed in whole on the Auction Payment Date.

The Notes will be redeemed and the CP Notes will be Defeased following a successful Auction at their Auction Redemption Prices. The amount distributable as the final distribution on the Subordinated Notes following any such redemption will equal any amount remaining after the redemption of the Notes and Defeasance of the CP Notes at the Auction Redemption Prices, the payment of any amounts due in connection with the termination of any Hedge Agreements, any amount payable to the Put Counterparty and the CP Note Placement Agents in connection with the termination of the Put Agreement and the CP Placement Agreements and the payment of fees and expenses, in accordance with the Priority of Payments.

The Investment Advisor will, not later than nine Business Days prior to a relevant Auction Payment Date, give the Trustee, the Collateral Agent and the Principal Note Paying Agent notice of the redemption of the Notes and Defeasance of the CP Notes and the amount of any distributions on the Class C Notes and Class D Notes on such Payment Date. If the Minimum Bid Amount is not offered by any Eligible Bidder on or before the tenth Business Day before a relevant Auction Payment Date or if there is a failed settlement on or before the last day of a Due Period before a relevant Auction Payment Date, the Notes shall not be redeemed, the CP Notes shall not be Defeased and a final distribution on the Subordinated Notes shall not be made and the Investment Advisor shall give notice thereof as promptly as practicable to the Trustee, the Principal Note Paying Agent and the Collateral Agent.

Optional Redemption and Tax Redemption

Subject to certain conditions described herein, the Notes may be redeemed and the CP Notes may be Defeased by the Issuers, in whole but not in part at their Optional Redemption Prices (a) on or after the November 2008 Payment Date, at the written direction of, or with the written consent of, the Holders of at least a Majority of the Class D Notes or (b) on or after the November 2009 Payment Date, at the written direction of, or with the written consent of, the Holders of at least a Majority of the Class C Notes (such redemption, an "Optional Redemption"); *provided* that no Optional Redemption shall be effected unless the expected Liquidation Proceeds will equal or exceed the Total Redemption Amount. The Optional Redemption Price for the Class C Notes and Class D Notes will differ depending on whether the Holders of the Class C Notes or the Holders of the Class D Notes direct the Optional Redemption and the year in which such redemption occurs.

In addition, the Notes will be redeemable and the CP Notes will be Defeasible at any time, in whole but not in part at their Tax Redemption Prices during or after the Non-Call Period, at the written direction of, or with the written consent of, the Holders of a Majority of any Class of Notes which, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and interest then due and payable on such Class on any Payment Date (such redemption, a "Tax Redemption"); *provided* that no such redemption shall be effected unless the expected Liquidation Proceeds equal or exceed the Total Redemption Amount.

In connection with an Optional Redemption or a Tax Redemption, the Issuers shall notify the Trustee of such Optional Redemption or Tax Redemption and the Payment Date which is the date for redemption (the "Redemption Date") and direct the Collateral Agent, in writing, to sell, in the manner determined by the Investment Advisor, and in accordance with the Security Agreement, any Collateral Assets and upon any such sale the Collateral Agent shall release the lien upon such Collateral Assets pursuant to the Security Agreement; *provided, however*, that the Issuer may not direct the Collateral Agent to sell (and the Collateral Agent shall not be obligated to release the lien upon) any Collateral Asset except in accordance with the procedures in the Trust Deed, including the requirement that the Investment Advisor shall have forwarded to the Trustee binding agreements or certificates evidencing that the Liquidation Proceeds anticipated from the disposition of the Collateral Assets and other assets of the Issuer will equal or exceed the Total Redemption Amount.

The amount payable in connection with any Optional Redemption or Tax Redemption of the Notes will equal the Total Redemption Amount. The "Total Redemption Amount" means the sum of all amounts due pursuant to clauses (1), (2), (3), (4), (5) and (7) of the Priority of Payments for Final Payment Dates (which will include, in the case of an Optional Redemption, the Optional Redemption Prices for all the Notes, and in the case of a Tax Redemption, the Tax Redemption Prices for all the Notes).

The Trustee will provide notice of any Optional Redemption or Tax Redemption by first-class mail, postage prepaid, mailed not less than ten (10) Business Days prior to the scheduled Redemption Date, to the Principal Note Paying Agent, to the CP Issuing and Paying Agent, to the Put Counterparty and to each Holder at such Holder's address in the register maintained by the Note Registrar under the Note Agency Agreement, and the Trustee will also give notice to the Listing and Paying Agent which shall give notice to the applicable stock exchange if any Notes are then listed thereon.

On each Payment Date on which an Optional Redemption or Tax Redemption is occurring pursuant to the procedures in the Trust Deed, Liquidation Proceeds will be distributed pursuant to the Priority of Payments for Final Payment Dates.

Mandatory Redemption

On any Payment Date (other than a Final Payment Date) on which any Class A/B Coverage Test was not satisfied or the Class C Overcollateralization Ratio was less than 75% on the last Business Day of the immediately preceding Due Period (such Business Day, the "Determination Date"), the Proceeds

net of amounts payable under clauses (1) through (6) of the Priority of Payments will be used, *first*, to Defease the CP Notes and to redeem the Class A-1LT-a Notes and the Class A-1LT-b Notes, *pro rata*, until the Class A-1LT-a Notes and the Class A-1LT-b Notes have been paid in full and the CP Notes have been Defeased in full, *second*, to redeem the Class A-2 Notes until the Class A-2 Notes have been paid in full, and, *third*, to redeem the Class B Notes until the Class B Notes have been paid in full.

If any Class A/B Coverage Test is not satisfied or the Class C Overcollateralization Ratio is less than 75% as of the related Determination Date, the Investment Advisor is not permitted to sell Collateral Assets to generate additional Proceeds to be applied to Defease the CP Notes and to redeem Class A-1LT-a Notes, Class A-1LT-b Notes, Class A-2 Notes and Class B Notes; however, proceeds of any sale of Collateral Assets that may be otherwise sold as Credit Improved Obligations, Credit Risk Obligations, Defaulted Obligations or Discretionary Sales as described herein will be Proceeds available for application in accordance with the Priority of Payments.

In connection with the mandatory redemption of any Class A Notes and Class B Notes and the Defeasance of the CP Notes, the Issuer may terminate a portion of any Hedge Agreement upon satisfaction of the Rating Agency Condition and satisfaction of any constraints imposed by the initial Hedge Counterparty. A termination payment may be payable by the Issuer to any Hedge Counterparty, which termination payment will be payable prior to certain payments on the Notes and the CP Notes, in accordance with the Priority of Payments.

Payments

Payments on any Payment Date in respect of principal of and interest on the Class A Notes, the Class B Notes and Regulation S Subordinated Notes, issued as Global Notes will be made to the person in whose name the relevant Global Note is registered at the close of business on the Business Day prior to such Payment Date. For the Rule 144A Subordinated Notes, and for any Class A Notes or Class B Notes issued in definitive form, payments on any Payment Date in respect of principal, interest and other distributions will be made to the person in whose name the relevant Note is registered as of the close of business 10 Business Days prior to such Payment Date. Payments on the Notes will be payable by wire transfer in immediately available funds to a U.S. Dollar account maintained by DTC or its nominee (in the case of the Global Notes) or each Holder (in the case of individual definitive notes) to the extent practicable or otherwise by U.S. Dollar check drawn on a bank in the United States sent by mail either to DTC or its nominee (in the case of the Global Notes), or to each Holder at its address appearing in the applicable register. Final payments in respect of principal on the Notes will be made only against surrender of the Notes at the office of any paying agent. None of the Issuers, the Put Counterparty, the Collateral Agent, the Trustee or any paying agent will have any responsibility or liability for any aspects of the records maintained by DTC or its nominee or any of its participants relating to, or for payments made thereby on account of beneficial interests in, a Global Note.

The Issuers expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note held by DTC or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in such Global Notes as shown on the records of DTC or its nominee. The Issuers also expect that payments by participants to owners of beneficial interests in such Global Notes 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 names of nominees for such customers. Such payments will be the responsibility of such participants.

If any payment on a Note is due on a day that is not a Business Day, then payment will not be made until the next succeeding Business Day with the same force and effect.

For so long as any Notes are listed on any stock exchange and the rules of such exchange so require, the Issuers will have a paying agent and a transfer agent (which shall be the Listing and Paying Agent) for such Notes and payments on and transfers or exchanges of interest in such Notes may be

effected through the Listing and Paying Agent. In the event that the Listing and Paying Agent is replaced at any time during such period, notice of the appointment of any replacement will be given to the applicable stock exchange as long as any Notes are listed thereon.

Priority of Payments

With respect to any Payment Date (other than an Auction Payment Date or a Final Payment Date), all Proceeds received on the Collateral during the related Due Period in respect of the Collateral will be applied by the Collateral Agent in the priority set forth below (the "Priority of Payments"). For purposes of the Priority of Payments, Proceeds not constituting Principal Proceeds will be assumed to be applied prior to any Principal Proceeds.

On the Business Day prior to each Payment Date, the Collateral Agent will transfer all funds then on deposit in the Collection Account (other than amounts received after the end of the related Due Period) into the Payment Account. On each Payment Date (other than a Final Payment Date), amounts in the Payment Account will be applied by the Collateral Agent in the manner and order of priority set forth below:

(1) to the payment of taxes and filing and registration fees owed by the Issuers, if any;

(2) to the payment of accrued and unpaid fees of the Trustee up to a maximum amount on any Payment Date equal to 0.00073% of the Monthly Asset Amount for the related Due Period (or, in the case of the first Due Period, up to a maximum amount on the first Payment Date equal to 0.00197% of the Monthly Asset Amount);

(3) *first*, (a) to the payment, *pro rata*, of any remaining accrued and unpaid Administrative Expenses of the Issuers, excluding any indemnities (and legal expenses related thereto) payable by the Issuers; *second*, (b) to the payment of any indemnities (and legal expenses related thereto) payable by the Issuers; and *third*, (c) to the Expense Reserve Account the lesser of $25,000 and the amount necessary to bring the balance of such account to $275,000; *provided, however,* that the aggregate payments pursuant to subclauses (a)-(c) of this clause (3) on any Payment Date shall not exceed $300,000 and the total distributions in subclauses (a) and (b) of this clause (3) and the prior 11 Payment Dates shall not exceed $400,000;

(4) to the payment of, *pro rata,* amounts, if any, scheduled to be paid to the Hedge Counterparties pursuant to the Hedge Agreements (other than any termination payments payable pursuant to clause (5) or clause (13) below);

(5) *first*, to the payment of accrued and unpaid Base Investment Advisor Fee, and *second*, *pro rata*, to the payment of any termination payments payable by the Issuer pursuant to the Hedge Agreements including any termination or partial termination of a Hedge Agreement (other than the amount of any Defaulted Hedge Termination Payments under clause (13) below);

(6) to the payment (a) *first, pro rata* (based upon the amount due), (i) of accrued and unpaid interest on the Class A-1LT-a Notes (including any Defaulted Interest and interest thereon), (ii) of accrued and unpaid interest on the Class A-1LT-b Notes, if any, (including any Defaulted Interest and interest thereon), (iii) into the CP Discount Reserve Account up to the lesser of (A) an amount such that funds on deposit in the CP Discount Reserve Account equal the CP Discount Reserve Required Amount on such Payment Date and (B) the Capped CP Amount, (iv) to the holders of the LIBOR CP Notes, if any, of accrued and unpaid interest on any LIBOR CP Notes then outstanding, (v) of accrued and unpaid interest on the Class A-2 Notes (including any Defaulted Interest and interest thereon), (vi) of the Put Premium, if any, payable to the Put Counterparty and (vii) of the CP Note Placement Agent Fees (to the extent not incorporated in the discount for the CP Notes), if any, payable to the CP Note Placement Agents in accordance with the CP Note Placement Agreements and (b) *second*, of accrued and unpaid interest on the Class B Notes (including any Defaulted Interest and any interest thereon);

(7) if the Class A/B Overcollateralization Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal and reinvestments on such Payment Date (without giving effect to any payments pursuant to this clause (7)) or if the Class A/B Interest Coverage Test is not satisfied on the Determination Date with respect to the related Payment Date, then *first, pro rata*, (i) to the payment of principal of all outstanding Class A-1LT-a Notes, (ii) to the payment of principal of all outstanding Class A-1LT-b Notes and (iii) to the payment to the CP Principal Reserve Account in an amount equal to the CP Principal Reserve Required Amount, until the Class A-1LT-a Notes, the Class A-1LT-b Notes and the CP Notes are paid or Defeased in full, *second*, to the payment of principal of all outstanding Class A-2 Notes until the Class A-2 Notes are paid in full, and *third*, to the payment of all outstanding Class B Notes until the Class B Notes are paid in full;

(8) if the Class C Overcollateralization Ratio is less than 75% on the Determination Date, then *first, pro rata*, (i) to the payment of principal of all outstanding Class A-1LT-a Notes, (ii) to the payment of principal of all outstanding Class A-1LT-b Notes and (iii) to the payment to the CP Principal Reserve Account in an amount equal to the CP Principal Reserve Required Amount, until the Class A-1LT-a Notes, the Class A-1LT-b Notes and the CP Notes are paid or Defeased in full, *second*, to the payment of principal of all outstanding Class A-2 Notes until the Class A-2 Notes are paid in full, and *third*, to the payment of all outstanding Class B Notes until the Class B Notes are paid in full;

(9) to the payment to the Class C Notes of *first*, (a) accrued and unpaid interest on the Rated Principal Amount of the Class C Notes at the Class C Note Interest Rate, excluding any Class C Deferred Interest; *second*, (b) an amount equal to the Class C Priority Payment; and *third*, (c) up to $100,000 in Class C Deferred Priority Payments;

provided, however, that (x) to the extent the amount of accrued and unpaid interest on the Rated Principal Amount of the Class C Notes at the Class C Note Interest Rate exceeds the amount available for all payments under this clause (9), such excess will be added to Class C Deferred Interest, and (y) to the extent the Class C Priority Payment is not reduced to zero after payment of amounts available under clause (9)(b), such amount will be added to the Class C Deferred Priority Payment;

(10) to the payment to the Class D Notes of *first*, (a) an amount equal to the *lesser* of (i) the sum of (A) the Class D Priority Payment and (B) the lesser of the Class D Deferred Priority Payment and $10,000; and (ii) the Class D Yield Make Whole Payment, *plus* 80% of the amount by which the amount determined in clause (10)(a)(i) exceeds the Class D Yield Make Whole Payment, and *second*, (b) to the Investment Advisor as part of the Incentive Investment Advisor Fee, the excess by which the amount determined in clause (10)(a)(i) exceeds the amount determined in clause (10)(a)(ii);

provided, however, to the extent the Class D Priority Payment is not reduced to zero after payment of all amounts available under clause (10)(a) and clause (10)(b), such amount will be added to the Class D Deferred Priority Payment;

(11) (a) prior to the end of the Reinvestment Period, to the Collection Account for purchase of additional Collateral Assets in accordance with the Reinvestment Criteria or for reinvestment in Eligible Investments, in an amount equal to the amount of Principal Proceeds received during the related Due Period less the amount of Principal Proceeds previously reinvested in substitute Collateral Assets during such Due Period; and (b) after the Reinvestment Period, at the discretion of the Investment Advisor, to the Collection Account for purchase of additional Collateral Assets or for reinvestment in Eligible Investments in accordance with the Reinvestment Criteria, in an amount equal to the sum of any Unscheduled Principal Payments and any Sale Proceeds from the disposition of Credit Risk Obligations received during the related Due Period less the amount of Principal Proceeds previously reinvested in substitute Collateral Assets during such Due Period;

(12) on or after the second Payment Date after the Reinvestment Period (and on the first Payment Date after the Reinvestment Period with respect to any Principal Proceeds which have not been invested in Collateral Assets on or prior to the last day of the Reinvestment Period) and with respect to any

Payment Date upon which the Investment Advisor notifies the Trustee in writing that it has determined that investments in additional Collateral Assets within the foreseeable future would either be impractical or not beneficial, in an aggregate amount equal to the amount of Principal Proceeds received during the related Due Period, less the sum of (x) the amount of Principal Proceeds reinvested in substitute Collateral Assets during such Due Period and (y) any Sale Proceeds from Credit Risk Obligations and any Unscheduled Principal Payments received during the related Due Period which the Issuer has retained for reinvestment during the following Due Period, to be distributed as follows:

(a) *first, pro rata,* to the Class A-1LT-a Notes, the Class A-1LT-b Notes, the CP Principal Reserve Account in an amount equal to the CP Principal Reserve Required Amount and the Class A-2 Notes, the amount necessary to increase the Class A Adjusted Overcollateralization Ratio to or maintain it at 108.1%, subject to the Minimum Class A Adjusted Overcollateralization;

(b) *second,* to the Class B Notes, the amount necessary to increase the Class B Adjusted Overcollateralization Ratio to or maintain it at 106.4%, subject to the Minimum Class B Adjusted Overcollateralization;

(c) *third,* to the Class C Notes, the amount necessary to pay the outstanding principal amount of the Class C Notes in full;

(d) *fourth,* to the Class D Notes, an amount equal to the Class D Yield Make Whole Payment less the amount of any distributions paid to the Class D Notes in clause (10) (but not less than zero);

(e) *fifth,* to the Class D Notes, an amount equal to 80% of the Principal Proceeds remaining after distribution of the amounts in clauses (12)(a) through (12)(d) above; and to the Investment Advisor, an amount equal to 20% of the Principal Proceeds remaining after distribution of the amounts in clauses (12)(a) through (12)(d) above;

provided, however, that (y) (i) if the long term rating assigned to the Class A Notes by either Moody's, S&P or Fitch is lower than the long term rating originally assigned thereto by such Rating Agency by at least one subcategory (which includes placement on "credit watch" with negative implications), principal that would be allocated to the Class B Notes, the Class C Notes and Class D Notes will be paid to the Class A-1LT-a Notes, the Class A-1LT-b Notes, the CP Principal Reserve Account in an amount equal to the CP Principal Reserve Required Amount and the Class A-2 Notes, *pro rata,* on such Payment Date and subsequent Payment Dates until the earlier of (a) the reinstatement of the original long term ratings of the Class A Notes and (b) the payment in full of the Class A Notes and Defeasance in full of the CP Notes, and (ii) if the long term rating assigned to the Class B Notes by either Moody's, S&P or Fitch is lower than the long term rating originally assigned thereto by such Rating Agency by at least one subcategory (which includes placement on "credit watch" with negative implications), principal that would be allocated to the Class C Notes and Class D Notes will be paid to the Class B Notes on such Payment Date and subsequent Payment Dates until the earlier of (a) the reinstatement of the original long term ratings of the Class B Notes and (b) the payment in full of the Class B Notes; or (z) if either of the Class A/B Coverage Tests shall not have been satisfied on any Determination Date after the Class B Notes had received any payments of Principal Proceeds under this clause (12), then payments under this clause (12) will, on all subsequent Payment Dates, be paid and allocated, *first,* to the Class A-1LT-a Notes, the Class A-1LT-b Notes, the CP Principal Reserve Account in an amount equal to the CP Principal Reserve Required Amount, *pro rata,* on such Payment Date and on subsequent Payment Dates until the Class A-1LT Notes and the CP Notes are paid or Defeased in full, *second,* to the Class A-2 Notes on such Payment Date and on subsequent Payment Dates until the Class A-2 Notes are paid in full and, *third,* to the Class B Notes on such Payment Date and on subsequent Payment Dates until the Class B Notes are paid in full;

(13) to the payment, *pro rata,* of any Defaulted Hedge Termination Payments;

(14) *first,* (a) to the payment, *pro rata,* of any remaining accrued and unpaid Administrative Expenses of the Issuers not paid pursuant to clauses (2) and (3) above (as the result of the limitations on amounts set forth therein) excluding any indemnities (and legal expenses related thereto) payable by the Issuers;

second, (b) to the payment of any indemnities (and legal expenses related thereto) payable by the Issuers not paid pursuant to clause (3) above (as the result of the limitation on amounts set forth therein); and *third,* (c) to the Expense Reserve Account until the balance of such account reaches $275,000 (after giving effect to any deposits made therein on such Payment Date under clause (3) above); *provided, however,* that the aggregate payments pursuant to subclause (c) of this clause (14) and subclause (c) of clause (3) on any Payment Date shall not exceed $25,000;

(15) on the Payment Date in January 2005 only, to the Cashflow Swap Counterparty an amount up to the then outstanding Swap Balance under the Cashflow Swap Agreement;

(16) to the payment, *first,* (a) to the Class D Notes as additional distributions thereto, an amount equal to the lesser of (i) 80% of any remaining Proceeds, (ii) the unpaid Class D Subordinated Payment or (iii) the Class D Yield Make Whole Payment (less the amount of any distributions paid to the Class D Notes in clauses (10) and (12) above (but not less than zero)) *plus* 80% of the lesser of (A) the excess of the amount determined in clause (16)(a)(i) over the Class D Yield Make Whole Payment (less the amount of any distributions paid to the Class D Notes in clauses (10) and (12) above (but not less than zero)) and (B) the excess of the amount determined in clause (16)(a)(ii) over the Class D Yield Make Whole Payment (less the amount of any distributions paid to the Class D Notes in clauses (10) and (12) above (but not less than zero)); and *second,* (b) to the Investment Advisor, as part of the Incentive Investment Advisor Fee, an amount equal to the lesser of (i) the excess, if any, of the amount determined in clause (16)(a)(i) over the amount payable in clause (16)(a), or (ii) the excess, if any, of the amount determined in clause (16)(a)(ii) over the amount payable in clause (16)(a);

(17) to the Class C Notes as additional distributions thereto, an amount equal to the excess, if any, of (a) an amount equal to 80% of any Proceeds remaining after the distribution of the amounts payable under clauses (1) through (15) over (b) the amount distributed pursuant to clause (16);

(18) to the Class D Notes as additional distributions thereto, an amount equal to the lesser of (a) any remaining Proceeds or (b) the Class D Yield Make Whole Payment less the amount of any distributions paid to the Class D Notes pursuant to clauses (10), (12) and (16) (but not less than zero);

(19) to the Investment Advisor as part of the Incentive Investment Advisor Fee, an amount equal to 20% of any remaining Proceeds; and

(20) to the payment to the Class D Notes as additional distributions thereto, an amount equal to any remaining Proceeds.

On or prior to the Stated Maturity of the Class D Notes, the Issuer (or the Investment Advisor acting pursuant to the Investment Advisory Agreement on behalf of the Issuer) will liquidate any remaining Collateral Assets, Eligible Investments, the Put Agreement, the Hedge Agreements and any other items comprising the Collateral and deposit the proceeds thereof in the Collection Account. The net proceeds of such liquidation and all available cash (other than the U.S.$250 of capital contributed by the owners of the Issuer Ordinary Shares in accordance with the Issuer's Memorandum and Articles of Association and any transaction fee of the Issuer) will be distributed in accordance with the Priority of Payments whereupon all of the Notes will be canceled.

On a Final Payment Date amounts in the Payment Account will be applied by the Collateral Agent in the Priority of Payments for Final Payment Dates set forth below:

(1) to the payment of the amounts referred to in clauses (1), (2), (3), (4), (5) and (6) of the Priority of Payments for Payment Dates which are not Final Payment Dates, in that order (without regard to the limitations in clauses (2) and (3) and *provided* that no deposit shall be made to the Expense Reserve Account pursuant to subclauses 3(c) and 14(c)) and no deposit shall be made to the CP Discount Reserve Account pursuant to clause (6);

(2) to the payment, *pro rata*, to the Class A-1LT-a Notes, the Class A-1LT-b Notes, the CP Notes and the Class A-2 Notes, the amount necessary to pay the outstanding principal amounts of such Notes in full and an amount equal to the CP Principal Reserve Required Amount, to redeem the LIBOR CP Notes in full and to Defease the other CP Notes in full;

(3) to the payment to the B Notes, the amount necessary to pay the outstanding principal amounts of the Class B Notes in full;

(4) to the payment to the Class C Notes of an amount equal to the Optional Redemption Price, Tax Redemption Price or Auction Redemption Price, as applicable, or if such Final Payment Date occurs after an Event of Default which has resulted in the liquidation of the Collateral, an amount equal to the Rated Principal Amount of the Class C Notes and accrued and unpaid interest thereon at the Class C Note Interest Rate;

(5) *first*, (a) to the payment to the Class D Notes of an amount equal to the Optional Redemption Price, Tax Redemption Price or Auction Redemption Price, as applicable, or if such Final Payment Date occurs after an Event of Default which has resulted in the liquidation of the Collateral, an amount equal to the Minimum Principal Amount of the Class D Notes, less (b) 20% of the amount by which the amount determined in such clause 5(a) hereof exceeds the Class D Yield Make Whole Payment (but not less than zero); and

second, to the Investment Advisor as part of the Incentive Investment Advisor Fee, the amount determined in subclause 5(b) hereof;

(6) to the payment of any Defaulted Hedge Termination Payments; and

(7) to the payment of the amounts referred to in clauses (7) through (20) of the Priority of Payments for Payment Dates which are not Final Payment Dates, in that order, to the extent not previously paid, treating all remaining funds as Principal Proceeds (*provided* that no reinvestment shall be made pursuant to subclause 11(b) and no deposit shall be made to the Expense Reserve Account pursuant to subclause (14)(c)).

The Note Agency Agreement, the Trust Deed and the Security Agreement

The following summary describes certain provisions of the Note Agency Agreement, the Trust Deed and the Security Agreement. The summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Note Agency Agreement, the Trust Deed and the Security Agreement.

Trust Deed

The Trust Deed has a number of schedules which are integral parts thereof, including the "Terms and Conditions of the Notes," the "Glossary of Defined Terms," provisions related to "Form, Registration and Transfer" of the Notes and certain provisions pertaining to meetings of Holders and forms of transfer certificates. For ease of reference, the term Trust Deed may include these components or they may be referred to separately.

Events of Default. An "Event of Default" is defined in the Terms and Conditions of the Notes and includes:

(i) a default in the payment, when due and payable, of any CP Note Interest, of any interest on any Class A Note or Class B Note and a continuation of such default for a period of 7 days;

(ii) a default in the payment of principal due on any Note at its Stated Maturity or on any Redemption Date or default in payment of the CP Face Amount of any CP Note at its Stated Maturity or on any Redemption Date or, if such default is not due to credit-related reasons or fraud, the continuation of such default for a period of seven days;

(iii) the failure to disburse any amount on deposit in the Payment Account in excess of $500 on any Payment Date, and the continuation of such failure for a period of five days or seven days if such failure to disburse is not due to credit-related reasons or fraud;

(iv) a circumstance in which either of the Issuers or the Collateral or any portion thereof becomes an investment company required to be registered under the Investment Company Act;

(v) a default, which has a material adverse effect on the Holders of the Notes (as determined by the Trustee on behalf of the Holders or by the Holders of at least 25% in aggregate outstanding principal amount of the Controlling Class), in the performance, or breach, of any covenant, representation, warranty or other agreement of the Issuers in the Note Agency Agreement, the Security Agreement or the Trust Deed (it being understood that a failure to satisfy a Collateral Quality Test, a Collateral Profile Test, any Class A/B Coverage Test or any of the Reinvestment Criteria is not a default or breach) or in any certificate or writing delivered pursuant to the Note Agency Agreement, the Security Agreement or the Trust Deed, or if any representation or warranty of the Issuers made in the Note Agency Agreement, the Security Agreement or the Trust Deed or in any certificate or writing delivered pursuant thereto proves to be incorrect in any material respect when made, and the continuation of such default or breach for a period of 30 days after notice thereof shall have been given to the Issuers and the Investment Advisor by the Trustee or to the Issuers, the Investment Advisor and the Trustee by the Holders of at least 25% in aggregate outstanding principal amount of the Controlling Class; and

(vi) certain events of bankruptcy, insolvency, receivership or reorganization of either of the Issuers.

In the case of a payment default resulting solely from an administrative error or omission by any party to the Transaction Documents, so long as such payment default is cured within seven days after the party responsible for such error or omission is made aware of such administrative error or omission, no Event of Default will occur as a result thereof. Notwithstanding the foregoing, the Put Counterparty will not be excused from performing its obligations under the Put Agreement unless otherwise not required to do so under the terms of the Put Agreement.

If an Event of Default should occur and be continuing, the Trustee will, at the direction of the Holders of a Majority of the Controlling Class, declare the principal of and accrued and unpaid interest on all Notes, the LIBOR CP Notes and the CP Face Amount of the CP Notes (other than the LIBOR CP Notes) to be immediately due and payable (except that in the case of an Event of Default described in clause (vi) above, such acceleration will occur automatically and shall not require any action by the Trustee or any Holder and the Reinvestment Period shall terminate automatically). Upon an acceleration of the Notes, the Reinvestment Period will terminate.

The "Controlling Class" will be the Class A Notes and the Put Counterparty (for so long as the Put Agreement is in effect and no Put Counterparty Default has occurred and is continuing) voting in the amount of the then outstanding aggregate face amount of the CP Notes (voting together as a single class), for so long as any Class A Notes or CP Notes are outstanding; if no Class A Notes or CP Notes are outstanding, then the Class B Notes, so long as any Class B Notes are outstanding; if no Class A Notes, CP Notes or Class B Notes are outstanding, then the Class C Notes, so long as any Class C Notes are outstanding; and if no Class A Notes, CP Notes, Class B Notes or Class C Notes are outstanding, then the Class D Notes, so long as any Class D Notes are outstanding. For purposes of any vote by the Class A Notes as part of the Controlling Class, the Trustee will provide the Put Counterparty with notice of such vote.

If an Event of Default should occur and be continuing, the Trustee will direct the Collateral Agent to retain the Collateral intact and collect all payments in respect of the Collateral and continue making payments in the manner described under the Priority of Payments unless (a) the Trustee determines (which determination may be based upon a certificate from the Investment Advisor) that the anticipated proceeds of a sale or liquidation of the Collateral based on an estimate obtained from a nationally recognized investment banking firm in the United States (which estimate takes into account the time elapsed between such estimate and the anticipated date of the sale of the Collateral) would equal or

exceed the amount necessary to pay in full (after deducting the reasonable expenses of such sale or liquidation) the sum of (i) the principal and accrued interest (including all Defaulted Interest and interest thereon) with respect to all the Class A Notes, (ii) the principal, discount and interest (including all Defaulted Interest and interest thereon), as applicable, with respect to the CP Notes, (iii) the principal and accrued interest (including all Defaulted Interest and interest thereon) with respect to all the Class B Notes, (iv) the Rated Principal Amount of the Class C Notes and accrued interest thereon at the Class C Note Interest Rate, (v) the Rated Principal Amount of the Class D Notes, (vi) all Administrative Expenses, (vii) all amounts payable by the Issuer to any Hedge Counterparty (including any applicable termination payments), the Put Counterparty and each CP Note Placement Agent net of all amounts payable to the Issuer by any Hedge Counterparty, the Put Counterparty and each CP Note Placement Agent, (viii) all Base Investment Advisor Fees payable to the Investment Advisor and (ix) all other amounts under the Transaction Documents that are payable pursuant to the Priority of Payments applicable following liquidation of the Collateral and, in any case, the Holders of a Majority of the Controlling Class agree with such determination or (b) the Holders of a SupraMajority of the Controlling Class along with the Put Counterparty (for so long as the Put Agreement is in effect and no Put Counterparty Default has occurred and is continuing) and each Hedge Counterparty (unless any such Hedge Counterparties will be paid in full the amounts due to them, including any applicable termination payments, other than Defaulted Hedge Termination Payments, at the time of distribution of the proceeds of any sale or liquidation of the Collateral) direct, subject to the provisions of the Trust Deed, the Security Agreement and the Note Agency Agreement, the sale and liquidation of the Collateral.

The Holders of a Majority of the Controlling Class will have the right to direct the Trustee in writing in the conduct of any proceedings, but only if (i) such direction will not conflict with any rule of law or the Trust Deed (including the limitations described in the immediately preceding paragraph) and (ii) the Trustee determines that such action will not involve it in liability (unless the Trustee has received an indemnity which is reasonably acceptable to the Trustee against any such liability).

Subject to the provisions of the Trust Deed relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee is under no obligation to exercise any of the rights or powers under the Trust Deed or the Terms and Conditions of the Notes at the request of any Holders of Notes and the CP Notes, unless such Holders have offered to the Trustee reasonable security or an indemnity which is reasonably acceptable to the Trustee. The Holders of a Majority of the Controlling Class may waive any default with respect to the Notes and the CP Notes, except (a) a default in the payment of principal or interest on any Note or CP Note (including any discount on any CP Note); (b) any events described above in sub-clause (vi) of the definition of Event of Default; or (c) a default in respect of a provision of the Note Agency Agreement, the Trust Deed or the Terms and Conditions of the Notes that cannot be modified or amended without the waiver or consent of the Holder of each outstanding Note adversely affected thereby; *provided, however*, that no such waiver of an Event of Default shall affect the right of the Put Counterparty to terminate the Put Agreement.

Furthermore, any declaration of acceleration of maturity of the Notes and the CP Notes may be revoked and annulled by the Holders of a Majority of the Controlling Class before a judgment or decree for the payment of money has been obtained by the Trustee or the Collateral has been sold or foreclosed in whole or in part, by notice to the Issuers, the Investment Advisor, the Trustee and the Collateral Agent, if (a) the Issuer has paid or deposited with the Trustee a sum sufficient to pay, in accordance with the Priority of Payments, the principal and accrued interest (including all Defaulted Interest and the interest thereon) with respect to the outstanding Notes and CP Notes (including any discount on the CP Notes) and any other due and unpaid administrative expenses, fees or other amounts (if any) due to the Hedge Counterparties and other amounts payable pursuant to clauses (1)-(6) of the Priority of Payments for Final Payment Dates, (b) the Trustee has determined that all Events of Default, other than the non-payment of the interest on, discount on or principal of the outstanding Notes and CP Notes that have become due solely by such acceleration, have been cured and the Holders of a Majority of the Controlling Class by notice to the Trustee have agreed with such determination (which agreement shall not be unreasonably withheld) or waived such Event of Default in accordance with the provisions set forth in the

Terms and Conditions of the Notes and (c) the Hedge Agreements and the Put Agreement have not been terminated; *provided, however,* that no such revocation or annulment shall affect the right of the Put Counterparty to terminate the Put Agreement.

Only the Trustee may pursue the remedies available under the Trust Deed, the Note Agency Agreement, the Notes and the CP Notes and no Holder of a Note or a CP Note will have the right to institute any proceeding with respect to the Note Agency Agreement, the Trust Deed, its Note, CP Note or otherwise unless (i) such Holder previously has given to the Trustee written notice of a continuing Event of Default; (ii) except in the case of a default in the payment of principal or interest, the Holders of at least 25% of the aggregate outstanding amount 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 an indemnity which is reasonably acceptable to the Trustee; (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 of the Controlling Class. The Trustee, the Issuers and the Holders of the Notes shall be deemed to understand and intend that no one or more Holders of Notes shall have any right in any manner whatsoever by virtue of, or by availing itself of, any provision of the Trust Deed to affect, disturb or prejudice the rights of any other Holders of Notes of the same Class or to obtain or to seek to obtain priority or preference over any other Holders of the Notes of the same Class, except in the manner herein provided and for the equal and ratable benefit of all the Holders of Notes of the same Class subject to and in accordance with the Priority of Payments and the Security Agreement.

In determining whether the Holders of the requisite percentage of Notes and/or CP Notes have given any direction, notice or consent, Notes and/or CP Notes owned by the Issuer, the Co-Issuer or any affiliate thereof shall be disregarded and deemed not to be outstanding. In determining the Majority of the Controlling Class in connection with any waiver, (i) all Notes (if any) of the applicable Class and/or CP Notes held by the Trustee and its affiliates shall be disregarded if the relevant waiver relates to a default arising primarily from any act or omission of the Trustee and (ii) all Notes (if any) of the applicable Class and/or CP Notes held by the Investment Advisor and its affiliates shall be disregarded if the relevant waiver relates to a default arising primarily from any act or omission of the Investment Advisor.

Notices. Notices to the Holders of the Notes shall be given by first-class mail, postage prepaid, to each Holder at the address appearing in the applicable note register. In addition, for so long as any of the Notes are listed on any stock exchange and so long as the rules of such exchange so require, notices to the Holders of such Notes shall also be published in the official list thereof.

Modification of the Trust Deed. Except as provided below, with (i) the written consent of the Holders of not less than a Majority of the aggregate outstanding principal amount of each Class of Notes and the CP Notes (with the Holders of the Class A Notes and the CP Notes voting as a single Class) materially adversely affected thereby and (ii) the consent of the Investment Advisor, the Trustee and the Issuers may execute a supplemental trust deed to add provisions to, or change in any manner or eliminate any provisions of, the Trust Deed or the Terms and Conditions of the Notes or modify in any manner the rights of the Holders of such Class and the CP Noteholders, *provided* that the Rating Agency Condition would be satisfied after such addition, change or elimination.

Without the written consent of 100% of the Holders of each materially adversely affected Class of Notes and CP Notes (with the Holders of the Class A Notes and the CP Notes voting as a single Class), each materially adversely affected Hedge Counterparty, and unless the Rating Agency Condition is satisfied, no supplemental trust deed may (i) change the Stated Maturity of the principal of or the due date of any installment of interest or additional distributions on a Note or CP Note (including discount on any CP Note); reduce the principal amount thereof or the rate of interest or discount thereon, or the applicable Optional Redemption Price, Tax Redemption Price or Auction Redemption Price with respect thereto; change the earliest date on which a Note or a CP Note may be redeemed or Defeased; change the provisions of the Trust Deed or the Security Agreement relating to the application of proceeds of any Collateral to the payment of principal of or interest or discount on the Notes or CP Notes, or change any place where, or the coin or currency in which, Notes or CP Notes or the principal thereof or interest or

discount thereon are payable; or impair 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 Redemption Date); (ii) reduce the percentage in aggregate principal amount of Holders of the Notes of each Class or CP Notes whose consent is required for the authorization of any supplemental trust deed or for any waiver of compliance with certain provisions of the Trust Deed or for the waiver of certain defaults thereunder or their consequences; (iii) impair or adversely affect the Collateral except as otherwise permitted by the Trust Deed; (iv) permit the creation of any security interest ranking prior to or on a parity with the security interest created by the Security Agreement with respect to any part of the Collateral (it being understood that the addition of Hedge Counterparties, Synthetic Security Counterparties, Securities Lending Counterparties and any replacement Put Counterparty does not require consent under this clause) or terminate such security interest on any property at any time subject thereto or deprive the Holder of any Note, CP Note, the Collateral Agent, the Trustee, the CP Issuing and Paying Agent, the Trustee or any other Secured Party of the security afforded by the lien of the Security Agreement; (v) reduce the percentage of Holders of each Class of Notes or CP Notes whose consent is required to request the Trustee to preserve the Collateral or rescind the Trustee's election to preserve the Collateral or to sell or liquidate the Collateral pursuant to the Trust Deed and the Security Agreement; (vi) modify any of the provisions of the Trust Deed with respect to supplemental trust deeds except (a) to increase the percentage of outstanding Notes or CP Notes whose Holders' consent is required for any such action or (b) to increase the percentage of outstanding Notes or CP Notes whose Holders' consent is required to modify or waive other provisions of the Trust Deed; (vii) modify the definition of the term "Outstanding" or the Priority of Payments set forth in the Security Agreement; (viii) modify any of the provisions of the Trust Deed in such a manner as to affect the calculation of the amount of any payment of interest or discount on or principal of any Note or CP Note or modify any amount distributable to the Holders of the Subordinated Notes on any Payment Date or to affect the right of the Holders of the Notes or the CP Notes, the Put Counterparty or the Trustee to the benefit of any provisions for the redemption of such Notes or CP Notes contained therein; (ix) amend any provision of the Trust Deed or any other agreement entered into by the Issuer with respect to the transactions contemplated by the Trust Deed relating to the institution of proceedings for the Issuer or the Co-Issuer to be adjudicated as bankrupt or insolvent, or the consent of the Issuer or the Co-Issuer to the institution of bankruptcy or insolvency proceedings against it, or the filing with respect to the Issuer or the Co-Issuer of a petition or answer or consent seeking reorganization, arrangement, moratorium or liquidation proceedings, or other proceedings under the United States Bankruptcy Code or any similar laws, or the consent of the Issuer or the Co-Issuer to the filing of any such petition or the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Issuer or the Co-Issuer or any substantial part of its property, respectively; (x) increase the amount of the Investment Advisor Fee payable to the Investment Advisor beyond the amount provided for in the original Investment Advisory Agreement; (xi) amend any provision of the Trust Deed or any other agreement entered into by the Issuer with respect to the transactions contemplated by the Trust Deed that provides that the obligations of the Issuers or the Issuer, as the case may be, are limited recourse obligations of the Issuers or the Issuer, respectively, payable solely from the Collateral in accordance with the terms of the Trust Deed; (xii) at the time of the execution of such supplemental trust deed, cause the Issuer, the Investment Advisor, the Put Counterparty or any Note Paying Agent to become subject to withholding or other taxes, fees or assessments or cause the Issuer to be treated as engaged in a United States trade or business or otherwise be subject to United States federal, state or local income tax on a net income basis; or (xiii) at the time of the execution of such supplemental trust deed, result in a deemed sale or exchange of any of the Notes under Section 1001 of the Code (items (i) through (xiii) above collectively, the "Reserved Matters").

Notwithstanding the foregoing, the Glossary of Defined Terms attached as Schedule A to the Trust Deed may only be amended in accordance with the procedures required to amend the Security Agreement; *provided* that any amendment to the Glossary of Defined Terms which relates to a Reserved Matter shall require the written consent of 100% of the Holders of each materially adversely affected Class of Notes and CP Notes (with the Holders of the CP Notes and Class A Notes voting as a single Class) and each materially adversely affected Hedge Counterparty and Put Counterparty.

The Issuers and the Trustee may enter into one or more supplemental trust deeds, without obtaining the consent of Holders of any of the Notes or the CP Notes, (i) if such supplemental trust deeds would have no material adverse effect on any of the Holders or the CP Noteholders (as evidenced by an opinion of counsel or an officer's certificate delivered by the Issuer (or the Investment Advisor on behalf of the Issuer) to the Trustee) or (ii) for any of the following purposes: (a) to evidence the succession of any person to either the Issuer or Co-Issuer and the assumption by any such successor of the covenants of the Issuer or Co-Issuer in the Notes, the CP Notes and the Trust Deed; (b) to add to the covenants of the Issuers or the Trustee for the benefit of the Holders of the Notes and the CP Notes or to surrender any right or power conferred upon the Issuers; (c) to convey, transfer, assign, mortgage or pledge any property to the Trustee, or add to the conditions, limitations or restrictions on the authorized amount, terms and purposes of the issue, authentication and delivery of the Notes; (d) to evidence and provide for the acceptance of appointment by a successor trustee, investment advisor, listing agent, calculation agent, note registrar, note paying agent or collateral agent and to add to or change any of the provisions of the Trust Deed as necessary to facilitate the administration of the trusts under the Trust Deed by more than one Trustee; (e) to provide for the issuance of additional Notes and CP Notes to the extent permitted under the Trust Deed; (f) to correct or amplify the description of any property at any time subject to the security interest created by the Security Agreement, or to better assure, convey, and confirm unto the Trustee any property subject or required to be subject to the security interest created by the Security Agreement (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations) or subject to the security interest created by the Security Agreement any additional property; (g) to cure any ambiguity or manifest error or correct or supplement any provisions contained in the Trust Deed which may be defective or inconsistent with any provision contained in the Trust Deed or make any modification that is of a formal, minor or technical nature or which is made to correct a manifest error; (h) to take any action necessary or advisable to prevent the Issuers, the Collateral Agent, the Put Counterparty or any Note Agents from becoming subject to withholding or other taxes, fees or assessments or to prevent the Issuer from being treated as engaged in a United States trade or business or otherwise being subject to United States federal, state or local income tax on a net income basis or to avoid the Issuer or the Co-Issuer or the Collateral from being required to register as an investment company under the Investment Company Act; (i) to conform the Trust Deed to the description contained in this offering circular; (j) to comply with any requests made by any stock exchange in order to list or maintain the listing of any Notes on such stock exchange or to de-list the Class C Notes or Class D Notes, pursuant to the Trust Deed; (k) to modify the restrictions on and procedures for resale and other transfer of the Notes to reflect any changes in any applicable law or regulation (or the interpretation thereof) or enable the Issuer 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; (l) to accommodate the issuance of the Class A Notes or the Class B Notes as Definitive Notes; (m) to amend the reporting requirements or procedures contained in the Trust Deed to comply with such requirements and procedures as required by the Bond Market Association or as required to post any documents on the Repository or (n) to facilitate the issuance of the CP Notes and the maintenance of the Issuer's CP Note program. Prior to entering into any such supplemental Trust Deed, the Trustee will give written notice of such supplemental Trust Deed to each Rating Agency (*provided* that a supplemental Trust Deed relating to items (a) or (e) of clause (ii) of the first sentence in this paragraph shall require satisfaction of the Rating Agency Condition).

No amendment to the Trust Deed will be effective until the Investment Advisor has received written notice of such proposed amendment, has consented in writing thereto and has received a final copy thereof from the Issuer or the Trustee.

The Issuer will not consent to any modification of any Transaction Document (other than the Security Agreement and the Trust Deed) and, in the case of the Memorandum and Articles of Association of the Issuer, will procure that its shareholders shall not so consent, unless the Rating Agency Condition has been satisfied with respect to such modification of such Transaction Document; *provided, however,* that satisfaction of the Rating Agency Condition will not be required for amendment to the Transaction Documents (i) in order to further effectuate the grant of, or further perfect, any lien or security interest of the Collateral Agent in, any item of Collateral, (ii) to amend the terms of such Transaction Documents for the purpose of facilitating compliance by the Issuer with any exemption from registration under the

Investment Company Act, (iii) to cure any ambiguity or manifest error or correct or supplement any provision contained in the Transaction Documents which may be defective or inconsistent with any other provision contained in the Transaction Documents or make any modification that is of a formal, minor or technical nature or which is made to correct a manifest error, (iv) to comply with any reasonable requests made by any stock exchange in order to list or maintain the listing of any Notes thereon or to de-list the Subordinated Notes, (v) to conform the terms of the Transaction Documents with the terms described in the offering circular, (vi) to amend the reporting requirements or procedures contained in the Trust Deed to comply with such requirements and procedures as required by the Bond Market Association or as required to post any documents on the Repository or (vii) to facilitate the issuance of the CP Notes and the maintenance of the Issuer's CP Note program. Prior to entering into any waiver in respect of any of the foregoing agreements, the Issuer will provide each Rating Agency, each Hedge Counterparty, the Put Counterparty, the Investment Advisor and the Trustee with written notice thereof which will specify the action proposed to be taken by the Issuer (and the Trustee will promptly deliver a copy of such notice to each Noteholder and CP Noteholder).

The Trustee may, consistent with the written advice of counsel, at the expense of the Issuer, determine whether or not the Holders of Notes or CP Notes or the Hedge Counterparty would be materially adversely affected by any supplemental trust deed or amendment or modification to the Trust Deed (after giving notice of such change to the Holders of Notes and the Put Counterparty) and may require the delivery of an opinion of counsel or an officer's certificate delivered by the Issuer (or the Investment Advisor on behalf of the Issuer) to the Trustee, reasonably satisfactory to it, at the expense of the Issuer, that such supplemental trust deed or amendment or modification is permitted under the terms of the Trust Deed. Such determination shall be conclusive and binding on all present and future Holders of Notes and CP Notes.

The Issuers will not consent to any supplemental trust deed that would have a material adverse effect on any Hedge Counterparty, the Put Counterparty or any CP Note Placement Agent without the prior consent of each Hedge Counterparty, the Put Counterparty and each CP Note Placement Agent materially adversely affected, as applicable, which consent shall not be unreasonably withheld or delayed. Any amendment to the Trust Deed will not be effective until the Investment Advisor has received written notice of such amendment, has consented in writing to the terms of the proposed amendment and has received a copy of the final version of such amendment from the Issuer or the Trustee.

At the cost of the Issuers, the Trustee will provide the Holders of the Notes, the Investment Advisor, the Put Counterparty, the CP Issuing and Paying Agent, the CP Note Placement Agents and the Hedge Counterparties a copy of any proposed supplemental trust deed at least 20 days prior to the execution thereof by the Trustee. The Trustee will, for so long as the Notes and the CP Notes are outstanding and rated by the Rating Agencies, mail a copy of any proposed supplemental trust deed (whether or not required to be approved by the Holders of any Notes or CP Notes) to the Rating Agencies not later than 15 Business Days prior to the execution of such proposed supplemental trust deed. The Trustee must provide notice of any amendment or modification of the Trust Deed (whether or not required to be approved by the Holders of any Notes or CP Notes) to the Holders of the Notes, the Investment Advisor, the Put Counterparty, the CP Issuing and Paying Agent, each Hedge Counterparty, each Securities Lending Counterparty and, for so long as any Notes are listed on any stock exchange, the Listing and Paying Agent promptly upon the execution of such supplemental trust deed. The Trustee will not enter into any such supplemental trust deed if, with respect to such supplemental trust deed, the Rating Agency Condition is required to be satisfied, but would not be satisfied; *provided* that the Trustee shall, with the consent of the Holders of 100% of the aggregate outstanding amount of Notes of each Class, the CP Notes, the Put Counterparty and each Hedge Counterparty, enter into any such supplemental trust deed notwithstanding any such reduction or withdrawal of the ratings of any outstanding Class of Notes.

No amendment to the Trust Deed will be effective until the Investment Advisor has received written notice of such proposed amendment, has consented in writing thereto and has received a final copy thereof from the Issuer or the Trustee. Further, the Issuers will not consent to any supplemental

trust deed that would have a material adverse effect on any Hedge Counterparty without the consent of such Hedge Counterparty materially and adversely affected thereby, such consent not to be unreasonably withheld or delayed.

Notwithstanding anything in the Trust Deed to the contrary, the Investment Advisor will not be bound by any supplemental trust deed that modifies the rights or increases the obligations of the Investment Advisor unless the Investment Advisor has consented thereto in writing.

Additional Issuance. The Trust Deed and the CP Issuing and Paying Agency Agreement will provide that from the Closing Date to and including November 8, 2005 the Issuers may issue and sell additional notes of all existing Classes of Notes and CP Notes (in addition to any CP Notes included in the then existing CP Note program) and the Issuer will use the proceeds to purchase additional Collateral Assets and, if applicable, enter into additional Hedge Agreements in connection with the Issuer's issuance of and making of payments on, the notes and ownership and disposition of the Collateral Assets; *provided* that the following conditions are satisfied: (i) such additional issuances may not exceed 100% in the aggregate of the principal amount of the currently outstanding Class A-1LT-a Notes and the currently outstanding Class A-1LT-b Notes and 100% in the aggregate face amount of the CP Notes currently outstanding (aggregated as a single class), 100% in the aggregate of the original principal amount of each other applicable Class of Notes; such additional notes or shares must be issued for a cash sales price (the net sale proceeds to be invested in Collateral Assets or, pending such investment, deposited in the Collection Account and invested in Eligible Investments); additional CP Notes, Class A-1LT-a Notes and Class A-1LT-b Notes (in the aggregate), and Notes of each other Class must be issued in a *pro rata* amount (based on the then aggregate outstanding principal amount of the Class A-1LT-a Notes and the Class A-1LT-b Notes and the aggregate outstanding face amount of the CP Notes (aggregated as a single class) and each other Class of Notes); and the terms (other than the date of issuance, the issue price, the date from which interest will accrue and, in the case of the Class A-1LT-a Notes and the Class A-1LT-b Notes only, the interest rate and current margin over LIBOR thereon) of such Notes must be identical to the terms of the Notes of the Class of which such Notes are a part, or, in the case of the CP Notes, the terms (other than the date of issuance, the maturity, the issue price and (if applicable) the interest rate and the date from which interest will accrue) of such CP Notes must be identical to the terms of the originally issued CP Notes; (ii) the ratings on each Class of Notes must at such time be no lower than the original ratings assigned on the Closing Date; (iii) the Rating Agency Condition has been satisfied; (iv) the Holders of the Subordinated Notes shall have been notified in writing 30 days prior to such issuance, a Majority of the Class C Notes shall have consented to such issuance and, if such additional issuance occurs after the Payment Date in May 2005, at least 66-2/3% of the Holders of the Class D Notes shall have consented to such issuance, (v) the Holders of the Subordinated Notes shall have been afforded the first opportunity to purchase additional subordinated notes in an amount not to exceed the percentage of the outstanding Subordinated Notes each Holder held immediately prior to such issuance of such additional subordinated notes and on the same terms offered to investors generally; (vi) the Investment Advisor shall have consented to such additional issuance; (vii) the Put Counterparty and the Hedge Counterparties have been notified in writing 30 days prior to such issuance and shall have consented to such issuance; and (viii) an opinion of counsel must be delivered to the Trustee to the effect that none of the Issuer, the Co-Issuer or the pool of Collateral (or any part thereof) will be required, as a result of such issuance, to be registered as an investment company under the Investment Company Act, and that (a) such additional issuance will not result in the Issuer becoming subject to U.S. federal income taxation with respect to its net income, (b) such additional issuance would not cause Holders of the Notes previously issued to be deemed to have sold or exchanged such Notes under Section 1001 of the Code, (c) any such additional Class A Notes, CP Notes, Class B Notes, Class C Notes and Class D Notes shall be accorded the same tax characterization for U.S. federal income tax purposes as the respective original notes and (d) any such additional Class A Notes, CP Notes, Class B Notes, Class C Notes and Class D Notes, respectively, will be part of the same issue as the original Class A Notes, CP Notes, Class B Notes, Class C Notes and Class D Notes, respectively, for purposes of Sections 1271 through 1275 of the Code. Any additional issuance of notes will not require the consent of the Class A Notes or the CP Notes and will not require an amendment to the Trust Deed, the Security Agreement, the Note Agency Agreement or the CP Issuing and Paying Agency Agreement.

The proceeds of any additional issuance that are not used on the date of such issuance to purchase Collateral Assets will be deposited into the Collection Account.

Jurisdictions of Incorporation and Formation. Under the Trust Deed, the Issuer and the Co-Issuer will be required to maintain their rights and franchises as a company incorporated under the laws of the Cayman Islands and a corporation incorporated under laws of the State of Delaware, respectively, to comply with the provisions of their respective organizational documents and to obtain and preserve their qualification to do business as foreign corporations in each jurisdiction in which such qualifications are or shall be necessary to protect the validity and enforceability of the Trust Deed, the Notes or any of the Collateral; *provided, however*, that the Issuers shall be entitled to change their jurisdictions of incorporation or formation from the Cayman Islands or Delaware, as applicable, to any other jurisdiction reasonably selected by the Issuer or Co-Issuer, as applicable, and approved by its common shareholders or members, as applicable, so long as (i) the Issuer or Co-Issuer, as applicable, does not believe such change is disadvantageous in any material respect to such entity, the Holders of any Class of Notes or the Put Counterparty; (ii) written notice of such change shall have been given by such entity to the Trustee, the Note Paying Agents, the Investment Advisor, the Put Counterparty, the Hedge Counterparties, the Holders of each Class of Notes and CP Notes, any stock exchange on which any Note are then listed and each of the Rating Agencies at least thirty (30) Business Days prior to such change of jurisdiction; and (iii) on or prior to the 25th Business Day following such notice the Trustee shall not have received written notice from Holders of a Majority of the Controlling Class, the Put Counterparty or from any stock exchange on which such Notes are listed objecting to such change.

Trustee. LaSalle Bank National Association will act as Trustee and as the Collateral Agent. In addition, LaSalle Bank National Association will also act as the Principal Note Paying Agent, the Note Paying Agent in the United States, the Note Transfer Agent and the Note Registrar. The Issuers and their affiliates may maintain other transaction relationships in the ordinary course of business with the Trustee. In addition, LaSalle Bank National Association acts as trustee with respect to a portion of the aggregate principal amount of Collateral Assets which, as of the date of this offering circular, are expected to be acquired by the Issuer on the Closing Date. LaSalle Bank and any of its affiliates providing services with respect to the Issuer will have only the duties and responsibilities expressly provided in each capacity and shall not, by virtue of its or any affiliate acting in any other capacity, be deemed to have duties or responsibilities or be deemed to be held to a standard of care other than as expressly provided with respect to each such capacity. The payment of the fees and expenses of the Trustee relating to the Notes and the CP Notes is solely the obligation of the Issuers. The Trustee and/or its affiliates may receive compensation in connection with the Trustee's investment of trust assets in certain Eligible Investments as provided in the Security Agreement and in connection with the Trustee's administration of any securities lending activities of the Issuer.

The Trust Deed 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 Trust Deed. The Trustee will not be bound to take any action unless indemnified for such action. The Noteholders shall together have the power, exercisable by Extraordinary Resolution, to remove the Trustee as set forth in the Trust Deed. The removal of the Trustee shall not become effective until the acceptance of appointment by a successor trustee. If the Trustee is removed without cause, costs and expenses of the Trustee incurred in connection with the transfer to the successor Trustee shall be paid by the successor Trustee or the Issuer. In addition, if LaSalle Bank National Association is removed in its capacity as the Trustee, it shall also be removed in each other capacity it serves under the Transaction Documents.

Petitions for Bankruptcy. The Trust Deed and the Note Agency Agreement will provide that neither (i) any of the Hedge Counterparties, the Put Counterparty, the Collateral Agent, the Note Agents, or the Trustee, in its own capacity, or on behalf of any Holder of Notes or CP Notes, nor (ii) the Noteholders may, prior to the date which is one year and one day (or, if longer, the applicable preference period then in effect) after the payment in full of all Notes, institute against, or join any other person in instituting against, the Issuer or Co-Issuer any bankruptcy, reorganization, arrangement, moratorium, liquidation or similar proceedings under the laws of any jurisdiction. The shareholders of the Issuer may

voluntarily wind up the Issuer only by a resolution by holders of at least 66-2/3% of the Issuer Ordinary Shares. The Share Trustee, as registered holder of the Issuer Ordinary Shares under a declaration of trust, has covenanted not to exercise the votes attaching to the Issuer Ordinary Shares to wind up the Issuer before one year and one day or, if longer, the applicable preference period then in effect, after all Notes have ceased to be outstanding and the directors of the Issuer have confirmed to the Share Trustee that the Issuer does not intend to issue any additional Notes.

Note Agency Agreement

Note Agents. LaSalle Bank National Association will be the Principal Note Paying Agent, the Note Paying Agent, the Note Registrar, the Calculation Agent and the Note Transfer Agent under the Note Agency Agreement. The Issuers and their affiliates may maintain other banking relationships in the ordinary course of business with LaSalle Bank National Association. The payment of the fees and expenses of LaSalle Bank National Association relating to the Notes and the CP Notes is solely the obligation of the Issuers. The Note Agency Agreement contains provisions for the indemnification of LaSalle Bank National Association for any loss, liability or expense incurred without gross negligence, willful misconduct, default or bad faith on its part arising out of or in connection with the acceptance or administration of the Note Agency Agreement.

Listing and Paying Agent. For so long as any Class of Notes is listed on any stock exchange and the rules of such exchange shall so require, the Issuer will have a listing agent and a paying agent (which shall be the "Listing and Paying Agent") for Notes. The Issuers and their affiliates may maintain other relationships in the ordinary course of business with the Listing and Paying Agent. The payment of the fees and expenses of the Listing and Paying Agent relating to Notes (if issued) is solely the obligation of the Issuers. The Note Agency Agreement contains provisions for the indemnification of the Listing and Paying Agent for any loss, liability or expense incurred without negligence, willful misconduct or bad faith on their respective parts arising out of or in connection with the acceptance or administration of the Note Agency Agreement.

Security Agreement

Modification of the Security Agreement. The Security Agreement (including the Glossary of Defined Terms attached thereto), may be amended by the Issuer upon satisfaction of the Rating Agency Condition but without the consent of any other party (i) in order to further effectuate the grant of the security interest, or further perfect any lien or security interest of the Collateral Agent in, any item of Collateral, (ii) to amend the terms of the Security Agreement for the purpose of facilitating compliance by the Issuer with any exemption from registration under the Investment Company Act, (iii) to cure any ambiguity or correct or supplement any provision contained in the Security Agreement which may be defective or inconsistent with any other provision contained in the Security Agreement or make any modification that is of a formal, minor or technical nature or which is made to correct a manifest error, (iv) to comply with any reasonable requests made by any stock exchange in order to list or maintain the listing of any Notes on such stock exchange or to de-list the Subordinated Notes pursuant to the Trust Deed, (v) to conform the terms of the Security Agreement with the terms described in the offering circular and (vi) to facilitate the issuance of the CP Notes and the maintenance of the Issuer's CP Note program; in each case notwithstanding that such amendment may be adverse to the Holders of the Notes or the CP Notes or the Put Counterparty; *provided* that, the Issuer shall not consent to any amendment which is materially adverse to the Investment Advisor without the Investment Advisor's consent, *provided further* that the Issuer shall not consent to any amendment to the extent required by it under the relevant Hedge Agreements and the Put Agreement; *provided, further*, that the Issuer shall be allowed to amend the reporting requirements or procedures contained in the Security Agreement to comply with such requirements and procedures as required by the Bond Market Association or as required to post any documents on the Repository without the consent of any other party (except for the Trustee, the Investment Advisor and the Collateral Administrator) and without the satisfaction of the Rating Agency Condition.

The Security Agreement (and the Glossary of Defined Terms attached thereto) may otherwise be amended, changed, modified or altered by a written instrument or written instruments signed by the Collateral Agent, the Trustee, the Investment Advisor and the Issuer, and to the extent each is adversely affected thereby, the Securities Intermediary, the Put Counterparty, each CP Note Placement Agent and each Hedge Counterparty (to the extent required under the Hedge Agreement) and upon satisfaction of the Rating Agency Condition; *provided*, that to the extent that such amendment, change, modification or alteration of the Security Agreement or the Glossary of Defined Terms would have a material adverse effect on the Holders of any Class of Notes or CP Notes, the Issuer shall not consent to any such amendment, change, modification or alteration without the approval of the Holders of a SupraMajority of each Class of Notes and the CP Notes (with the Class A Notes and the CP Notes voting as a single class) materially adversely affected thereby. Notwithstanding the foregoing, any amendment of the Security Agreement or the Glossary of Defined Terms which relates to a Reserved Matter shall require the consent of the Holder of each Note and CP Note and, to the extent required under the relevant Hedge Agreement, each Hedge Counterparty.

The Trustee may, consistent with the written advice of counsel, at the expense of the Issuer, determine whether or not the Holders of the Notes or the CP Notes would be materially adversely affected by any amendment or modification to the Security Agreement or the Glossary of Defined Terms (after giving notice of such change to the Holders of Notes and CP Notes) or in the case of each Hedge Counterparty whether or not the consent of such Hedge Counterparty is required under the applicable Hedge Agreement. Such determination will be conclusive and binding on all present and future Holders of the Notes and the CP Notes and the Hedge Counterparty.

The Issuer will give prior notice to the Hedge Counterparties the Investment Advisor, the Note Agents, the Trustee, the Collateral Agent, the Put Counterparty, the CP Issuing and Paying Agent, the Securities Intermediary, each of the Rating Agencies and, for so long as any Notes are listed on any stock exchange, any such stock exchange, of any amendment, change, modification or alteration of the Security Agreement and provide copies of such amendment, change, modification or alteration to the Hedge Counterparties, the Investment Advisor, the Note Agents, the Put Counterparty, the CP Issuing and Paying Agent, the Trustee, the Collateral Agent, the Securities Intermediary, each of the Rating Agencies and, for so long as any Notes are listed on any stock exchange, any such stock exchange.

Collateral Agent. LaSalle Bank National Association will be the Collateral Agent and Securities Intermediary for the Secured Parties under the Security Agreement. The Issuers and their affiliates may maintain other banking relationships in the ordinary course of business with the Collateral Agent. The payment of the fees and expenses of the Collateral Agent relating to the Notes and the CP Notes is solely the obligation of the Issuers. The Collateral Agent and/or its affiliates may receive compensation in connection with their investment of trust assets in certain Eligible Investments as provided in the Security Agreement and in connection with their administration of any securities lending activities of the Issuer. Pursuant to the Security Agreement, the Collateral Agent will hold the assets of the Issuer in the Collateral Agent's name as securities intermediary for, and for the benefit of, the Trustee and will carry out its duties and obligations, including with respect to the disposition and liquidation of the assets of the Issuer, in accordance with the directions delivered pursuant to the Security Agreement.

The Security Agreement contains provisions for the Issuer to indemnify the Collateral Agent for any loss, liability or expense incurred without negligence, willful misconduct, default or bad faith on its part arising out of or in connection with the acceptance or administration of the Security Agreement. Any indemnification is payable in accordance with the Priority of Payments.

The Collateral Agent and any successor Collateral Agent may at any time resign by giving 90 days' written notice to the Trustee, the Issuer, the CP Issuing and Paying Agent, the Investment Advisor and each Rating Agency of such resignation; *provided* that such resignation shall take effect only upon the date which is the later of (i) the effective date of the appointment of a successor Collateral Agent which meets the requirements for a successor Collateral Agent set forth in the Security Agreement, reasonably acceptable to the Trustee and the Issuer (or the Investment Advisor acting on behalf of the Issuer) and which satisfies the Rating Agency Condition with respect to S&P, and (ii) the date of

acceptance in writing by such successor Collateral Agent of such appointment and of its obligation to perform its duties under the Security Agreement in accordance with the provisions thereof. The Collateral Agent may be removed by the Issuer at any time prior to date on which all obligations of the Issuer under the Transaction Documents, the Notes and the CP Notes are satisfied in full, with or without cause, by an instrument in writing delivered to the Investment Advisor, the Issuer Administrator, the CP Issuing and Paying Agent, the Trustee, the Investment Advisor and each Rating Agency.

Governing Law of the Note Agency Agreement, the Trust Deed and the Security Agreement. The Security Agreement will be governed by, and construed in accordance with, the laws of the State of New York; *provided, however*, that certain provisions of the Security Agreement related to the Priority of Payments and the subordination of the Notes and the CP Notes will be governed by English law. The Note Agency Agreement, the Trust Deed and the Notes will be governed by, and construed in accordance with, English law. Under the Security Agreement, the Note Agency Agreement and the Trust Deed, the parties thereto have submitted irrevocably to the non-exclusive jurisdiction of the courts of the State of New York and the courts of the United States of America in the State of New York (in each case sitting in the County of New York) for the purposes of hearing and determining any suit, action or proceedings or settling any disputes arising out of or in connection with the Security Agreement, the Trust Deed, the Note Agency Agreement or the Notes.

Form of the Notes

The Class A Notes, the Class B Notes and the Regulation S Subordinated Notes. The Class A Notes and the Class B Notes sold in reliance on Rule 144A under the Securities Act will be represented by one or more Rule 144A Global Notes and will be deposited with LaSalle Bank National Association as custodian for DTC and registered in the name of Cede & Co., a nominee of DTC. The Rule 144A Global Notes (and any Notes issued in exchange therefor) will be subject to certain restrictions on transfer as set forth under "Notice to Investors."

The Class A Notes, the Class B Notes and the Regulation S Subordinated Notes sold in offshore transactions in reliance on Regulation S will initially be represented by Temporary Regulation S Global Notes deposited on the Closing Date with LaSalle Bank National Association as custodian for DTC and registered in the name of Cede & Co., a nominee of DTC, for the respective accounts of Euroclear and Clearstream. Beneficial interests in a Temporary Regulation S Global Note may be held only through Euroclear or Clearstream. Beneficial interests in a Temporary Regulation S Global Note will be exchanged for beneficial interests in a permanent Regulation S Global Note for a Note of the related Class in definitive, fully registered form upon the later of (i) the expiration of the Distribution Compliance Period (as defined below) and (ii) the first date on which the requisite certifications (in the form provided in the Trust Deed) are provided to the Trustee. The "Distribution Compliance Period" with respect to the Class A Notes, the Class B Notes and the Regulation S Subordinated Notes ends 40 days after the later of (i) the commencement of the offering of the Notes and (ii) the Closing Date; *provided* that the Trustee may assume such expiration is on the 40th day after the Closing Date unless advised otherwise in writing by either of the Initial Purchasers. The Regulation S Global Note for each sub-class of Class A Notes, the Class B Notes and Regulation S Subordinated Notes will be registered in the name of Cede & Co., a nominee of DTC, and deposited with LaSalle Bank National Association as custodian for DTC for credit to the accounts of Euroclear and Clearstream for the respective accounts of the Holders of such Notes. Beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream.

A beneficial interest in a Regulation S Global Note or a Temporary Regulation S Global Note may be transferred, whether before or after the expiration of the Distribution Compliance Period, to a U.S. Person only, with respect to the Class A Notes or the Class B Notes, in the form of a beneficial interest in a Rule 144A Global Note, and only, with respect to any Regulation S Subordinated Notes, in the form of a definitive Rule 144A Subordinated Note, and only upon receipt by the Note Transfer Agent of a written certification from the transferor (in the form provided in the Trust Deed) to the effect that the transfer is being made to a person the transferor reasonably believes is a Qualified Institutional Buyer and is a Qualified Purchaser or Knowledgeable Employee. In addition, transfers of a beneficial interest in a

Regulation S Global Note or Temporary Regulation S Global Note to a person who takes delivery in the form of an interest in a Rule 144A Global Note may occur only in denominations greater than or equal to the minimum denominations applicable to the Rule 144A Global Notes.

A beneficial interest in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Temporary Regulation S Global Note or a Regulation S Global Note, as the case may be, whether during or after the expiration of the Distribution Compliance Period, only upon receipt by the Note Registrar of a written certification from the transferor (in the form provided in the Trust Deed) to the effect that such transfer is being made to a non-U.S. Person in accordance with Rule 903 or 904 of Regulation S.

Any beneficial interest in one of the Global Notes that is transferred to the person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such interest.

Except in the limited circumstances described below, owners of beneficial interests in any Global Note will not be entitled to receive physical delivery of certificated Class A Notes, Class B Notes or Regulation S Subordinated Notes. The Notes are not issuable in bearer form.

The Notes will be issued in minimum denominations of $100,000 and integral multiples of $1,000 in excess thereof.

Global Notes. Upon the issuance of the Global Notes, DTC or its custodian will credit, on its internal system, the respective aggregate original principal amount of the individual beneficial interests represented by such Global Notes to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the Initial Purchaser. Ownership of beneficial interests in Global Notes will be limited to persons who have accounts with DTC ("participants") or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

So long as DTC, or its nominee, is the registered owner or Holder of the Global Notes, DTC or such nominee, as the case may be, will be considered the sole owner or Holder of each Class of the Notes represented by such Global Notes for all purposes under the Note Agency Agreement and such Notes. Unless DTC notifies the Issuers that it is unwilling or unable to continue as depositary for a global note or ceases to be a "Clearing Agency" registered under the Exchange Act, owners of the beneficial interests in the Global Notes will not be entitled to have any portion of such Global Notes registered in their names, will not receive or be entitled to receive physical delivery of Class A Notes, Class B Notes or Regulation S Subordinated Notes in certificated form and will not be considered to be the owners or Holders of any Class A Notes, Class B Notes or Regulation S Subordinated Notes under the Note Agency Agreement. In addition, no beneficial owner of an interest in the Global Notes will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the Note Agency Agreement and the Trust Deed referred to herein and, if applicable, those of Euroclear and Clearstream).

Investors may hold their interests in a Regulation S Global Note or a Temporary Regulation S Global Note directly through Clearstream or Euroclear, if they are participants in these systems, or indirectly through organizations which are participants in these systems. Clearstream and Euroclear will hold interests in the Regulation S Global Notes on behalf of their participants through their respective depositaries, which in turn will hold the interests in the Regulation S Global Notes and Temporary Regulation S Global Notes in customers' securities accounts in the depositories' names on the books of DTC. Investors may hold their interests in a Rule 144A Global Note directly through DTC if they are participants in the system, or indirectly through organizations which are participants in the system.

Payments of the principal of and interest on the Global Notes will be made to DTC or its nominee, as the registered owner thereof. Neither the Issuers, the Trustee nor 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 the Global Notes or for any notice permitted or required to be given to Holders of Notes or any consent given or actions taken by DTC as Holder of Class A Notes, Class B Notes or Regulation S Subordinated Notes. The Issuers expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note representing any Class A Notes, Class B Notes or Regulation S Subordinated Notes held by it or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective interests in the principal amount of such Global Notes as shown on the records of DTC or its nominee. The Issuers also expect that payments by participants to owners of interests in such Global Notes 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 names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in Global Notes to these persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in Global Notes to pledge its interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of its interest, may be affected by the lack of a physical certificate of the interest. Transfers between account holders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Class A Notes, Class B Notes and Regulation S Subordinated Notes described above, cross-market transfers between DTC participants, on the one hand, and, directly or indirectly through Euroclear or Clearstream account holders, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, these cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in the system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in a Temporary Regulation S Global Note or a Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for a same-day funds settlement applicable to DTC. Clearstream and Euroclear account holders may not deliver instructions directly to the depositaries for Clearstream or Euroclear.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a DTC participant will be credited during the securities settlement processing day (which must be a Business Day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date and the credit of any transactions in interests in a Global Note settled during the processing day will be reported to the relevant Euroclear or Clearstream participant on that day. Cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the Business Day following settlement in DTC.

DTC has advised the Issuers that it will take any action permitted to be taken by a Holder of the Class A Notes, Class B Notes or Regulation S Subordinated Notes (including the presentation of the applicable Notes for exchange as described below) only at the direction of one or more participants to whose account with DTC interests in a Global Note are credited and only in respect of that portion of the aggregate principal amount of the Class A Notes, Class B Notes or Regulation S Subordinated Notes as to which the participant or participants has or have given direction.

The giving of notices and other communications by DTC to participants, by participants to persons who hold accounts with them and by such persons to Holders of beneficial interests in a Global Note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised the Issuers as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the 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").

Clearstream. Clearstream Banking, société anonyme, was incorporated as a limited liability company under Luxembourg law. Clearstream is owned by Cedel International, société anonyme, and Deutsche Börse AG. The shareholders of these two entities are banks, securities dealers and financial institutions.

Clearstream holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream customers through electronic book-entry changes in accounts of Clearstream customers, thus eliminating the need for physical movement of certificates. Clearstream provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities, securities lending and borrowing and collateral management. Clearstream interfaces with domestic markets in a number of countries. Clearstream has established an electronic bridge with Euroclear Bank S.A./N.V., the operator of the Euroclear System, to facilitate settlement of trades between Clearstream and Euroclear.

As a registered bank in Luxembourg, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. Clearstream customers are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. In the United States, Clearstream customers are limited to securities brokers and dealers and banks and may include the Initial Purchaser. Other institutions that maintain a custodial relationship with a Clearstream customer may obtain indirect access to Clearstream. Clearstream is an indirect participant in DTC.

Distributions with respect to the Class A Notes, Class B Notes and the Regulation S Subordinated Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by Clearstream.

The Euroclear System. The Euroclear System was created in 1968 to hold securities for participants of the Euroclear System and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thus eliminating the need for physical movement of certificates and risk from lack of simultaneous transfers of securities and cash. Transactions may now be settled in many currencies, including U.S. Dollars and Japanese Yen. The Euroclear System provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above.

The Euroclear System is operated by Euroclear Bank S.A./N.V. (the "Euroclear Operator"), under contract with Euroclear Clearance System plc, a U.K. corporation (the "Euroclear Clearance System"). The Euroclear Operator conducts all operations, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Euroclear Clearance System.

The Euroclear Clearance System establishes policy for the Euroclear System on behalf of Euroclear participating organizations. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Initial Purchaser. Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly. Euroclear is an indirect participant in DTC.

The Euroclear Operator is a Belgian bank. The Belgian Banking Commission regulates and examines the Euroclear Operator.

The Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law govern securities clearance accounts and cash accounts with the Euroclear Operator. Specifically, these terms and conditions govern:

- transfers of securities and cash within the Euroclear System;
- withdrawal of securities and cash from the Euroclear System; and
- receipts of payments with respect to securities in the Euroclear System.

All securities in the Euroclear System are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the terms and conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding securities through Euroclear participants.

Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participating organizations in accordance with the Euroclear Terms and Conditions, to the extent received by the Euroclear Operator and by Euroclear.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Notes and in the Rule 144A Global Notes among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures, and the procedures may be discontinued at any time. Neither the Issuers nor the Trustee will have any responsibility for the performance by DTC, Clearstream, Euroclear or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Payments; Certifications by Holders of Temporary Regulation S Global Notes. A Holder of a beneficial interest in a Temporary Regulation S Global Note must provide Clearstream or Euroclear, as the case may be, with a certificate in the form required by the Trust Deed certifying that the beneficial owner of the interest in such Global Note is not a U.S. Person (as defined in Regulation S), and Clearstream or Euroclear, as the case may be, must provide to the Trustee a certificate in the form required by the Trust Deed prior to (i) the payment of interest or principal with respect to such Holder's beneficial interest in the Temporary Regulation S Global Note and (ii) any exchange of such beneficial interest for a beneficial interest in a Regulation S Global Note.

Individual Definitive Notes. The Class A Notes, the Class B Notes and the Regulation S Subordinated Notes will be initially issued in global form. If DTC or any successor to DTC advises the Issuer in writing that it is at any time unwilling or unable to continue as a depositary for the reasons described in "—Global Notes" and a successor depositary is not appointed by the Issuers within ninety (90) days or as a result of any amendment to or change in, the laws or regulations of the Cayman Islands or the State of Delaware, as applicable, or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which become effective on or after the Closing Date, the Issuers or the Note Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Class A Notes, the Class B Notes or the Regulation S Subordinated Notes which would not be required if the Class A Notes, the Class B Notes or the Regulation S

Subordinated Notes were in definitive form and the Issuers will issue individual definitive Class A Notes, Class B Notes or Regulation S Subordinated Notes in registered form in exchange for the Regulation S Global Notes and the Rule 144A Global Notes, as the case may be. Upon receipt of such notice from DTC, the Issuers will use their best efforts to make arrangements with DTC for the exchange of interests in the Global Notes for individual definitive Class A Notes, Class B Notes or Regulation S Subordinated Notes and cause the requested individual definitive Class A Notes, Class B Notes or Regulation S Subordinated Notes to be executed and delivered to the Note Registrar in sufficient quantities and authenticated by or on behalf of the Note Transfer Agent for delivery to Holders of the Class A Notes, Class B Notes or Regulation S Subordinated Notes. Persons exchanging interests in a Global Note for individual definitive Class A Notes, Class B Notes or Regulation S Subordinated Notes will be required to provide to the Note Transfer Agent, through DTC, Clearstream or Euroclear, (i) written instructions and other information required by the Issuers and the Note Transfer Agent to complete, execute and deliver such individual definitive Class A Notes, Class B Notes or Regulation S Subordinated Notes, (ii) in the case of an exchange of an interest in a Rule 144A Global Note, such certification as to Qualified Institutional Buyer status and that such Holder is a Qualified Purchaser, as the Issuers shall require and (iii) in the case of an exchange of an interest in a Regulation S Global Note, such certification as the Issuers shall require as to non-U.S. Person status. In all cases, individual definitive Class A Notes, Class B Notes or Regulation S Subordinated Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in denominations in compliance with the minimum denominations specified for the applicable Global Notes, requested by DTC.

Individual definitive Class A Notes, Class B Notes and Regulation S Subordinated Notes will bear, and be subject to, such legend as the Issuers require in order to assure compliance with any applicable law. Individual definitive Class A Notes, Class B Notes and Regulation S Subordinated Notes will be transferable subject to the minimum denomination applicable to the Class A Notes, Class B Notes and Subordinated Notes, respectively, in whole or in part, and exchangeable for individual definitive Class A Notes, Class B Notes and Regulation S Subordinated Notes of the same Class at the office of the Note Paying Agent, Note Transfer Agent or the office of any transfer agent, including the Listing and Paying Agent, upon compliance with the requirements set forth in the Note Agency Agreement and the Trust Deed. Individual definitive Class A Notes, Class B Notes and Regulation S Subordinated Notes may be transferred through any transfer agent upon the delivery and duly completed assignment of such Class A Notes, Class B Notes and Regulation S Subordinated Notes. Upon transfer of any individual definitive Class A Notes, Class B Notes or Regulation S Subordinated Notes in part, the Note Transfer Agent will issue in exchange therefor to the transferee one or more individual definitive Class A Notes, Class B Notes or Regulation S Subordinated Notes, respectively, in the amount being so transferred and will issue to the transferor one or more individual definitive Class A Notes, Class B Notes or Regulation S Subordinated Notes, respectively, in the remaining amount not being transferred. No service charge will be imposed for any registration of transfer or exchange, but payment of a sum sufficient to cover any tax or other governmental charge may be required. The Holder of a restricted individual definitive Class A Note, Class B Note or Regulation S Subordinated Note may transfer such Class A Note, Class B Note or Regulation S Subordinated Note, subject to compliance with the provisions of the legend thereon. Upon the transfer, exchange or replacement of Class A Notes, Class B Notes or Regulation S Subordinated Notes bearing the legend, or upon specific request for removal of the legend on a Class A Note, Class B Note or Regulation S Subordinated Note, the Issuer will deliver only Class A Notes, Class B Notes or Regulation S Subordinated Notes 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 counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act. Payments of principal and interest on individual definitive Class A Notes, Class B Notes and Regulation S Subordinated Notes shall be payable by the Note Paying Agents by U.S. Dollar check drawn on a bank in the United States of America and sent by mail to the registered Holder thereof, by wire transfer in immediately available funds. In addition, for so long as any Notes are listed on any stock exchange and the rules of such exchange shall so require, in the case of a transfer or exchange of individual definitive Notes, a Holder thereof may effect such transfer or exchange by presenting such Notes at, and obtaining a new individual definitive Note from the office of the Listing and Paying Agent, in the case of a transfer of only a part of an individual definitive Note, a new

individual definitive Note in respect of the balance of the principal amount of the individual definitive Note not transferred will be delivered at the office of applicable stock exchange, and in the case of a replacement of any lost, stolen, mutilated or destroyed individual definitive Notes, a Holder thereof may obtain a new individual definitive Note from the Listing and Paying Agent.

The Rule 144A Subordinated Notes. The Rule 144A Subordinated Notes will be represented by one or more notes in definitive form and will be subject to certain restrictions on transfer as set forth under "Notice to Investors."

The Rule 144A Subordinated Notes may be transferred only upon receipt by the Issuer and Note Transfer Agent of a Subordinated Notes Purchase and Transfer Letter to the effect that the transfer is being made (i)(a) to a Qualified Institutional Buyer that has acquired an interest in the Subordinated Notes in a transaction meeting the requirements of Rule 144A, or (b) to an Accredited Investor in a transaction exempt from registration under the Securities Act, who in the case of (a) is also a Qualified Purchaser and in the case of (b) is also a Qualified Purchaser or a Knowledgeable Employee, or (ii) to a non-U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S. The transferee must also make certain other representations applicable to such transferee, as set forth in the Subordinated Notes Purchase and Transfer Letter.

Payments on the Rule 144A Subordinated Notes on any Payment Date will be made to the person in whose name the relevant Note is registered as of the close of business 10 Business Days prior to such Payment Date.

USE OF PROCEEDS

The net proceeds from and associated with the offering of the Notes and the CP Notes issued on the Closing Date (including an initial payment to the Issuer from the initial Interest Rate Swap Counterparty and the initial Cashflow Swap Counterparty), after the payment of applicable fees and expenses, are expected to equal approximately $1,529,000,000. Approximately $1,522,000,000 of the net proceeds will be used by the Issuer on the Closing Date to purchase, or enter into agreements to purchase, a diversified portfolio of Collateral Assets which satisfy the Eligibility Criteria described herein with an aggregate Principal Balance of approximately $1,493,000,000 and with accrued interest of approximately $3,250,000 and to enter into one or more Hedge Agreements as the Investment Advisor deems appropriate. A portion of the proceeds will be used to deposit approximately $2,000,000 into the CP Discount Reserve Account. The remaining net proceeds, constituting approximately $3,910,000 will be deposited in the Collection Account, invested in Eligible Investments and used to purchase additional Collateral Assets and possibly to enter into additional Hedge Agreements.

RATINGS

It is a condition to the issuance of the Notes that the Class A-1LT-a Notes, the Class A-1LT-b Notes and the Class A-2 Notes each be issued with a rating of "Aaa" by Moody's, "AAA" by S&P and "AAA" by Fitch, that the Class B Notes be issued with a rating of "Aa2" by Moody's, "AA" by S&P and "AA" by Fitch, that the Class C Notes be rated at least "A3" by Moody's and "A-" by Fitch as to the ultimate receipt of the Rated Principal Amount of the Class C Notes and interest thereon at the Class C Note Interest Rate only and that the Class D Notes be rated at least "Ba1" by Moody's as to the ultimate receipt of the Rated Principal Amount of the Class D Notes only. The Moody's and Fitch's rating of the Class C Notes does not address the receipt by the Holders of such Notes of any amounts in excess of the Rated Principal Amount and interest thereon at the Class C Note Interest Rate except to the extent such amounts are applied to reduce the Rated Principal Amount of the Class C Notes to zero. The Moody's rating of the Class D Notes does not address the receipt by the Holders of such Notes of any amounts in excess of the Rated Principal Amount except to the extent such amounts are applied to reduce the Rated Principal Amount of the Class D Notes to zero. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. If and so long as any of the Notes are listed on any stock exchange and the rules of such exchange so require, the Issuer will notify such stock exchange if any rating assigned to any Class of Notes is reduced or withdrawn.

Moody's

The long term ratings, and to a certain degree, the short term ratings assigned to the Notes by Moody's are based upon its assessment of the probability that the Collateral Assets will provide sufficient funds to pay the rated portion of such Notes, based largely upon Moody's statistical analysis of historical default rates on debt obligations with various ratings, expected recovery rates on the Collateral Assets, the asset and interest coverage required for such Notes (which is achieved through the subordination of more junior Notes), and the diversification requirements that the Collateral Assets must satisfy.

Moody's rating of the Class A Notes and the Class B Notes addresses the ultimate cash receipt of all required interest and principal payments as provided in the governing documents, Moody's rating of the Class C Notes addresses the ultimate cash receipt of distributions in an amount equal to their Rated Principal Amount and interest that accrues thereon at the Class C Note Interest Rate and Moody's rating of the Class D Notes addresses the ultimate cash receipt of distributions in an amount equal to the Rated Principal Amount of the Class D Notes. The Moody's rating of the Class C Notes does not address the receipt by the Holders of such Notes of any amounts in excess of the Rated Principal Amount *plus* interest thereon at the Class C Note Interest Rate except to the extent such amounts are applied to reduce the Rated Principal Amount of the Class C Notes to zero. The Moody's rating of the Class D Notes does not address the receipt by the Holders of such Notes of any amounts in excess of the Rated Principal Amount of the Class D Notes except to the extent such amounts are applied to reduce the Rated Principal Amount of the Class D Notes to zero. Moody's rating of the Subordinated Notes does not address the receipt of any Class C Priority Payments, Class D Priority Payments, Class D Subordinated Payments or Class D Yield Make Whole Payments in excess of the Rated Principal Amounts of the Class C Notes or the Class D Notes, as applicable. Moody's ratings are based on the expected loss posed to the Holders of the Notes relative to the promise of receiving the present value, calculated using a discounted rate equal to the promised interest rate of such payments. Moody's analyzes the likelihood that each debt obligation included in the portfolio will default, based on historical default rates for similar debt obligations, the historical volatility of such default rates (which increases as securities with lower ratings are added to the portfolio) and an additional default assumption to account for future fluctuations in defaults. Moody's then determines the level of credit protection necessary to achieve the expected loss associated with the rating of the structured securities, taking into account the potential recovery value of the Collateral Assets and the expected volatility of the default rate of the portfolio based on the level of diversification by issuer and industry.

In addition to these quantitative tests, Moody's ratings take into account qualitative features of a transaction, including the experience of the investment advisor, the legal structure and the risks associated with such structure, its view as to the quality of the participants in the transaction and other factors that it deems relevant.

S&P

S&P will rate the Class A Notes and the Class B Notes in a manner similar to the manner in which it rates other structured issues. The ratings assigned to the Class A Notes and the Class B Notes by S&P address the likelihood of the timely payment of interest and ultimate payment of principal by the Stated Maturity. This requires an analysis of the following: (i) credit quality of the Collateral Assets securing the Notes; (ii) cash flow used to pay liabilities and the priorities of these payments; and (iii) legal considerations. Based on these analyses, S&P determines the necessary level of credit enhancement needed to achieve a desired rating.

S&P's analysis includes the application of its proprietary default expectation computer model, the Standard & Poor's CDO Monitor (which will be provided to the Investment Advisor), which is used to estimate the default rate the portfolio is likely to experience. The Standard & Poor's CDO Monitor calculates the projected cumulative default rate of a pool of Collateral Assets consistent with a specified benchmark rating level based upon S&P's proprietary corporate debt default studies. The Standard & Poor's CDO Monitor takes into consideration the rating of each issuer or obligor, the number of issuers or

obligors, the issuer or obligor industry concentration and the remaining weighted average maturity of each of the Collateral Assets and Eligible Investments included in the portfolio. The risks posed by these variables are accounted for by effectively adjusting the necessary default level needed to achieve a desired rating. The higher the desired rating, the higher the level of defaults the portfolio must withstand.

Credit enhancement to support a particular rating is then provided based, in part, on the results of the Standard & Poor's CDO Monitor, as well as other more qualitative considerations such as legal issues and management capabilities. Credit enhancement is typically provided by a combination of overcollateralization/subordination, cash collateral/reserve account, excess spread/interest and amortization. A transaction-specific cash flow model (the "Transaction-Specific Cash Flow Model") is used to evaluate the portfolio and determine whether it can withstand an estimated level of default while fully repaying the class of debt under consideration.

There can be no assurance that actual loss on the Collateral Assets will not exceed those assumed in the application of the Standard & Poor's CDO Monitor or that recovery rates and the timing of recovery with respect thereto will not differ from those assumed in the Transaction-Specific Cash Flow Model. The Issuers make no representation as to the expected rate of defaults on the portfolio or as to the expected timing of any defaults that may occur.

S&P's rating of the Class A Notes and the Class B Notes will be established under various assumptions and scenario analyses. There can be no assurance, and the Investment Advisor makes no representation, that actual defaults on the Collateral Assets will not exceed those in S&P's analysis, or that recovery rates with respect thereto (and, consequently, loss rates) will not differ from those in S&P's analysis.

Fitch

Fitch's rating of the Class A Notes and the Class B Notes addresses the ultimate cash receipt of all required interest and principal payments as provided in the governing documents, and Fitch's rating of the Class C Notes addresses the ultimate cash receipt of distributions in an amount equal to their Rated Principal Amount and interest that accrues thereon at the Class C Note Interest Rate. The Fitch's rating of the Class C Notes does not address the receipt by the Holders of such Notes of any amounts in excess of the Rated Principal Amount *plus* interest thereon at the Class C Note Interest Rate except to the extent such amounts are applied to reduce the Rated Principal Amount of the Class C Notes to zero.

Fitch assigns ratings to securities backed by debt obligations through a statistical analysis that projects the likelihood that a portion of the debt obligations included in the portfolio will default. The level of default determined by the analysis is based on historical default rates for similar debt obligations with comparable credit ratings and terms of maturity, historical volatility of such default rates (which increases as securities with lower ratings are added to the portfolio), historical recovery rates of such defaulted debt obligations and an additional default assumption to account for potential excess concentrations in the portfolio based on allowable levels of diversification by region, issuer and industry. The results of a statistical analysis are incorporated into a cash flow model built to mimic the structure of the transaction. In this regard, the results of several default scenarios, in conjunction with various qualitative tests (e.g., analysis of the strength of the portfolio manager), are used to determine the credit enhancement required to support a particular rating.

Fitch's ratings of the Notes were established under various assumptions and scenario analyses. There can be no assurance that actual defaults on the Collateral Assets will not exceed those assumed by Fitch in its analysis or that recovery rates with respect thereto (and, consequently, loss rates) will not differ from those assumed by Fitch.

SECURITY FOR THE NOTES

Under the terms of the Security Agreement, the Issuer will grant to the Collateral Agent, for the benefit of the Secured Parties, a first priority perfected security interest in the Collateral, including the Collateral Assets, that is free of any adverse claim, to secure the Issuer's obligations under the Notes, the CP Notes, the Trust Deed, the Note Agency Agreement, the Security Agreement, the Put Agreement, the Investment Advisory Agreement and the Hedge Agreements. The CP Reserve Accounts will be used primarily for payments due and payable to the Holders of the CP Notes.

Purchase of Collateral Assets

The composition of the portfolio of Collateral Assets will be determined by the Investment Advisor, and will, on the date of purchase by the Issuer, be required to meet the Eligibility Criteria. On and after the Closing Date, each purchase of a Collateral Asset is required to satisfy the Reinvestment Criteria, including the Collateral Profile Tests, Collateral Quality Tests and Class A/B Coverage Tests. Other than with respect to Trading Plans, compliance with the Reinvestment Criteria shall be measured as of the date the Issuer makes a commitment to purchase the Collateral Asset (the "trade date"), not the settlement date. See, "—Substitute Collateral Assets and Reinvestment Criteria." In addition, with respect to any "package trade" in which multiple Collateral Assets are purchased and/or sold within the same "trade date" (regardless of whether the settlement dates are the same), compliance with the Reinvestment Criteria shall be measured by determining the aggregate effect of such "package trade" on the Issuer's level of compliance with the applicable Reinvestment Criteria rather than considering the effect of each purchase and sale of a Collateral Asset individually. The Reinvestment Criteria (or any part thereof) shall be "satisfied" if the same are passed, maintained or improved, except as otherwise described in the applicable Reinvestment Criteria. In addition and as described in this offering circular, prior to taking certain actions or making certain investments, the Issuer or Investment Advisor will be required to obtain confirmation that such actions or investments will not result in the withdrawal or reduction of the long term ratings assigned by the Rating Agencies to the Class A Notes and the Class B Notes by one or more subcategories or in the withdrawal or reduction of the ratings assigned by Moody's or Fitch to the Class C Notes by two or more subcategories.

Eligibility Criteria and Collateral Profile Tests

A Collateral Asset will be eligible for purchase by the Issuer and pledge to the Collateral Agent if, at the time it is purchased, it meets both the General Eligibility Criteria and the specific eligibility criteria applicable to the Category or Subcategory to which the Collateral Asset belongs (together, the "Eligibility Criteria").

In addition to the Eligibility Criteria, the general collateral profile tests and the specific collateral profile tests applicable to the Category or Subcategory to which the Collateral Asset belongs (together, the "Collateral Profile Tests") must be satisfied upon the purchase of a Collateral Asset on and after the Closing Date; *provided* that if, after the Closing Date, any of the limits of one or more of the Collateral Profile Tests is not satisfied prior to any acquisition, (1) the level of compliance with respect to such Collateral Profile Test must be maintained or improved after such acquisition; and (2) the level of compliance with any other Collateral Profile Test may not be made worse after such acquisition, except to the extent that a reduction in the level of compliance does not result in non-compliance; *provided further* that each calculation made to determine compliance with the Collateral Profile Tests will be made with the assumption that the Aggregate Principal Amount will remain unchanged by the sale or purchase of the Collateral Asset.

For purposes of the Collateral Profile Tests, in calculating the Aggregate Principal Amount, the Principal Balances of all Defaulted Obligations, Deferred Interest PIK Bonds, Double B Rated Assets, Single B Rated Assets and Triple C Rated Assets shall be their respective par balances.

With respect to any Collateral Asset, the date on which such obligation shall be deemed to "mature" (or its "maturity" date) shall be the earlier of (x) the stated maturity of such obligation or (y) if an investor in such Collateral Asset has the right to require a third party rated at least "A3" by Moody's and at least "A-" by S&P to purchase, redeem or retire such Collateral Asset (at par) on any one or more dates prior to its stated maturity and the Investment Advisor certifies to the Collateral Agent that it shall exercise such put right on any such date, the maturity date shall be the date specified in such certification.

General Eligibility Criteria

A Collateral Asset will be eligible for purchase by the Issuer and pledge to the Collateral Agent if, at the time it is purchased, it meets the following general eligibility criteria (the "General Eligibility Criteria") in addition to the specific eligibility criteria applicable to the Category or Subcategory to which the Collateral Asset belongs:

(i) it can be classified in one of the following Categories: Commercial Mortgage-Backed Security (CMBS Security), Residential Mortgage-Backed Security (RMBS Security), CDO Security, Insured Security, Asset-Backed Security (ABS Security), REIT Debt Security, Interest Only Security or Synthetic Security;

(ii) neither the acquisition, ownership, enforcement nor disposition of it will cause the Issuer to be (A) treated as engaged in a trade or business within the United States for U.S. federal income tax purposes or (B) otherwise subject to tax on a net income basis in any jurisdiction outside the Issuer's jurisdiction of incorporation;

(iii) it is issued by an issuer (A) incorporated or organized under the laws of the United States, a state thereof, the District of Columbia, the Bahamas, Bermuda, the Cayman Islands, the Channel Islands, Ireland, or the Netherlands Antilles, (B) incorporated or organized under the laws of any other commonly used domicile for structured product transactions *provided* that such domicile has satisfied the Rating Agency Condition or (C) which is a Qualifying Foreign Obligor;

(iv) the payments on such Collateral Asset are not subject to withholding tax at a rate of greater than 15% of the interest payments thereon (as measured in the currency of such Collateral Assets) unless the issuer thereof or the obligor thereon is required to make additional payments sufficient (net of taxes) to cover any withholding tax imposed at any time on payments made to the Issuer with respect thereto;

(v) either (a) it was issued pursuant to an effective registration statement under the Securities Act in a "firm commitment" underwriting or (b) it was issued in a transaction exempt from registration under the Securities Act pursuant to an offering memorandum, private placement memorandum or similar document;

(vi) its acquisition would not cause the Issuer or the pool of Collateral to be required to register as an investment company under the Investment Company Act;

(vii) it is not (a) a Collateral Asset issued by an issuer located in a country that imposes foreign exchange controls that effectively limit the availability or use of U.S. Dollars to make when due the scheduled payments of principal of and interest on such Collateral Asset; (b) a financing by a debtor-in-possession in any insolvency proceeding; or (c) the subject of an Offer other than a Permitted Offer (and it has not been called for redemption);

(viii) the Issuer is not required by the terms of the related Underlying Instruments to make any payment or advance to the issuer of any Collateral Asset under the terms of its Underlying Instruments after its acquisition thereof or to any Synthetic Security Counterparty, other than any requirement to transfer Default Swap Collateral under the terms of a Synthetic Security which is a default swap and unless a subaccount has been fully funded to cover any such payments or advances;

(ix) it provides for periodic payments of interest no less frequently than semiannually;

(x) if it has a partial coupon rating and is not an Interest Only Security, the Rating Agency Condition is satisfied;

(xi) it was issued after July 18, 1984, and is in registered form for purposes of the Code;

(xii) (a) it is U.S. Dollar-denominated and it is not convertible into, or payable in, any other currency or (b) it is a Non-U.S. Dollar Denominated Asset;

(xiii) if it is a Deemed Floating Collateral Asset, the Deemed Floating Asset Hedge entered into with respect to such Deemed Floating Collateral Asset conforms to all requirements set forth in the definition of "Deemed Floating Asset Hedge";

(xiv) if it is a Deemed Fixed Collateral Asset, the Deemed Fixed Asset Hedge entered into with respect to such Deemed Fixed Collateral Asset conforms to all requirements set forth in the definition of "Deemed Fixed Asset Hedge";

(xv) if it is a Floating Rate Asset, its interest rate (or the interest rate on the underlying pool of loans and securities) adjusts by reference to one of the following indices: Constant Maturity Treasury, any London interbank offered rate, prime or the corporate base rate, cost of funds index (all districts), constant maturity swaps, federal funds, Treasury bills, commercial paper composite or any other index added upon satisfaction of the Rating Agency Condition;

(xvi) it does not have a Weighted Average Life greater than 15 years, and its stated legal maturity is not later than the Payment Date in November 2050;

(xvii) it is expected to have an outstanding principal balance of less than $1,000 after the Stated Maturity of the Class A-2 Notes, assuming a constant prepayment rate since the date of purchase equal to the lesser of (a) 5% per annum and (b) the constant prepayment rate reasonably expected by the Investment Advisor as of the date of purchase;

(xviii) it is not a Defaulted Obligation or a security currently deferring interest or an obligation which, in the Investment Advisor's judgment, has a significant risk of declining in credit quality and, with the lapse of time, becoming a Defaulted Obligation;

(xix) it is not a Collateral Asset that is ineligible under its Underlying Instruments to be purchased by the Issuer and pledged to the Collateral Agent;

(xx) it is not preferred or common stock, a security convertible into preferred or common stock or a security combined with any of the preceding preferred or common stock or "margin stock" as defined under Regulation U issued by the Board of Governors of the Federal Reserve System;

(xxi) it is not a bank loan or a Corporate Security;

(xxii) if it is not an Interest Only Security, it provides for the payment of principal at not less than par upon maturity, redemption or acceleration;

(xxiii) it is not a Floating Rate Security with a coupon fluctuating inversely to its reference rate;

(xxiv) it has an Actual Rating of at least "Baa3" by Moody's and "BBB-" by S&P; and

(xxv) it is rated at least "A3" by Moody's or "A-" by S&P or is an RMBS Agency Security or a Haircut Asset, and if the S&P rating (if any) includes an "r", "t" or "Pi" subscript, it satisfies the Rating Agency Condition with respect to S&P.

In order to reduce the risk that the Issuer might be treated as engaged in a U.S. trade or business for U.S. federal income tax purposes, the Issuer and the Investment Advisor will observe certain additional restrictions and limitations on their activities and on the Collateral Assets that may be

purchased. Accordingly, although a particular prospective investment may satisfy the Eligibility Criteria, it may be ineligible for purchase by the Issuer and the Investment Advisor as a result of these limitations and restrictions. The Investment Advisor shall be deemed to have complied with its responsibilities under the Investment Advisory Agreement and clause (ii) of the General Eligibility Criteria so long as the Investment Advisor only directs the Issuer to acquire Collateral Assets in compliance with the terms of the Investment Advisory Agreement and any investment guidelines contained therein or attached thereto.

In addition, the Issuer will not purchase, acquire or hold (whether as part of a "unit" with a Collateral Asset, in exchange for a Collateral Asset or otherwise) (i) any asset that is treated for U.S. federal income tax purposes as an equity interest in an entity that is treated as a "domestic partnership" under Section 7701(a)(30)(B) of the Code or the ownership of which would otherwise cause the Issuer to be subject to income tax on a net income basis in any jurisdiction, (ii) any asset the gain from the disposition of which will be subject to U.S. federal income or withholding tax under Section 897 or Section 1445 of the Code and the Treasury regulations promulgated thereunder or (iii) any asset that is treated as an equity interest in an entity in which one or more employee benefit plans subject to ERISA are or could reasonably be treated as owning an undivided interest in each of the underlying assets of such entity for purposes of ERISA pursuant to 29 C.F.R. § 2510.3-101.

General Profile Tests

A Collateral Asset will be eligible for purchase by the Issuer and pledge to the Collateral Agent if, at the time it is purchased, it meets the general collateral profile tests listed below (the "General Profile Tests") in addition to the specific profile tests applicable to the Category or Subcategory to which the Collateral Asset belongs. For purposes of determining compliance with any Collateral Profile Test, (i) if the Aggregate Principal Amount of the Collateral Assets is less than U.S.$1,400,000,000 on any Measurement Date, only the percentages and not the dollar amount limitations below shall be used and (ii) all calculated percentages will be rounded to the nearest tenth of 1%, i.e., 5.13% would be rounded to 5.1%. The General Collateral Profile Tests are:

Aaa/AAA Rated Securities	not more than the greater of (i) 60% and (ii) U.S.$900,000,000 of the Aggregate Principal Amount may consist of Collateral Assets rated less than "Aaa" by Moody's and less than "AAA" by S&P (excluding RMBS Agency Securities);
Aa3/AA- Rated Securities	not more than the greater of (i) 15% and (ii) U.S.$225,000,000 of the Aggregate Principal Amount may consist of Collateral Assets rated less than "Aa3" by Moody's and less than "AA-" by S&P (excluding RMBS Agency Securities);
Below A3 Rated Securities	not more than the greater of (i) 5% and (ii) U.S.$75,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that have an Actual Rating or Implied Rating of less than "A3" by Moody's (excluding RMBS Agency Securities);
Step-Up Bonds	not more than the greater of (i) 2% and (ii) U.S.$30,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are Step-Up Bonds;

Step-Down Bonds	not more than the greater of (i) 2% and (ii) U.S.$30,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are Step-Down Bonds;
Single Servicer	not more than the greater of (i) 25% and (ii) U.S.$375,000,000 of the Aggregate Principal Amount may consist of Collateral Assets (including for this purpose, with respect to Synthetic Securities, the Reference Obligations) which are RMBS Securities or CMBS Securities serviced by a single Servicer; *provided, however,* that notwithstanding the foregoing, up to the greater of (i) 30% and (ii) U.S.$450,000,000 of the Aggregate Principal Amount may consist of Collateral Assets (including for this purpose, with respect to Synthetic Securities, the Reference Obligations) which are RMBS Securities or CMBS Securities serviced by Countrywide Home Loans Servicing, LLC, or its affiliates; not more than the greater of (i) 15% and (ii) U.S.$225,000,000 of the Aggregate Principal Amount may consist of Collateral Assets (including for this purpose, with respect to Synthetic Securities, the Reference Obligations) which are RMBS Securities or CMBS Securities serviced by a single Servicer which is ranked below "Above Average" by S&P or ranked below "S1" (or below "AA-" if the Servicer does not have a servicer rating) by Fitch; not more than the greater of (i) 7.5% and (ii) U.S.$112,500,000 of the Aggregate Principal Amount may consist of Collateral Assets (including for this purpose, with respect to Synthetic Securities, the Reference Obligations) which are RMBS Securities or CMBS Securities serviced by a single Servicer which is ranked below "Average" by S&P or not ranked by S&P or ranked below "S2" (or below "A-" if the Servicer does not have a servicer rating) by Fitch; *provided* that RMBS Agency Securities shall be excluded from the numerator of all such calculations but included in the Aggregate Principal Amount;
AAA/Aaa Rated Single Issue	(A) not more than the greater of (i) 3% and (ii) U.S.$45,000,000 of the Aggregate Principal Amount may consist of Collateral Assets (including for this purpose, with respect to Synthetic Securities, the Reference Obligations and excluding all RMBS Agency Securities) that are from the same class or series or are issued or guaranteed by the same obligor or its affiliates (interests in the same master trust being considered the same class or series); and (B) not more than the greater of (i) 3% and (ii) U.S.$45,000,000 of the Aggregate Principal Amount may consist of RMBS Agency Securities with the same CUSIP;

AA/Aa Rated Single Issue	not more than the greater of (i) 2% and (ii) U.S.$30,000,000 of the Aggregate Principal Amount may consist of Collateral Assets (including for this purpose, with respect to Synthetic Securities, the Reference Obligations and excluding any RMBS Agency Securities) that are rated less than "Aaa" by Moody's and less than "AAA" by S&P and are from the same class or series or are issued or guaranteed by the same obligor or its affiliates (interests in the same master trust being considered the same class or series);
A/A Rated Single Issue	not more than the greater of (i) 1% and (ii) U.S.$15,000,000 of the Aggregate Principal Amount may consist of Collateral Assets (including for this purpose, with respect to Synthetic Securities, the Reference Obligations and excluding any RMBS Agency Securities) that are rated less than "Aa3" by Moody's and less than "AA-" by S&P and are from the same class or series (interests in the same master trust being considered the same class or series);
Non-U.S. Securities	not more than the greater of (i) 15% and (ii) U.S.$225,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are Non-U.S. Securities;
Non-U.S. Dollar Denominated Assets	not more than the greater of (i) 2% and (ii) U.S.$30,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are Non-U.S. Dollar Denominated Assets or are balance guaranteed swapped into U.S. Dollars; *provided* that all such Collateral Assets must be denominated in Japanese Yen, Sterling, Euro or Canadian currency and must be swapped into U.S. Dollars;
Floating Rate Assets/ Floating Rate Securities	(A) not more than 76% of the Aggregate Principal Amount may consist of Collateral Assets which are (i) Floating Rate Assets or (ii) Deemed Floating Collateral Assets and (B) not more than 2% of the Aggregate Principal Amount may consist of Collateral Assets which are Floating Rate Securities that do not bear interest based on the London interbank offered rate for U.S. dollar deposits, excluding assets that bear interest based on the Euro interbank offered rate and have been swapped into U.S. Dollars.
Fixed Rate Assets/ Fixed Rate Securities	not more than 28% of the Aggregate Principal Amount may consist of Collateral Assets which are (i) Fixed Rate Assets or (ii) Deemed Fixed Collateral Assets;

Deemed Fixed Collateral Assets/ Deemed Floating Collateral Assets	not more than 10% of the Aggregate Principal Amount may consist of Collateral Assets which are either Deemed Fixed Collateral Assets or Deemed Floating Collateral Assets;
Certain Pure Private Collateral Assets	not more than the greater of (i) 10% and (ii) U.S.$150,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that were not (a) issued pursuant to an effective registration statement under the Securities Act or (b) privately placed Collateral Assets that are eligible for resale under Rule 144A or Regulation S under the Securities Act;
Securities Lending	the Aggregate Principal Amount of (a) Collateral Assets loaned under Securities Lending Agreements entered into by the Issuer with a single Securities Lending Counterparty and (b) Collateral Assets loaned under Securities Lending Agreements entered into by the Issuer with Securities Lending Counterparties having the same ratings will not exceed the applicable individual or aggregate percentages set forth in Appendix E hereto, based upon the lowest Actual Rating by either S&P or Moody's;
Approved Subcategories	not more than the greater of (i) 5% and (ii) U.S.$75,000,000 of the Aggregate Principal Amount may consist of Collateral Assets which are classified in a single Approved Subcategory;
Weighted Average Life	not less than the lesser of (i) 40% and (ii) U.S.$600,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that have a Weighted Average Life equal to or less than 6 years, not less than the lesser of (i) 70% and (ii) U.S.$1,050,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that have a Weighted Average Life equal to or less than 8 years, not greater than the greater of (i) 8% and (ii) U.S.$120,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that have a Weighted Average Life greater than 10 years and not greater than the greater of (i) 4% and (ii) U.S.$60,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that have a Weighted Average Life greater than 12 years;
Issue Size	not more than the greater of (i) 15% and (ii) U.S.$225,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are part of an Original Issuance Amount which has an aggregate principal amount of less than $100,000,000 and not more than the greater of (i) 5% and (ii) U.S.$75,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are part of an Original Issuance Amount of less than $50,000,000; *provided* that such

	limits will not apply to Synthetic Securities or to REIT Debt Securities issued by an issuer of REIT Debt Securities having an aggregate principal amount of outstanding securities of at least $200,000,000; and *provided, further*, that Collateral Assets that were not (a) issued pursuant to an effective registration statement under the Securities Act or (b) privately placed and eligible for resale under Rule 144A or Regulation S under the Securities Act must have an Original Issuance Amount of at least $100,000,000;
Bivariate Basket Limitation	not more than the greater of (i) 20% and (ii) U.S.$300,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are (a) obligations of non-U.S. obligors, other than (x) sovereign obligors and (y) obligors in AAA/Aaa Jurisdictions, and those other obligors located in any other commonly used domicile for structured product transactions, whose issued securities are backed by financial assets at least 80% of which represent obligations of obligors in AAA/Aaa Jurisdictions, (b) Collateral Assets that have been loaned pursuant to Securities Lending Agreements and (c) Synthetic Securities (other than Default Swaps if the Issuer holds a Default Swap Collateral Account related thereto) with Synthetic Security counterparties rated less than "AAA" by S&P;
PIK Bonds	not more than the greater of (i) 2% and (ii) U.S.$30,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are PIK Bonds;
Haircut Assets	not more than the greater of (i) 5% and (ii) U.S.$75,000,000 of the Aggregate Principal Amount may consist of Collateral Assets which are Haircut Assets;
Premium Fixed Rate Prepayable Assets	not more than the greater of (i) 5% and (ii) U.S.$75,000,000 of the Aggregate Principal Amount may consist of Fixed Rate Assets that (a) have a purchase price equal to or higher than 102% of their Principal Balance at the time of purchase and (b) have an average life that can decrease by more than 1 year if the expected CPR is increased by 50%;
Number of Obligors	not less than 90 separate Obligors shall be represented in the Aggregate Principal Amount of Collateral Assets during the Reinvestment Period; *provided that* with respect to RMBS Agency Securities, each CUSIP number shall be considered a separate Obligor;
Obligor Concentration	not less than the lesser of (i) 25% and (ii) U.S.$375,000,000 of the Aggregate Principal Amount may consist of Collateral Assets the Obligor of which

represents 1% or less of the aggregate Obligors of the Collateral Assets; not more than the greater of (i) 30% and (ii) U.S.$450,000,000 of the Aggregate Principal Amount may consist of Collateral Assets the Obligor of which represents more than 2% of the aggregate Obligors of the Collateral Assets; not more than the greater of (i) 60% and (ii) U.S.$900,000,000 of the Aggregate Principal Amount may consist of Collateral Assets the Obligors of which are the largest 25 Obligors of the Collateral Assets; and not more than the greater of (i) 15% and (ii) U.S.$225,000,000 of the Aggregate Principal Amount may consist of Collateral Assets the Obligors of which are the largest 5 Obligors of the Collateral Assets.

Specific Category Eligibility Criteria and Specific Category Collateral Profile Tests

A Collateral Asset will be eligible for purchase by the Issuer and pledge to the Collateral Agent if, at the time it is purchased, it meets the following specific Category eligibility criteria and specific Category collateral profile tests in addition to the general eligibility criteria and general collateral profile tests applicable to the Collateral Assets:

CMBS Security Eligibility Criteria and Profile Tests

CMBS Security Eligibility Criteria

A CMBS Security will be eligible for purchase by the Issuer and pledge to the Collateral Agent if, at the time it is purchased, it meets the General Eligibility Criteria and the following additional criteria (such additional criteria, the "CMBS Security Eligibility Criteria"):

(i) it can be classified in an Approved Subcategory of CMBS Securities or one of the following Subcategories: CMBS Conduit Security, CMBS Large Loan Security, CMBS Single Asset Security, CMBS Franchise Security, CMBS Credit Tenant Lease Security, or CMBS RE-REMIC Security;

(ii) if it is a CMBS Security where more than 10% of the underlying portfolio is collateralized by hotel mortgages, it is rated at least "Aa3" by Moody's or at least "AA-" by S&P;

(iii) if it is a CMBS Security where more than 10% of the underlying portfolio is collateralized by a "trophy or landmark property," such "trophy or landmark property" must be insured against terrorism;

(iv) if it is a CMBS Single Asset Security, it is rated at least "Aa3" by Moody's or at least "AA-" by S&P; and

(v) if it is a CMBS Franchise Security, it has an Actual Rating of at least "Aa3" by Moody's or "AA-" by S&P.

CMBS Security Profile Tests

CMBS Securities	not more than the greater of (i) 40% and (ii) U.S. $ 600,000,000 of the Aggregate Principal Amount may consist of CMBS Securities;

CMBS Conduit Securities	not more than the greater of (i) 25% and (ii) U.S.$375,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are CMBS Conduit Securities;
CMBS Large Loan Securities	not more than the greater of (i) 10% and (ii) U.S.$150,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are CMBS Large Loan Securities;
CMBS Single Asset Securities	not more than the greater of (i) 5% and (ii) U.S.$75,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are CMBS Single Asset Securities and not more than the greater of (i) 2% and (ii) U.S.$30,000,000 of the Aggregate Principal Amount may consist of CMBS Single Asset Securities that are from the same class or series or issued by the same obligor or its affiliates (interest in the same master trust being considered the same class or series);
CMBS Franchise Securities	not more than the greater of (i) 5% and (ii) U.S.$75,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are CMBS Franchise Securities;
CMBS Credit Tenant Lease Securities	not more than the greater of (i) 5% and (ii) U.S.$75,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are CMBS Credit Tenant Lease Securities; and
CMBS RE-REMIC Securities	not more than the greater of (i) 5% and (ii) U.S.$75,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are CMBS RE-REMIC Securities.

RMBS Security Eligibility Criteria and Profile Tests

RMBS Security Eligibility Criteria

A RMBS Security will be eligible for purchase by the Issuer and pledge to the Collateral Agent if, at the time it is purchased, it meets the General Eligibility Criteria and the following specific Category criteria (such additional criteria, the "RMBS Security Eligibility Criteria"):

(i) it can be classified in an Approved Subcategory of RMBS Securities or one of the following Subcategories: RMBS Agency Security, RMBS Residential A Mortgage Security, RMBS Residential B/C Mortgage Security, RMBS Manufactured Housing Loan Security or RMBS Home Equity Loan Security;

(ii) if it is an RMBS Manufactured Housing Loan Security, it is rated at least "Aa3" by Moody's or "AA-" by S&P; and

(iii) if it is an RMBS Manufactured Housing Loan Security, it has a Weighted Average Life not greater than 10 years.

RMBS Security Profile Tests

RMBS Agency Securities, RMBS Residential A Mortgage Securities and RMBS Residential B/C Mortgage Securities	not more than the greater of (i) 65% and (ii) U.S.$975,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are RMBS Agency Securities, RMBS Residential A Mortgage Securities or RMBS Residential B/C Mortgage Securities;
RMBS Agency Securities	not more than the greater of (i) 5% and (ii) U.S.$75,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are RMBS Agency Securities;
RMBS Residential B/C Mortgage Securities	not more than the greater of (i) 50% and (ii) U.S.$750,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are RMBS Residential B/C Mortgage Securities and not more than the greater of (i) 10% and (ii) U.S.$150,000,000 of the Aggregate Principal Amount may consist of RMBS Residential B/C Mortgage Securities without a rating of at least "Aa3" by Moody's or "AA-" by S&P;
RMBS Manufactured Housing Loan Securities	not more than the greater of (i) 2.0% and (ii) U.S.$30,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are RMBS Manufactured Housing Loan Securities; and
RMBS Home Equity Loan Securities	not more than the greater of (i) 45% and (ii) U.S.$675,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are RMBS Home Equity Loan Securities, and not more than (i) 10% and (ii) U.S.$150,000,000 of the Aggregate Principal Amount may consist of RMBS Home Equity Loan Securities without a rating of at least "Aa3" by Moody's or "AA-" by S&P at the time of purchase.

CDO Security Eligibility Criteria and Profile Tests

CDO Security Eligibility Criteria

A CDO Security will be eligible for purchase by the Issuer and pledge to the Collateral Agent if, at the time it is purchased, it meets the General Eligibility Criteria and the following additional criteria (such additional criteria, the "CDO Security Eligibility Criteria"):

(i) it can be classified in one of the following Subcategories: CDO Structured Product Security, CDO RMBS Security or CDO Commercial Real Estate Security;

(ii) if it is a CDO Structured Product Security, it is rated at least "Aa3" by Moody's or "AA-" by S&P;

(iii) if it is a CDO Security, it has a Weighted Average Life not greater than 10 years; and

(iv) if it is a CDO Security, the investment advisor is not TCW or any of its affiliates.

CDO Security Profile Tests

CDO Securities	not more than the greater of (i) 20% and (ii) U.S.$300,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are CDO Securities, not more than the greater of (i) 8% and (ii) U.S.$120,000,000 of the Aggregate Principal Amount may consist of CDO Securities without a rating of at least "Aaa" by Moody's or "AAA" by S&P and not more than the greater of (i) 2% and (ii) 30,000,000 of the Aggregate Principal Amount may consist of CDO Securities without a rating of at least "Aa3" by Moody's or "AA-" by S&P;
Single Investment Advisor	not more than the greater of (i) 2% and (ii) U.S.$30,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are CDO Securities that have the same investment advisor; and
CDO Vintage Securities	not more than the greater of (i) 5% and (ii) U.S.$75,000,000 of the Aggregate Principal Amount may consist of CDO Securities within the same Subcategory that were issued within three months of each other.

Insured Security Eligibility Criteria and Profile Tests

Insured Security Eligibility Criteria

An Insured Security will be eligible for purchase by the Issuer and pledge to the Collateral Agent if, at the time it is purchased, it meets the General Eligibility Criteria and the following additional criteria (such additional criteria, the "Insured Security Eligibility Criteria"):

(i) it is rated "Aaa" by Moody's or "AAA" by S&P.

Insured Security Profile Tests

Insured Securities	not more than the greater of (i) 10% and (ii) U.S.$150,000,000 of the Aggregate Principal Amount may consist of Collateral Assets (including for this purpose, with respect to Synthetic Securities, the Reference Obligations) that are Insured Securities (excluding RMBS Agency Securities);
Same Insurer	not more than the greater of (i) 5% and (ii) U.S.$75,000,000 of the Aggregate Principal Amount may consist of Collateral Assets (including for this purpose, with respect to Synthetic Securities, the Reference Obligations) that are guaranteed by the same insurer (including any Affiliate of such insurer) (excluding RMBS Agency Securities); and

Monoline Insurers	not more than the greater of (i) 6% and (ii) U.S.$90,000,000 of the Aggregate Principal Amount may consist of Collateral Assets (including for this purpose, with respect to Synthetic Securities, the Reference Obligations) that are guaranteed or insured by monoline financial insurance companies (excluding RMBS Agency Securities).

Asset Backed Security Eligibility Criteria and Profile Tests

Asset-Backed Security Eligibility Criteria

An Asset-Backed Security will be eligible for purchase by the Issuer and pledge to the Collateral Agent if, at the time it is purchased, it meets the General Eligibility Criteria and the following additional criteria (such additional criteria, the "Asset-Backed Security Eligibility Criteria"):

(i) it is a Structured Finance Security or Structured Corporate Security that cannot otherwise be classified under the CMBS Security, RMBS Security, CDO Security, Insured Security, REIT Debt Security, Interest Only Security or Synthetic Security Categories;

(ii) it is rated at least "Aa3" by Moody's or at least "AA-" by S&P; and

(iii) it is not an ABS Insurance-Linked Security.

Asset-Backed Security Profile Tests

ABS Securities	not more than the greater of (i) 10% and (ii) U.S.$150,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are ABS Securities.

REIT Debt Security Eligibility Criteria and Profile Tests

REIT Debt Security Eligibility Criteria

A REIT Debt Security will be eligible for purchase by the Issuer and pledge to the Collateral Agent if, at the time it is purchased, it meets the General Eligibility Criteria and the following additional criteria:

(i) it is not a REIT Hotel and Leisure Debt Security.

REIT Debt Security Profile Tests

REIT Debt Securities	not more than the greater of (i) 2% and (ii) U.S.$30,000,000 of the Aggregate Principal Amount may consist of Collateral Assets that are REIT Debt Securities.

Interest Only Security Eligibility Criteria and Profile Tests

Interest Only Security Eligibility Criteria

An Interest Only Security will be eligible for purchase by the Issuer and pledge to the Collateral Agent if, at the time it is purchased, it meets the General Eligibility Criteria and the following additional criteria (such additional criteria, the "Interest Only Security Eligibility Criteria"):

(i) it has an Actual Rating of "Aaa" by Moody's or "AAA" by S&P:

(ii) if rated by Moody's, it has an Actual Rating of "Aaa," and if rated by S&P, it has an Actual Rating of "AAA"; and

(iii) at the time of purchase, in the judgment of the Investment Advisor, it is able to withstand two times the expected prepayment on the underlying assets without a value decline greater than 1%, or the majority of its underlying collateral has some form of prepayment protection.

Interest Only Security Profile Tests

Interest Only Securities	the Aggregate Amortized Cost of all such Collateral Assets (together with the aggregate Principal Balance of any Synthetic Securities related thereto) must not exceed the greater of (i) 2% and (ii) U.S.$30,000,000 of the Aggregate Principal Amount.

Synthetic Security Eligibility Criteria and Profile Tests

Synthetic Security Eligibility Criteria

A Synthetic Security will be eligible for purchase by the Issuer and pledge to the Collateral Agent if, at the time it is purchased, it meets the General Eligibility Criteria and the following additional criteria:

(i) the Reference Obligations of the Synthetic Security can be classified as a RMBS Security, CMBS Security, a CDO Security, an Insured Security, an Asset-Backed Security or a REIT Debt Security.

Synthetic Security Profile Tests

Synthetic Securities	not more than the greater of (i) 15% and (ii) U.S.$225,000,000 of the Aggregate Principal Amount may consist of Synthetic Securities (excluding Default Swap Collateral);
Default Swap Collateral and Synthetic Securities	not more than the greater of (i) 20% and (ii) U.S.$300,000,000 of the Aggregate Principal Amount may consist of Synthetic Securities and Default Swap Collateral; and
Default Swaps	not more than the greater of (i) 7.5% and (ii) U.S.$112,500,000 of the Aggregate Principal Amount may consist of Collateral Assets which are Synthetic Securities structured as default swaps which require funding of a subaccount to secure the Issuer's future contingent obligations unless the Rating Agency Condition with respect to Moody's is satisfied with respect to any higher percentage of the Aggregate Principal Amount; and
Same Reference Obligation	not more than the greater of (i) 1% and (ii) U.S.$15,000,000 of the Aggregate Principal Amount may consist of Synthetic Securities with the same Reference Obligation.

The Collateral Quality Tests

The Collateral Quality Tests will be used primarily as criteria for purchasing Collateral Assets. See "—Substitute Collateral Assets and Reinvestment Criteria." The "Collateral Quality Tests" will consist of the Moody's Diversity Test, the Moody's Maximum Rating Distribution Test, the Maximum Weighted Average Life Test, the Moody's Minimum Weighted Average Recovery Rate Test, the Weighted Average Spread Test, the Weighted Average Coupon Test, the Standard & Poor's CDO Monitor Test, the S&P Minimum Average Recovery Rate Test and the Maximum Fitch Rating Factor Test. For purposes of the Collateral Quality Tests, (i) unless otherwise specified, a Synthetic Security shall be included as a Collateral Asset having the characteristics of the Synthetic Security and not of the Reference Obligation; *provided* that such Synthetic Security Counterparty is rated higher than the Reference Obligation or its obligor and that such Synthetic Security Counterparty is not in default under the related Synthetic Security and (ii) any Collateral Asset loaned to a Securities Lending Counterparty shall be included in the Collateral Quality Tests; *provided* that such Securities Lending Counterparty is not in default under the related Securities Lending Agreement.

Measurement of the degree of compliance with the Collateral Quality Tests will be required: (i) upon a sale, purchase or substitution of Collateral Assets (giving effect to such sale, purchase or substitution and any prior ratings upgrade or downgrade or default), (ii) on each Determination Date, and (iii) with reasonable notice to the Issuer, on any Business Day specified as a Measurement Date by any of the Rating Agencies or the Holders of at least a SupraMajority of any Class of Notes.

Moody's Diversity Test. The "Moody's Diversity Test" will be satisfied as of the Closing Date and any other Measurement Date if the Diversity Score (rounded to the nearest whole number) equals or exceeds 18. The "Diversity Score" is a single number that indicates collateral concentration in terms of both issuer and industry concentration. The methodology used to calculate the Moody's Diversity Score is set forth in the Transaction Documents. The Moody's Diversity Test is similar to a score that Moody's uses to measure default risk for purposes of its ratings. A higher Diversity Score reflects a more diverse portfolio in terms of issuer and industry concentration. The Diversity Score is expected to be at least 18 as of the Closing Date. For purposes of the Moody's Diversity Test, (i) a Synthetic Security shall be included as a Collateral Asset having the characteristics of the Reference Obligation, (ii) the Diversity Score will be calculated for each Synthetic Security assuming that the Reference Obligor with respect to such Synthetic Security is the obligor of such Synthetic Security for purposes of calculating the Diversity Score and (iii) Deferred Interest PIK Bonds, Defaulted Obligations and Interest Only Securities shall be disregarded.

The default risk of asset-backed securities and mortgage-backed securities is more highly correlated than the default risk of 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 which is described in the Transaction Documents.

Moody's Maximum Rating Distribution Test. The "Moody's Maximum Rating Distribution Test" will be satisfied on any Measurement Date if the Moody's Maximum Rating Distribution of the Collateral Assets is equal to or less than 45. "Moody's Maximum Rating Distribution," "Moody's Rating Factor" and "Moody's Rating" are defined in Appendix B hereto.

Maximum Weighted Average Life Test. The "Maximum Weighted Average Life Test" will be satisfied if, as of any Measurement Date, (i) the Weighted Average Life of the Collateral Assets is less than or equal to 5.5 years, declining to 4 years by approximately 0.375 years each year after the Closing Date with the first decline commencing on the Determination Date relating to the Payment Date in November 2005 and (ii) the Weighted Average Life of the Collateral Assets rated below "Aa3" by Moody's and below "AA-" by S&P is less than or equal to 5.5 years, declining to 4 years by approximately 0.375 years each year after the Closing Date with the first decline commencing on the Determination Date relating to the Payment Date in November 2005.

"Weighted Average Life of the Collateral Assets" will equal the number obtained by summing the products obtained by multiplying the Principal Balance of each Collateral Asset (other than Defaulted Obligations and Deferred Interest PIK Bonds) by its Weighted Average Life, dividing such sum by the aggregate Principal Balance of all such Collateral Assets and rounded to the nearest hundredth.

Moody's Minimum Weighted Average Recovery Rate Test. "Moody's Minimum Weighted Average Recovery Rate Test" will be satisfied as of any Measurement Date if the Moody's Weighted Average Recovery Rate (as defined below) is greater than or equal to 52.5%.

The "Moody's Weighted Average Recovery Rate" will equal the number obtained by summing the products obtained by multiplying the Principal Balance of each Collateral Asset by its Moody's 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 Amount of all such Collateral Assets, multiplying the result by 100 and rounding up to the first decimal place. For purposes of the Moody's Weighted Average Recovery Rate, the Principal Balance of a Defaulted Obligation or Deferred Interest PIK Bond will be deemed to be equal to its outstanding principal amount (without regard to any deferred and capitalized interest).

Weighted Average Spread Test. The "Weighted Average Spread Test" will be satisfied as of any Measurement Date if the Weighted Average Spread as of such Measurement Date is greater than or equal to the Minimum Weighted Average Spread.

The "Minimum Weighted Average Spread" is 0.84%.

For purposes of reporting, any Gross Fixed Rate Excess or Gross Spread Excess necessary to satisfy the Weighted Average Spread Test or Weighted Average Coupon Test, respectively, will be subtracted, in percentage form, from the alternative test so as not to double-count the application of such excess.

Weighted Average Coupon Test. The "Weighted Average Coupon Test" will be satisfied as of any Measurement Date if the Weighted Average Coupon as of such Measurement Date is greater than or equal to the Minimum Weighted Average Coupon.

The "Minimum Weighted Average Coupon" is 6.06%.

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. In calculating any 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.

Standard & Poor's CDO Monitor Test. The "Standard & Poor's CDO Monitor Test" will be satisfied as of any Measurement Date, if the Class A/B Note Loss Differential of the Current Portfolio or the Proposed Portfolio, as applicable, is positive. The Standard & Poor's CDO Monitor Test will be considered to be improved if the Class A/B Note Loss Differential of the Proposed Portfolio is greater than the Class A/B Note Loss Differential of the Current Portfolio.

The "Standard & Poor's CDO Monitor" means the model used to estimate the default rate the portfolio is likely to experience and which will be provided to the Investment Advisor and the Trustee on or before the Closing Date together with such instructions and assumptions as are needed to use such model. The Standard & Poor's CDO Monitor calculates the projected cumulative default rate of a pool of Collateral Assets consistent with a specified benchmark rating level based upon S&P's proprietary corporate debt default studies. In calculating the Class A/B Note Scenario Default Rate, the Standard & Poor's CDO Monitor considers each obligor's issuer rating, the number of obligors in the portfolio, the

obligor and industry concentrations in the portfolio and the remaining weighted average maturity of the Collateral Assets and Eligible Investments and calculates a cumulative default rate based on the statistical probability of distributions or defaults on the Collateral Assets and Eligible Investments. "Class A/B Note Loss Differential," "Class A/B Note Scenario Default Rate" and "Class A/B Note Break-Even Loss Rate" are each defined in Appendix A hereto.

There can be no assurance that actual defaults of the Collateral Assets 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. S&P makes no representation that actual defaults will not exceed those determined by the Standard & Poor's CDO Monitor. None of the Issuers, the Investment Advisor or the Initial Purchasers makes any representation as to the expected rate of defaults of the Collateral Assets or the timing of defaults or as to the expected recovery rate or the timing of recoveries.

S&P Minimum Average Recovery Rate Test. The "S&P Minimum Average Recovery Rate Test" will be satisfied as of any Measurement Date if the S&P Minimum Average Recovery Rate is greater than or equal to 60%.

The "S&P Minimum Average Recovery Rate" means, as of any Measurement Date, a rate expressed as a percentage equal to the number obtained by (i) summing the products obtained by multiplying the Principal Balance of each Collateral Asset by its S&P Recovery Rate and (ii) dividing such sum by the Aggregate Principal Amount less cash and Eligible Investments representing Principal Proceeds and (iii) rounding up to the first decimal place. For this purpose, the Principal Balance of a Defaulted Obligation or a Deferred Interest PIK Bond will be deemed to be equal to its outstanding principal amount (excluding any capitalized interest thereon).

S&P's recovery rate matrix and Moody's recovery assumptions are set forth in Appendix D hereto.

Maximum Fitch Rating Factor Test. "Maximum Fitch Rating Factor Test" means a test that will be satisfied if on any Measurement Date the Fitch Weighted Average Rating Factor for all the Collateral Assets does not exceed 1.0; *provided* that, in connection with any sale and reinvestment of Collateral Assets, if immediately prior to the sale of such Collateral Asset giving rise to such reinvestment the Maximum Fitch Rating Factor Test was not satisfied, then the weighted average of the Fitch Rating Factors of the substitute Collateral Assets to be purchased cannot be higher than the weighted average Fitch Rating Factor of such Collateral Assets at the time they were sold.

The "Fitch Weighted Average Rating Factor" is determined on any Measurement Date by dividing (i) the sum of the products obtained (a) for each Collateral Asset that is not a Defaulted Obligation or Deferred Interest PIK Bond, by multiplying (1) the Principal Balance on such Measurement Date of such Collateral Asset by (2) its respective Fitch Rating Factor (as set forth in the Security Agreement) on such Measurement Date and (b) for any Defaulted Obligation or Deferred Interest PIK Bond, by multiplying (1) the Applicable Recovery Rate for such Defaulted Security or Deferred Interest PIK Bond by (2) the Principal Balance on such Measurement Date of each such Defaulted Obligation or Deferred Interest PIK Bond by (3) its respective Fitch Rating Factor on such Measurement Date by (ii) the sum of (a) the aggregate Principal Balance on such Measurement Date of all Collateral Assets and Eligible Investments that are not Defaulted Obligations or Deferred Interest PIK Bonds *plus* (b) the sum of the products obtained by multiplying (1) the Applicable Recovery Rate for each Defaulted Obligation or Deferred Interest PIK Bond by (2) the Principal Balance on such Measurement Date of each such Defaulted Obligation or Deferred Interest PIK Bond, and rounding the result up to the second decimal place.

The Class A/B Coverage Tests

The Class A/B Coverage Tests will be used on any Determination Date to determine whether interest may be paid on the Class C Notes and Class D Notes and whether Proceeds may be distributed to the Holders of the Subordinated Notes or whether Proceeds must instead be used to make mandatory

redemptions of the Class A Notes and Class B Notes or Defeasance of the CP Notes. The Class A/B Coverage Tests will also be used on any Measurement Date to determine whether Principal Proceeds may be reinvested in Collateral Assets, subject to satisfaction of the other Reinvestment Criteria. See "—Substitute Collateral Assets and Reinvestment Criteria," "Description of the Notes—Mandatory Redemption" and "—Priority of Payments."

The "Class A/B Coverage Tests" will consist of the Class A/B Overcollateralization Test and the Class A/B Interest Coverage Test. For purposes of the Class A/B Coverage Tests, (i) unless otherwise specified, a Synthetic Security shall be included as a Collateral Asset having the characteristics of the Synthetic Security and not of the Reference Obligation; *provided* that if such Synthetic Security Counterparty is in default under the related Synthetic Security, such Synthetic Security shall not be included in the Class A/B Coverage Tests unless such treatment will satisfy the Rating Agency Condition, (ii) any Collateral Asset loaned to a Securities Lending Counterparty shall be included in the Class A/B Coverage Tests; *provided* that such Securities Lending Counterparty is not in default under the related Securities Lending Agreement, (iii) the calculation of the Class A/B Overcollateralization Ratio on any Measurement Date prior to end of the Reinvestment Period shall include in the numerator Principal Proceeds held for reinvestment; *provided* that, for purposes of calculating the Class A/B Overcollateralization Ratio, after the end of the Reinvestment Period, Principal Proceeds will not be included in the numerator and will be subtracted from the denominator and (iv) the calculation of the Class A/B Interest Coverage Ratio on any Measurement Date shall be made without giving effect to payments and reinvestments scheduled or expected to be made pursuant to the Priority of Payments on the Payment Date following such Measurement Date. For purposes of the Class A/B Overcollateralization Test notwithstanding the definition of Principal Balance contained herein, the Principal Balance of any Step-Up Bond that is not currently paying cash interest (excluding any security that is, in accordance with its terms, making payments due thereon "in kind") shall be the accreted value of such security as of the date on which it was purchased by the Issuer; *provided* that such accreted value shall not exceed the par amount of such Step-Up Bond.

Measurement of the degree of compliance with the Class A/B Coverage Tests will be required as of each Measurement Date.

The Class A/B Overcollateralization Test

The "Class A/B Overcollateralization Ratio" as of any Measurement Date will equal the ratio (expressed as a percentage) obtained by dividing (i) the Net Outstanding Portfolio Collateral Balance (*provided* that, after the end of the Reinvestment Period, such amount shall exclude Principal Proceeds) on such Measurement Date by (ii) the sum of the aggregate outstanding principal amount of the Class A-1LT Notes, the CP Notes, the Class A-2 Notes and the Class B Notes, *minus* any amount deposited in the CP Principal Reserve Account to Defease the CP Notes, *minus*, after the end of the Reinvestment Period, Principal Proceeds.

The "Class A/B Overcollateralization Test" will be satisfied on any Measurement Date on which any Class A Notes, CP Notes or Class B Notes remain outstanding if the Class A/B Overcollateralization Ratio on such Measurement Date is equal to or greater than 103.0%. The Class A/B Overcollateralization Ratio is expected to be 105.8% as of the Closing Date.

Class A/B Interest Coverage Test

The "Class A/B Interest Coverage Test" will be satisfied on the first Payment Date if the Class A/B Interest Coverage Ratio is equal to or greater than 100.1%. After the first Payment Date, the Class A/B Interest Coverage Test will be satisfied if the Class A/B Interest Coverage Ratio is equal to or greater than 110.0%.

The "Class A/B Interest Coverage Ratio" as of any Measurement Date will equal the ratio (expressed as a percentage) obtained by dividing:

(i) (a) the sum of the cash interest payments (or any purchase discount in the case of Eligible Investments) received or expected to be received including Proceeds of any sold Collateral Asset which represents accrued interest (unless such accrued interest is required to be classified as Principal Proceeds) (current interest payments expected to be received on Non-U.S. Dollar Denominated Assets shall be calculated in U.S. Dollars after giving effect to payments expected to be made to the Issuer and by the Issuer under the Currency Swap Agreements) in the Due Period in which such Measurement Date occurs on the Collateral Assets and the Eligible Investments (other than cash received from Defaulted Obligations and Deferred Interest PIK Bonds) held in any of the Accounts, limited, in the case of Interest Only Securities to the Applicable Amount for Interest Only Securities, *plus* (b) prepayment premiums received, *plus* (c) without duplication, amounts scheduled to be received by the Issuer from any Hedge Counterparty under any Hedge Agreement (excluding any net payments into the CP Discount Reserve Account from the Cashflow Swap Counterparty) less any amounts scheduled to be paid to any Hedge Counterparty under any Hedge Agreement (including amounts payable to the Cashflow Swap Counterparty relating to the unreimbursed Interim Cashflow Swap Payments that are not paid out of the CP Discount Reserve Account) (in each case, other than termination payments and termination receipts related to such Hedge Agreements), *plus* (d) the CP Discount Reserve Excess Amount, if any, expected to be paid on the next Payment Date, *minus* (e) the excess of amounts expected to be paid on the next Payment Date under clauses (1), (2) and (3), and under subclause *first* of clause (5) of the Priority of Payments over amounts on deposit in the Expense Reserve Account on such Measurement Date; by

(ii) an amount, not less than $1.00, equal to the sum of (a) the interest payments due on the Class A Notes and the Class B Notes on the following Payment Date, (b) the aggregate interest due and payable on LIBOR CP Notes from but excluding the prior Payment Date to and including the current Payment Date (which will not include discounts on CP Notes), (c) any Put Premium and any CP Note Placement Agent Fees (excluding any such amounts paid as discount on CP Notes) due on such Payment Date and (d) the greater of (y) zero and (z) net amounts deposited to the CP Discount Reserve Account excluding payments to or from the Cashflow Swap Counterparty.

For purposes of calculating the Class A/B Interest Coverage Ratio, expected interest payments on the Collateral Assets and the Eligible Investments will not include any scheduled interest payments which the Investment Advisor expects will not be made in cash during the applicable Due Period (including on any assets currently deferring interest) and amounts scheduled to be received under any Hedge Agreement which the Investment Advisor expects will not be made prior to the applicable Payment Date.

For purposes of calculating the Class A/B Interest Coverage Ratio and for purposes of the criteria described under "—Substitute Collateral Assets and Reinvestment Criteria," the expected collateral interest income on Collateral Assets which are Floating Rate Assets, Deemed Floating Collateral Assets and Eligible Investments (including amounts scheduled to be received under any Hedge Agreement) and the expected interest payable on the Notes will be calculated using the then-current interest rates applicable thereto and the expected collateral interest income on Collateral Assets subject to withholding tax without the benefit of a gross-up by the obligor will be calculated net of withholding tax at a rate of the actual withholding tax rate applicable thereto. For purposes of calculating the Class A/B Interest Coverage Ratio, any non-U.S. Dollar payments that are not hedged with a fixed exchange rate will be converted at then-current currency exchange rates and valued at half of the resulting amount.

Substitute Collateral Assets and Reinvestment Criteria

Sales of Collateral Assets. The Collateral Assets 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 Assets. In addition, pursuant to the Security Agreement and *provided* no Event of Default has occurred and is continuing, the Investment Advisor may direct the Collateral Agent to sell (i) any Defaulted Obligation, (ii) any Credit Risk Obligation, (iii) any Credit Improved Obligation and (iv) subject to limitations on amounts and other requirements set forth in the Security Agreement and described herein, other Collateral Assets in Discretionary Sales.

Defaulted Obligations and equity securities may be sold at any time during or after the Reinvestment Period without regard to the foregoing restrictions; *provided* that (i) Defaulted Obligations which exceed 2.5% of the Aggregate Principal Amount and have been defaulted for more than one year will be deemed to have a Moody's Recovery Rate of 0%, (ii) Defaulted Obligations which exceed 1.0% of the Aggregate Principal Amount and have been defaulted for more than 2 years shall be deemed to have a Moody's Recovery Rate of 0% and (iii) any Defaulted Obligations which have been defaulted for more than 3 years shall be deemed to have a Moody's Recovery Rate of 0%. During the Reinvestment Period, proceeds from the sale of Defaulted Obligations may be reinvested in Collateral Assets which satisfy the Reinvestment Criteria. After the Reinvestment Period, the proceeds from the sale of Defaulted Obligations will be applied as Principal Proceeds on the Payment Date following the Due Period in which such sale occurs. Equity securities received in exchange offers shall be sold as soon as commercially practicable in the Investment Advisor's judgment, but in any event within one year from the later of their acquisition and the date when they are legally permitted to be sold. The Issuer shall sell any Margin Stock acquired by it not later than 45 days after the Issuer's acquisition of such Margin Stock. The limits and time periods described in this paragraph may be extended subject to satisfaction of the Rating Agency Condition.

A Credit Risk Obligation may be sold at any time during or after the Reinvestment Period *provided,* (i) if such sale occurs during the Reinvestment Period, the Investment Advisor is required to use its commercially reasonable efforts to purchase on behalf of the Issuer one or more substitute Collateral Assets which satisfy the Reinvestment Criteria prior to the end of the Due Period following the Due Period in which such Credit Risk Obligation is sold; and (ii) if such sale occurs after the Reinvestment Period, the Investment Advisor may in its discretion purchase a substitute Collateral Asset after the Reinvestment Period which satisfies the Reinvestment Criteria; *provided, further,* that the effect of any reinvestment in substitute Collateral Assets on the Class A/B Coverage Tests shall be measured by comparing such coverage tests as calculated after the sale of such Credit Risk Obligation with the calculation after the purchase of such substitute Collateral Assets in order to determine whether such coverage tests will be satisfied as a result of such reinvestment.

A Credit Improved Obligation may only be sold during the Reinvestment Period and only if in the Investment Advisor's judgment one or more substitute Collateral Assets can be purchased such that after giving effect to such sale and to the purchase of substitute Collateral Assets with the Sale Proceeds thereof, the Reinvestment Criteria will be satisfied.

Notwithstanding the foregoing, if no Event of Default has occurred and is continuing, any Collateral Asset which is not a Defaulted Obligation, a Credit Risk Obligation or a Credit Improved Obligation may be disposed of by the Issuer during the Reinvestment Period (each such sale, a "Discretionary Sale") so long as (i) the aggregate Principal Balance of Collateral Assets sold in Discretionary Sales during the annual period from and including the Closing Date to but excluding the date that is one year following the Closing Date does not exceed 15% of the Aggregate Principal Amount measured as of the Closing Date and during each successive one-year period from and including such anniversary date to but excluding the anniversary date occurring in the following calendar year (an "Annual Period") through the end of the Reinvestment Period does not exceed 15% of the Aggregate Principal Amount measured as of the beginning of each Annual Period; *provided* that the percentage of the Aggregate Principal Amount permitted to be traded on a discretionary basis during the related Annual Period will be reduced to 7.5% if the Class A/B Overcollateralization Ratio is less than 103.7% and no discretionary trading will be permitted if the Class A/B Overcollateralization Ratio is ever less than 102.4%; and (ii) (x) the long term ratings assigned to any of the Class A Notes or the Class B Notes by Moody's as of the Closing Date have not been withdrawn or reduced (which includes placement on "credit watch" with negative implications) by one or more subcategories since the Closing Date and the long term ratings assigned to the Class C Notes or the Class D Notes by Moody's as of the Closing Date have not been reduced by two or more subcategories (which includes placement on "credit watch" with negative implications)(in each case without subsequent reinstatement at or to the Closing Date levels for the Class A Notes or Class B Notes, as applicable, and at or to at least one subcategory below their initial levels for the Class C Notes or Class D Notes) by Moody's or (y) (1) Moody's shall have confirmed that such Discretionary Sale will satisfy the Rating Agency Condition (solely with respect to Moody's) or (2) the

Holders of a Majority of the Class A Notes vote to waive the requirement of subclause (x) of this clause (ii). During the Reinvestment Period, the Sale Proceeds of any Discretionary Sale may be reinvested *provided* the Reinvestment Criteria are satisfied.

For purposes of determining whether a Collateral Asset may be sold as specified above, Synthetic Securities shall be treated as Collateral Assets containing the same coupon, maturity and Principal Balance of such Synthetic Security.

Notwithstanding the foregoing restrictions, the Issuer may also in the case of an Optional Redemption or Tax Redemption, as applicable, direct the Collateral Agent to sell, and the Collateral Agent shall sell in the manner directed by the Investment Advisor in writing, the Collateral Assets and liquidate the remaining Collateral; *provided* that the criteria for an Optional Redemption or Tax Redemption, as applicable, can be demonstrably met prior to any such sale. In connection with an Auction, if the Investment Advisor receives timely bids (which are each "firm offers") that are, in the aggregate, at least equal to the Minimum Bid Amount, the Investment Advisor will sell the Collateral Assets. See "Description of the Notes—Optional Redemption and Tax Redemption" and "—Auction."

Reinvestment Criteria

Any Principal Proceeds (and after the Reinvestment Period, Unscheduled Principal Payments and Sale Proceeds from the disposition of Credit Risk Obligations) may be reinvested in Collateral Assets if, after such investment or reinvestment, the following criteria are satisfied (the "Reinvestment Criteria"):

(i) such security is a Collateral Asset;

(ii) such Collateral Asset meets all of the Eligibility Criteria;

(iii) if the Weighted Average Coupon is less than the current LIBOR as determined by the Calculation Agent for the Interest Accrual Period during which such reinvestment occurs, any Fixed Rate Assets or Deemed Fixed Collateral Assets acquired must have an interest rate greater than such current LIBOR;

(iv) each of the Collateral Profile Tests is satisfied or, if immediately prior to such acquisition one or more of such Collateral Profile Tests was not satisfied, (a) the level of compliance with respect to such Collateral Profile Test not satisfied must be maintained or improved; and (b) the level of compliance with any other Collateral Profile Test may not be made worse after such acquisition, except to the extent that a reduction in the level of compliance does not result in non-compliance;

(v) if such Collateral Asset is acquired after the Closing Date, (a) each of the Collateral Quality Tests is satisfied or (b) if immediately prior to such acquisition one or more of such Collateral Quality Tests was not satisfied, (1) the level of compliance with respect to each such Collateral Quality Test not satisfied must be maintained or improved; and (2) the level of compliance with each other Collateral Quality Test may not be made worse after such acquisition except to the extent that a reduction in the level of compliance does not result in non-compliance;

(vi) no Event of Default has occurred and is continuing on such date;

(vii) each of the Class A/B Coverage Tests is satisfied following any investment; *provided, however*, with respect to any reinvestment of Sale Proceeds (other than Sale Proceeds from Credit Risk Obligations), if, as calculated immediately prior to such reinvestment, any Class A/B Coverage Test was not satisfied prior to such reinvestment, the coverage ratio relating to such test will be at least as close to being satisfied after giving effect to such reinvestment as it was before giving effect to the transaction that generated such Sale Proceeds; *provided, further,* that, with respect to reinvestment of Sale Proceeds from Credit Risk Obligations, if measured immediately after the sale of such Credit Risk Obligation but prior to any reinvestment, any Class A/B Coverage Test was not satisfied, the coverage ratio relating to such test will be at least as close to being satisfied after giving effect to such reinvestment as it was immediately before giving effect to such reinvestment;

(viii) the Actual Rating or Implied Rating by S&P of any Collateral Asset acquired after the Reinvestment Period is at least equal to the Actual Rating or Implied Rating by S&P with respect to the Collateral Asset which gave rise to the proceeds used to acquire such Collateral Asset;

(ix) with respect to the reinvestment of Unscheduled Principal Payments and Sale Proceeds from Credit Risk Obligations after the Reinvestment Period, in addition to clauses (i) - (viii) above, (a) the remaining expected average life of Collateral Assets purchased with Unscheduled Principal Payments or Sale Proceeds from Credit Risk Obligations must not exceed the remaining expected average life of the Collateral Asset which gave rise to such Unscheduled Principal Payments or Sale Proceeds as calculated by the Investment Advisor (as measured relative to pro forma expectations as of the date of purchase and not the date of redemption or prepayment in whole) and (b) the Collateral Quality Tests must be satisfied (not maintained or improved) after giving effect to any reinvestment of Sale Proceeds of Credit Risk Obligations; and

(x) with respect to the reinvestment of Sale Proceeds from Credit Improved Obligations, the Class A/B Overcollateralization Ratio has not been less than 102.4% as of any Measurement Date.

If the Issuer has previously entered into a commitment to acquire an obligation or security in order to be acquired for inclusion in the Collateral, then the Issuer must comply with each of the Reinvestment Criteria on the date on which the Issuer entered into such commitment, and need not comply with the Reinvestment Criteria with respect to such obligation or security on the date of acquisition.

Notwithstanding the foregoing provisions, if an Event of Default shall have occurred and be continuing, no Collateral Asset 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.

With respect to any series of trades in which the Issuer commits to purchase and or sell multiple Collateral Assets pursuant to a Trading Plan, compliance with the Reinvestment Criteria may, at the option of the Investment Advisor, be measured by determining the aggregate effect of such on the Issuer's level of compliance with the Reinvestment Criteria rather than considering the effect of each purchase and sale of such Collateral Assets individually. The Issuer (or the Investment Advisor on its behalf) may only enter into a Trading Plan if (i) as evidenced by an officer's certificate of the Investment Advisor delivered to the Trustee and Standard & Poor's on or prior to the earliest event specified in the related Trading Plan, the Reinvestment Criteria are expected to be satisfied as of the scheduled completion date of the related Trading Plan, (ii) the Class A/B Coverage Tests are in compliance, (iii) the ratings by Moody's on the Class A Notes are not one or more rating subcategories, and the rating by Moody's on the Class C Notes is 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 and (iv) if after completion of any previous Trading Plan, any of the Reinvestment Criteria were not satisfied, the level of compliance with each of such Reinvestment Criteria is equal to or better than the level of compliance with such Reinvestment Criteria prior to the initiation of such previous Trading Plan. Upon completion of a Trading Plan, an officer's certificate of the Investment Advisor will be delivered to the Trustee specifying whether each of the Reinvestment Criteria were satisfied. The Collateral Administrator will inform Standard & Poor's if, upon completion of a Trading Plan, any of the Reinvestment Criteria is not met.

"Trading Plan" means a series of sales and purchases of Collateral Assets (a) that is completed within the lesser of approximately 10 business days or less as set forth in the Security Agreement 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 Assets having an aggregate Principal Balance of not more than 5% of the Aggregate Principal Amount. The time period for a Trading Plan will commence on the first date on which the Issuer sells or purchases (or commits to sell or purchase) a Collateral Asset included in such Trading Plan and will end on the last day on which the Issuer sells or purchases (or commits to sell or purchase) a Collateral Asset included in such Trading Plan.

Accounts

Pursuant to the Security Agreement, the Issuer shall cause there to be opened and at all times maintained the Collection Account, the Payment Account, the Note Payment Account, the Expense Reserve Account, the Collateral Account, the Put Collateral Account, the CP Principal Reserve Account, the CP Discount Reserve Account, the Hedge Termination Receipts Account, the Hedge Replacement Account, the Hedge Collateral Account, the Securities Lending Account, the Synthetic Security Collateral Account and the Default Swap Collateral Account, each of which shall be a trust account established with the Securities Intermediary in the name of the Collateral Agent for the benefit of the Secured Parties (and in the case of the Default Swap Collateral Account, the Synthetic Security Counterparties), as further described in the Security Agreement; *provided* that the Note Payment Account may be a subaccount of the Payment Account. Each Account (other than the Payment Account) shall constitute a "securities account" under the Uniform Commercial Code of the State of New York, shall be under the exclusive control of the Collateral Agent and shall be maintained by the Collateral Agent (as long as it is an Eligible Depositary) or another Eligible Depositary.

All distributions on the Collateral Assets and any proceeds received from the disposition of any Collateral Asset (unless simultaneously reinvested in substitute Collateral Assets subject to the Reinvestment Criteria), and all amounts transferred to the Issuer from the Synthetic Security Collateral Account prior to the Business Day prior to a Payment Date will be remitted to a single trust account (the "Collection Account") and will be available, together with any reinvestment earnings thereon, for application in accordance with the Priority of Payments and for the acquisition of substitute Collateral Assets under the circumstances and pursuant to the requirements described herein and in the Security Agreement.

On the Business Day prior to each Payment Date (the "Transfer Date"), the Collateral Agent will deposit into a separate account (the "Payment Account") all funds (including any reinvestment income) in the Collection Account and any Hedge Receipt Amount, received on or after the Transfer Date related to such Payment Date for application in accordance with the Priority of Payments.

Proceeds from the issuance and sale of the Notes and the initial CP Notes and initial payments from the initial Interest Rate Swap Agreement shall be deposited in the Collection Account and the Expense Reserve Account, as described below, until such amounts are used to purchase Collateral Assets or otherwise applied in accordance with the Priority of Payments.

Principal Proceeds received during the Reinvestment Period that have not been reinvested in substitute Collateral Assets upon the receipt of such Principal Proceeds shall be deposited in the Collection Account and invested in Eligible Investments until such Principal Proceeds are reinvested in Collateral Assets in accordance with the Reinvestment Criteria or applied in accordance with the Priority of Payments.

On the Closing Date, after payment of the organizational and structuring fees and expenses of the Issuers and the expenses of offering the Notes, $200,000 from the proceeds associated with the offering of the Notes will be deposited by the Collateral Agent into a single, segregated trust account established and maintained by the Collateral Agent under the Security Agreement (the "Expense Reserve Account"). On each Payment Date, to the extent that funds are available for such purpose in accordance with and subject to the limitations of the Priority of Payments, the Trustee will deposit into the Expense Reserve Account an amount from Proceeds equal to the lesser of $25,000 and the amount necessary to bring the balance of the Expense Reserve Account to $275,000. Amounts on deposit in the Expense Reserve Account may be withdrawn from time to time to pay accrued and unpaid Administrative Expenses of the Issuers. All funds on deposit in the Expense Reserve Account at the time when substantially all of the Issuer's assets have been sold or otherwise disposed of will be transferred by the Trustee to the Payment Account for application as Proceeds on the immediately succeeding Payment Date.

On or prior to the Closing Date, pursuant to the terms of the Security Agreement, the Collateral Agent will establish the CP Discount reserve account (the "CP Discount Reserve Account") and the CP principal reserve account (the "CP Principal Reserve Account" and, together with the CP Discount Reserve Account, the "CP Reserve Accounts"). The Trustee shall, from time to time, withdraw amounts from the CP Reserve Accounts for use by the CP Issuing and Paying Agent to make payments on maturing CP Notes pursuant to the CP Issuing and Paying Agency Agreement. If on any Determination Date, the Trustee determines that amounts expected to be on deposit in the CP Discount Reserve Account on the related Payment Date, taking into account amounts expected to be withdrawn from and deposited to such account on such Payment Date, exceed the CP Discount Reserve Required Amount, such excess amount will be transferred to the Payment Account on the related Transfer Date for distribution as interest proceeds in accordance with the Priority of Payments on such Payment Date. The Trustee shall transfer all amounts and deposit all amounts required to be deposited in the CP Reserve Accounts in accordance with the Priority of Payments and the Put Agreement. See "Description of the Notes—Priority of Payments."

Securities Lending Collateral pledged pursuant to a related Securities Lending Agreement shall be deposited into a securities account (the "Securities Lending Account") and held therein pursuant to the related Securities Lending Agreement. Upon any default by any Securities Lending Counterparty under the related Securities Lending Agreement, the Investment Advisor on behalf of the Issuer shall promptly exercise its remedies under such Securities Lending Agreement, including liquidating the related Securities Lending Collateral. Proceeds of any such liquidation shall be treated as Principal Proceeds deposited in the applicable Account.

Some Synthetic Securities may require that the Issuer purchase or post Default Swap Collateral as security for its obligations under such Synthetic Security. The Default Swap Collateral shall be deposited in an account (the "Default Swap Collateral Account"), with each item of Default Swap Collateral pledged in connection with each Synthetic Security deposited into a separate subaccount relating to the Synthetic Security for which the Issuer has pledged such Default Swap Collateral. The Default Swap Collateral Account, including each such subaccount thereunder, shall be established in the name of the Collateral Agent.

In the event any Hedge Counterparty fails to maintain the ratings required under the Hedge Agreement, such Hedge Counterparty will be required to post collateral under the terms of the related Hedge Agreement unless the Hedge Agreement is assigned to, or the Hedge Counterparty is replaced with, a Hedge Counterparty which has, or whose guarantor has, such required ratings. The Hedge Collateral pledged by such Hedge Counterparty will be deposited by the Collateral Agent into an account (the "Hedge Collateral Account") established in the name of the Collateral Agent and held therein pursuant to the terms of the related Hedge Agreement. Each item of collateral deposited in the Hedge Collateral Account will be deposited in a separate subaccount relating to the Hedge Agreement for which the related Hedge Counterparty has pledged such collateral.

In the event any Synthetic Security Counterparty fails to maintain the ratings required under the Synthetic Security agreement, such Synthetic Security Counterparty will be required to post collateral under the terms of the related Synthetic Security agreement unless the Synthetic Security agreement is assigned to, or the Synthetic Security Counterparty is replaced with, a Synthetic Security Counterparty which has, or whose guarantor has, such required ratings. The Synthetic Security collateral pledged by such Synthetic Security Counterparty will be deposited by the Collateral Agent into an account (the "Synthetic Security Collateral Account") established in the name of the Collateral Agent and held therein pursuant to the terms of the related Synthetic Security agreement. Each item of collateral deposited in the Synthetic Security Collateral Account will be deposited in a separate subaccount relating to the Synthetic Security agreement for which the related Synthetic Security Counterparty has pledged such collateral.

Amounts retained in the Accounts during a Due Period will be invested in Eligible Investments.

Synthetic Securities

Synthetic Securities will be purchased or entered into by the Issuer for such purposes as (i) structuring an investment in a Reference Obligation with a desired maturity, currency or interest rate which otherwise may be inconsistent with the criteria for purchasing Collateral Assets; (ii) achieving yield enhancement based on the coupon payments by a Reference Obligor; or (iii) establishing recovery floors or other means of credit protection as a result of defaults on Reference Obligations. Synthetic Securities will not be used as a means of making future advances to a Synthetic Security Counterparty. The Issuer shall not purchase a Synthetic Security unless it is commercially impractical for the Issuer to purchase the related Reference Obligation for such Synthetic Security (or a security of the Reference Obligor comparable thereto), unless such Reference Obligation is a debt instrument that the Investment Advisor believes is more desirable as a Collateral Asset with a change to the maturity, coupon, currency or recovery rate criteria applicable to the Reference Obligation or the Issuer otherwise believes that its purchase of the Synthetic Security is on commercial terms more favorable to the Issuer than the terms that would have been available to the Issuer if the Issuer had purchased directly the Reference Obligation to which the Synthetic Security relates (or a security of the Reference Obligor comparable thereto) (including, for the avoidance of doubt, economic benefits such as yield enhancement, recovery floor or other means of credit protection that the Synthetic Security provides). The Issuer shall not purchase any Synthetic Security the terms of which do not entitle the holder thereof to receive a principal amount at least equal to the full face amount of such Synthetic Security upon the maturity thereof, unless such Synthetic Security constitutes a Step-Up Bond.

Synthetic Security Counterparty Ratings

Each Synthetic Security Counterparty (i) shall have, or the long-term senior unsecured debt of such entity shall have (which ratings must, with respect to any Synthetic Security Counterparty, be Actual Ratings) a rating of not less than "A3" by Moody's (unless the Rating Agency Condition with respect to Moody's is satisfied), "AA-" by S&P and "AA" by Fitch (or if the short-term unsecured commercial paper rating of such Synthetic Security Counterparty is at least "P-1" by Moody's, "A-1" by S&P and "F1" by Fitch, it may have, for the long-term senior unsecured debt of such entity, a rating of at least "A2" by Moody's and "A" by S&P and Fitch; *provided* that in each case the Synthetic Security Counterparty shall have at least one rating from Moody's and S&P (such ratings the "Synthetic Security Counterparty Required Ratings"); *provided, further, however*, that the rating of a Synthetic Security Counterparty which has been placed on "credit watch" with negative implications by Moody's or S&P shall be deemed to be one notch below its then-current rating by such Rating Agency, and the rating of a Synthetic Security Counterparty which has been placed on "credit watch" with positive implications by Moody's, or S&P, shall be deemed to be one notch above its then-current rating by such Rating Agency, or (ii) shall satisfy the Rating Agency Condition. In the event either the rating of a Synthetic Security Counterparty or the long-term unsecured debt rating of a Synthetic Security Counterparty has been withdrawn by any Rating Agency or downgraded below the Synthetic Security Counterparty Required Ratings, the Synthetic Security Counterparty shall notify the Trustee, the Issuer, and the Investment Advisor of such withdrawal or downgrade and such Synthetic Security Counterparty shall be required within 30 days of the date of such downgrade or withdrawal to (i) post collateral in an amount sufficient to satisfy the Rating Agency Condition, (ii) assign the related Synthetic Security to a replacement Synthetic Security Counterparty which satisfies the Synthetic Security Counterparty Required Ratings or (iii) obtain a guarantor of its obligations under the Synthetic Security which satisfies the Synthetic Security Counterparty Required Ratings with a form of guarantee that satisfies S&P's published criteria with regard to guarantees. Notwithstanding the foregoing, with regard to any Synthetic Security which is a default swap where the Default Swap Collateral is in a Default Swap Collateral Account, no such Synthetic Security Counterparty Required Rating will be required. The failure of any Synthetic Security Counterparty to post collateral, assign the Synthetic Security or secure a guarantor as described in the preceding sentence will constitute a termination event under the terms of the related Synthetic Security with such Synthetic Security Counterparty as the sole Affected Party.

Synthetic Securities Structured as Default Swaps

As part of the purchase of a Synthetic Security, the Issuer may be required to purchase or post cash, securities or other collateral for the benefit of the Synthetic Security Counterparty, including without limitation an up-front payment of cash or delivery of securities by the Issuer ("Default Swap Collateral"). Under the terms of the Security Agreement, all Default Swap Collateral is required to be deposited in the Default Swap Collateral Account and shall be credited to clearly identified subaccounts with respect to each Synthetic Security for which Default Swap Collateral is deposited. The Issuer will also grant to the Collateral Agent for the benefit of the Secured Parties, a security interest in any Default Swap Collateral, subject to the first priority security interest of the related Synthetic Security Counterparty, and shall notify the Synthetic Security Counterparty of such security interest and obtain the Synthetic Security Counterparty's acknowledgment of the Collateral Agent's security interest on behalf of the Secured Parties.

Interest payments, redemption premiums, dividend distributions, investment earnings on and any fees paid with respect to any Default Swap Collateral will constitute property of the Issuer and will be deposited into the Collection Account and treated as Proceeds unless such amounts are required to be paid to the related Synthetic Security Counterparty under the terms of the related Synthetic Security. Principal payments on the Default Swap Collateral prior to the termination of the Synthetic Security shall be held in the related subaccount of the Default Swap Collateral Account and invested in Eligible Investments until reinvested in Default Swap Collateral at the direction of the Investment Advisor on behalf of the Issuer.

In the event a Synthetic Security structured as a default swap is terminated prior to its scheduled maturity without the occurrence of a "credit event," the Investment Advisor on behalf of the Issuer shall cause such portion of the related Default Swap Collateral required to make any termination payment owed to the Synthetic Security Counterparty to be delivered to the Synthetic Security Counterparty and the remaining related Default Swap Collateral to the extent not required to be pledged to the related Synthetic Security Counterparty shall be released from the lien of the Synthetic Security Counterparty and delivered to the Collateral Agent free of such lien. In the event that no "credit event" under a Synthetic Security structured as a default swap has occurred prior to the termination or scheduled maturity of the Synthetic Security, upon the termination or scheduled maturity of the Synthetic Security, the Synthetic Security Counterparty's lien on the Default Swap Collateral related to such Synthetic Security shall be released and the Investment Advisor on behalf of the Issuer shall cause such Default Swap Collateral to be delivered to the Collateral Agent free of such lien. Upon release of the lien of the Synthetic Security Counterparty, the Investment Advisor shall direct the Collateral Agent to take any specific actions necessary to create in favor of the Collateral Agent a valid, perfected, first-priority security interest in such Default Swap Collateral under applicable law. Any Default Swap Collateral released from the lien of the Synthetic Security Counterparty which satisfies the definition of an Eligible Investment shall be treated as an Eligible Investment and any Default Swap Collateral released from the lien of the Synthetic Security Counterparty which satisfies the definition of a Collateral Asset shall be treated as a Collateral Asset and in either case may be retained by the Collateral Agent or sold by the Investment Advisor at the sole discretion of the Investment Advisor without regard to whether such sale would be permitted as a sale of a Defaulted Obligation, Credit Risk Obligation or Credit Improved Obligation; *provided* that no Event of Default has occurred and is continuing. Any cash received upon the maturity or liquidation of the Default Swap Collateral released from the lien of the Synthetic Security Counterparty shall be deemed to be (a) Principal Proceeds, if the Synthetic Security was terminated at its scheduled maturity, (b) Sale Proceeds, if the Synthetic Security was terminated, sold or assigned by the Investment Advisor prior to its scheduled maturity, or (c) Unscheduled Principal Payments, if the Synthetic Security was subject to early termination other than by the Investment Advisor.

Upon the occurrence of a "credit event" under a Synthetic Security structured as a default swap, at the direction of the Investment Advisor, the related Default Swap Collateral will be delivered to the Synthetic Security Counterparty, to the extent required, upon delivery of a Deliverable Obligation to the Issuer. A Deliverable Obligation may be included as a Collateral Asset if it satisfies the Eligibility Criteria (except that it is not required to satisfy clause (x), (xviii) and (xxii) of the General Eligibility Criteria and

clause (ii) of the Interest Only Security Eligibility Criteria) and may be delivered to the Issuer notwithstanding that it may cause the Issuer to fail a Collateral Profile Test. In the event a "credit event" has occurred and the Issuer is required to deliver the Default Swap Collateral to the Synthetic Security Counterparty or to liquidate the Default Swap Collateral and deliver cash, the Synthetic Security Counterparty will bear any market risk on the liquidation of the Default Swap Collateral.

Hedge Agreements

General. From time to time the Issuer will enter into one or more Interest Rate Swap Agreements, Cashflow Swap Agreements or Currency Swap Agreements (collectively, "Hedge Agreements") in order to protect against interest rate risk, mismatches in the timing of cash flows received from the Collateral Assets and the Payment Dates on the Notes and maturing CP Notes during certain periods, and currency risk. On the Closing Date, the Issuer will enter into an Interest Rate Swap Agreement and a Cashflow Swap Agreement with AIG Financial Products Corp. ("AIG FP") as initial Cashflow Swap Counterparty and initial Interest Rate Swap Counterparty. The Issuer shall not enter into any additional Interest Rate Swap Agreements or Cashflow Swap Agreements without obtaining the consent of AIG FP (which consent shall not be unreasonably withheld) and subject to certain other restrictions specified in the initial Interest Rate Swap Agreements and Cashflow Swap Agreement, as applicable, as long as AIG FP remains a Hedge Counterparty, and unless the Rating Agency Condition is satisfied; *provided* that a Majority of the Class C Notes may consent in writing to permanently waive the Rating Agency Condition with respect to their Class of Notes regarding any Hedge Agreements (such Rating Agency Condition, after giving effect to such waivers, the "Applicable Rating Agency Condition"); and *provided, further,* that the Issuer will not have to satisfy any Rating Agency Condition (i) when entering into or amending or modifying an existing Interest Rate Swap Agreement (other than with respect to rate, term and any provisions for deferral of amounts otherwise payable to the Hedge Counterparty) in connection with Deemed Floating Asset Hedges or Deemed Fixed Asset Hedges using Form-Approved Hedge Agreements unless such Hedge Agreement is with a new Interest Rate Swap Counterparty or (ii) when entering into Currency Swap Agreements using Form-Approved Currency Swap Agreements.

The Issuer shall ensure that each Hedge Agreement shall provide that the Issuer will have the option to terminate any Hedge Agreement without cause, in whole or in part, at any time upon payment (or receipt) of a make-whole payment and upon satisfaction of the Applicable Rating Agency Condition; *provided, further,* that the Issuer will not have to satisfy any Rating Agency Condition when terminating a Currency Swap Agreement.

Payments (other than Defaulted Hedge Termination Payments) due to any Hedge Counterparty under any Hedge Agreement shall be paid, in accordance with the Priority of Payments, prior to any payments on the Notes, from Proceeds available therefor on each Payment Date. The claims of each Hedge Counterparty shall rank equally and pari passu with the claims of other Hedge Counterparties entitled to receive payments at the same level of priority within the Priority of Payments. Defaulted Hedge Termination Payments shall be paid immediately after payment of Principal Proceeds to the Notes in accordance with the Priority of Payments.

Each Hedge Agreement shall provide that if (A)(i) the long-term senior unsecured debt rating from S&P of the Hedge Counterparty (or its guarantor, if the Hedge Counterparty is AIG FP or another Hedge Counterparty the obligations of which are supported by a guarantor) falls below "A+" or no such long-term rating from S&P exists and (ii) the short-term rating of the Hedge Counterparty (or its guarantor, if the Hedge Counterparty is AIG FP or another Hedge Counterparty the obligations of which are supported by a guarantor) falls below "A-1" or no such short-term rating from S&P exists, (B) the long-term senior unsecured debt rating from Moody's of the Hedge Counterparty (or its guarantor, if the Hedge Counterparty is AIG FP or another Hedge Counterparty the obligations of which are supported by a guarantor) falls to "Aa3" (and is on credit watch with negative implications) or below "Aa3" if such Hedge Counterparty (or its guarantor, if the Hedge Counterparty is AIG FP or another Hedge Counterparty the obligations of which are supported by a guarantor) has a long-term senior unsecured debt rating only, (C) the long-term senior unsecured debt rating of the Hedge Counterparty (or its guarantor, if the Hedge Counterparty is AIG FP or another Hedge Counterparty the obligations of which are supported by a

guarantor) from Moody's is withdrawn, suspended or falls to "A1" (and is on credit watch for possible downgrade) or below "A1", or the short-term senior unsecured debt rating of the Hedge Counterparty, or if no such rating is available, its guarantor, if the Hedge Counterparty is AIG FP, or another Hedge Counterparty the obligations of which are supported by a guarantor, from Moody's falls to "P-1" (and is on credit watch for possible downgrade) or below "P-1", or (D) the short term issuer credit rating of the Hedge Counterparty (or its guarantor if the Hedge Counterparty is AIG FP or another Hedge Counterparty the obligations of which are supported by a guarantor) from Fitch is withdrawn, suspended or falls to "F2" or, is no such rating is then available, the long-term senior unsecured debt rating by Fitch of the Hedge Counterparty (or its guarantor if the Hedge Counterparty is AIG FP or another Hedge Counterparty the obligations of which are supported by a guarantor) is withdrawn, suspended or falls below "A" (any such event, a "Collateralization Event"), then the Hedge Counterparty shall be required to within 30 days, (i) provide sufficient collateral as required under the Hedge Agreement, (ii) transfer its rights and obligations upon 10 days prior notice to a replacement Hedge Counterparty with higher ratings in accordance with the terms of the Hedge Agreement, subject to satisfaction of the Rating Agency Condition, (iii) obtain a guarantor for the Hedge Counterparty's obligations under the Hedge Agreement with a short-term rating from S&P not lower than "A-1" or, if no short-term rating from S&P exists, with a long-term senior unsecured debt rating from S&P of "A+" or higher; with a long-term senior unsecured debt rating from Moody's of at least "Aa3" and a short-term unsecured debt rating from Moody's, if rated by Moody's, of at least "P-1" (and not on credit watch for possible downgrade); and with a long-term senior unsecured debt rating from Fitch of at least "A", or (iv) take such other steps as each Rating Agency may require (as confirmed by the Investment Advisor in writing) to cause the obligations of the Hedge Counterparty to be treated by each such Rating Agency as if such obligations were owed by a counterparty (x) with a long-term senior unsecured debt rating of "Aa3" by Moody's and with a short-term unsecured debt rating from Moody's, if rated by Moody's, of at least "P-1" (and not on credit watch for possible downgrade), (y) with a short-term rating from S&P of not lower than "A-1" or, if no short-term rating from S&P exists, with a long-term senior unsecured debt rating from S&P of "A+" or higher and (z) with a short-term issuer credit rating from Fitch of at least "F1" or, if there is no short-term credit rating from Fitch, a long-term senior unsecured debt rating from Fitch of at least "A". If the Hedge Counterparty fails to comply with one of the obligations as set forth in clauses (i)-(iv) of the preceding sentence, or if certain further downgrades occur, a substitution event shall have occurred (a "Hedge Substitution Event"). Upon the occurrence of a Hedge Substitution Event, the Hedge Counterparty will be required to assign its rights and obligations under such Hedge Agreement to a new Hedge Counterparty in accordance with the terms of the Hedge Agreement, *provided* that such substitute Hedge Counterparty or its guarantor has (x) a long-term senior unsecured debt rating of at least "Aa3" by Moody's and a short-term senior unsecured debt rating from Moody's, if rated by Moody's, of at least "P-1" (and not on credit watch for possible downgrade), (y) a short-term rating from, S&P of not lower than "A-1+" or, if no short-term rating from S&P exists, a long-term rating from S&P of "A+" or higher and (z) a short-term issuer credit rating from Fitch of at least "F1" or, if there is no short-term credit rating from Fitch, a long-term senior unsecured debt rating from Fitch of at least "A", and the Applicable Rating Agency Condition is satisfied. Each Hedge Agreement (other than with respect to the initial Hedge Counterparty) shall also provide that the failure of a Hedge Counterparty to assign its rights and obligations under the related Hedge Agreement within 30 days following the occurrence of a Hedge Substitution Event shall constitute a termination event thereunder.

Each Hedge Agreement may be terminated, whether or not the Notes have been paid in full on or prior to such termination, upon (i) certain events of bankruptcy, insolvency, conservatorship, receivership or reorganization of the Issuer or the related Hedge Counterparty, (ii) failure on the part of the Issuer or the related Hedge Counterparty to make any payment under the Hedge Agreement within the applicable grace period, (iii) certain withholding taxes being imposed on payments to be made under the Hedge Agreement as set forth in Section 5(b)(ii) of the ISDA Master Agreement incorporated in the Hedge Agreement or (iv) 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 Hedge Agreement.

A termination of a Hedge Agreement will not constitute an Event of Default under the Trust Deed. Although the Issuer believes that any such termination is unlikely, the Issuer has agreed to use reasonable efforts to enter into a substitute Hedge Agreement on similar terms to the extent that the Issuer is able to enter into such an agreement, and shall apply any termination receipts to the purchase of

a new Hedge Agreement. If the Issuer is unable to obtain a substitute Hedge Agreement, interest due on the Notes will be paid from amounts received on the Collateral Assets without the benefit of any Hedge Agreement. There can be no assurance that such amounts will be sufficient to provide for the full payment of interest on the Notes, or that amounts that would otherwise be distributable to the Holders of the Subordinated Notes will not be reduced.

In the event of any early termination of a Hedge Agreement (i) any hedge termination receipts paid to the Issuer will be deposited in a single, segregated trust account held in the name of the Collateral Agent (the "Hedge Termination Receipts Account") for the benefit of the Secured Parties and (ii) any amounts received by the Issuer from a replacement counterparty in consideration for entering into a substantially similar replacement agreement that preserves for the Issuer the economic equivalent of the terminated Hedge Agreement ("Hedge Replacement Proceeds") will be deposited in a single, segregated trust account held in the United States in the name of the Collateral Agent (the "Hedge Replacement Account") for the benefit of the Secured Parties.

The Investment Advisor may cause the Issuer, promptly following the early termination of a Hedge Agreement (other than with respect to a Final Payment Date) and to the extent possible through application of funds available in the Hedge Termination Receipts Account, to enter into a replacement Hedge Agreement (a "Replacement Hedge Agreement") which may have different terms, including different notional amounts, *provided* that the Applicable Rating Agency Condition has been satisfied (unless satisfaction of the Applicable Rating Agency Condition is not required in connection with Deemed Floating Asset Hedges and Deemed Fixed Asset Hedges using Form-Approved Hedge Agreements with an existing Interest Rate Swap Counterparty or with Currency Swap Agreements using Form-Approved Currency Swap Agreements).

If (i) the funds available in the Hedge Termination Receipts Account exceed the costs of entering into a Replacement Hedge Agreement, (ii) the Investment Advisor determines not to replace the terminated Hedge Agreement and the Applicable Rating Agency Condition is satisfied, or (iii) the termination is occurring on a Final Payment Date, then amounts in the Hedge Termination Receipts Account (after providing for the costs of entering into a Replacement Hedge Agreement, if any) will be transferred to the Collection Account on the next following Transfer Date and will be treated as Principal Proceeds and be distributed in accordance with the Priority of Payments on the next Payment Date (or on such Final Payment Date, in the event of a redemption of the Notes).

If a Hedge Agreement is terminated and the costs of entering into a Replacement Hedge Agreement exceed the funds on deposit and available therefor in the Hedge Termination Receipts Account, then, after using the funds in the Hedge Termination Receipts Account, the Issuer may enter into a Replacement Hedge Agreement with the amount of such shortfall payable to the replacement Hedge Counterparty in accordance with the Priority of Payments on following Payment Dates.

The amounts in the Hedge Replacement Account will be applied directly to the payment of termination amounts owing to the Hedge Counterparties, if any. To the extent not fully paid from Hedge Replacement Proceeds, such amounts will be payable to the Hedge Counterparties on subsequent Payment Dates in accordance with the Priority of Payments. To the extent that the funds available in the Hedge Replacement Account exceed any such termination amounts (or if there are no termination amounts), the excess amounts in the Hedge Replacement Account will be transferred to the Collection Account on the next Transfer Date and will be treated as Principal Proceeds and distributed in accordance with the Priority of Payments on the next Payment Date. If the termination amounts owing to Hedge Counterparties exceed the Hedge Replacement Proceeds for such agreements, then, unless such amounts represent Defaulted Hedge Termination Payments, they will be paid before funds are applied to pay principal or interest on any Notes in accordance with the Priority of Payments.

In order to effect an Optional Redemption, Tax Redemption or Auction or liquidation of the Collateral following an Event of Default, the Hedge Agreements must be terminated and the proceeds from such termination and from the liquidation of the remaining Collateral must be sufficient to pay any termination payment owing to the Hedge Counterparties in addition to any amounts owing under the

Notes and certain other expenses. The Security Agreement will not permit the termination of a Hedge Agreement in connection with the liquidation of Collateral following an Optional Redemption, Tax Redemption or Auction or Event of Default prior to the time that the Investment Advisor shall have furnished to the Collateral Agent evidence that the Issuer has entered into a binding agreement with a purchaser whose short term debt obligations are rated at least "P-1" by Moody's and "A-1+" by S&P, to purchase such Collateral on a date not later than 10 days after such termination.

The Issuer may not terminate any Hedge Agreement (other than a Currency Swap Agreement) without satisfaction of the Applicable Rating Agency Condition and without the consent of AIG FP (such consent not to be unreasonably withheld) if AIG FP is still a Hedge Counterparty.

Each Hedge Agreement (other than with respect to the initial Hedge Counterparty) will provide that a Hedge Counterparty, with the consent of the Investment Advisor (on behalf of the Issuer) (such consent not to be unreasonably withheld), may assign its obligations under a Hedge Agreement to any institution which satisfies the Applicable Rating Agency Condition; *provided* that the Hedge Counterparty may assign its obligations to an affiliate in accordance with the Hedge Agreement without satisfaction of the Applicable Rating Agency Condition or consent of the Issuer, *provided* that such affiliate has the higher ratings required in accordance with the terms of the Hedge Agreement.

The initial Interest Rate Swap Counterparty and the initial Cashflow Swap Counterparty is AIG FP. Affiliates of the Initial Purchasers or the Investment Advisor may also act as Hedge Counterparties from time to time, which may create certain conflicts of interest. See "Risk Factors—Certain Conflicts of Interest."

Each Hedge Agreement will provide that the Issuer's obligations thereunder will be limited recourse obligations of the Issuer payable solely from the Collateral and subordinated as set forth in the Priority of Payments, and will contain a standard non-petition clause for the benefit of the Issuer. Each Hedge Agreement will be governed by, and construed in accordance with, the laws of the State of New York.

The Hedge Counterparty ratings requirements and the required consents and actions described herein are subject to modification prior to the Closing Date, and may be revised thereafter upon satisfaction of the Applicable Rating Agency Condition.

Interest Rate Swap Agreements. As of the Closing Date, the Issuer will enter into an Interest Rate Swap Agreement with AIG FP as initial Interest Rate Swap Counterparty that will provide for the Issuer to pay the initial Interest Rate Swap Counterparty an amount equal to 7.198% per annum from the January 2005 Payment Date to and including the January 2008 Payment Date and 6.798% thereafter in exchange for payments equal to LIBOR on an initial notional amount of $330,000,000. The Issuer will receive an aggregate initial payment on the Closing Date of approximately $47,500,000 from the initial Interest Rate Swap Counterparty under the initial Interest Rate Swap Agreement. After the Closing Date, the Issuer may enter into additional Interest Rate Swap Agreements with AIG FP or other counterparties (each, an "Interest Rate Swap Counterparty") which may consist of interest rate swaps and/or interest rate caps.

The Issuer is authorized (i) to enter into additional Interest Rate Swap Agreements in connection with Deemed Floating Collateral Assets or Deemed Fixed Collateral Assets and (ii) to enter into, or terminate, Interest Rate Swap Agreements in whole or in part from time to time in order to manage interest rate timing mismatches and other risks in connection with the Issuer's issuance of, and making of payments on, the Notes and ownership and disposition of the Collateral Assets and with such Interest Rate Swap Counterparties as it may elect in its sole discretion, in each case subject to the satisfaction of the Applicable Rating Agency Condition; *provided* that the Issuer will not have to satisfy any Applicable Rating Agency Condition for entering into Interest Rate Swap Agreements in connection with Deemed Floating Asset Hedges or Deemed Fixed Asset Hedges which are Form-Approved Hedge Agreements; *provided, further,* that after the Closing Date the Issuer shall not enter into any Interest Rate Swap Agreements without obtaining the consent of AIG FP (which consent shall not be unreasonably withheld)

and subject to certain other restrictions specified in the initial Hedge Agreements as long as AIG FP remains a Hedge Counterparty. The Issuer will not modify any Interest Rate Swap Agreement in connection with Deemed Floating Collateral Assets or Deemed Fixed Collateral Assets that would require the payment of a termination payment by the Issuer unless the Applicable Rating Agency Condition has been satisfied.

Pursuant to any Interest Rate Swap Agreements that are interest rate swap agreements (including Deemed Floating Asset Hedges), the Issuer will generally agree to pay to the Interest Rate Swap Counterparty an amount equal to interest on the notional amount at a fixed interest rate specified therein and the Interest Rate Swap Counterparty will agree to pay the Issuer an amount equal to interest on the notional amount at LIBOR. The Issuer may also enter into offsetting Interest Rate Swap Agreements, subject to satisfaction of the Applicable Rating Agency Condition, pursuant to which the Interest Rate Swap Counterparty will agree to pay to the Issuer an amount equal to interest on the notional amount at a fixed interest rate specified therein and the Issuer will agree to pay the Interest Rate Swap Counterparty an amount equal to interest on the notional amount at LIBOR. Only a single net payment will be made under an Interest Rate Swap Agreement with respect to each Payment Date. If the floating rate payment to be made by a party (the "Floating Rate Payor") is greater than the fixed rate payment to be made by the other party (the "Fixed Rate Payor"), then the Floating Rate Payor will pay the difference to the Fixed Rate Payor, whereas if the floating rate payment to be made by the Floating Rate Payor is less than the fixed rate payment to be made by the Fixed Rate Payor, then the Fixed Rate Payor will pay the difference to the Floating Rate Payor.

Pursuant to any Interest Rate Swap Agreements that are interest rate cap agreements, the Interest Rate Swap Counterparty will agree to pay to the Issuer with respect to each interest rate cap payment date an amount equal to the excess, if any, of LIBOR over a fixed strike rate on a notional amount. The Issuer will make a single fixed payment to the Interest Rate Swap Counterparty at the beginning of such transaction or a series of fixed payments to the Interest Rate Swap Counterparty on two or more Payment Dates.

The Issuer has agreed to enter into Interest Rate Swap Agreements in notional amounts based on amortization schedules derived from the anticipated amortization of those Collateral Assets that are Fixed Rate Assets that the Issuer expects to own as of the Closing Date. The amortization schedules will be designed such that on the Closing Date and thereafter on each Measurement Date, the aggregate notional amount under such Interest Rate Swap Agreements will be slightly less than (i) the outstanding scheduled principal amount of the Notes scheduled to be outstanding on such date less (ii) the outstanding principal amount of Collateral Assets that pay interest pursuant to a floating rate on such date. However, there can be no assurance that the actual amortization of the Collateral Assets will correspond to the anticipated amortization on which the Interest Rate Swap Agreements will be based.

Cashflow Swap Agreements. As of the Closing Date, the Issuer will enter into a Cashflow Swap Agreement with AIG FP and may from time to time enter into additional Cashflow Swap Agreements with AIG FP or other counterparties (each, a "Cashflow Swap Counterparty"), in order to manage mismatches between the timing of payment receipts on the Collateral Assets and Eligible Investments and the timing of payments due on Payment Dates in accordance with the Priority of Payments. In a Cashflow Swap Agreement, the Issuer will receive a payment from a Cashflow Swap Counterparty on dates relating to each Payment Date in exchange for the Issuer's obligations to make payments to the Cashflow Swap Counterparty, relating to interest payments on Collateral Assets which pay less frequently than monthly, out of Proceeds to the extent available in accordance with the Priority of Payments. The Cashflow Swap Agreement will be reduced automatically for any Collateral Assets which prepay or default or which are sold and will be increased for any Collateral Assets which are purchased.

In addition to the foregoing, under the initial Cashflow Swap Agreement, AIG FP will also pay to the Issuer on or about the fifteenth day prior to each Payment Date (and on certain dates prior to the initial Payment Date) and each Payment Date for deposit in the CP Discount Reserve Account an amount (the "Interim Cashflow Swap Payment") such that, the amount on deposit in the CP Discount Reserve Account (taking into consideration amounts already on deposit therein) equals the CP Discount Reserve

Required Amount, which will then enable the Issuers to pay from such account the discount that would be required to issue new discount CP Notes with a 90 day maturity and a face amount equal to the maturing CP Notes (the "CP Discount Reserve Facility"). The Interim Cashflow Swap Payment is subject to a maximum cap on any Cashflow Swap Payment Date of $30,000,000 outstanding as described in the Cashflow Swap Agreement. If AIG FP fails to pay such amount, funds otherwise available to make payments to AIG FP will instead be used to pay amounts to the CP Discount Reserve Account as required. To the extent funds are available for such purpose and after the payment of certain amounts, the Issuer will pay to AIG FP on each Payment Date the equivalent amount of unreimbursed Interim Cashflow Swap Payments as of such Payment Date.

Currency Swap Agreements. The Issuer may enter into one or more Currency Swap Agreements with counterparties (each, a "Currency Swap Counterparty"), subject to satisfaction of the Applicable Rating Agency Condition. The Issuer is authorized to enter into additional Currency Swap Agreements in connection with Non-U.S. Dollar Denominated Assets and to terminate Currency Swap Agreements in whole or in part from time to time in order to manage its currency risks subject to satisfaction of the Applicable Rating Agency Condition. The Issuer may enter into agreements with such Currency Swap Counterparties as it may elect in its sole discretion, in each case subject to the satisfaction of the Applicable Rating Agency Condition; *provided* that the Issuer will not have to satisfy the Applicable Rating Agency Condition when entering into Currency Swap Agreements which are Form-Approved Currency Swap Agreements; *provided, further,* that after the Closing Date the Issuer shall not enter into any Currency Swap Agreements without obtaining the consent (which consent shall not be unreasonably withheld) of the initial Hedge Counterparty and subject to certain other restrictions in the initial Hedge Agreements if AIG FP is then a Hedge Counterparty.

The Currency Swap Agreements will require the Issuer to pay amounts in British Sterling, Canadian Dollars, Japanese Yen or the Euro accrued on a notional amount in the same currency and will generally require the Currency Swap Counterparty to pay U.S. Dollars based on a U.S. Dollar notional amount and may also require the Issuer to exchange amounts in British Sterling, Canadian Dollars, Japanese Yen or the Euro for pre-agreed amounts of U.S. Dollars. The notional amounts and exchange amounts will be based on amortization schedules derived from the anticipated interest and principal distributions on Non-U.S. Dollar Denominated Assets that the Issuer owns when the Currency Swap Agreement is entered into. However, there can be no assurance that the actual amortization of the Non-U.S. Dollar Denominated Assets will correspond to the anticipated amortization on which the Currency Swap Agreements will be based. If the Issuer does not receive sufficient funds in British Sterling, Canadian Dollars, Japanese Yen or the Euro from the Non-U.S. Dollar Denominated Assets to make required payments under the Currency Swap Agreements, it must convert other Proceeds into those currencies at the then-current spot exchange rate to make such payments. Proceeds from Non-U.S. Dollar Denominated Assets in excess of the amounts needed to make required payments under the Currency Swap Agreements will be converted into U.S. Dollars at the then-current spot exchange rate and deposited into the Collection Account.

The Issuer has agreed to enter into Currency Swap Agreements in notional amounts based on amortization schedules derived from the anticipated amortization of those Collateral Assets that are Non-U.S. Dollar Denominated Assets that the Issuer expects to own as of the Closing Date. The amortization schedules will be designed such that on the Closing Date and thereafter on each Measurement Date, the aggregate notional amount under such Currency Swap Agreements will be slightly less than (i) the outstanding scheduled principal amount of the Notes scheduled to be outstanding on such date less (ii) the outstanding principal amount of Collateral Assets that pay interest pursuant to a floating rate on such date. However, there can be no assurance that the actual amortization of the Non-U.S. Dollar Denominated Assets will correspond to the anticipated amortization on which the Currency Swap Agreements will be based.

Put Agreement

The Issuer and the Put Counterparty will enter into a 1992 ISDA Master Agreement and a schedule and confirmation thereto, each dated as of October 21, 2004, as amended from time to time (together, the "Put Agreement"). On the Closing Date, the Put Counterparty will be entitled to a fixed structuring fee. Under the Put Agreement, on, or by the second Business Day after, each scheduled maturity date of any CP Notes, the Put Counterparty is obligated, under the circumstances and subject to satisfaction of the conditions described in the Put Agreement and below, to purchase newly issued Class A-1LT-b Notes (the "Put Option"). If the Put Agreement terminates and certain conditions are satisfied, on or prior to the second Business Day after the date of such termination, the Put Counterparty will be obligated to purchase Class A-1LT-b Notes issued pursuant to the terms of the Trust Deed and the Note Agency Agreement. The purchase of such Class A-1LT-b Notes by the Put Counterparty (together with amounts on deposit in the CP Principal Reserve Account) will provide the Issuer with sufficient funds to enable the Issuers to repay maturing CP Notes in accordance with the Put Agreement.

The Put Agreement is scheduled to terminate on the Stated Maturity of the Notes. The Put Counterparty may at any time elect to terminate the Put Agreement in whole or in part. If the Put Counterparty so elects to terminate the Put Agreement, outstanding CP Notes in an amount equal to the amount of the Put Agreement so terminated will be retired at their next maturity date and the Put Counterparty will be required to purchase Class A-1LT-b-2 Notes in an equivalent amount. Class A-1LT-b-2 Notes issued to the Put Counterparty upon the exercise of its right to terminate the Put Agreement will bear interest at the Class A-1LT-b-2 Note Interest Rate for each Interest Accrual Period from and after their issuance date and will also mature on the Stated Maturity of the Notes. In all other cases where the Put Option is exercised, the Put Counterparty will be required to purchase Class A-1LT-b-1 Notes which will bear interest at the Class A-1LT-b-1 Note Interest Rate for each Interest Accrual Period from and after their issuance date. The Put Agreement is also subject to termination in accordance with the typical ISDA termination provisions as described therein. Other than amounts due and owing under the Put Agreement at the time of termination, no termination payments will be due to or from the Issuer and the Put Counterparty in connection with any termination of the Put Agreement.

The Put Option in respect of the CP Notes will be exercised on the date when: (i) the Issuers are not able to issue, sell or place new CP Notes having a tenor not exceeding nine months and a discount or interest rate less than or equal to the Maximum Put Option Strike Rate in an amount at least equal to the face amount of maturing CP Notes less certain amounts in the CP Discount Reserve Account (including the amount of any Put Counterparty Deposit Amount but excluding any withdrawals made or to be made from the CP Discount Reserve Account on such date) and any amounts in the CP Principal Reserve Account, (ii) the short-term rating of the Put Counterparty is downgraded below "A-1" or "P-1" by S&P or Moody's, respectively, effective credit support is not posted in accordance with the Put Agreement, the Put Counterparty is not replaced in accordance with the Put Agreement, and Goldman, Sachs & Co. is the sole CP Note Placement Agent, (iii) a payment default has occurred with respect to the Class A Notes or the CP Notes solely as a result of a failure by AIG FP to make a payment under a Hedge Agreement, (iv) an early termination condition exists under the Put Agreement as a consequence of the occurrence of an event of default or termination event thereunder for which the Put Counterparty is the defaulting or affected party, (v) the Put Counterparty, in its sole discretion, elects to terminate the Put Agreement in whole or in part or (vi) a prospective purchaser of CP Notes to be placed on any date fails in its obligations to pay the cash purchase price for such CP Notes it was obligated to purchase on such date. Each of the following conditions must be satisfied to exercise the Put Option: (1) no bankruptcy or insolvency default under the Trust Deed has occurred with respect to either Co-Issuer, (2) the amounts due to be paid to the Put Counterparty by the Issuer under the Put Agreement have been paid and (3) there is no, and there has not been any, Defaulted Interest on the Class A Notes or the LIBOR CP Notes or any default in the payment of discount on the other CP Notes (except if such Defaulted Interest or such default in the payment of discount on the other CP Notes resulted solely from AIG FP failing to make a payment under a Hedge Agreement). Notwithstanding the foregoing, the Put Option will not be exercised if, upon the occurrence of either condition described in clause (i) or (vi) above, the Issuer is able to issue CP Notes having a discount rate or LIBOR CP Interest Rate that is less than or equal to the Maximum Put

Option Strike Rate on or before the date of settlement of such Put Option. The Put Counterparty will be permitted to make deposits to the CP Discount Reserve Account in an amount sufficient to prevent the Put Option from being exercised under certain conditions. If the Put Counterparty does make such a deposit, discount on the newly issued CP Notes may in certain cases, exceed the Maximum Put Option Strike Rate. The Put Counterparty is not entitled to be reimbursed for any such deposits.

Securities Lending

Provided that no Event of Default has occurred and is continuing, the Investment Advisor may from time to time instruct the Collateral Agent on behalf of the Issuer to lend Collateral Assets to banks, broker-dealers and other financial institutions (excluding insurance companies)(each, a "Securities Lending Counterparty"). Any such loan must have a term of 90 days or less, and any Securities Lending Counterparty must at the time of the loan (i) have a short-term senior unsecured debt rating or a guarantor with such rating of at least "P-1" by Moody's or a long-term senior unsecured rating or a guarantor with such rating at the time of the loan of at least "A1" from Moody's, (ii) have a short-term senior unsecured debt rating or a guarantor with such rating of at least "A-1+" from S&P and (iii) have a short-term senior unsecured debt rating or a guarantor with such rating of at least "F1+" from Fitch; *provided* that in each case the Moody's and S&P ratings shall be Actual Ratings; *provided, further,* that any form of guarantee entered into with respect to any Securities Lending Agreement shall satisfy S&P's published criteria with respect to guarantees.

Such Securities Lending Counterparties may be affiliates of the Initial Purchaser and/or certain affiliates of the Investment Advisor, subject to the limitations set forth in the Investment Advisory Agreement, pursuant to one or more agreements (each, a "Securities Lending Agreement"), which arrangements may create certain conflicts of interest. See "Risk Factors—Certain Conflicts of Interest." The term of any Securities Lending Agreement shall not exceed 90 days and also shall not exceed the Stated Maturity of the Class A Notes. No more than 10% of the Aggregate Principal Amount may be loaned pursuant to Securities Lending Agreements regardless of term. Each Securities Lending Agreement shall be on market terms (except as may be required below) and shall (i) require that the Securities Lending Counterparty return to the Issuer debt obligations which are identical (in terms of issue and class) to the loaned Collateral Assets; (ii) require that the Securities Lending Counterparty pay to the Issuer such amounts as are equivalent to all interest and other payments which the owner of the loaned Collateral Asset is entitled to for the period during which the Collateral Asset is loaned; (iii) require that each of the Rating Agencies shall have confirmed that the given Securities Lending Agreement will satisfy the Rating Agency Condition; (iv) satisfy any other requirements of Section 1058 of the Code and the Treasury regulations promulgated thereunder; (v) be governed by the laws of New York; and (vi) permit the Issuer to assign its rights thereunder to the Collateral Agent pursuant to the Security Agreement. A Securities Lending Counterparty is required to post with the Collateral Agent collateral consisting of cash or direct registered debt obligations issued or guaranteed by the United States of America that have a maturity of five years or less (the "Securities Lending Collateral") to secure its obligation to return the Collateral Assets. Securities Lending Collateral pledged pursuant to a Securities Lending Agreement shall be deposited into the Securities Lending Account added thereon pursuant to the related Securities Lending Agreement. Such collateral will be maintained at all times with the Collateral Agent in an amount equal to at least 102% of the current market value (determined daily by the related Securities Lending Counterparty and monitored by the Investment Advisor) of the loaned securities. If cash collateral is received by the Collateral Agent, it will be invested in Eligible Investments and the Issuer will be entitled to a portion of the interest on such Eligible Investments and a portion of such interest will be paid to the Securities Lending Counterparty. Alternatively, if securities are delivered to the Collateral Agent as security for the obligations of the Securities Lending Counterparty under the related Securities Lending Agreement, the Investment Advisor on behalf of the Issuer will negotiate with the Securities Lending Counterparty a rate for the loan fee to be paid to the Issuer for lending the loaned Collateral Assets. Such collateral will not constitute Collateral Assets and will not be available to support payments or distributions on the Notes unless the related Securities Lending Counterparty defaults in its obligation to return the loaned Collateral Assets to the Issuer. Upon any default by any Securities Lending Counterparty under the related Securities Lending Agreement, the Investment Advisor on behalf of the

Issuer shall promptly exercise its remedies under such Securities Lending Agreement, including liquidating the related Securities Lending Collateral. Proceeds of any such liquidations net of amounts returned to the Securities Lending Counterparty shall be treated as Principal Proceeds and shall be deposited to the Collection Account.

If any of the Rating Agencies downgrades a Securities Lending Counterparty such that the Securities Lending Agreement or agreements to which the Securities Lending Counterparty is a party are no longer in compliance with the requirements relating to the credit ratings of the Securities Lending Counterparty, then the Issuer, within ten days thereof, will (i) terminate its Securities Lending Agreement or Agreements with such Securities Lending Counterparty; (ii) obtain a guarantor for the Securities Lending Counterparty's obligations under the given Securities Lending Agreement or Agreements by entering into a guarantee that satisfies S&P's published criteria with respect to guarantees; (iii) reduce the percentage of the Aggregate Principal Amount loaned to such downgraded Securities Lending Counterparty so that the Securities Lending Agreement or Agreements to which such Securities Lending Counterparty is a party, together with all other Securities Lending Agreements, are in compliance with the requirements relating to the credit ratings of Securities Lending Counterparties; or (iv) take such other steps as each Rating Agency that has downgraded such Securities Lending Counterparty may require to cause such Securities Lending Counterparty's obligations under the Securities Lending Agreement or Agreements to which such Securities Lending Counterparty is a party to be treated by such Rating Agency as if such obligations were owed by a counterparty having a rating at least equivalent to the rating that was assigned by such Rating Agency to such downgraded Securities Lending Counterparty immediately prior to its being downgraded.

YIELD CONSIDERATIONS

The Stated Maturity of the Notes is the Payment Date in November 2039. The principal of each Class of the Notes is expected to be paid in full prior to their Stated Maturity.

The table set forth below entitled "Class A Constant Default Rate Stress Tests" is based on the following assumptions (the "Collateral Assets Assumptions"):

(i) Forward 1-month LIBOR curve as of October 15, 2004 is assumed;

(ii) the Closing Date is October 21, 2004 and the first Payment Date is January 10, 2005;

(iii) all of the net proceeds associated with the offering of the Notes are invested as of the Closing Date in the initial portfolio of Collateral Assets;

(iv) the Class A/B Coverage Tests are satisfied as of the Closing Date;

(v) each Collateral Asset will pay principal and interest in accordance with its terms and scheduled payments will be timely received, unless otherwise specified;

(vi) all interest payments on the Collateral Assets in the initial portfolio are assumed to be made on a monthly basis;

(vii) payments on Collateral Assets are made on the last day of the month in which such payment is due;

(viii) payments on the Notes are made on the 8th day of the month in which each applicable Payment Date falls (each of which is assumed to be a Business Day) commencing on January 8, 2005;

(ix) defaults are incurred at the constant annual default rates and are applied on each Payment Date to the outstanding Principal Balance of the Collateral Assets as of such Payment Date commencing on the Payment Date in November 2005;

(x) all Proceeds are fully reinvested or paid out pursuant to the Priority of Payments;

(xi) expenses are paid on each Payment Date and will be fixed at 0.02% per annum of the outstanding collateral balance;

(xii) there are no trading gains or call premiums;

(xiii) each Hedge Counterparty makes all required payments to the Issuer on a timely basis;

(xiv) the Class A Adjusted Overcollateralization Ratio is modeled using the Net Outstanding Portfolio Collateral Balance rather than the Adjusted Net Outstanding Portfolio Collateral Balance;

(xv) Collateral Assets purchased during the Reinvestment Period are priced at par; and principal payments from Fixed Rate Assets are reinvested at a coupon of 6.06% per annum with a bullet maturity of 5 years from the date of reinvestment and principal payments from Floating Rate Assets are reinvested at a spread equal to 0.84% over one-month LIBOR with a bullet maturity of 5 years from the date of reinvestment;

(xvi) there are no taxes owed by the Issuers;

(xvii) no additional issuance of Notes, CP Notes (with the exception of reissuance) or Class A-1LT-b Notes, as applicable, occurs; and

(xviii) with respect to the table below entitled "Class A and B Note Constant Default Rate Stress Tests," no redemption due to an Auction is assumed.

The table set forth below entitled "Class A and B Note Constant Default Rate Stress Tests" shows the Constant Default Rate ("CDR") and Cumulative Defaults for each Class of Notes (other than the Class C Notes and Class D Notes) under three stress scenarios, assuming a 50% severity in terms of principal recoveries on defaulted Collateral Assets. In column one ("First Dollar of Loss"), CDR represents the CDR starting twelve months from the Closing Date that would result in the first dollar reduction in yield to the respective Class of Notes. Cumulative Defaults represent the sum of such defaults. In column two ("LIBOR Flat"), CDR represents the CDR starting twelve months from the Closing Date that would result in a yield equivalent to LIBOR Flat for the Class A Notes. Cumulative Defaults represent the sum of such defaults. In column three ("Return of Investment (0% return)"), the CDR represents the CDR starting twelve months from the Closing Date that would result in a 0.0% return for the Class A Notes. Cumulative Defaults represent the sum of such defaults.

Class A and B Note Constant Default Rate Stress Tests

	First Dollar of Loss		LIBOR Flat		Return of Investment (0% return)	
Constant Annual Default Rate at 50% Severity	CDR	Cumulative Defaults	CDR	Cumulative Defaults	CDR	Cumulative Defaults
Class A-1LT-a	4.2%	8.707%	5.0%	9.772%	14.5%	22.524%
Class A-2	3.0%	6.875%	3.2%	7.133%	5.10%	9.949%
Class B	2.7%	6.622%	2.8%	6.638%	3.5%	7.638%

The yield to maturity of the Notes of each Class will also be affected by the rate of repayment of the Collateral Assets, as well as by the redemption of the Notes in an Optional Redemption, Tax Redemption or Auction (and by their respective Optional Redemption Prices, Tax Redemption Prices or Auction Redemption Prices, as applicable, which are then payable). The Issuer is not required to repay

the Notes on any date prior to their Stated Maturity. The receipt of principal payments on the Notes at a rate slower than the rate anticipated by investors purchasing the Notes at a discount will result in an actual yield that is lower than anticipated by such investors.

The yield to maturity of the Class A Notes and the Class B Notes may also be affected by the rate of delinquencies and defaults on and liquidations of the Collateral Assets, to the extent not absorbed by the Subordinated Notes; sales of Collateral Assets; and/or purchases of Collateral Assets having different scheduled payments and payment characteristics and the operation of the variables in the Priority of Payments. The yield to investors in the Subordinated Notes will also be adversely affected to the extent that the Issuers incur expenses in excess of the amount payable in accordance with the Priority of Payments prior to the payment of interest on the Class A Notes and the Class B Notes.

THE INVESTMENT ADVISOR

The information appearing in this section has been prepared by the Investment Advisor, and has not been independently verified by the Issuers or the Initial Purchasers. Accordingly, notwithstanding anything to the contrary herein, neither the Issuers nor the Initial Purchasers assume any responsibility for the accuracy, completeness or applicability of such information. The Issuers do, however, take responsibility for correctly reproducing the information they received from the Investment Advisor.

General

TCW Asset Management Company will act as Investment Advisor to the Issuer (in such capacity, together with any successor, the "Investment Advisor") and in such capacity will be responsible for certain administrative and investment advisory functions relating to the Collateral Assets, the Hedge Agreement and other assets included in the Collateral. The Investment Advisor is a registered investment advisor regulated by the SEC.

TCW Asset Management Company is a California corporation with its principal offices at 865 South Figueroa Street, Suite 1800, Los Angeles, California 90017. TCW Asset Management Company was organized in 1971 and is a wholly owned subsidiary of The TCW Group, Inc., whose subsidiaries, including Trust Company of the West, provide a variety of trust, investment management and investment advisory services. TCW Asset Management Company and its affiliated companies (collectively, "TCW") manage assets of approximately 1,550 institutional investors and private clients. Assets under management or committed to management by TCW totaled approximately $99 billion as of June 30, 2004.

As of June 30, 2004, TCW employed over 575 individuals, including over 310 investment professionals. TCW operates out of four offices in Los Angeles, New York, Houston and San Francisco.

In July 2001, The TCW Group, Inc. sold a majority of its interests to Société Générale Asset Management, S.A. ("SG Asset Management"), a subsidiary of Société Générale, S.A. ("Soc Gen"), one of the world's leading financial service companies. SG Asset Management is a leading asset manager serving private and corporate clients worldwide.

Pursuant to the terms of the Investment Advisory Agreement, the Investment Advisor will determine the specific Collateral Assets to be purchased or sold by the Issuer and the terms of such purchases and sales, monitor the Collateral Assets included in the Collateral from time to time and provide the Issuer with certain information with respect to the composition and characteristics of such Collateral Assets, any dispositions or tenders of such Collateral Assets and the reinvestment of the proceeds of any such dispositions in substitute Collateral Assets. Accounts for which the Investment Advisor acts as investment advisor may at times own a portion of the Notes and/or the CP Notes. See "Risk Factors—Certain Conflicts of Interest."

In accordance with the Reinvestment Criteria set forth in the Security Agreement and the other requirements set forth in the Investment Advisory Agreement, the Note Agency Agreement, the Security Agreement and the Trust Deed, the Investment Advisor will instruct the Trustee in writing with respect to any disposition or tender of a Collateral Asset included in the Collateral and investment in substitute Collateral Assets.

Key Personnel

Set forth below is the information regarding the backgrounds and experience of certain persons who are currently employed by the Investment Advisor and who are expected to be responsible for substantially all of the investment activities of the Issuer. There can be no assurance that such persons will continue to be employed by TCW.

CDO Product Management

Frederick H. Horton, Managing Director

Prior to joining TCW in 1993, Mr. Horton was Director of Mortgage Investments and Senior Portfolio Manager for Dewey Square Investors. Before Dewey, Mr. Horton was Head of Mortgage Strategies and Senior Portfolio Manager for The Putnam Companies. Before joining The Putnam Companies, Mr. Horton headed the Mortgage-Backed Portfolio Strategies Group at Drexel Burnham Lambert in New York. Prior to Drexel, he held portfolio management positions at Chase Investors Management in New York and at State Street Bank in Boston. Mr. Horton holds a B.A. from Brown University and an M.B.A. in Finance from Boston University.

Sonia C. Mangelsdorf, Vice President

Ms. Mangelsdorf joined TCW in 1999. Previously, she worked at Bankers Trust New York in Sales and Trading of Australian and New Zealand fixed income securities and currencies. Prior to that, she worked at Bankers Trust Australia Ltd. in Sydney, as an Assistant Portfolio Manager, responsible for the BTAL Cash Management Trusts and the Short term Managed Funds. Ms. Mangelsdorf holds a B.S. in Economics from The University of Sydney, Australia.

Portfolio Management

Louis C. Lucido, Managing Director – Credit Mortgage-Backed Securities

Prior to joining TCW in 2001, Mr. Lucido was the Chief Investment Officer for Delphi Financial Group (DFG) responsible for the asset/liability management of the firm, oversight and management of the firm's $2.3 billion investment portfolio. Before DFG, Mr. Lucido was the Chief Operating Officer, Managing Director & Corporate Secretary for Hyperion Capital Management, an MBS, CMBS & ABS investment management company, and was responsible for managing the daily operation of the firm, which had $5.5 billion of assets under management. While at Hyperion, Mr. Lucido was also a member of the Resolution Trust Advisory Committee, responsible for the conservatorship and ultimate liquidation of the Franklin Savings Association. Mr. Lucido has an M.B.A. in Management and Finance from New York University.

Roland K.W. Ho, CFA, Senior Vice President – Credit Mortgage-Backed Securities

Prior to joining TCW in 2001, Mr. Ho was the Director and Head of Research at Hyperion Capital Management where he was responsible for the research, design, development and implementation of Hyperion's analytical system for fixed income securities. These included MBS prepayment modeling, CMBS cash flow modeling, and term structure modeling. Mr. Ho holds a B.A. and an M.B.A. in Electrical Science from Cambridge University in England. He also studied for his doctorate in Mathematics at the Imperial College, University of London. He is a Chartered Financial Analyst.

Philip A. Barach, Group Managing Director – Mortgage-Backed Securities
Chief Investment Officer – U.S. Investment Grade Fixed Income

Mr. Barach joined TCW in 1987 after being associated with Sun Life Insurance Company, where he was Senior Vice President and Chief of Investments. Previously, he served as head of Fixed Income Investments for the State of California Retirement System. Mr. Barach attended the Hebrew University of Jerusalem, where he received a B.A. in International Relations and an M.B.A. in Finance.

Jeffrey E. Gundlach, President – TCW Asset Management Company
Group Managing Director – Mortgage-Backed Securities
Chairman – Multi-Strategy Fixed Income Committee

Mr. Gundlach was associated with Transamerica Corporation's Los Angeles-based Property/Casualty Insurance division prior to joining TCW in 1985. He worked in the Finance Department as Senior Loss Reserve Analyst, responsible for investment discount and funding strategies. He is a graduate of Dartmouth College summa cum laude holding a B.A. in Mathematics and Philosophy. He attended Yale University as a Ph.D. candidate in Mathematics.

Jennifer A. Jacob, Managing Director – Mortgage-Backed Securities

Prior to joining TCW in 1993, Ms. Jacob was a Senior Portfolio Manager with CMB Investment Counselor where she was responsible for over $1 billion in fixed income assets. Prior to CMB, she was a Portfolio Manager with Transamerica and SunAmerica Life Insurance Companies and was responsible for the management of multi-billion dollar fixed income portfolios invested in mortgage-backed securities and high grade corporate bonds. She is a Phi Beta Kappa graduate from the University of California at Los Angeles, where she received a B.A. in Anthropology. Ms. Jacob is a Chartered Financial Analyst and a Chartered Investment Counselor.

Sajjad H. Naqvi, Vice President - Credit Mortgage-Backed Securities

Prior to joining TCW in 2002, Mr. Naqvi was responsible for credit analysis at Hyperion Capital Management, which included ABS, CMBS and corporate securities, where he held the title of Assistant Vice President. Prior to Hyperion, Mr. Naqvi was an Associate at Smith Barney where he performed equity research with an Institutional Investor ranked analyst. Mr. Naqvi holds two undergraduate degrees: a B.A. in Political Science from the University of Winnipeg, and a B.S. in Finance from St. John's University in New York. He also holds an M.B.A. from the Lubin School of Business at Pace University in New York.

Samuel M. Garza, Assistant Vice President – Credit Mortgage-Backed Securities

Prior to joining TCW in 2000, Mr. Garza worked at Union Bank of California in the Commercial Banking Group where he was involved with corporate loan underwriting. Mr. Garza holds a B.A. in Business Economics from the University of California at Santa Barbara.

Jonathan R. Marcus, Assistant Vice President– Credit Mortgage-Backed Securities

Mr. Marcus joined TCW in 2000 as a Systems Analyst in the Information Services department. He served as a team lead in the enterprise upgrade to the Windows 2000 operating system, as well as providing technical assistance for the Mortgage-Backed Securities group. He joined the Credit Mortgage-Backed Securities group in 2001. Mr. Marcus has his B.S. in Mathematics from the University of California at Santa Barbara.

George P. Kappas, Ph.D., Vice President – Credit Mortgage-Backed Securities

Mr. Kappas joined TCW in 2003 after working for two years at Countrywide on residential MBS structuring where he specialized in S&P and Moody's stress models and NIM structuring. Previously he worked as an analyst/trader for Delphi Financial Group, Eagle Capital Management and Cargill Financial. Mr. Kappas holds an M.S. and D.E.S. in Engineering and Applied Science from Columbia University in New York.

Sriram Balasubramanian, Systems-Analyst – Credit Mortgage-Backed Securities

Prior to joining TCW in 2004, Mr. Balasubramanian was a lead web engineer at Goyogi.com where he developed specialized search engines and backend database applications. Mr. Balasubramanian holds a BS in Computer Science from San Jose State University, where he was awarded the 2001 Physics Award for outstanding performance in physics coursework.

Ken K. Shinoda, Analyst – Credit Mortgage-Backed Securities

Mr. Shinoda joined TCW in 2003 as an intern for the CMBS group, where he was later hired to his current position as an analyst. Mr. Shinoda graduated from the University of Southern California with a BS in Finance and an emphasis in International Relations.

THE INVESTMENT ADVISORY AGREEMENT

General

The Investment Advisor will perform certain investment management functions, including supervising and directing the investment and reinvestment of Collateral and managing the issuance of the CP Notes, and perform certain administrative functions on behalf of the Issuer in accordance with the applicable provisions of the Security Agreement, the Trust Deed and the Investment Advisory Agreement. The Investment Advisor agrees, and will be authorized, to (i) select the Collateral Assets and Eligible Investments to be acquired by the Issuer, (ii) invest and reinvest the Collateral and facilitate the acquisition and settlement of Collateral Assets by the Issuer, (iii) advise the Issuer on the issuance and sale of the CP Notes, (iv) advise the Issuer with respect to interest rate cash flow timing and currency exchange risk management, (v) advise the Collateral Agent with respect to any disposition or tender of a Collateral Asset or Eligible Investment by the Issuer, (vi) conduct Auctions and (vii) select and negotiate Hedge Agreements, Synthetic Securities, Securities Lending Agreements, Deemed Floating Asset Hedges, and Deemed Fixed Asset Hedges.

Indemnification and Expenses

The Investment Advisor will perform its duties and functions in accordance with the Investment Advisory Agreement; *provided, however*, that the Investment Advisor, its affiliates and the members, managers, directors, officers and employees of the Investment Advisor and its affiliates will not be liable to the Issuers, the Collateral Agent, the Trustee, the Initial Purchasers, any Secured Party, the Holders of the Notes or the CP Notes, any other persons or any of their respective affiliates, partners, shareholders, officers, directors, employees, agents, accountants and attorneys for any Losses incurred as a result of the actions taken or recommended, or for any omissions, by the Investment Advisor under the Investment Advisory Agreement or under the other Transaction Documents or otherwise for any mistake of judgment or in any event whatsoever, except that the Investment Advisor will be so liable by reason of acts or omissions constituting bad faith, willful misconduct or gross negligence in the performance of its obligations thereunder. The Investment Advisor will be entitled to indemnification by the Issuer under certain circumstances (as described more fully below), but, except in the limited amount described in clause (3) of the Priority of Payments, only after payment in full of the CP Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Yield Make Whole Payment.

Pursuant to the terms of the Investment Advisory Agreement, the Issuer will indemnify and hold harmless the Investment Advisor, its affiliates and the shareholders, members, managers, directors, officers, employees, agents, accountants and attorneys of the Investment Advisor and its affiliates (each, an "Indemnified Party") from and against any and all expenses, losses, damages, liabilities, demands, charges or claims of any nature whatsoever (including reasonable attorneys' fees and expenses) (collectively, "Losses"), as incurred, in respect of or arising from the issuance of the Notes and the CP Notes, the transactions described in this offering circular, the Investment Advisory Agreement or the other Transaction Documents, or any action or failure to act by the Investment Advisor and not as a result of acts or omissions by such Indemnified Party constituting bad faith, willful misconduct or gross negligence in the performance of the Investment Advisor's obligations under the Investment Advisory Agreement, and in respect of any untrue statement or alleged untrue statement of a material fact contained in this offering circular, or any omission or alleged omission to state a material fact necessary to make the statements in this offering circular, in light of the circumstances under which they were made, not misleading; *provided* that, with respect to the foregoing indemnity provided with respect to this offering circular, the Issuer will not be liable for any Losses that arise out of or are based upon any untrue statement or alleged untrue statement or omission or alleged omission of a material fact in this offering circular based upon information contained under the heading "The Investment Advisor" in this offering circular. The obligations of the Issuer to indemnify any Indemnified Party for any Losses will be payable solely out of the Collateral in accordance with the Priority of Payments and to the extent that funds are available therefor.

The Investment Advisor will be responsible for its own expenses incurred in the course of performing its obligations under the Investment Advisory Agreement; *provided, however,* that the Investment Advisor will not be liable, among other things, for the following reasonable expenses and reasonable costs: (a) legal advisers, accountants, auditors, record keepers, consultants and other professionals retained by the Issuer (or by the Investment Advisor on the Issuer's behalf), in connection with the services provided by the Investment Advisor pursuant to the Investment Advisory Agreement or pursuant to the other Transaction Documents including, without limitation, fees and expenses of Rating Agencies incurred in connection with obtaining ratings for Collateral; (b) legal advisers, consultants and other professionals retained by the Issuer (or by the Investment Advisor on the Issuer's behalf) for the restructuring of, or enforcement of rights under or with respect to, the Collateral; (c) reasonable travel expenses (airfare, meals, lodging and other transportation) undertaken in connection with the performance by the Investment Advisor of its duties pursuant to the Investment Advisory Agreement or the other Transaction Documents; (d) amounts payable to the Collateral Administrator pursuant to the Collateral Administration Agreement; (e) any fees for bookkeeping, accounting or recordkeeping services obtained or maintained on behalf of the Issuer (including those services rendered at the Investment Advisor's behest); (f) the preparation of Investment Advisor reports to the holders of the Notes and (g) fees and expenses of auditors incurred in connection with any consolidation review with respect to the Issuer. Such expenses will be paid by the Issuer in accordance with the Priority of Payments.

Substitution of Investment Advisor

The Investment Advisor may assign its rights and obligations under the Investment Advisory Agreement to a substitute investment advisor (a "Substitute Investment Advisor"). Any Substitute Investment Advisor may be, but is not required to be, an affiliate of the Investment Advisor. The Investment Advisor's rights and obligations may be assigned only if the Rating Agency Condition is satisfied, whereupon such assignment shall be effective. If the Rating Agency Condition is satisfied, notice of the assignment will be provided to the Trustee for delivery to the Holders of the Notes and the assignment will become effective 30 days after such notice is sent if the assignment is not objected to by the Holders of a SupraMajority of the Controlling Class or by the Holders of a SupraMajority of the Subordinated Notes (voting as a single class); *provided* that if the Substitute Investment Advisor is an affiliate of the Investment Advisor, such assignment will be effective upon satisfaction of the Rating Agency Condition and there will be no rights of objection by the Holders of the Notes to such assignment.

In addition, the Investment Advisor may employ third parties (including subsidiaries or affiliates) to render advice (including investment advice) and assistance to the Issuer and to perform any of its duties under the Investment Advisory Agreement; *provided, however*, that the Investment Advisor will not be relieved of any of its duties under the Investment Advisory Agreement regardless of the performance of any services by third parties.

Termination of the Investment Advisory Agreement

Subject to the following provisions regarding removal of the Investment Advisor, the Investment Advisory Agreement will be entered into on the Closing Date for a term of one year and will be automatically renewed for an additional year on each date of its expiration unless the Holders of (i) a SupraMajority of each Class of Notes and (ii) a SupraMajority of the CP Notes object to such renewal by giving notice to the Issuer and the Investment Advisor.

The Investment Advisory Agreement may be terminated at any time by the Investment Advisor, without the payment of any penalty, on 90 days' written notice to the Issuer, the Trustee, and the Rating Agencies or on such shorter notice as is acceptable to the Issuer, the Trustee and the Rating Agencies. The Investment Advisory Agreement will terminate automatically in the event the Notes are redeemed or cancelled in their entirety.

Termination Without Cause

The Investment Advisor may be removed without cause upon at least 90 days' prior written notice if Holders of (i) a SupraMajority of each Class of Notes and (ii) a SupraMajority of the CP Notes give notice to the Investment Advisor, the Issuer and the Trustee of such removal and the Rating Agency Condition is satisfied; *provided* that if the Investment Advisor is removed pursuant to this provision, any successor investment advisor shall not be a Holder of or a person that, directly or indirectly, is in control of, or controlled by, or is under common control with, an affiliate of any Holder of Notes or CP Notes.

Termination For Cause

The Investment Advisor may be removed for Cause upon 30 days' prior written notice by the Issuer or the Trustee, at the direction of the Holders of (i) a SupraMajority of the Controlling Class or (ii) a SupraMajority of the Subordinated Notes (voting as a single class); *provided* that notice of such removal will have been given to the Holders of each Class of the Notes. For purposes of the Investment Advisory Agreement, "Cause" will mean: (a) willful violation in bad faith or breach in bad faith by the Investment Advisor of any provision of the Investment Advisory Agreement or the Security Agreement applicable to the Investment Advisor; (b) violation by the Investment Advisor of any provision of the Investment Advisory Agreement or the Security Agreement applicable to it (other than as covered by the preceding clause (a)) (it being understood that the failure of any Class A/B Coverage Tests, Collateral Profile Tests or Collateral Quality Tests is not such a violation) which violation (1) has a material adverse effect on the Holders of any Class of Notes or the CP Notes and (2) if capable of being cured, is not cured within 30 days of the Investment Advisor becoming aware of, or receiving notice from the Issuer, the Collateral Agent or the Trustee of, such violation, or, if such breach is not capable of cure within 30 days but is capable of being cured in a longer period, the Investment Advisor fails to cure such breach within the period in which a reasonably prudent person could cure such breach, but in no event greater than 60 days; (c) certain events of bankruptcy or insolvency in respect of the Investment Advisor, specified in the Investment Advisory Agreement; (d) the occurrence of any act constituting fraud or a criminal felony offense in respect of investment activity by the Investment Advisor in the performance of its obligations under the Investment Advisory Agreement; or (e) the indictment of any managing director of the Investment Advisor who has direct supervisory responsibility for the investment activities of the Issuer, and who continues to have such direct supervisory responsibility for the Investment Advisor's performance under the Investment Advisory Agreement for a period of 30 days after such indictment, for a criminal felony offense materially related to the Investment Advisor's advisory services relating to

mortgage-backed securities, asset-backed securities or CDOs. In no event will the Trustee be responsible for determining whether the Investment Advisor will be terminated for "Cause" under the Investment Advisory Agreement.

Resignation and Replacement of Investment Advisor

The Investment Advisor may resign upon 90 days' prior written notice to the Issuer, the Trustee and the Collateral Agent.

Upon any resignation or removal of the Investment Advisor while any of the Notes or the CP Notes are outstanding, the Holders of at least a Majority of the Subordinated Notes, may appoint an institution as replacement investment advisor which is not affiliated with the Investment Advisor; *provided* that the Holders of at least a Majority of each Class of Notes and CP Notes do not disapprove such institution within 30 days of notice of such appointment and the Rating Agency Condition is satisfied.

In the event the Investment Advisor shall have been terminated or resigns, if a successor investment advisor is not selected in accordance with the Investment Advisory Agreement within 60 days after the Investment Advisor receives notice of termination or gives notice of resignation, then the Investment Advisor may petition any court of competent jurisdiction for the appointment of a successor investment advisor without the approval of any of the Issuer, the Holders of the Notes or the CP Notes or the Rating Agencies.

The successor investment advisor will be an established institution that (x) has demonstrated an ability to professionally and competently perform duties similar to those imposed upon the Investment Advisor under the Investment Advisory Agreement, (y) is legally qualified and has the capacity to act as Investment Advisor under the Investment Advisory Agreement, as successor to the Investment Advisor and will agree to assume in writing all of the Investment Advisor's duties and obligations pursuant to the Investment Advisory Agreement, and (z) has prior experience serving as an investment advisor in structured finance transactions involving collateral similar to the Collateral.

No removal will be effective until such time as a successor investment advisor has been appointed and has agreed to assume in writing all of the Investment Advisor's duties and obligations pursuant to the Investment Advisory Agreement.

All Notes and/or CP Notes beneficially owned by the Investment Advisor or any affiliate thereof or by an account or fund for which the Investment Advisor or an affiliate thereof acts as the investment advisor (and for which the Investment Advisor or an affiliate has discretionary voting authority) (the "Investment Advisor Notes") will be disregarded and deemed not to be outstanding with respect to any vote or consent of the Holders on any termination pursuant to the Investment Advisory Agreement; *provided, however*, that the Investment Advisor will notify the Trustee of any Investment Advisor Notes. Neither the Investment Advisor nor any of its affiliates are under any obligation to purchase any of the Notes or the CP Notes for its own account or for any account for which it serves as investment advisor.

Amendment of the Investment Advisory Agreement

The Investment Advisory Agreement may not be supplemented, amended or modified in any manner except by a written agreement executed by all the parties to the Investment Advisory Agreement and only if the Rating Agency Condition is satisfied.

For so long as any of the Notes are listed on any stock exchange, the Issuer will cause a copy of any amendment or modification to the Investment Advisory Agreement to be sent to such stock exchange.

Conflicts of Interest

The Investment Advisor and any of its affiliates may engage in other businesses and may furnish investment management and advisory services to related entities whose investment policies may differ from or be similar to those followed by the Investment Advisor on behalf of the Issuer, as required by the Investment Advisory Agreement and the Security Agreement. The Investment Advisor and its affiliates will be free, in their sole discretion, to make recommendations to others, or effect transactions on behalf of themselves or others which may be the same as or different from those effected with respect to the Collateral securing the Notes and the CP Notes. In addition, the Investment Advisor and its affiliates may, from time to time, cause, direct or recommend that their clients buy or sell securities of the same or different kind or class of the same issuer as securities that are part of the Collateral and that the Investment Advisor directs to be purchased or sold on behalf of the Issuer. See "Risk Factors—Certain Conflicts of Interest—Conflicts of Interest Involving the Investment Advisor."

The Investment Advisor will be deemed to have satisfied certain requirements in clause (ii) of "General Eligibility Criteria" if the Investment Advisor acquires a Collateral Asset in compliance with restrictions contained in the Investment Advisory Agreement.

The Investment Advisor will cause any acquisition or sale by the Issuer of Collateral to be conducted on an arm's length basis and, if effected with the Investment Advisor or a person affiliated with the Investment Advisor, or any fund or account for which the Investment Advisor or an affiliate thereof acts as investment advisor, on terms as favorable to the Issuer as would be the case if such person were not so affiliated *provided* that the Investment Advisor will be permitted to acquire an obligation (which obligation must meet the "Eligibility Criteria") on behalf of the Issuer to be included in the Collateral from its Permitted Affiliates as principal or as agent or from funds or accounts for which any Permitted Affiliate acts as investment advisor or to sell an obligation to its Permitted Affiliates as principal or agent or to funds or accounts for which any Permitted Affiliate acts as investment advisor; *provided, further,* that the Investment Advisor may acquire an obligation (which obligation must meet the "Eligibility Criteria") on behalf of the Issuer to be included in the Collateral from itself or from any of its Non-Permitted Affiliates as principal or as agent, or from funds or accounts for which it or any of its Non-Permitted Affiliates acts as an investment advisor, or sell an obligation on behalf of the Issuer to itself, or to any of its Non-Permitted Affiliates as principal or as agent or to funds or accounts for which it or any of its Non-Permitted Affiliates acts as an investment advisor, *provided* that any such acquisition or disposition must be ratified or approved by the Board of Directors of the Issuer.

Compensation

As compensation for the performance of its obligations under the Investment Advisory Agreement, the Investment Advisor will be entitled to receive a fee, payable in arrears on each Payment Date, consisting of a senior management fee of 0.10% per annum (the "Base Investment Advisor Fee") times the Aggregate Principal Amount, as adjusted for Defaulted Obligations and Deferred Interest PIK Bonds, and subject to the Priority of Payments, measured as of the beginning of the Due Period preceding such Payment Date; *provided* that the amount of the Base Investment Advisor Fee may be increased up to 0.15% (subject to a cap of U.S. $1,500,000 per annum), if the Rating Agency Condition is satisfied, in connection with the appointment of a replacement investment advisor that is not the Investment Advisor or an affiliate. The Investment Advisor may, at its election (the "Fee Election") upon notice to the Issuer and the Trustee, reduce for a predetermined period of time the amount which is due to it as Base Investment Advisor Fee by a specific percentage. Any Fee Election must be made on or before the Determination Date for the first Due Period in respect of which the Fee Election will apply and will not be revocable during the period specified in the Fee Election; except that, in the event that the Investment Advisor is removed, resigns or assigns its rights to any person, the Fee Election will initially revert to the payments referred to in the first sentence of this paragraph.

The Investment Advisor will be entitled to receive, in addition to the Base Investment Advisor Fee, an Incentive Investment Advisor Fee (the "Incentive Investment Advisor Fee") subject to the Priority of Payments. The Incentive Investment Advisor Fee will be equal to 20% of the amount of distributions

otherwise allocable to the Class D Notes after the Class D Yield Make Whole Payment has been reduced to zero. In the event the Investment Advisor resigns or is removed for any reason (as described above) and the Class D Yield Make Whole Payment has been reduced to zero prior to the date of such removal, then the removed Investment Advisor will be entitled to receive the Incentive Investment Advisor Fee when payable in accordance with the Priority of Payments; *provided* that if the Class D Yield Make Whole Payment is reduced to zero after the resignation or removal of the Investment Advisor, the removed Investment Advisor will not be entitled to any share of the Incentive Investment Advisor Fee.

The Base Investment Advisor Fee will be calculated on the basis of a 360 day year consisting of twelve 30-day months. All fees payable to the Investment Advisor on a Payment Date are payable only in accordance with the Priority of Payments.

In the event that the Investment Advisor resigns or is terminated and a replacement advisor is appointed, the Investment Advisor nonetheless will be entitled to receive payment of all unpaid Investment Advisor Fees accrued through the effective date of the termination or resignation, to the extent that funds are available for that purpose in accordance with the Priority of Payments, and such payments will rank *pari passu* with the Investment Advisor Fees due to the replacement investment advisor.

Initial Portfolio

The Collateral Assets expected to be purchased on the Closing Date have been selected by the Investment Advisor in accordance with the Investment Advisory Agreement, the Security Agreement and the Investment Advisor's customary procedures for selecting investments of a type similar to the Collateral Assets. The Investment Advisor has undertaken its own investigation in selecting the initial Collateral Assets and has reviewed such information as it deemed appropriate and proper. In accordance with the Investment Advisory Agreement, the Investment Advisor has further determined that each of the Collateral Assets expected to be purchased on the Closing Date is eligible to be purchased on the Closing Date as described herein under "Security for the Notes—Purchase of Collateral Assets."

THE ISSUERS

General

The Issuer was incorporated on August 19, 2004 under the Companies Law (2004 Revision) of the Cayman Islands with the registered number 138964. The registered office of the Issuer is at the offices of Maples Finance Limited, P.O. Box 1093 GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands. The Issuer has no significant prior operating history. Clause 3 of the memorandum portion of the Issuer's Memorandum and Articles of Association sets out the objects of the Issuer, which include the business to be carried out by the Issuer in connection with the Notes and the CP Notes.

The Co-Issuer was incorporated on August 19, 2004 under the laws of the State of Delaware with the registered number 3845020. The registered office of the Co-Issuer is at Donald J. Puglisi, Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware, 19711. The Co-Issuer has no prior operating history. Article 3 of the Co-Issuer's Certificate of Incorporation sets out the purposes of the Co-Issuer, which include the business to be carried out by the Co-Issuer in connection with the issuance of the Class A Notes, the Class B Notes and the CP Notes.

The Class A Notes and the Class B Notes are obligations only of the Issuers, and the Subordinated Notes are obligations only of the Issuer, and not of the Trustee, the Investment Advisor, the Initial Purchasers, the Issuer Administrator, the Note Agents, the Share Trustee or any directors, managers or officers of the Issuers or any of their respective affiliates.

The issued share capital of the Issuer consists of 250 ordinary shares, $1.00 par value per share (the "Issuer Ordinary Shares"). All of the Issuer Ordinary Shares will be issued on or prior to the Closing Date. All of the outstanding Issuer Ordinary Shares will be held by the Share Trustee under the terms of a charitable trust. All of the outstanding common equity of the Co-Issuer will be held by the Share Trustee under the terms of the charitable trust which holds the Issuer Ordinary Shares. For so long as any of the Notes are outstanding, no beneficial interest in the Issuer ordinary shares or of the common equity of the Co-Issuer shall be registered to a U.S. Person.

Neither the Issuer nor the Co-Issuer has any loan capital (including term loans) outstanding or created but unissued, or any outstanding mortgages, charges or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptance credits, hire purchase agreements, guarantees or other contingent liabilities, as of the date hereof, other than the Notes and the CP Notes.

Capitalization of the Issuer

The initial proposed capitalization of the Issuer as of the Closing Date after giving effect to the issuance of the Notes and the Issuer Ordinary Shares and entry into the initial Hedge Agreement (before deducting expenses of the offering of the Notes) is as set forth below.

Amount	
Class A-1LT-a Notes	337,000,000
CP Notes (not offered hereby)	1,000,000,000
Class A-2 Notes	60,500,000
Class B Notes	20,000,000
Class C Notes	75,000,000
Class D Notes	9,500,000
Payment to the Issuer under the Initial Hedge Agreements	47,500,000
Issuer Ordinary Shares	250
Total Capitalization	$1,549,500,250

Capitalization of the Co-Issuer

The Co-Issuer will be capitalized only to the extent of its common equity of $100, will have no assets other than its equity capital and will have no debt other than as Co-Issuer of the CP Notes, the Class A Notes and the Class B Notes. The Co-Issuer has agreed to co-issue the CP Notes, the Class A Notes and the Class B Notes as an accommodation to the Issuer, and the Co-Issuer is receiving no remuneration for so acting. Because the Co-Issuer has no assets, and is not permitted to have any assets, Holders of Notes will not be able to exercise their rights with respect to the Notes against any assets of the Co-Issuer. Holders of Notes must rely on the Collateral held by the Issuer and pledged to the Collateral Agent for payment on their respective Notes, in accordance with the Priority of Payments.

Business

The Issuers will not undertake any business other than the issuance of the CP Notes, the Class A Notes and the Class B Notes and, in the case of the Issuer, the issuance of the Subordinated Notes and the Ordinary Shares, the acquisition and management of the Collateral and, in each case, other related transactions. Neither of the Issuers will have any subsidiaries.

The Issuer Administrator will act as the administrator of the Issuer. The office of the Issuer Administrator will serve as the general business office of the Issuer. Through this office and pursuant to the terms of an agreement to be entered into on or prior to the Closing Date by and between the Issuer

Administrator and the Issuer (the "Administration Agreement"), the Issuer Administrator will perform various management functions on behalf of the Issuer, including communications with shareholders and 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 Issuer Administrator will receive various fees and other charges payable by the Issuer at rates agreed upon from time to time *plus* expenses. The directors of the Issuer listed below are also officers and/or employees of the Issuer Administrator and may be contacted at the address of the Issuer Administrator.

The Issuer Administrator's activities will be subject to the overview of the Issuer's Board of Directors. The Administration Agreement may be terminated by either the Issuer or the Issuer Administrator upon 30 days' written notice.

The Issuer Administrator's principal office is: P.O. Box 1093 GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.

Directors

The Directors of the Issuer are Phillipa White, Michael Beckley and Guy Major.

The sole member of the Co-Issuer is Donald Puglisi who may be contacted at the address of the Co-Issuer.

INCOME TAX CONSIDERATIONS

United States Tax Considerations

The following is a summary of certain of the U.S. federal income tax consequences of an investment in the Notes by purchasers that acquire their Notes in their initial offering and does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the Notes. The discussion and the opinions referenced below are based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS or a court will not take contrary positions. Further, the following summary does not deal (except, in some instances, in very general terms) with all U.S. federal income tax consequences applicable to all categories of investors, some of which may be subject to special rules, such as Non-U.S. Holders (defined below), banks, RICs, REITs, insurance companies, tax-exempt organizations, dealers in securities or currencies, electing large partnerships, natural persons, cash method taxpayers, S corporations, estates and trusts, investors that hold the Notes as part of a hedge, straddle, or an integrated or conversion transaction, or investors whose "functional currency" is not the United States dollar. Furthermore, it does not address alternative minimum tax consequences or the indirect effects on the investors of equity interests in either a U.S. Holder (defined below) or a Non-U.S. Holder. In addition, this summary is generally limited to investors that will hold the Notes as "capital assets" within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). **INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE U.S. FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES.** An investment in this transaction may be required to be reported to the IRS. Prospective investors should consult with their own tax advisors regarding whether they are required to file a Form 8886 in respect of this transaction.

As used herein, "U.S. Holder" means a beneficial holder of a Note that is an individual citizen or resident of the United States for U.S. federal income tax purposes, a corporation or partnership or other entity treated as a corporation or partnership for U.S. federal income tax purposes created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate

the income of which is subject to U.S. federal income taxation regardless of its source or a trust for which a court within the United States is able to exercise primary supervision over its administration and for which one or more U.S. persons (as defined in the Code) have the authority to control all of its substantial decisions or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust. If a partnership holds the Notes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partners of partnerships holding the Notes should consult their own tax advisors. "Non-U.S. Holder" means any holder (or beneficial holder) of a Note that is not a U.S. Holder.

Treatment of the Issuer

Upon the issuance of the Notes, Orrick, Herrington & Sutcliffe LLP, special U.S. tax counsel to the Issuer, will deliver an opinion generally to the effect that under current law, and assuming compliance with the Trust Deed, the Security Agreement, the Note Agency Agreement (and certain other documents) and based on certain factual representations made by the Issuer and the Investment Advisor, although the matter is not free from doubt, the Issuer will not be treated as engaged in the conduct of a trade or business in the United States. Accordingly, the Issuer does not expect to be subject to U.S. federal income taxation on its net income. Prospective investors should be aware that opinions of counsel are not binding on the IRS and there can be no absolute assurance that the IRS will not seek to treat the Issuer as engaged in a U.S. trade or business. If the IRS were to successfully characterize the Issuer as engaged in such a business, among other consequences, the Issuer would be subject to U.S. federal income taxation on its net income (as well as the branch profits tax). The levying of such taxes would materially affect the Issuer's financial ability to pay principal and interest on the Notes.

Other than with respect to withholding imposed on up to 15% of the interest amounts payable on the Collateral Assets, the Issuer intends to acquire Collateral Assets the interest on which, and any gain from the sale or disposition thereof, is expected not to be subject to U.S. federal withholding tax or withholding tax imposed by other countries (unless subject to being "grossed up"). The Issuer will not, however, make any independent investigation of the circumstances surrounding the issuance of the individual assets comprising the Collateral Assets and thus there can be no absolute assurance that in every case payments will be received free of withholding tax. If the Issuer is a CFC (defined below), the Issuer would incur U.S. federal withholding tax on interest received from a related U.S. person. Under current law, *provided* that any necessary certifications are issued, payments received on the Hedge Agreements are not subject to U.S. federal withholding tax.

In addition, it is not expected that the Issuer will derive material amounts of any other items of income that would be subject to U.S. federal withholding taxes.

If withholding or deduction of any taxes from payments is required by law in any jurisdiction, the Issuer will be under no obligation to make any additional payments to the holders of any Notes in respect of such withholding or deduction.

Notwithstanding the foregoing, any commitment fee (or similar fee) that the Issuer earns may be subject to a 30% withholding tax, and any lending fees received under a Securities Lending Agreement may also be subject to withholding tax.

Treatment of U.S. Holders of the Class A Notes and the Class B Notes

Classification of the Class A Notes and the Class B Notes

The Issuer has agreed and, by its acceptance of a Class A Note or a Class B Note, each Holder of a Class A Note or a Class B Note will be deemed to have agreed, to treat each of the Class A Notes or Class B Notes, as applicable, as debt of the Issuer for U.S. federal income tax purposes. Upon the issuance of the Class A Notes and the Class B Notes, Orrick, Herrington & Sutcliffe LLP will deliver an opinion generally to the effect that assuming compliance with the Trust Deed, the Security Agreement, the

Note Agency Agreement (and certain other documents) and based on certain factual representations made by the Issuer and the Investment Advisor, the Class A Notes and the Class B Notes will be characterized as debt for U.S. federal income tax purposes. Prospective investors should be aware that opinions of counsel are not binding on the IRS and there can be no assurance that the IRS will not seek to characterize any class of Class A Notes or the Class B Notes as other than indebtedness. Except as provided below under "—Alternative Characterization of the Class A Notes and the Class B Notes," the balance of this discussion assumes that the Class A Notes and the Class B Notes will be characterized as debt of the Issuer for U.S. federal income tax purposes.

For U.S. federal income tax purposes, the Issuer of the Class A Notes and the Class B Notes, and not the Co-Issuer, will be treated as the issuer of the Class A Notes and the Class B Notes.

Although there can be no assurance, neither the Class A Notes nor the Class B Notes should be "contingent payment debt instruments" ("CPDIs") within the meaning of Treasury Regulation section 1.1275-4. If any such Notes were considered such instruments, among other consequences, gain on the sale of such Notes that might otherwise be capital gain would be ordinary income. Prospective investors should consult their own tax advisors regarding the possible characterization of the Notes as CPDIs.

The Class A Notes and the Class B Notes may be debt instruments described in section 1272(a)(6) of the Code (debt instruments that may be accelerated by reason of the prepayment of other debt obligations securing such debt instruments). Special tax rules principally relating to the accrual of original issue discount, market discount and bond premium apply to debt instruments described in section 1272(a)(6) of the Code. Further, those debt instruments may not be part of an integrated transaction with a related hedge under Treasury Regulation section 1.1275-6. Prospective investors should consult with their own tax advisors regarding the effects of section 1272(a)(6) of the Code.

Interest on the Class A Notes and the Class B Notes

U.S. Holders of the Class A Notes and the Class B Notes will include payments of stated interest received on the Class A Notes and the Class B Notes in income in accordance with their method of tax accounting as ordinary interest income.

Sale, Exchange or Other Disposition of the Class A Notes and the Class B Notes

In general, a U.S. Holder of a Class A Note or a Class B Note will have a basis in such Class A Note or Class B Note, as applicable, equal to the cost of such Class A Note or Class B Note increased by any market discount includible in income by such U.S. Holder and reduced by any amortized premium and any payments thereon other than payments of interest on such Note. Upon a sale, exchange or other disposition of a Class A Note or a Class B Note, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange or other disposition (less any accrued and unpaid interest, which would be taxable as such) and the U.S. Holder's tax basis in such Note. Such gain or loss generally will be long term capital gain or loss if the U.S. Holder held the Note for more than one year at the time of disposition. In certain circumstances, U.S. Holders that are individuals may be entitled to preferential treatment for net long term capital gains; however, the ability of U.S. Holders to offset capital losses against ordinary income is limited.

Alternative Characterization of the Class A Notes and the Class B Notes

Notwithstanding such tax counsel's opinion, U.S. Holders should recognize that there is some uncertainty regarding the appropriate classification of instruments such as the Class A Notes and the Class B Notes. It is possible, for example, that the IRS may contend that a class of Notes should be treated as equity interests (or as part debt, part equity) in the Issuer. Such a recharacterization might result in material adverse tax consequences to U.S. Holders. If U.S. Holders of Class A Notes or Class B Notes were treated as owning equity interests in the Issuer, the U.S. federal income tax consequences to U.S. Holders of such recharacterized Notes would be as described under "—Treatment of U.S. Holders of the Subordinated Notes."

Non-U.S. Holders

Assuming that the Class A Note or the Class B Note (as applicable) is treated as debt for U.S. federal income tax purposes or, alternatively, that the Issuer is not engaged in a U.S. trade or business, a Non-U.S. Holder of a Class A Note or a Class B Note that has no connection with the United States and is not related, directly or indirectly, with the Issuer or the holders of the Issuer's equity or the Subordinated Notes, will not be subject to United States withholding tax on interest payments. Non-U.S. Holders may be required to make certain tax representations regarding the identity of the beneficial owner of the Class A Notes or the Class B Notes in order to receive payments free of withholding.

Treatment of U.S. Holders of the Subordinated Notes

General

Prospective investors of the Subordinated Notes should not rely on this summary and should consult their own tax advisors regarding alternative characterizations of the Subordinated Notes and the consequences of their acquiring, holding, and disposing of the Subordinated Notes, including the possibility that the Subordinated Notes will be treated as contingent payment debt instruments. For purposes of this Section "Treatment of U.S. Holders of the Subordinated Notes," a U.S. Holder is defined to be a U.S. Holder of a Subordinated Note.

The Subordinated Notes, although in the form of debt, will likely be characterized as equity (which would likely be considered voting equity) in the Issuer for U.S. federal income tax purposes. In addition, the Issuer has agreed, and, by its acceptance of a Subordinated Note, each holder will be deemed to have agreed, to treat the Subordinated Notes as equity of the Issuer for U.S. federal income tax purposes. For purposes of this discussion, it is assumed that the Subordinated Notes will be so characterized. In the event that the Subordinated Notes were characterized as debt, they would constitute CPDIs. See "—Treatment of U.S. Holders of the Class A Notes and the Class B Notes—Classification of the Class A Notes and the Class B Notes."

Distributions on the Subordinated Notes

Subject to the anti-deferral rules discussed below, payments on Subordinated Notes distributed by the Issuer to a U.S. Holder that is subject to U.S. federal income tax will be taxable to such U.S. Holder as a dividend to the extent of the current and accumulated earnings and profits (determined under U.S. federal income tax principles) of the Issuer. Such payments will not be eligible for the dividends received deduction allowable to corporations. Distributions in excess of earnings and profits will be non-taxable to the extent of, and will be applied against and reduce, the U.S. Holder's adjusted tax basis in the Subordinated Notes. Distributions in excess of earnings and profits and basis will be taxable as gain from the sale or exchange of property, as described below.

Sale, Exchange or Other Disposition of the Subordinated Notes

In general, a U.S. Holder of the Subordinated Notes will recognize gain or loss upon the sale, exchange or other disposition of the Subordinated Notes equal to the difference between the amount realized and such U.S. Holder's adjusted tax basis in the Subordinated Notes. Initially, the tax basis of a U.S. Holder should equal the amount paid for the Subordinated Notes. Such basis will be increased by amounts taxable to such U.S. Holders by virtue of a QEF election (defined below), or by virtue of the CFC or FPHC rules (discussed below), and decreased by actual distributions from the Issuer that are deemed to consist of previously taxed amounts or to represent the return of capital.

Anti-Deferral Rules

Prospective investors should be aware that certain of the procedural rules for PFICs and QEF elections (both as defined below) are complex and should consult their own tax advisors regarding such rules.

The tax consequences discussed above are likely to be materially modified by the anti-deferral rules discussed below. In general, each U.S. Holder's investment in the Issuer will be taxed as an investment in a "passive foreign investment company" ("PFIC"), a controlled foreign corporation ("CFC") or a foreign personal holding company ("FPHC"), depending (in part) upon the percentage of the Issuer's equity that is acquired and held by certain U.S. Holders. If applicable, the rules pertaining to CFCs generally override those pertaining to PFICs and FPHCs and the rules pertaining to FPHCs generally override the rules pertaining to PFICs with respect to which a QEF election has been made (although, in certain circumstances, more than one set of rules may be applicable simultaneously).

Prospective investors should be aware that in determining what percentage of the equity of the Issuer is held by various categories of investors (for example, for purposes of the CFC, FPHC, and information reporting rules described below), the Investment Advisor's interest in certain portions of its fee and certain other classes of Notes may be considered equity (and might be considered voting equity).

Status of the Issuer as a PFIC

The Issuer will be treated as a "PFIC" for U.S. federal income tax purposes. U.S. Holders in PFICs, other than U.S. Holders that make a timely "qualified electing fund" or "QEF" election described below, are subject to special rules for the taxation of "excess distributions" (which include both certain distributions by a PFIC and any gain recognized on a disposition of PFIC stock). In general, Section 1291 of the Code provides that the amount of any "excess distribution" will be allocated to each day of the U.S. Holder's holding period for its PFIC stock. The amount allocated to the current year will be included in the U.S. Holder's gross income for the current year as ordinary income. With respect to amounts allocated to prior years, the tax imposed for the current year will be increased by the "deferred tax amount" (an amount calculated with respect to each prior year by multiplying the amount allocated to such year by the highest rate of tax in effect for such year, together with an interest charge, as though the amounts of tax were overdue).

An excess distribution is the amount by which distributions for a taxable year exceed 125% of the average distribution in respect of the Subordinated Notes during the three preceding taxable years (or, if shorter, the investor's holding period for the Subordinated Notes). As indicated above, any gain recognized upon disposition (or deemed disposition) of the Subordinated Notes will be treated as an excess distribution and taxed as described above (i.e., not be taxable as capital gain). For this purpose, a U.S. Holder that uses a Subordinated Note as security for an obligation may be treated as having disposed of the Subordinated Note.

Special rules apply to certain regulated investment companies that own interests in PFICs and any such investor should consult with its own tax advisors regarding the consequences to it of acquiring Subordinated Notes.

QEF Election

If a U.S. Holder (including certain U.S. Holders indirectly owning Subordinated Notes) makes the qualified electing fund election (the "QEF election") provided in Section 1295 of the Code, the U.S. Holder will be required to include its *pro rata* share of the Issuer's ordinary income and net capital gains (unreduced by any prior year losses) in income (as ordinary income and long term capital gain, respectively) for each taxable year and pay tax thereon even if such income and gain is not distributed to the U.S. Holder by the Issuer. In addition, any losses of the Issuer will not be deductible by such U.S. Holder. A U.S. Holder that makes the QEF election, may, however (in general) elect to defer the payment of tax on undistributed income (until such income is distributed), *provided* it agrees to pay interest on such deferred tax liability. If the Issuer later distributes the income or gain on which the U.S. Holder has already paid taxes, amounts so distributed to the U.S. Holder will not be further taxable to the U.S. Holder. A U.S. Holder's tax basis in the Subordinated Notes will be increased by the amount included in such U.S. Holder's income and decreased by the amount of nontaxable distributions. In general, a U.S. Holder making the QEF Election will recognize, on the disposition of the Subordinated Notes capital gain

or loss equal to the difference, if any, between the amount realized upon such disposition (including redemption or retirement) and its adjusted tax basis in such Subordinated Notes. In general, a QEF election should be made on or before the due date for filing a U.S. Holder's federal income tax return for the first taxable year for which it held a Subordinated Note.

The QEF election is effective only if certain required information is made available by the Issuer to the IRS. The Issuer will undertake to comply with the IRS information requirements necessary to be a QEF, which will permit U.S. Holders to make the QEF election. Nonetheless, there can be no absolute assurance that such information will always be available or presented.

Where a QEF election is not timely made by a U.S. Holder for the year in which it acquired its Subordinated Notes, but is made for a later year, the excess distribution rules can be avoided by making an election to recognize gain from a deemed sale of the Subordinated Notes at the time when the QEF election becomes effective.

A U.S. Holder should consult its own tax advisors regarding whether it should make a QEF election (and, if it failed to make an initial election, whether it should make an election in a subsequent taxable year).

Prospective investors should be aware that the Issuer's income that is allocated to holders (under the QEF rules as well as under the CFC and FPHC rules discussed below) will not necessarily bear any particular relationship in any year to the amount of cash that is distributed on the Subordinated Notes and in any given year may be substantially greater. Such an excess will arise, among other circumstances, when Collateral Assets are purchased at a discount, interest or other income on the Collateral Assets (which is included in gross income) is used to acquire other Collateral Assets or to repay principal on the CP Notes, Class A Notes and Class B Notes (which does not give rise to a deduction), or any portion of the CP Notes, Class A Notes and Class B Notes is not ultimately paid upon maturity and the Issuer recognizes cancellation of indebtedness income without any corresponding offsetting losses (due to tax character differences or otherwise).

Status of the Issuer as a CFC

U.S. tax law also contains special provisions dealing with CFCs. A U.S. Holder (or any other holder of an interest treated as voting equity in a foreign corporation that would meet the definition of U.S. Holders but for the fact that such holder does not hold Subordinated Notes) that owns (directly or indirectly) at least 10% of the voting stock of a foreign corporation, the U.S. Holder is considered a "U.S. Shareholder" with respect to the foreign corporation. If U.S. Shareholders in the aggregate own (directly or indirectly) more than 50% of the voting power or value of the stock of such corporation, the foreign corporation will be classified as a CFC. Complex attribution rules apply for purposes of determining ownership of stock in a foreign corporation such as the Issuer.

If the Issuer is classified as a CFC, a U.S. Shareholder (and possibly any U.S. Holder that is a direct or indirect holder of a grantor trust that is considered to be a U.S. Shareholder) that is a shareholder of the Issuer as of the end of the Issuer's taxable year generally would be subject to current U.S. tax on the income of the Issuer, regardless of cash distributions from the Issuer. Earnings subject to tax generally as income of the U.S. Holder generally will not be taxed again when they are distributed to the U.S. Holder. In addition, income that would otherwise be characterized as capital gain and gain on the sale of the CFC's stock by a U.S. Shareholder (during the period that the corporation is a CFC and thereafter for a five-year period) would be classified in whole or in part as dividend income.

Certain income generated by a corporation conducting a banking, financing, insurance, or other similar business would not be includible in a holder's income under the CFC rules. However, each U.S. Holder of a Subordinated Note will agree not to take the position that the Issuer is engaged in such a business. Accordingly, if the CFC rules apply, a U.S. Shareholder would generally be subject to tax on its share of all of the Issuer's income.

Status of the Issuer as an FPHC

The Issuer will be classified as an FPHC if at any time during a taxable year more than 50% of the shares of the Subordinated Notes (or, in the event that any other Class of Notes or the Investment Advisor's interest in any portion of its fee is recharacterized as equity in the Issuer for U.S. federal income tax purposes, the Subordinated Notes and such recharacterized Notes or such portion of its fee) by vote or value will be owned (directly or indirectly) by not more than five individuals who are citizens or residents of the United States. Ownership attribution rules are used in applying the 50% ownership test, including a rule that treats an individual as owning stock owned directly or indirectly by the individual's partners, and a rule that treats an individual with an option to acquire stock as owning the related stock. Thus, for example, if a partnership with one U.S. individual partner purchased more than 50% of the Subordinated Notes, the U.S. individual would be treated as owning more than 50% of the stock of the Issuer and the corporation would be a FPHC. In the event the Issuer is classified as an FPHC and a non-CFC, U.S. Holders would include in income for the taxable year as a dividend their share of the undistributed foreign personal holding company income of the Issuer. In this event, the tax basis of a U.S. Holder's Subordinated Notes would be increased by the amount included in income.

Transfer Reporting Requirements

In general, U.S. Holders who acquire any Subordinated Notes for cash may be required to file a Form 926 with the IRS and to supply certain additional information to the IRS if (i) such U.S. Holder owns (directly or indirectly) immediately after the transfer, at least 10% by vote or value of the Issuer or (ii) the transfer when aggregated with all related transfers under applicable regulations, exceeds $100,000. In the event a U.S. Holder that is required to file such form, fails to file such form, the U.S. Holder could be subject to a penalty of up to $100,000 (computed as 10% of the gross amount paid for the Subordinated Notes) or more if the failure to file was due to intentional disregard of its obligation. Other important information reporting requirements apply to persons that acquire 10% or more of a foreign corporation's equity.

Information Reporting and Backup Withholding

Information reporting to the IRS generally will be required with respect to payments of principal or interest on the Notes and proceeds of the sale of the Notes to holders other than corporations and other exempt recipients. A "backup" withholding tax may apply to those payments if such holder fails to provide certain identifying information (such as the holder's taxpayer identification number) to the Trustee and the Note Paying Agent, as applicable. Non-U.S. Holders may be required to comply with the applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. Prospective investors should consult with their tax advisors concerning the procedures whereby they may establish an exemption from backup withholding.

Tax-Exempt Investors

Special considerations apply to pension plans and other investors ("Tax-Exempt Investors") that are subject to tax only on their "unrelated business taxable income" ("UBTI"). A Tax-Exempt Investor's income from an investment in the Issuer generally should not be treated as resulting in UBTI under current law, so long as such investor's acquisition of stock in the Issuer is not debt-financed.

Tax-Exempt Investors should consult their own tax advisors regarding an investment in the Issuer.

Taxation of Non-U.S. Holders

Assuming that the Issuer at no time is engaged in a U.S. trade or business, payments on, and gain from the sale, exchange or redemption of, Subordinated Notes generally should not be subject to U.S. federal income tax in the hands of a non-U.S. Holder that has no connection with the United States other than the holding of the Subordinated Notes.

Cayman Islands Tax Considerations

The following is a general summary of Cayman Islands taxation in relation to the Notes.

Under existing Cayman Islands laws:

(i) payments of principal and interest in respect of, or distributions on, the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any Holder of the Notes and gains derived from the sale of Notes will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax; and

(ii) the Holder of any Note (or the legal personal representative of such Holder) whose Note is brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands with respect to such Note. In addition, an instrument transferring title to a Note, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has applied for and obtained an undertaking from the Governor in Cabinet of the Cayman Islands substantially in the following form:

THE TAX CONCESSIONS LAW
(1999 REVISION)
UNDERTAKING AS TO TAX CONCESSIONS

In accordance with Section 6 of the Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with:

Davis Square Funding III, Ltd. (the "Company")

(i) that no Law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

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

(a) on or in respect of the shares, debentures or other obligations of the Company; or

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

These concessions shall be for a period of TWENTY years from the 24th day of August, 2004.

GOVERNOR IN CABINET

The Cayman Islands does not have an income tax treaty arrangement with the United States or any other country.

THE PRECEDING DISCUSSION OF CERTAIN CAYMAN ISLANDS INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES IS BASED ON THE ADVICE OF MAPLES AND CALDER AS TO CAYMAN ISLANDS LAW. THE DISCUSSION IS A GENERAL SUMMARY OF PRESENT LAW, WHICH IS SUBJECT TO PROSPECTIVE AND RETROACTIVE CHANGE. IT ASSUMES THAT THE ISSUER WILL CONDUCT ITS AFFAIRS IN ACCORDANCE WITH ASSUMPTIONS MADE BY, AND REPRESENTATIONS MADE TO, COUNSEL. IT IS NOT INTENDED AS TAX ADVICE, DOES NOT CONSIDER ANY INVESTOR'S PARTICULAR CIRCUMSTANCES, AND DOES NOT CONSIDER TAX CONSEQUENCES OTHER THAN THOSE ARISING UNDER CAYMAN ISLANDS LAW.

ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the 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 all of the facts and circumstances of the investment including, but not limited to, the matters discussed above under "Risk Factors" and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Notes.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" under ERISA or "disqualified persons" under the Code) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code.

The U.S. Department of Labor has promulgated a regulation, 29 C.F.R. Section 2510.3-101 (the "Plan Asset Regulation"), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA. Under the Plan Asset Regulation, if a Plan invests in an "equity interest" of an entity that is neither a "publicly offered security" nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or that equity participation in the entity by Benefit Plan Investors (as defined below under "—Subordinated Notes") is not "significant."

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if Notes are acquired with the assets of a Plan with respect to which the Issuer, the Co-Issuer, the Initial Purchasers, the Investment Advisor (and the Put Counterparty, if applicable), or any of their respective affiliates, is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire a security and the circumstances under which such decision is made. There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Notes, or that, if available, the exemption would cover all possible prohibited transactions.

Governmental plans, certain church plans and foreign or other plans, while not necessarily subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, may nevertheless be subject to federal, state, local or

foreign laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code ("Similar Law"). Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

Any insurance company proposing to invest assets of its general account in the Notes should consider the extent to which such investment would be subject to the requirements of ERISA in light of the U.S. Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993), and the enactment of Section 401(c) of ERISA on August 20, 1996. In particular, such an insurance company should consider the retroactive and prospective exemptive relief granted by the Department of Labor for transactions involving insurance company general accounts in Prohibited Transaction Class Exemption 95-60, 60 Fed. Reg. 35925 (July 12, 1995) and the regulations issued by the Department of Labor, 29 C.F.R. Section 2550.401c-1 (January 5, 2000). Certain additional information regarding general accounts is set forth below.

Any Plan fiduciary or other person who proposes to use assets of any Plan to purchase any Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

The sale of any Note to a Plan, or to a person using assets of any Plan to effect its purchase of any Note, is in no respect a representation by the Issuers, the Initial Purchasers or the Investment Advisor 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 Plans generally or any particular Plan.

Class A Notes and Class B Notes

For purposes of the Plan Asset Regulation, an equity interest includes any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. Because the Class A Notes and the Class B Notes (a) are expected to be treated as indebtedness under local law and for federal tax purposes (see "Income Tax Considerations" herein), and (b) should not be deemed to have any "substantial equity features," purchases of the Class A Notes or the Class B Notes with "plan assets" should not be treated as equity investments and, therefore, the Collateral Assets should not be deemed to be "plan assets" of the investing Plans. Those conclusions are based, in part, upon the traditional debt features of the Class A Notes and the Class B Notes, including the reasonable expectation of purchasers of the Class A Notes or the Class B Notes that the Class A Notes or Class B Notes, as applicable, will be repaid when due, as well as the absence of conversion rights, warrants and other typical equity features. However, if the Class A Notes or the Class B Notes were nevertheless treated as equity interests for purposes of the Plan Asset Regulation and if the assets of the Issuer were deemed to constitute the "plan assets" of investing Plans (as described below under "—Subordinated Notes"), Plan investors could experience adverse consequences under the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code.

By its purchase and holding of any Class A Note or Class B Note, the purchaser thereof will be deemed to have represented and warranted either that (i) it is not and will not be an ERISA Plan, a plan that is subject to Section 4975 of the Code, an entity whose underlying assets include "plan assets" by reason of such plan's investment in the entity, or an employee benefit or other plan which is subject to Similar Law or (ii) its purchase and holding of a Class A Note or a Class B Note do not and will not constitute or result in a prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or Similar Law for which an exemption is not available.

Subordinated Notes

Equity participation in an entity by Benefit Plan Investors (as defined below) is "significant" if 25% or more of the value of any class of equity interest in the entity is held by Benefit Plan Investors. If equity participation in the Issuer by Benefit Plan Investors is "significant" within the meaning of the Plan Asset Regulation, the assets of the Issuer could be deemed to be "plan assets" of Plans investing in the equity. If the assets of the Issuer were deemed to constitute "plan assets" of investing Plans, (i) transactions involving the assets of the Issuer could be subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code, (ii) the assets of the Issuer could be subject to ERISA's reporting and disclosure requirements, and (iii) the fiduciaries causing the Plans to invest in the Subordinated Notes could be deemed to have delegated their responsibility to manage the assets of the Plans. The term "Benefit Plan Investor" includes (i) any employee benefit plan (as defined in Section 3(3) of ERISA), whether or not it is subject to the provisions of Title I of ERISA, (ii) any plan described in Section 4975(e)(1) of the Code and (iii) any entity whose underlying assets include "plan assets" by reason of any such plan's investment in the entity. For purposes of making the 25% determination, the value of any equity interests held by a person (other than a Benefit Plan Investor) who has discretionary authority or control with respect to the assets of the entity or any person who provides investment advice for a fee (direct or indirect) with respect to such assets (such as the Investment Advisor), or any affiliate of such a person (any of the foregoing, a "Controlling Person"), shall be disregarded. Under the Plan Asset Regulation, an "affiliate" of a person includes any person, directly or indirectly through one or more intermediaries, controlling, controlled by or under common control with the person, and "control" with respect to a person other than an individual, means the power to exercise a controlling influence over the management or policies of such person.

Although the Subordinated Notes are debt for applicable local law, they have substantial equity features and will be equity investments for purposes of applying ERISA and Section 4975 of the Code. Purchases and transfers of Rule 144A Subordinated Notes will be limited so that less than 25% of the value of Class C Notes (determined as described above) and less than 25% of the value of Class D Notes (determined as described above) will be held by Benefit Plan Investors by requiring each purchaser or transferee of a Subordinated Note to make certain representations and agree to additional transfer restrictions described under "Notice to Investors." No purchase of a Rule 144A Subordinated Note by or proposed transfer to a person that has represented that it is a Benefit Plan Investor or a Controlling Person will be permitted to the extent that such purchase or transfer would result in persons that have represented that they are Benefit Plan Investors owning 25% or more of the outstanding Class C Notes or 25% or more of the outstanding Class D Notes immediately after such purchase or proposed transfer (determined in accordance with the Plan Asset Regulation and the Note Agency Agreement), based upon the assurances received from investors. In addition, the Initial Purchasers, the Investment Advisor and the Trustee agree that neither they nor any of their respective affiliates will acquire any Rule 144A Subordinated Notes unless such acquisition would not, as determined by the Trustee, result in persons that have acquired Subordinated Notes and represented that they are Benefit Plan Investors owning 25% or more of the outstanding Class C Notes or 25% or more of the outstanding Class D Notes immediately after such acquisition by the Initial Purchasers, the Investment Advisor or the Trustee. Rule 144A Subordinated Notes held as principal by the Investment Advisor, the Initial Purchasers, the Trustee, any of their respective affiliates and persons that have represented that they are Controlling Persons will be disregarded and will not be treated as outstanding for purposes of determining compliance with such 25% limitation to the extent that such a Controlling Person is not a Benefit Plan Investor. Any Benefit Plan Investor that acquires Rule 144A Subordinated Notes will be required to represent and agree that the acquisition and holding of the Subordinated Notes do not and will not constitute a prohibited transaction under ERISA, Section 4975 of the Code or any Similar Law for which an exemption is not available.

The U.S. Supreme Court, in *John Hancock* (noted above), held that those funds allocated to the general account of an insurance company pursuant to a contract with an employee benefit plan that vary with the investment experience of the insurance company are "plan assets." In the preamble to the Prohibited Transaction Class Exemption 95-60 (also noted above), the U.S. Department of Labor noted that, for purposes of calculating the 25% threshold under the significant participation test of the Plan Asset Regulation, only the proportion of an insurance company general account's equity investment in the

entity that represents plan assets should be taken into account in calculating that portion of the general account that is a Benefit Plan Investor. Any insurance company using general account assets to purchase Subordinated Notes will be asked (i) to identify the maximum percentage of the assets of the general account that are or may become "plan assets," (ii) whether it is a "Controlling Person" (defined above), and (iii) without limiting the remedies that may be available in the event that the maximum percentage is thereafter exceeded, to agree to notify the Issuer, and dispose of Subordinated Notes as instructed by the Issuer, before the specified maximum percentage is exceeded.

The Issuer intends to limit equity participation in the Issuer by Benefit Plan Investors to less than 25% of the value of the Class C Notes or less than 25% of the value of the Class D Notes and in order to effect this limitation, the Class C Notes and the Class D Notes represented by an interest in a Regulation S Subordinated Note may not be purchased by any Benefit Plan Investor or Controlling Person. By its purchase and holding of any Regulation S Subordinated Note, the purchaser thereof will be deemed to have represented and warranted that it (a) is not a Benefit Plan Investor and (b) is not a Controlling Person. Each purchaser and transferee of Regulation S Subordinated Notes, and any fiduciary causing it to acquire such Subordinated Notes, will also be deemed to have represented and warranted that it will indemnify and hold harmless the Issuer, the Co-Issuer, the Investment Advisor, the Trustee and their respective affiliates from any cost, damage or loss incurred by them as a result of it being or being deemed to be a Benefit Plan Investor or a Controlling Person. In addition, each purchaser thereof will be deemed to have covenanted that (i) it will not transfer any Subordinated Note represented by an interest in a Regulation S Global Note to a Benefit Plan Investor or a Controlling Person and (ii) it will require each transferee of its interest to make the representations and covenants provided for in this paragraph. Any purported purchase or transfer of Subordinated Notes represented by a Regulation S Global Note by a purchaser or to a transferee that does not comply with the foregoing will be null and void *ab initio*.

LISTING AND GENERAL INFORMATION

(1) Application may be made by the Issuer to admit the Notes on a stock exchange of the Issuer's choice, if practicable. There can be no assurance that such admission will be sought or granted. Copies of this offering circular, the Memorandum and Articles of Association of the Issuer and the organization documents of the Co-Issuer, the Trust Deed, the Investment Advisory Agreement and any Hedge Agreements will be deposited with the Note Paying Agents, the Listing and Paying Agent and at the registered office of the Issuer, where copies thereof may be obtained, free of charge, upon request within fourteen days of the date of the Listing Particulars.

(2) Copies of the Memorandum and Articles of Association of the Issuer, the Certificate of Incorporation and Bylaws of the Co-Issuer, the resolutions of the Board of Directors of the Issuer authorizing the issuance of the Notes, the resolutions of the sole member of the Co-Issuer authorizing the issuance of the Class A Notes and the Class B Notes, and the execution of the Note Agency Agreement, the Security Agreement, the Investment Advisory Agreement and Hedge Agreements may be obtained free of charge upon request within thirty days of the date of this offering circular at the office of a Paying Agent on behalf of the Issuer.

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

(4) 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 law, and the Co-Issuer does not intend, to publish annual reports and accounts. The Trust Deed, however, requires the Issuer to deliver to the Trustee a Director's Certificate stating, as to each signatory thereof, that (a) a review of the activities of the Issuer during the prior year and of the Issuer's performance under the Trust Deed has been made under his supervision; and (b) to the best of his knowledge, based on such review, the Issuer has fulfilled all of its obligations under the Trust Deed throughout the prior year, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to him and the nature and status thereof.

(5) The Issuers are not, and have not since incorporation or formation, as applicable, been, involved in any litigation or arbitration proceedings relating to claims in amounts which may have or have had a material effect on the Issuers in the context of the issue of the Notes, nor, so far as each of the Issuers is aware, is any such litigation or arbitration involving it pending or threatened.

(6) The issuance of the Notes has been authorized by the Board of Directors of the Issuer by resolutions passed on or before the Closing Date. The issuance of the Class A Notes and the Class B Notes has been authorized by the sole member of the Co-Issuer by action by written consent of the sole member to be passed on or before the Closing Date. Since incorporation or formation, as applicable, neither the Issuer nor the Co-Issuer has commenced trading or established any accounts, except as disclosed herein or accounts used to hold amounts received with respect to share capital and fees.

(7) The Class A Notes, the Class B Notes and the Regulation S Subordinated Notes sold in offshore transactions in reliance on Regulation S and represented by the Regulation S Global Notes have been accepted for clearance through Clearstream and Euroclear under the Common Codes indicated below. The CUSIP Numbers and International Securities Identification Numbers ("ISIN") for the Class A Notes and the Class B Notes represented by Regulation S Global Notes and Rule 144A Global Notes are as indicated below:

	Regulation S Global Notes			Rule 144A Global Notes	
	Common Code	CUSIP	ISIN	CUSIP	ISIN
Class A-1LT-a Notes	20297891	G26803AB5	USG26803AB52	23910RAB7	US23910RAB78
Class A-2 Notes	20297948	G26803AC3	USG26803AC36	23910RAC5	US23910RAC51
Class B Notes	20297964	G26803AD1	USG26803AD19	23910RAD3	US23910RAD35

(8) The CUSIP and ISIN numbers for the Class C Notes and Class D Notes sold in reliance on Rule 144A and Regulation S are as indicated below:

	Regulation S Global Notes			Rule 144A Global Notes	
	Common Code	CUSIP	ISIN	CUSIP	ISIN
Class C Notes	20298014	G26800AA3	USG26800AA31	23910QAA1	US23910QAA13
Class D Notes	20298049	G26800AB1	USG26800AB14	23910QAB9	US23910QAB95

LEGAL MATTERS

Certain legal matters will be passed upon for the Initial Purchasers and the Issuers by Orrick, Herrington & Sutcliffe LLP, New York, New York and London, England. Certain legal matters will be passed upon for the Investment Advisor by Linklaters, New York, New York. Certain matters with respect to Cayman Islands law will be passed upon for the Issuer by Maples and Calder, Grand Cayman, Cayman Islands.

INDEX OF DEFINED TERMS

UNDERWRITING

Subject to the terms and conditions set forth in the Purchase Agreement (the "Purchase Agreement") dated as of October 21, 2004 among the Issuers, Goldman, Sachs & Co., having its address at 85 Broad Street, New York, New York 10004, Attention: Mortgage Structuring and Calyon Securities (USA) Inc., having its address at 1301 Avenue of the Americas, New York, NY 10019 (together with Goldman, Sachs & Co., the "Initial Purchasers"), the Issuers have agreed to sell to the Initial Purchasers and the Initial Purchasers have agreed to purchase all of the Notes (other than the Class A-1LT-b Notes).

Under the terms and conditions of the Purchase Agreement, the Initial Purchasers are committed to take and pay for all the Notes (other than the Class A-1LT-b Notes) to be offered by the Initial Purchasers, if any are taken. Furthermore, under the terms and conditions of the Purchase Agreement, the Initial Purchasers will be entitled to an underwriting discount on the Notes (other than the Class A-1LT-b Notes) and a fixed structuring fee based upon the aggregate principal amount of the Notes and the CP Notes. On the Closing Date, the Put Counterparty will be entitled to a fixed structuring fee.

The Notes (other than the Class A-1LT-b Notes) will be offered by the Initial Purchasers from time to time for sale in negotiated transactions or otherwise at varying prices to be determined at the time of sale *plus* accrued interest, if any, from the Closing Date.

The Notes have not been and will not be registered under the Securities Act for offer or sale as part of their distribution and may not be offered or sold within the United States or to, or for the account or benefit of, a U.S. Person or a U.S. resident (as determined for purposes of the Investment Company Act, a "U.S. Resident") except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act.

The Issuers have been advised by the Initial Purchasers that (a) they propose to resell the Notes outside the United States (in part, by Goldman, Sachs & Co. through its selling agent) in offshore transactions in reliance on Regulation S and in accordance with applicable law and (b) they propose to resell the Notes in the United States only to (1) Qualified Institutional Buyers in reliance on Rule 144A, each of which is not a broker-dealer which owns and invests on a discretionary basis less than $25 million in securities of issuers that are not affiliated persons of the dealer and 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, if investment decisions with respect to the plan are made by the beneficiaries of the plan, purchasing for their own accounts or for the accounts of Qualified Institutional Buyers or (2) in the case of only the Subordinated Notes purchased by it, Accredited Investors, which have a net worth of not less than $10 million each of which purchasers or accounts is a Qualified Purchaser. The Initial Purchasers' discount will be the same for the Regulation S Notes and the Rule 144A Class A/B Notes within each Class of Notes.

The Initial Purchasers have acknowledged and agreed that they will not offer, sell or deliver any Regulation S Notes purchased by either of them to, or for the account or benefit of, any U.S. Person or U.S. Resident (as determined for purposes of the Investment Company Act) as part of their distribution at any time and that they will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which they sell Regulation S Notes purchased by them a confirmation or other notice setting forth the prohibition on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, any U.S. Person or U.S. Resident.

With respect to the Notes initially sold pursuant to Regulation S, until the expiration of (x) 40 days after the commencement of the distribution of the offering of the Class A Notes and the Class B Notes by the Initial Purchasers, with respect to offers or sales of the Class A Notes and the Class B Notes and (y) one year after the commencement of the distribution of the Subordinated Notes, with respect to offers or sales of the Subordinated Notes purchased by the Initial Purchasers, an offer or sale of such Notes within

the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

Each Initial Purchaser has agreed that (i) it has not offered or sold and prior to the expiry of six months from the Closing Date will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments, whether as principal or agent, for 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, as amended (the "Regulations"); (ii) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 of the United Kingdom (the "FSMA") with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and (iii) 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 FSMA) received by it in connection with the issue or sale of the Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuers.

The Notes may not be offered, sold, transferred or delivered in or from The Netherlands, as part of their initial distribution or as part of any re-offering, and neither this offering circular nor any other document in respect of the offering of the Notes may be distributed or circulated in The Netherlands, other than to individuals or legal entities which include, but are not limited to, banks, brokers, dealers, institutional investors and undertakings with a treasury department, who or which trade or invest in securities in the conduct of a business or profession.

Each Initial Purchaser has agreed that it has not made and will not make any invitation to the public in the Cayman Islands to purchase any of the Notes.

Buyers of Regulation S Notes sold by the selling agent of Goldman, Sachs & Co. may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the purchase price.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering circular or any other material relating to the Issuers or the Notes, in any jurisdiction where action for such purpose is required. Accordingly, the Notes 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 Notes 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.

The Notes are a new issue of securities with no established trading market. The Issuers have been advised by the Initial Purchasers that the Initial Purchasers may make a market in the Class A Notes and the Class B Notes but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Notes. There can be no assurance that any secondary market for any of the Notes will develop, or, if a secondary market does develop, that it will provide the Holders of the Notes with liquidity of investment or that it will continue for the life of the Notes.

Application may be made by the Issuer to admit the Notes on a stock exchange of the Issuer's choice, if practicable. There can be no assurance that such admission will be sought or granted.

The Issuers have agreed to indemnify the Initial Purchasers, the Investment Advisor, the Issuer Administrator and the Trustee against certain liabilities, including in the case of the Initial Purchasers, liabilities under the Securities Act, or to contribute to payments they may be required to make in respect thereof. In addition, the Issuers have made certain representations and warranties to the Initial Purchasers and have agreed to reimburse the Initial Purchasers for certain of their expenses.

Each Initial Purchaser may, from time to time, as principal or through one or more investment funds that it manages, make investments in the equity securities of one or more of the issuers of Collateral Assets with the result that one or more of such issuers may be or may become controlled by such Initial Purchaser.

The Class A-1LT-b Notes and the CP Notes are not offered hereby.

APPENDIX A

Certain Definitions

"AAA/Aaa Jurisdictions" means jurisdictions whose unguaranteed, unsecured and otherwise, unsupported long term U.S. Dollar denominated sovereign debt obligations are rated "Aaa" by Moody's and "AAA" by S&P.

"ABS Insurance-Linked Securities" means asset-backed securities that generally entitle the holders thereof to receive payments that depend on the cash flow from qualified investments and a reinsurance agreement or risk swap agreement.

"Account Control Agreement" means the securities account control agreement dated as of the Closing Date among the Issuer, the Collateral Agent and the Securities Intermediary, as the same may be amended, supplemented or otherwise modified from time to time.

"Actual Rating" means with respect to any Collateral Asset, Eligible Investment or Synthetic Security Counterparty, the actual expressly monitored outstanding public rating assigned by a Rating Agency without reference to any other rating by another Rating Agency and which rating by its terms addresses the full scope of the payment promise of the obligor on such Collateral Asset (other than Haircut Assets) or if no such rating is available from a Rating Agency, any "credit estimate" or "shadow rating" assigned by such Rating Agency at the request of the Issuer which shall be refreshed annually at the request of the Issuer; *provided that*, the Actual Rating of any Form-Approved Synthetic Security by S&P which is not rated by S&P will be the rating assigned to such Synthetic Security by S&P upon its acquisition by the Issuer; *provided, however, that* in the event the Investment Advisor requests that any Rating Agency issue a shadow rating or credit estimate for a Haircut Asset, the Actual Rating with respect to such portion of the Collateral Asset will be such shadow rating or credit estimate irrespective of any actual, expressly monitored rating which may be assigned by such Rating Agency with respect to such Collateral Asset. For purposes of this definition, (i) the rating assigned by Moody's to a Collateral Asset, Eligible Investment or Synthetic Security Counterparty placed on watch for possible downgrade by Moody's will be deemed to have been downgraded by Moody's by one subcategory and the rating assigned by S&P and Fitch to a Collateral Asset or Eligible Investment placed on credit watch for a possible downgrade by S&P or Fitch will be deemed to have been downgraded by S&P or Fitch, as applicable by one subcategory, (ii) the rating assigned by Moody's to a Collateral Asset, Eligible Investment or Synthetic Security Counterparty placed on watch for possible upgrade by Moody's will be deemed to have been upgraded by Moody's by one subcategory and the rating assigned by S&P and Fitch to a Collateral Asset or Eligible Investment placed on watch for possible upgrade will be deemed to have been upgraded by S&P and Fitch by one subcategory, (iii) the rating of any RMBS Agency Security will be the rating assigned by a Rating Agency to the agency which guarantees such RMBS Agency Security, (iv) the rating of any Synthetic Security which is structured as a default swap will equal the lesser of the rating of the related Reference Obligation and the related Default Swap Collateral, if any, and (v) the rating of any Synthetic Security which is structured as a credit linked note will equal the lesser of the rating of the related Reference Obligation and the related counterparty; *provided* that with respect to clauses (iv) and (v), if the Rating Agencies have assigned a rating, through a Form-Approved Synthetic Security or otherwise, to any such Synthetic Security, the "Actual Rating" of such Synthetic Security will be such assigned rating.

"Adjusted Net Outstanding Portfolio Collateral Balance" means, on any Measurement Date, the Net Outstanding Portfolio Collateral Balance reduced by the excess, if any, of (i) the product of (a) the Statistical Loss Amount and (b) the lesser of 1 and a fraction the numerator of which is $1,500,000,000 and the denominator of which is the Net Outstanding Portfolio Collateral Balance as of such Measurement Date over (ii) the product of (a) a scheduled amount based on the most recent Payment Date as follows:

Closing Date – November 2005:	$1,524,000
November 2005 – November 2006:	$1,382,000
November 2006 – November 2007::	$1,240,000
November 2007 – November 2008:	$1,097,000
November 2008 and thereafter:	$954,000

and (b) the lesser of 1 and a fraction the numerator of which is the Net Outstanding Portfolio Collateral Balance as of such Measurement Date and denominator of which is $1,500,000,000.

"Administrative Expenses" means amounts due or accrued with respect to any Payment Date and payable by the Issuer and/or the Co-Issuer to (i) the Trustee pursuant to the Trust Deed or any co-trustee appointed pursuant to the Trust Deed; (ii) the Issuer Administrator pursuant to the Administration Agreement, the Collateral Agent pursuant to the Security Agreement, the Collateral Administrator pursuant to the Collateral Administration Agreement and the CP Issuing and Paying Agent pursuant to the CP Issuing and Paying Agency Agreement, the Note Agents pursuant to the Note Agency Agreement; (iii) the independent accountants, agents (including the Note Agents) and counsel of the Issuer for fees and expenses (including amounts payable in connection with the preparation of tax forms on behalf of the Issuers); (iv) the Investment Advisor pursuant to the Investment Advisory Agreement (other than the Investment Advisor Fee) including, without limitation, any fees and expenses incurred in connection with an Auction; (v) the CP Note Placement Agents pursuant to the CP Note Placement Agreements (other than the CP Note Placement Agent Fees); (vi) any stock exchange listing Notes at the request of the Issuer; (vii) the agents appointed for service of process; (viii) the Rating Agencies for fees and expenses in connection with any rating (including the fees payable to the Rating Agencies for the monitoring of any rating or credit estimate) of the Notes (and CP Notes, if such rating or credit estimate is sought), including fees and expenses, if any, due or accrued in connection with any rating of the Collateral Assets; (ix) any other person in respect of any governmental fee, charge or tax in relation to the Issuer or the Co-Issuer; (x) to the liquidator(s) of the Issuer for the fees and expenses of liquidating the Issuer following the redemption or Defeasance of all of the Notes and the CP Notes; and (xi) any other person in respect of any other fees or expenses (including indemnities and fees relating to the provision of the Issuer's registered office) permitted under the Transaction Documents; *provided* that Administrative Expenses shall not include (a) any amounts due or accrued with respect to the actions taken on or in connection with the Closing Date, (b) amounts payable in respect of the Notes and the CP Notes, (c) amounts payable under any Hedge Agreement and the Put Agreement and (d) any Investment Advisor Fee payable pursuant to the Investment Advisory Agreement.

"Agency" means Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Government National Mortgage Association.

"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 (as projected on such date), discounted to such date of determination as of each subsequent due date at a discount rate per annum equal to the internal rate of return on such Interest Only Security as calculated in good faith by the Investment Advisor at the time of purchase thereof by the Issuer.

"Aggregate Calculation Amount of Defaulted Obligations and Deferred Interest PIK Bonds" means the least of (a) the Aggregate Moody's Recovery Value of all Defaulted Obligations and Deferred Interest PIK Bonds, (b) the Aggregate S&P Recovery Value of all Defaulted Obligations and Deferred Interest PIK Bonds, and (c) the aggregate of the Market Values of all Defaulted Obligations and Deferred Interest PIK Bonds.

"Aggregate Moody's Recovery Value" means, with respect to Defaulted Obligations and Deferred Interest PIK Bonds, the aggregate of (a) the Moody's Recovery Rate for each such asset multiplied by (b) the Principal Balance of such asset.

"Aggregate Principal Amount" means the aggregate of the Principal Balances of all Collateral Assets and Eligible Investments purchased with Principal Proceeds and the amount of any cash which constitutes Principal Proceeds and all accrued interest purchased with Principal Proceeds.

"Aggregate S&P Recovery Value" means, with respect to Defaulted Obligations and Deferred Interest PIK Bonds, the aggregate of the lesser of (a) the Market Value of each such asset and (b) the S&P Recovery Rate for each such asset multiplied by the Principal Balance of such asset.

"Applicable Amount for Interest Only Securities" means an amount calculated on each Determination Date, equal to the interest payments expected to be received in the related Due Period on an Interest Only Security based on the credit rating of the securities of the other classes of the same issue from which payments on such Interest Only Security are stripped (the "Stripped Classes"), such amount being (i) if all of the Stripped Classes have been assigned an Actual Rating at the time of such calculation of at least investment grade by each Rating Agency that rated such Stripped Class ("Investment-Grade Stripped Classes"), 100% of such expected interest payments and (ii) in each other case, the percentage (as calculated by the Issuer) of such expected interest payments equal to a fraction, the numerator of which is the aggregate principal balance of the Investment-Grade Stripped Classes and the denominator of which is the aggregate principal balance of all Stripped Classes.

"Applicable Recovery Rate" means, with respect to any Collateral Asset on any Measurement Date, the lesser of the Moody's Recovery Rate and the S&P Recovery Rate; *provided* that, with respect to Defaulted Obligations and Deferred Interest PIK Bonds, "Applicable Recovery Rate" means the least of the Moody's Recovery Rate, the S&P Recovery Rate and the Fitch Recovery Rate.

"Approved Subcategory" means a Subcategory of either RMBS Security or CMBS Security (i) with respect to which more than 80% by principal balance of the underlying assets were not originated in the United States or (ii) any other Subcategory designated by the Investment Advisor after the Closing Date as an "Approved Subcategory" in a notice to the Trustee *provided* that each Rating Agency has confirmed in writing (either privately or in a publicly available document) to the Issuer, the Trustee and the Investment Advisor that such designation has been recognized by such Rating Agency as a classification of a Subcategory of RMBS Security or CMBS Security.

"Asset-Backed Securities" or "ABS Securities" means Structured Finance Securities and Structured Corporate Securities that cannot otherwise be classified as CMBS Securities, RMBS Securities, CDO Securities, Insured Securities, REIT Debt Securities or Interest Only Securities.

"Assumed Reinvestment Rate" means on any day, LIBOR as of the most recent LIBOR Determination Date less 1.00% per annum.

"Auction Redemption Price" means (i) with respect to the Class A-1LT-a Notes, an amount equal to the outstanding principal amount of the Class A-1LT-a Notes *plus* accrued and unpaid interest thereon at the applicable Class A-1LT-a Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Auction Payment Date, (ii) with respect to the Class A-1LT-b Notes, an amount equal to the outstanding principal amount of the Class A-1LT-b-1 Notes *plus* accrued and unpaid interest thereon at the Class A-1LT-b-1 Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) and an amount equal to the outstanding principal amount of the Class A-1LT-b-2 Notes *plus* accrued and unpaid interest thereon at the Class A-1LT-b-2 Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest), to but excluding the Auction Payment Date, (iii) with respect to the Class A-2 Notes, an amount equal to the outstanding principal amount of the Class A-2 Notes *plus* accrued and unpaid interest thereon at the Class A-2 Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Auction Payment Date, (iv) with respect to the Class B Notes, an amount equal to the outstanding principal amount of the Class B Notes *plus* accrued and unpaid interest thereon at the Class B Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Auction Payment Date, (v) with respect to the Class C Notes, an amount equal to the greater of (a) the outstanding principal amount of the Class C Notes *plus* any accrued and unpaid Class C Priority Payment and (b) the Rated Principal Amount of the Class C

Notes *plus* accrued and unpaid interest thereon at the Class C Note Interest Rate, in each case, to but excluding the Auction Payment Date, (vi) with respect to the Class D Notes, an amount equal to the greatest of (x) the Class D Yield Make Whole Payment, (y) the Rated Principal Amount of the Class D Notes, and (z) the outstanding principal amount of the Class D Notes *plus* any accrued and unpaid Class D Priority Payment to but excluding the Auction Payment Date and (vii) with respect to the CP Notes (other than the LIBOR CP Notes) to be Defeased, the CP Face Amount payable to the CP Issuing and Paying Agent for payment to the Holders thereof on the maturity date on which such CP Notes mature in accordance with their terms, *plus* with respect to any LIBOR CP Notes to be redeemed and Defeased, the outstanding principal amount of the LIBOR CP Notes *plus* accrued and unpaid interest thereon at the LIBOR CP Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Auction Payment Date.

"Calculation Amount" means, with respect to any Defaulted Obligation or Deferred Interest PIK Bond at any time, the lesser of (a) the Market Value of such Defaulted Obligation or Deferred Interest PIK Bond and (b) the Applicable Recovery Rate *multiplied by* the Principal Balance of such Defaulted Obligation or Deferred Interest PIK Bond. For purposes of determining the Calculation Amount, (i) the Principal Balance of a Defaulted Obligation shall be deemed to be its outstanding principal amount (or in the case of a Defaulted Obligation that is a PIK Bond, its outstanding principal amount, exclusive of any principal thereof representing capitalized interest) and (ii) the Principal Balance of a Deferred Interest PIK Bond shall be deemed to be its outstanding principal amount without regard to any deferred or capitalized interest.

"Capped CP Amount" means an amount equal to the product of (a) the aggregate face amount of CP Notes (excluding LIBOR CP Notes) then outstanding, (b) LIBOR *plus* 0.165% and (c) the actual number of days in the related Interest Accrual Period divided by 360.

"Category" means with respect to a Collateral Asset, the classification of such Collateral Asset as an Asset-Backed Security, Commercial Mortgage-Backed Security, Residential Mortgage-Backed Security, REIT Debt Security, CDO Security, Insured Security, Interest Only Security or Synthetic Security.

"CDO Commercial Real Estate Securities" means CDO 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 such CDO Securities) on the cash flow from (and not the Market Value of) a portfolio of at least 80% by principal balance of CMBS Securities and REIT Debt Securities.

"CDO RMBS Securities" means CDO 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 such CDO Securities) on the cash flow from (and not the Market Value of) a portfolio of at least 70% by principal balance of RMBS Securities.

"CDO Securities" means collateralized debt obligations, collateralized bond obligations or collateralized loan obligations (including, without limitation, any synthetic collateralized debt obligations or collateralized loan obligations) which may be categorized as CDO Structured Product Securities, CDO RMBS Securities or CDO Commercial Real Estate Securities.

"CDO Structured Product Securities" means CDO 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 such CDO Securities) on the cash flow from a portfolio diversified among Categories of REIT Debt Securities, Asset-Backed Securities, Commercial Mortgage-Backed Securities, Residential Mortgage-Backed Securities and CDO Securities or any combination of more than one of the foregoing or solely of CDO Securities (and which may include limited amounts of Corporate Securities).

"Class" means each class of Notes having the same Stated Maturity and same alphabetical (but not necessarily numerical) designation of either "A", "B", "C" or "D".

"Class A Adjusted Overcollateralization" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance less the aggregate outstanding principal amount of the Class A Notes and the CP Notes, after giving effect to payments or Defeasance, as applicable, on or prior to the succeeding Payment Date made in accordance with the Priority of Payments; *provided* that Principal Proceeds distributed as principal to the Notes and the CP Notes shall be deducted from the numerator of this calculation.

"Class A Adjusted Overcollateralization Ratio" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance *divided by* the aggregate outstanding principal amount of the Class A Notes and the CP Notes, after giving effect to payments or Defeasance, as applicable, on the succeeding Payment Date made in accordance with the Priority of Payments.

"Class A/B Note Break-Even Loss Rate" means the maximum percentage of defaults that the Proposed Portfolio can sustain after giving effect to S&P's assumptions on recoveries, defaults and timing and to the Priority of Payments such that sufficient funds will remain for the payment of principal of the Class A Notes and the Class B Notes in full by their Stated Maturity and the timely payment of interest on such Class A Notes and Class B Notes.

"Class A/B Note Loss Differential" means with respect to any Measurement Date, the rate obtained by subtracting the Class A/B Note Scenario Default Rate from the Class A/B Note Break-Even Loss Rate.

"Class A/B Note Scenario Default Rate" means an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with S&P's rating of the Class A-1LT-a Notes, the Class A-2 Notes and the Class B Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor.

"Class B Adjusted Overcollateralization" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance less the aggregate outstanding principal amount of the Class A Notes, the CP Notes and the Class B Notes, after giving effect to payments or Defeasance, as applicable, on the succeeding Payment Dates made in accordance with the Priority of Payments.; *provided* that Principal Proceeds distributed as principal to the Notes and the CP Notes shall be deducted from the numerator of this calculation.

"Class B Adjusted Overcollateralization Ratio" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance *divided by* the aggregate outstanding principal amount of the Class A Notes, the CP Notes and the Class B Notes, after giving effect to payments or Defeasance, as applicable, on the succeeding Payment Dates made in accordance with the Priority of Payments.

"Class C Deferred Priority Payment" means, with respect to the Class C Notes, an amount payable on the outstanding principal amount of the Class C Notes at the Class C Priority Accrual Rate which is not available to be paid as a result of the operation of the Priority of Payments on any Payment Date and which is deferred and added to the outstanding principal amount of the Class C Notes, and that shall accrue interest at the Class C Priority Accrual Rate, to the extent lawful and enforceable, until the Payment Date on which such accrued amount is available to be paid in accordance with the Priority of Payments.

"Class C Overcollateralization Ratio" means, as of any Measurement Date, the ratio (expressed as a percentage) obtained by dividing (i) the Net Outstanding Portfolio Collateral Balance (*provided* that, after the end of the Reinvestment Period, such amount shall exclude Principal Proceeds) on such Measurement Date by (ii) the sum of the aggregate outstanding principal amount of the CP Notes, the

Class A Notes, the Class B Notes and Class C Notes (including Class C Deferred Interest) *minus* any amount deposited in the CP Principal Reserve Account to Defease the CP Notes, *minus*, after the end of the Reinvestment Period, Principal Proceeds.

For purposes of calculating the Class C Overcollateralization Ratio, (i) unless otherwise specified, a Synthetic Security shall be included as a Collateral Asset having the characteristics of the Synthetic Security and not of the Reference Obligation; *provided* that if such Synthetic Security Counterparty is in default under the related Synthetic Security, such Synthetic Security shall not be included in the calculation of the Class C Overcollateralization Ratio unless such treatment will satisfy the Rating Agency Condition, (ii) any Collateral Asset loaned to a Securities Lending Counterparty shall be included in the calculation of the Class C Overcollateralization Ratio; *provided* that such Securities Lending Counterparty is not in default under the related Securities Lending Agreement and (iii) the calculation of the Class C Overcollateralization Ratio on any Measurement Date shall be made by giving effect to all payments and reinvestments (at the Assumed Reinvestment Rate) scheduled or expected to be made pursuant to the Priority of Payments on the Payment Date following such Measurement Date. For purposes of the Class C Overcollateralization Ratio, notwithstanding the definition of Principal Balance contained herein, the Principal Balance of any Step-Up Bond that is not currently paying cash interest (excluding any security that is, in accordance with its terms, making payments due thereon "in kind") shall be the accreted value of such security as of the date on which it was purchased by the Issuer; *provided* that such accreted value shall not exceed the par amount of such Step-Up Bond.

"Class C Priority Accrual Rate" means, with respect to each Interest Accrual Period, a per annum rate equal to the greater of (i) 2.0% and (ii) LIBOR for such Interest Accrual Period *plus* 1.50%.

"Class C Priority Payment" means, with respect to the Class C Notes on any Payment Date, an amount equal to (A) the product of (i) the outstanding principal balance of the Class C Notes, (ii) the Class C Priority Accrual Rate and (iii) the actual number of days from and including the prior Payment Date to but excluding such Payment Date divided by 360; *less* (B) the amount of accrued and unpaid interest at the Class C Note Interest Rate on the Rated Principal Amount of the Class C Notes for such Payment Date, but not less than zero.

"Class D Deferred Priority Payment" means, with respect to the Class D Notes, an amount payable on the outstanding principal amount of the Class D Notes at the Class D Priority Accrual Rate which is not available to be paid as a result of the operation of the Priority of Payments on any Payment Date and which is deferred and added to the outstanding principal amount of the Class D Notes, and that shall accrue interest at the Class D Priority Accrual Rate, to the extent lawful and enforceable, until the Payment Date on which such accrued amount is available to be paid in accordance with the Priority of Payments.

"Class D Priority Accrual Rate" means, with respect to each Interest Accrual Period, a per annum rate equal to 7.9%.

"Class D Priority Payment" means, with respect to the Class D Notes on any Payment Date, an amount equal to the product of (i) the outstanding principal balance of the Class D Notes, (ii) the Class D Priority Accrual Rate and (iii) 30 divided by 360.

"Class D Subordinated Payment" means, as of any Payment Date, $3,000,000 less the cumulative amount of all amounts paid pursuant to clause (16) of the Priority of Payments since the Closing Date.

"Class D Yield Make Whole Payment" means, on any Payment Date, the amount that, after giving effect to such payment and all payments of principal, interest and other distributions to the Holders of the Class D Notes since the Closing Date, will enable the Class D Notes to achieve an Internal Rate of Return of 8.0%.

"CMBS Conduit Securities" means Commercial Mortgage-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 such Commercial Mortgage-Backed Securities) on the cash flow from a pool of commercial mortgage loans.

"CMBS Credit Tenant Lease Securities" means Commercial Mortgage-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 such Commercial Mortgage-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).

"CMBS Franchise Securities" means Commercial Mortgage-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 such Commercial Mortgage-Backed Securities) on the cash flow from (a) a pool of franchise loans made to operators of franchises that provide oil, gasoline, restaurant or food services 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.

"CMBS Large Loan Securities" means Commercial Mortgage-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 such Commercial Mortgage-Backed Securities) on the cash flow from a commercial mortgage loan or a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties.

"CMBS RE-REMIC Securities" means securities that represent an interest in a real estate mortgage investment conduit backed by CMBS Securities.

"CMBS Single Asset Securities" means CMBS 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 such CMBS Securities) on the cash flow from a mortgage or mortgages on a single real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, nursing homes and senior living centers.

"Collateral Account" means a single trust account which may be divided into subaccounts (including the Collection Account) for administrative purposes, designated as the "Collateral Account" established by the Collateral Agent into which account, collateral will be deposited from time to time pursuant to the Security Agreement.

"Collateral Administrator" means LaSalle Bank National Association, as collateral administrator pursuant to the Collateral Administration Agreement, or any successor collateral agent thereunder.

"Collateral Administration Agreement" means the agreement among the Issuer, the Investment Advisor and the Collateral Administrator, dated as of the Closing Date as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

"Collateral Portfolio" means, on any Measurement Date, the portfolio of (i) Collateral Assets, (ii) Principal Proceeds held as cash and Eligible Investments purchased with Principal Proceeds and (iii) the portion, if any, of the net proceeds from, and associated with, the offering of the Notes which have not yet been invested in Collateral Assets (whether held in cash or Eligible Investments).

"Commercial Mortgage-Backed Securities" or "CMBS Securities" means securities backed by obligations (including certificates of participation in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other

retail space, office buildings, industrial or warehouse properties, hotels, nursing homes and senior living centers and shall include, without limitation, CMBS Conduit Securities, CMBS Credit Tenant Lease Securities, CMBS Large Loan Securities, CMBS RE-REMIC Securities, CMBS Franchise Securities and CMBS Single Asset Securities.

"Controlling Class" will be the aggregate principal amount outstanding under the Class A Notes and the Put Counterparty (for so long as the Put Agreement is in effect and no Put Counterparty Default has occurred and is continuing) voting in the amount of the then outstanding aggregate face amount of the CP Notes (voting together as a single class), for so long as any Class A Notes or CP Notes are outstanding; if no Class A Notes or CP Notes are outstanding, then the Class B Notes, so long as any Class B Notes are outstanding; if no Class A Notes, CP Notes or Class B Notes are outstanding, then the Class C Notes, so long as any Class C Notes are outstanding; and if no Class A Notes, CP Notes, Class B Notes or Class C Notes are outstanding, then the Class D Notes, so long as any Class D Notes are outstanding. For purposes of any vote by the Class A Notes as part of the Controlling Class, the Trustee will provide the Put Counterparty with notice of such vote.

"Corporate Securities" means publicly issued or privately placed debt obligations of corporate issuers which are not REIT Debt Securities or Insured Securities.

"Corporate Trust Office" means the principal corporate trust office of the Trustee, currently located at 135 South LaSalle Street, Suite 1625, Chicago, Illinois 60603, Attention: CDO Trust Services Group – Davis Square Funding III, Ltd., or such other address as the Trustee may designate from time to time by notice to the Noteholders, the Investment Advisor, the Hedge Counterparty, the Put Counterparty and the Issuers or the principal corporate trust office of any successor Trustee.

"CP Account" means the segregated trust account established by the CP Issuing and Paying Agent under the CP Issuing and Paying Agency Agreement.

"CP Discount Reserve Required Amount" is equal to the sum of, for each CP Note maturing (assuming no extension) on or prior to the next Cashflow Swap Payment Date, the discount that would be required to issue new discount CP Notes with a 90 day maturity date for the first $500,000,000 face amount of maturing CP Notes and, with a 30 day maturity date for the CP Face Amount of maturing CP Notes in excess thereof, at the Forward Expected LIBOR Rate *plus* 0.165%.

"CP Face Amount" means with respect to any CP Note, the amount payable to the Holder thereof at Maturity (excluding interest on LIBOR CP Notes).

"CP Note Interest" means the discount on each CP Note, or, with respect to any LIBOR CP Notes, the LIBOR CP Note Interest Rate, provided in writing to the CP Issuing and Paying Agent and the Investment Advisor by the CP Note Placement Agent on the issuance date of each CP Note.

"CP Note Placement Agent Fee" has the meaning set forth in the CP Note Placement Agreements.

"CP Principal Reserve Required Amount" means on each Payment Date, an amount equal to the Notional Amount of the CP Notes.

"Credit Improved Obligation" means any Collateral Asset that the Investment Advisor believes has, since such Collateral Asset was purchased by the Issuer, significantly improved in credit quality which improvement may (but need not) be reflected by one of the following: (a) such Collateral Asset has been upgraded or put on a watch list for possible upgrade by any of the Rating Agencies since the date on which such Collateral Asset was purchased by the Issuer, (b) the issuer of such Collateral Asset has shown improved financial results, (c) the obligor of or insurer of such Collateral Asset has raised significant equity capital or has raised other capital that in the Investment Advisor's judgment has improved the liquidity or credit standing of such obligor or insurer, (d) in the case of an Asset-Backed

Security or a Mortgage-Backed Security, a statistically significant improvement in the quality of the underlying pool of assets or an increase in the level of subordination or (e) such Collateral Asset has decreased its spread over the interest rate on the applicable U.S. Treasury Benchmark or the applicable swap benchmark by an amount exceeding 0.50% or has increased in price to 102% or more of the original price which increase, in the judgment of the Investment Advisor, is not primarily due to changes in market interest rates; *provided* that

(i) at the time of determination, Moody's has not withdrawn or reduced its long-term ratings on any of the Class A Notes or the Class B Notes by one or more subcategories or reduced its ratings on the Class C Notes or the Class D Notes by two or more subcategories below the ratings in effect on the Closing Date (disregarding any withdrawal or reduction if subsequent thereto Moody's has upgraded or reinstated any such reduced or withdrawn rating of the Class A Notes or the Class B Notes, as applicable, to at least their initial long-term rating or upgraded the reduced ratings of the Class C Notes or the Class D Notes to at least one subcategory below their initial ratings); or

(ii) if Moody's has withdrawn or reduced its ratings on any of the Class A Notes or the Class B Notes by one or more subcategories or reduced its ratings on any of the Class C Notes or the Class D Notes by two or more subcategories below the ratings in effect on the Closing Date (disregarding any withdrawal or reduction if subsequent thereto Moody's has upgraded any such reduced or withdrawn rating of the Class A Notes or the Class B Notes, as applicable, to at least their initial long-term ratings or has upgraded any reduced rating of the Class C Notes or the Class D Notes to at least one subcategory below their initial ratings), (a) such Collateral Asset has been upgraded by Moody's at least one rating subcategory since it was acquired by the Issuer or put on a watch list by Moody's for possible upgrade, (b) Moody's has confirmed in writing that the classification of such Collateral Asset as a Credit Improved Obligation will satisfy the Rating Agency Condition (solely with respect to Moody's), (c) the Holders of a Majority of the Controlling Class vote to waive the requirement of subclause (a) of this clause (ii) or (d) such Collateral Asset has experienced a decrease in credit spread of 10% or more compared to the credit spread at which such Collateral Asset was purchased by the Issuer, determined by reference to an applicable index selected by the Investment Advisor (subject to the satisfaction of the Rating Agency Condition).

"Credit Risk Obligation" means any Collateral Asset that (1) at any time since such Collateral Asset was purchased, is a Written Down Security or (2) the Investment Advisor believes has, since such Collateral Asset was purchased by the Issuer, a significant risk of declining in credit quality (or, in the case of an Asset-Backed Security or Mortgage-Backed Security, there has occurred, or is expected to occur, a deterioration in the quality of the underlying pool of assets) or, with a lapse of time, a significant risk of becoming a Defaulted Obligation; *provided that:*

(i) Moody's has not withdrawn or reduced its long-term ratings on any of the Class A Notes or the Class B Notes by one or more subcategories or reduced its ratings on the Class C Notes or the Class D Notes by two or more subcategories below the ratings in effect on the Closing Date (disregarding any withdrawal or reduction if subsequent thereto Moody's has upgraded any such reduced or withdrawn ratings of the Class A Notes or the Class B Notes, as applicable, to at least their initial long-term rating or upgraded the reduced ratings of the Class C Notes or the Class D Notes to at least one subcategory below their initial ratings); or

(ii) if Moody's has withdrawn or reduced its long-term ratings on any of the Class A Notes or the Class B Notes by one or more subcategories or reduced its ratings on the Class C Notes or the Class D Notes by two or more subcategories below the ratings in effect on the Closing Date (disregarding any withdrawal or reduction if subsequent thereto Moody's has upgraded any such reduced or withdrawn ratings of the Class A Notes or the Class B Notes, as applicable, to at least their initial long-term rating or upgraded the reduced ratings of the Class C Notes or the Class D Notes to at least one subcategory below their initial ratings), (a) such Collateral Asset has been downgraded by Moody's at least one or more rating subcategories since it was acquired by the

Issuer or placed by Moody's on a watch list with negative implications since the date on which such Collateral Asset was purchased by the Issuer, (b) Moody's has confirmed in writing that the designation of such Collateral Asset as a Credit Risk Obligation will satisfy the Rating Agency Condition (solely with respect to Moody's), (c) the Holders of a Majority of the Controlling Class vote to waive the requirement of subclause (a) of this clause (ii) or (d) such Collateral Asset has experienced an increase in credit spread of 10% or more compared to the credit spread at which such Collateral Asset was purchased by the Issuer, determined by reference to an applicable index selected by the Investment Advisor (subject to the satisfaction of the Rating Agency Condition).

"Current Actual Balance" means the current outstanding principal balance of any Collateral Asset (without application of any haircut or reduction in balance) less any capitalized or deferred interest that is included in such balance.

"Current Interest Rate" means, as of any Measurement Date, (i) with respect to any Collateral Asset which is a Fixed Rate Security, the stated rate at which interest accrues on such Fixed Rate Asset and (ii) with respect to any Collateral Asset which is a Deemed Fixed Collateral Asset, the Weighted Average Deemed Fixed Spread *plus* the Weighted Average Deemed Fixed Rate.

"Current Portfolio" means the portfolio (measured by Principal Balance) of Collateral Assets, Principal Proceeds held as cash and Eligible Investments purchased with Principal Proceeds, on any Measurement Date, existing immediately prior to the sale, maturity or other disposition of a Collateral Asset or immediately prior to the acquisition of a Collateral Asset, as the case may be.

"Deemed Fixed Asset Hedge" means an interest rate swap having a notional amount (or scheduled notional amounts) approximately equal to the Principal Balance (as it may be reduced by expected amortization) of the related Floating Rate Security; *provided* that, (w) at the time of entry into the Deemed Fixed Asset Hedge, the principal payments on the Floating Rate Security comprising a Deemed Fixed Collateral Asset will not extend beyond 10 years after the Closing Date, (x) the Rating Agencies and the Collateral Agent are notified prior to the Issuer's entry into a Deemed Fixed Asset Hedge, and will be provided with the identity of the hedge counterparty and copies of the hedge documentation and notional schedule, (y) such Deemed Fixed Asset Hedge shall require satisfaction of the Rating Agency Condition to the extent the applicable master agreement or schedule attached thereto is not a Form-Approved Hedge Agreement and (z) such Deemed Fixed Asset Hedge is priced at then-current market rates.

"Deemed Fixed Collateral Asset" means a Floating Rate Security at the time of entry into a Deemed Fixed Asset Hedge with respect to such Floating Rate Security; *provided* that at the time of entry into the Deemed Fixed Asset Hedge the average life of the Deemed Fixed Collateral Asset must not increase or decrease by more than one year from its expected average life if it were to prepay at either 200% or 50% of its pricing speed.

"Deemed Fixed Rate" will equal the fixed rate that the Hedge Counterparty agrees to pay on the Deemed Fixed Asset Hedge at the time such hedge is executed.

"Deemed Floating Asset Hedge" means an interest rate swap having a notional amount (or scheduled notional amounts) approximately equal to the Principal Balance (as it may be reduced by expected amortization) of the related Fixed Rate Security; *provided* that, (w) at the time of entry into the Deemed Floating Asset Hedge, the principal payments on the Fixed Rate Security comprising a Deemed Floating Collateral Asset will not extend beyond 10 years after the Closing Date, (x) the Rating Agencies and the Collateral Agent are notified prior to the Issuer's entry into a Deemed Floating Asset Hedge, and will be provided with the identity of the hedge counterparty and copies of the hedge documentation and notional schedule, (y) such Deemed Floating Asset Hedge shall require satisfaction of the Rating Agency Condition to the extent the applicable master agreement or schedule attached thereto is not a Form-Approved Hedge Agreement and (z) such Deemed Floating Asset Hedge is priced at then-current market rates.

"Deemed Floating Collateral Asset" means a Fixed Rate Security at the time of entry into a Deemed Floating Asset Hedge with respect to such Fixed Rate Security; *provided* that at the time of entry into the Deemed Floating Asset Hedge the average life of the Deemed Floating Collateral Asset must not increase or decrease by more than one year from its expected average life if it were to prepay at either 200% or 50% of its pricing speed.

"Defaulted Hedge Termination Payments" means any termination payment required to be made by the Issuer to a Hedge Counterparty pursuant to a Hedge Agreement in the event of a termination of such Hedge Agreement (other than a termination for tax event or illegality) in respect of which such Hedge Counterparty is the sole Defaulting Party or Affected Party (each, as defined in the applicable Hedge Agreement).

"Defaulted Interest" means any interest due and payable in respect of any Class A Note, LIBOR CP Note or Class B Note, as applicable, which is not punctually paid or duly provided for on the applicable Payment Date.

"Defaulted Obligation" means any Collateral Asset with respect to which:

(a) there has occurred and is continuing for the lesser of 3 Business Days and any applicable grace period, a default with respect to the payment of interest or principal on such Collateral Asset in accordance with its terms; *provided* that, the Collateral Asset shall not constitute a Defaulted Obligation if and when such default has been cured through the payment of all past due interest and principal or waived; *provided, further, however*, that, notwithstanding the foregoing, any Collateral Asset that is in default with respect to the payment of interest or principal as of the Determination Date shall not be a Defaulted Obligation if such default is cured through the payment of all past due interest and principal within 3 Business Days after the Determination Date (and the Investment Advisor shall determine whether a default has occurred on or prior to the second Business Day prior to the Payment Date) or such Collateral Asset shall not be treated as a Defaulted Obligation if the Investment Advisor believes the default on such Collateral Asset will be cured as of the next Determination Date and the Rating Agency Condition has been satisfied relative to such treatment;

(b) if such Collateral Asset is secured by collateral or is backed by a pool of underlying assets, the principal amount of such Collateral Asset and all *pari passu* or senior obligations secured by the same pool becomes greater than the aggregate principal amount of such collateral or pool of assets and the Actual Rating of such Collateral Asset has been reduced below "B3" by Moody's or "B-" by S&P;

(c) if such Collateral Asset is a Synthetic Security, either (i) the related Reference Obligation or Reference Obligor would be a Defaulted Obligation were it a Collateral Asset or (ii) it is a Synthetic Security Counterparty Defaulted Obligation;

(d) any bankruptcy, insolvency or receivership proceeding has been initiated in connection with the issuer of such Collateral Asset and is unstayed and undismissed; *provided,* that, if such proceeding is an involuntary proceeding, the condition of this clause (d) will not be satisfied until the earliest of the following: (i) the issuer consents to such proceeding, (ii) an order for relief under the United States Bankruptcy Code, or any similar order under a proceeding not taking place under the United States Bankruptcy Code, has been entered, or (iii) such proceeding remains unstayed and undismissed for 45 days;

(e) such Collateral Asset has an S&P Rating (as defined in Appendix C) of "CC" or lower or a rating of "SD" or has had its rating withdrawn after being rated "CCC" or lower or "SD", has a Moody's Rating of "Ca" or lower or has a Fitch Rating of "CC" or lower; or

(f) the Investment Advisor knows the issuer thereof is (or is reasonably expected by the Investment Advisor to be, as of the next scheduled payment distribution date) in default (if, in the Investment Advisor'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) as to payment of principal and/or interest on another obligation (and such default has not been cured through the payment of all past due interest and principal), but only if one of conditions (I) or (II) is met: (I) (A) both such other obligation and the Collateral Asset are full recourse unsecured obligations and the other obligation is senior to or *pari passu* with the Collateral Asset in right of payment or (B) (x) such other obligation is a full recourse secured obligation and the Collateral Asset is a full recourse secured obligation or (y) the Collateral Asset is a full recourse unsecured obligation and the other obligation is senior to or *pari passu* (except that it is secured) with the Collateral Asset in right of payment; or (II) all of the following conditions (A), (B) and (C) are satisfied: (A) both such other obligation and the Collateral Asset are full recourse secured obligations secured by common collateral; (B) the security interest securing the other obligation is senior to or *pari passu* with the security interest securing the Collateral Asset; and (C) the other obligation is senior to or *pari passu* with the Collateral Asset in right of payment, except that a Collateral Asset shall not constitute a "Defaulted Obligation" under this clause (f) if (a) the Investment Advisor has notified each Rating Agency in writing of its decision not to treat the Collateral Asset as a Defaulted Obligation, and the Rating Agency Condition has been satisfied or (b) the Investment Advisor certifies to the Trustee (such certification subject to certain constraints and provisions as detailed in the Security Agreement), with notice to Moody's, that, on the next scheduled distribution date of such Collateral Asset, such issuer will make payments required to be made on such Collateral Asset on such date, *provided, however,* that this exception (b) will not apply where the issuer of such Collateral Asset is (or is reasonably expected by the Investment Advisor to be) in default as to payment of principal and/or interest of another obligation that is senior in right of payment to such security;

provided that a Haircut Asset will be considered a Defaulted Obligation if the Collateral Asset underlying such Haircut Asset becomes a Defaulted Obligation (as described above), *provided, further,* that, notwithstanding the satisfaction of all of the foregoing items (a) through (f), the Investment Advisor may declare any Collateral Asset to be a Defaulted Obligation if, in the Investment Advisor's sole determination, the credit quality of the issuer of such Collateral Asset (or, in the case of a Synthetic Security, the credit quality of the counterparty or issuer of the Reference Obligation with respect thereto) has significantly deteriorated such that there is a reasonable expectation of payment default as of the next scheduled payment date with respect to such Collateral Asset.

Nothing in this definition will require any employee (including any portfolio manager or credit analyst) of the Investment Advisor to obtain, use, share or otherwise distribute (a) any information that he or she would be prohibited from obtaining, using, sharing or otherwise distributing by virtue of the Investment Advisor's internal policies relating to confidential communications, or (b) material non-public information with any other person.

"Deferred Interest PIK Bond" means a PIK Bond with respect to which interest thereon has been deferred and capitalized more than once in the last 12 monthly periods, but only until such time as payment of interest on such PIK Bond has resumed and all capitalized or deferred interest has been paid in full in accordance with the underlying documents.

"Deliverable Obligation" means a debt obligation that may be or is delivered to the Issuer upon the occurrence of a "credit event" under a Synthetic Security that would satisfy the Eligibility Criteria; *provided, however*, that the debt obligation need not satisfy clauses (x), (xviii) and (xxii) of the General Eligibility Criteria and clause (ii) of the Interest Only Security Eligibility Criteria and Profile Tests and may be delivered to the Issuer notwithstanding the fact that the delivery of such Collateral Asset may cause the Issuer to fail a Collateral Profile Test.

"Double B Calculation Amount" means the sum of the products of (i) the Principal Balance of each Double B Rated Asset and (ii) 80%.

"Double B Rated Asset" means any Collateral Asset with an Actual Rating or Implied Rating from S&P less than "BBB-" but with an Actual Rating greater than "B+" and with an Actual Rating or Implied Rating from Moody's less than "Baa3" but with an Actual Rating greater than "B1".

"Eligible Bidders" are institutions, which may include affiliates of the Initial Purchasers or the Investment Advisor, or Holders of Notes, whose short term unsecured debt obligations have a rating of at least "P-1" by Moody's and "A-1+" by S&P. If any single bid, or the aggregate amount of multiple bids, does not equal or exceed the Minimum Bid Amount or if there is a failure at settlement, then the redemption of Notes and the Defeasance of the CP Notes on the related Auction Payment Date will not occur and a new Auction will be conducted on the following Auction Payment Date.

"Eligible Depositary" shall be a financial institution organized under the laws of the United States or any state thereof, authorized to accept deposits, having a combined capital and surplus of at least $200,000,000, and having (or if its obligations are guaranteed by its parent company, its parent having), a long term debt rating of at least "Baa1" by Moody's and "BBB+" by S&P and a short term debt rating of "P-1" by Moody's and at least "A-1" by S&P.

"Eligible Investment" means any U.S. Dollar-denominated investment that, at the time it is delivered to the Collateral Agent, is one or more of the following obligations or securities: (i) direct Registered obligations of, and Registered obligations fully 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; (ii) demand and time deposits in, certificates of deposit of, or banker's acceptances issued by, any depository institution or trust company incorporated in the United States or any state thereof, which depository institution or trust company is subject to supervision and examination by federal or state authorities, with a maturity not in excess of 183 days; and with a credit rating by S&P of at least "A-1+" or at least "AA-", as applicable, a credit rating by Moody's of at least "P-1" or at least "Aa3", as applicable, and a credit rating by Fitch of at least "F1+" in the case of a maturity in excess of 30 days, and a credit rating by S&P of at least "A-1", a credit rating from Fitch of at least "F1" and a credit rating by Moody's of at least "P-1" in the case of a maturity of less than 30 days; (iii) repurchase obligations with respect to (a) any security described in clause (i) above or (b) any other security issued or guaranteed by an agency or instrumentality of the United States, entered into with a depository institution or trust company described in clause (ii) above or entered into with a corporation whose long-term senior unsecured rating is at least "A1" by Moody's and "A+" by S&P and whose short-term credit rating is "P-1" by Moody's and "A-1" by S&P at the time of such investment, with a term not in excess of 91 days and whose short-term credit rating is at least "F1" by Fitch with a term of less than 30 days or whose long-term credit rating is at least "AA" by Fitch with a term of more than 30 days but less than 183 days; (iv) 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 at least "Aa3" or "P-1" by Moody's and "A+" or "A-1" by S&P; (v) commercial paper or other short-term obligations of a corporation, partnership, limited liability company or trust, or any branch or agency thereof located in the United States or any of its territories, such commercial paper or other short-term obligations having a credit rating of "P-1" by Moody's, "A-1" by S&P and "F1" by Fitch, and that are Registered and either are interest bearing or are sold at a discount from the face amount thereof and have a maturity of not more than 91 days from their date of issuance in the case of S&P and Moody's and not more than 30 days from their date of issuance in the case of Fitch; and (vi) offshore money market funds which have a credit rating of not less than "Aaa/MR1+" by Moody's and "AAA" or "AAAm" or "AAAm-G" by S&P, *provided however*, that each rating in clauses (iii) through (vi) above by Moody's or S&P shall be an Actual Rating. Eligible Investments shall not include any Mortgage-Backed Security, any inverse floater, any Interest Only Security, any principal only security (other than treasury bills or commercial paper) or any security with a price in excess of par or any security the repayment of which is dependent on substantial non-credit related risk as determined by the Investment Advisor. Each such Eligible Investment shall mature no later than the second Business Day immediately preceding the Payment Date next following the Due Period in which the date of investment occurs, unless such Eligible Investment is issued by the institution acting as Collateral Agent, in which event such Eligible Investment may mature on the Business Day preceding such Payment Date. Eligible Investments may include those investments with respect to which the Collateral Agent, the Trustee, the Investment Advisor or the Initial Purchasers or

an affiliate of the Collateral Agent, the Trustee, the Investment Advisor or the Initial Purchasers provides services. As used in this definition, ratings may not include ratings with an "r" or "t" subscript. Eligible Investments shall not be purchased in excess of 100% of par.

"Excess Assets" means any Collateral Asset so designated by the Investment Advisor to the Issuer and the Trustee at least five days prior to any Determination Date for application on such Determination Date, *provided* that (A) such Collateral Asset has an Actual Rating of not less than "A-" by S&P and not less than "A3" by Moody's and (B) the aggregate outstanding principal amount of the Notes and the CP Notes (less any Defeased CP Notes) is less than or equal to the Aggregate Principal Amount *minus* any Excess Assets.

"Final Payment Date" means a Payment Date with respect to an Optional Redemption, Tax Redemption or redemption due to an Event of Default resulting in acceleration of the Notes and liquidation of the Collateral.

"Fitch Rating" has the meaning ascribed in the Security Agreement.

"Fitch Rating Factor" means, for the purpose of computing the Fitch Weighted Average Rating Factor, with respect to any Collateral Asset or Eligible Investment on any relevant date, the number set forth in the table below opposite the Fitch Rating of such Collateral Asset or Eligible Investment:

Fitch Rating	Fitch Rating Factor	Fitch Rating	Fitch Rating Factor
AAA	0.19	BB+	10.18
AA+	0.57	BB	13.53
AA	0.89	BB-	18.46
AA-	1.15	B+	22.84
A+	1.65	B	27.67
A	1.85	B-	34.98
A-	2.44	CCC+	43.36
BBB+	3.13	CCC	48.52
BBB	3.74		
BBB-	7.26		

"Fitch Recovery Rate" means, with respect to any Collateral Asset on any Measurement Date, an amount equal to the percentage for such Collateral Asset set forth in the Fitch Recovery Rate Matrix attached to the Security Agreement in (x) the applicable table and (y) the row in such table opposite the Fitch Rating of such Collateral Asset as of such Measurement Date (or, in the case of a Defaulted Obligation, the Fitch Rating at the time of default).

"Fitch Recovery Rate Matrix" has the meaning set forth in the Security Agreement.

"Fixed Payment Rate" will equal the fixed rate that the Issuer agrees to pay on the Deemed Floating Asset Hedge at the time such swap is executed.

"Fixed Rate Assets" means the aggregate Principal Balance of Collateral Assets that are Fixed Rate Securities less the aggregate Principal Balance of Deemed Floating Collateral Assets.

"Fixed Rate Security" means any Collateral Asset which is not a Floating Rate Security; *provided* that the Investment Advisor may reclassify any Fixed Rate Security as a Floating Rate Security if such reclassification satisfies the Rating Agency Condition.

"Floating Rate Assets" means the aggregate Principal Balance of Collateral Assets that are Floating Rate Securities less the aggregate Principal Balance of Deemed Fixed Collateral Assets.

"Floating Rate Security" means any Collateral Asset, the interest rate on which resets pursuant to an index after the date of purchase by the Issuer; *provided* that the Investment Advisor may reclassify any Floating Rate Security as a Fixed Rate Security (i) if such reclassification satisfies the Rating Agency Condition or (ii) if it has a related balance guaranteed swap.

"Form-Approved Currency Swap Agreement" means a Currency Swap Agreement which the Issuer may enter into without satisfaction of the Rating Agency Condition in the specific instance because the documentation conforms to a form which has satisfied the Rating Agency Condition as a Form-Approved Currency Swap Agreement for use in this transaction (as certified to the Trustee by the Investment Advisor).

"Form-Approved Hedge Agreement" means a Deemed Fixed Asset Hedge or a Deemed Floating Asset Hedge with respect to which (a) the related Fixed Rate Security or any Floating Rate Security could be purchased by the Issuer without satisfaction of the Rating Agency Condition in the specific instance because the documentation conforms to a form which has satisfied the Rating Agency Condition as a Form-Approved Hedge Agreement for use in this transaction (as certified to the Trustee by the Investment Advisor) and which shall include any Hedge Agreement substantially in the form of the Hedge Agreement in effect on the Closing Date.

"Form-Approved Synthetic Security" means a Synthetic Security (a) the Reference Obligation of which, if it were a Collateral Asset, could be purchased by the Issuer without any required action by the Rating Agencies or which would not cause the Rating Agency Condition to be not satisfied, (b) the documentation of which conforms (but for the amount and timing of periodic payments, the name of the Reference Obligation, the notional amount, the effective date, the termination date and other similarly necessary changes) to a form which has satisfied the Rating Agency Condition as a Form-Approved Synthetic Security for use in this transaction (as certified to the Trustee by the Investment Advisor) and (c) for which the Issuer has provided each Rating Agency with written notice of the purchase of such Synthetic Security at least 5 Business Days prior to such purchase, *provided* that the S&P Recovery Rate or the Moody's Recovery Rate, as applicable, for such Synthetic Security shall be zero until provided by such Rating Agency to the Investment Advisor or the Trustee.

"Forward Expected LIBOR Rate" means with respect to the CP Notes, the forward expected London interbank offered three-month or one-month, as applicable, rate for U.S. dollar deposits, as calculated by the CP Note Placement Agents.

"Gross Fixed Rate Excess" as of any Measurement Date will equal the product of (i) the greater of zero and the excess, if any, of the Weighted Average Coupon for such Measurement Date over the Minimum Weighted Average Coupon for such Measurement Date and (ii) the Aggregate Principal Amount of all Collateral Assets that are Fixed Rate Assets or Deemed Fixed Collateral Assets (excluding all Defaulted Obligations, Deferred Interest PIK Bonds and Excess Assets held by the Issuer). For purposes of reporting, any Gross Fixed Rate Excess necessary to satisfy the Weighted Average Spread Test will be subtracted, in percentage form, from the alternative test so as not to double-count the application of such excess.

"Gross Spread Excess" as of any Measurement Date will equal the product of (i) the greater of zero and the excess, if any, of the Weighted Average Spread for such Measurement Date over the Minimum Weighted Average Spread for such Measurement Date and (ii) the Aggregate Principal Amount of all Collateral Assets that are Floating Rate Assets or Deemed Floating Collateral Assets (excluding all Defaulted Obligations, Deferred Interest PIK Bonds and Excess Assets held by the Issuer). For purposes of reporting, any Gross Spread Excess necessary to satisfy the Weighted Average Coupon Test will be subtracted, in percentage form, from the alternative test so as not to double-count the application of such excess.

"Haircut Asset" means a Collateral Asset that has received an Actual Rating of at least "A-" by S&P or "A3" by Moody's with respect to less than 100% of the Original Actual Balance of such Collateral Asset as such percentage is specified by the Investment Advisor. For purposes of calculating the interest

received or expected to be received on such Collateral Asset, the interest will not exceed the actual interest due times the ratio of the Principal Balance of the Haircut Asset divided by the Current Actual Balance.

"Hedge Collateral" means, any cash, securities or other collateral delivered and/or pledged by a Hedge Counterparty to or for the benefit of the Issuer, including, without limitation, any up-front payment of cash or delivery of securities made by the Hedge Counterparty to satisfy or secure its payment obligations pursuant to the terms of the related Hedge Agreement.

"Hedge Receipt Amount" means, with respect to the Hedge Agreements and any Payment Date, any hedge receipts, including any other amounts so payable in respect of a termination of any Hedge Agreement.

"Holder" with respect to any Note or CP Note shall mean the person in whose name such Note or CP Note is registered, or, for purposes of voting, the granting of consents and other similar determinations under the Trust Deed, the Security Agreement and the Note Agency Agreement, with respect to any Notes in global form, a beneficial owner thereof and with respect to the CP Notes, the Put Counterparty (for so long as the Put Agreement is in effect and no Put Counterparty Default has occurred and is continuing).

"Implied Rating" means, in the case of a rating of a Collateral Asset by a Rating Agency, a rating that is determined by reference to any publicly available, fully monitored rating by another rating agency that, by its terms, addresses the full scope of the payment promise of the obligor, as determined in accordance with the criteria described under "Moody's Rating", "S&P Rating" and "Fitch Rating". As used in this definition, ratings may not include ratings with an "r" or "t" subscript or any other qualifiers.

"Insured Securities" means securities (other than RMBS Agency Securities) which have the benefit of a financial guarantee insurance policy, or surety bond or corporate guarantee insuring or guaranteeing the timely payment of interest (if rated "AA-" or higher) or the ultimate payment of interest (if rated "A+," "A" or "A-") and the ultimate payment of principal.

"Interest Only Security" means any security that does not provide for the payment of principal.

"Internal Rate of Return" means, with respect to each Payment Date, the rate of return that would result in a net present value of zero, assuming (i) an aggregate purchase price of par for the Class D Notes as the initial negative cash flow on the Closing Date and all distributions to the Class D Notes on such Payment Date and each preceding Payment Date as positive cash flows, (ii) the Closing Date as the initial date of calculation and (iii) the number of days to each subsequent Payment Date from the Closing Date being calculated on the basis of a 360-day year consisting of twelve 30-day months. Such Internal Rate of Return shall be calculated on a corporate bond equivalent basis for the Class D Notes. The purchase price of the Class D Notes for purposes of calculating its Internal Rate of Return will be adjusted to reflect any additional issuance of Class D Notes following the Closing Date.

"Investment Advisor Fee" means, collectively, the Base Investment Advisor Fee and the Incentive Investment Advisor Fee.

"Issue" of a Collateral Asset means any such Collateral Asset issued by the same issuer, having the same terms and conditions (as to, among other things, coupon, maturity, security and subordination) and otherwise being fungible with one another.

"Issuer Administrator" means Maples Finance Limited or such other administrator appointed to administer the Issuer from time to time under the Administration Agreement.

"LIBOR CP Note Interest Amount" means, on any Payment Date, with respect to any LIBOR CP Notes (if outstanding), the amount of interest payable in respect of each $1,000 in principal amount of such LIBOR CP Notes (rounded to the nearest cent, with half a cent being rounded upward) on such Payment Date.

"LIBOR CP Note Interest Rate" means the interest rate payable on the LIBOR CP Notes, commencing on their date of issuance, with respect to each Interest Accrual Period and equal to a per annum rate equal to LIBOR (or, for a designated maturity of less than one month, the linear interpolation thereof) for such Interest Accrual Period.

"LIBOR CP Notes" means CP Notes issued with LIBOR based interest payments payable on each Payment Date and maturing on the applicable Payment Dates.

"Liquidation Proceeds" with respect to any Optional Redemption or Tax Redemption include, without duplication, (i) all Sale Proceeds from Collateral Assets sold in connection with such redemption, (ii) the aggregate amount received by the Issuer on or prior to the Business Day immediately preceding the relevant Payment Date from the termination of any Hedge Agreement in connection with such redemption and (iii) cash and Eligible Investments on deposit in the Accounts, to the extent available therefor, including any amounts designated by the Investment Advisor as retained for reinvestment (and also including any payments received under any Hedge Agreements on or prior to the day preceding the Payment Date, in each case as determined by the Investment Advisor.

"Majority" means (a) with respect to any Class or Classes of Notes, the Holders of more than 50% of the aggregate outstanding principal amount of such Class or Classes of Notes and (b) with respect to the CP Notes, the Put Counterparty (for so long as the Put Agreement is in effect and no Put Counterparty Default has occurred and is continuing) voting in the amount of the then outstanding aggregate face amount of the CP Notes.

"Margin Stock" means any asset that constitutes "margin stock" as defined in Regulation U issued by the Board of Governors of the Federal Reserve System; *provided* that "Margin Stock" shall not include any equity security received pursuant to an offer by an issuer of a Defaulted Obligation.

"Market Value" means, on any date of determination, with respect to any Collateral Assets and/or Eligible Investments, (i) the average of three bona fide bids for such Collateral Asset or Eligible Investment obtained by the Investment Advisor at such time from any three nationally recognized dealers, which dealers are independent from one another and from the Investment Advisor, or (ii) if the Investment Advisor is unable to obtain three such bids, the lesser of two bona fide bids for such Collateral Asset or Eligible Investment obtained by the Investment Advisor at such time from any two nationally recognized dealers acceptable to the Investment Advisor, which dealers are independent from one another and from the Investment Advisor, or (iii) in the event the Investment Advisor is unable to obtain two such bids, the price on such date provided to the Investment Advisor by an independent pricing service selected by the Investment Advisor, or (iv) in the event the Investment Advisor cannot determine the market value of such Collateral Asset or Eligible Investment using efforts to apply the methods specified in clauses (i) through (iii) above, as determined by the Investment Advisor.

"Maximum Put Option Strike Rate" means a rate equal to LIBOR for a designated maturity of discount CP Notes of applicable maturity *plus* 0.165% per annum and a rate of LIBOR (or, for a designated maturity of less than one month, the linear interpolation thereof) for a designated maturity of LIBOR CP Notes of applicable maturity *plus* 0.115%.

"Measurement Date" means any of the following: (i) the Closing Date; (ii) any date upon which a sale, purchase or substitution of Collateral Assets (giving effect to such sale, purchase or substitution) occurs; (iii) each Determination Date; (iv) any date the Collateral Asset becomes a Defaulted Obligation; and (v) with reasonable notice to the Issuer, any other Business Day that any Rating Agency or the

Holders of at least a SupraMajority 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 first following day that is a Business Day.

"Minimum Bid Amount" is an amount equal to (x) the sum of (a) the Auction Redemption Prices for all the Notes and the CP Notes, (b) any amount payable to all Hedge Counterparties in connection with the termination of the Hedge Agreements, less any amounts to be received from all Hedge Counterparties in connection with the termination of the Hedge Agreements, (c) any amount payable to the Put Counterparty and the CP Note Placement Agents in connection with the termination of the Put Agreement and the CP Placement Agreements, (d) any accrued and unpaid Base Investment Advisor Fee payable on the related Auction Payment Date, after giving effect to all other payments to be made on such Auction Payment Date in accordance with the Priority of Payments, (e) any amount payable as the Incentive Investment Advisor Fee pursuant to the Priority of Payments and (f) 105% of all other unpaid fees and expenses of the Issuer, including all expenses reasonably expected to be incurred by the Issuer through the related Auction Payment Date *less* (y) the sum of all other amounts on deposit in the Accounts which may be used to redeem the Notes, to redeem and Defease the LIBOR CP Notes and to Defease the other CP Notes. The Minimum Bid Amount does not include any amounts for the payment of additional distributions to the Holders of the Subordinated Notes.

"Minimum Class A Adjusted Overcollateralization" means that, as of any Measurement Date, the Net Outstanding Portfolio Collateral Balance on such Measurement Date less the Aggregate Outstanding Amount of the Class A Notes and the CP Notes (after giving effect to amounts on deposit in the CP Principal Reserve Account to Defease CP Notes) is not less than U.S.$40,000,000.

"Minimum Class B Adjusted Overcollateralization" means that, as of any Measurement Date, the Net Outstanding Portfolio Collateral Balance on such Measurement Date less the Aggregate Outstanding Amount of the Class A Notes, the CP Notes (after giving effect to amounts on deposit in the CP Principal Reserve Account to Defease CP Notes) and the Class B Notes is not less than U.S.$30,000,000.

"Monthly Asset Amount" means, with respect to any Payment Date, the Aggregate Principal Amount on the first day of the related Due Period.

"Moody's Expected Loss Rate" means, with respect to any Collateral Asset, the percentage set forth in Appendix F, based upon (i) the lower of the Actual Ratings (without giving effect to any "notched" ratings) assigned to such Collateral Asset by either Moody's or S&P and (ii) the remaining expected average life of such Collateral Asset as determined by the Investment Advisor at least once a year for the purposes of this calculation.

"Moody's Recovery Rate" means, with respect to a Collateral Asset that is not a Corporate Security, an amount equal to the percentage for such Collateral Asset set forth in the recovery rate assumptions for Moody's attached as Part I of Schedule A to the Security Agreement, as partially reproduced in Appendix D hereto, in (x) the table corresponding to the relevant classification of such Collateral Asset, (y) the column in such table setting forth the Moody's Rating of such Collateral Asset as of the date on which such Collateral Asset was originally issued and (z) the row in such table opposite the percentage of the Issue of which such Collateral Asset 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 Asset determined on the date on which such Collateral Asset was obtained in accordance with Part I of Schedule A to the Security Agreement; *provided, however,* that (A) Defaulted Obligations which exceed 2.5% of the Aggregate Principal Amount and have been defaulted for more than one year will be deemed to have a Moody's Recovery Rate of 0%, (B) Defaulted Obligations which exceed 1.00% of the Aggregate Principal Amount and have been defaulted for more than 2 years shall be deemed to have a Moody's Recovery Rate of 0%; and (C) Defaulted Obligations which have been defaulted for more than 3 years shall be deemed to have a Moody's Recovery Rate of 0%; *provided, further,* that the foregoing limits on the percentage of the Aggregate Principal Amount which may consist of Defaulted Obligations, shall not include any Haircut Assets that are Defaulted Obligations and which are current in interest payments due on the related Principal Balance of the Haircut Asset assuming a full interest payment on the underlying Collateral Asset.

"Mortgage-Backed Securities" means any Residential Mortgage-Backed Securities or Commercial Mortgage-Backed Securities.

"Necessary Fixed Crossover Amount" means an amount equal to (x) if (i) the sum of (a) a number obtained by summing the products obtained by multiplying (1) the Current Interest Rate on each Collateral Asset that is a Fixed Rate Asset or Deemed Fixed Collateral Asset (excluding all Defaulted Obligations, Deferred Interest PIK Bonds and Interest Only Securities) by (2) the Principal Balance of each such Collateral Asset *plus* (b) the number obtained by summing the payment in such period applicable to any interest rate cap and the annualized Applicable Amount for Interest Only Securities divided by (ii) the aggregate Principal Balance of all Collateral Assets that are Fixed Rate Assets or Deemed Fixed Collateral Assets (excluding Defaulted Obligations, Deferred Interest PIK Bonds, Interest Only Securities and Excess Assets), is less than the Minimum Weighted Average Coupon for such Measurement Date, the lesser of (I) the Gross Spread Excess, if any, as of such Measurement Date and (II) an amount, if added to clauses (a) and (b) and then divided by (ii) would equal the Minimum Weighted Average Coupon, or (y) otherwise, zero.

"Necessary Spread Crossover Amount" means an amount equal to (x) if (a) a number obtained by summing the products obtained by multiplying (1) the Spread on each Collateral Asset that is a Floating Rate Asset or a Deemed Floating Collateral Asset (other than a Defaulted Obligation and a Deferred Interest PIK Bond) as of such date by (2) the Principal Balance of each such Collateral Asset divided by (b) the aggregate Principal Balance of all Collateral Assets that are Floating Rate Assets or Deemed Floating Collateral Assets (excluding Defaulted Obligations and Deferred Interest PIK Bonds), is less than the Minimum Weighted Average Spread for such Measurement Date, the lesser of (i) the Gross Fixed Rate Excess, if any, as of such Measurement Date and (ii) an amount, if added to clause (a) and then divided by (b) would equal the Minimum Weighted Average Spread, or (y) otherwise, zero.

"Net Outstanding Portfolio Collateral Balance" means, on any Measurement Date, an amount equal to (i) the aggregate Principal Balance on such Measurement Date of all Collateral Assets, *plus* (ii), the aggregate Principal Balance of all Principal Proceeds held as cash and Eligible Investments purchased with Principal Proceeds, *plus* accrued and unpaid interest purchased with Principal Proceeds, *minus* (iii) the aggregate Principal Balance on such Measurement Date of all Collateral Assets that are (A) Defaulted Obligations, (B) Deferred Interest PIK Bonds, (C) Double B Rated Assets, (D) Single B Rated Assets and (E) Triple C Rated Assets, *plus* (iv) the Aggregate Calculation Amount of Defaulted Obligations and Deferred Interest PIK Bonds, the Double B Calculation Amount, the Single B Calculation Amount and the Triple C Calculation Amount, *minus* (v) the aggregate of the products of (a) the Principal Balance of each Collateral Asset other than a Defaulted Obligation, Deferred Interest PIK Bond, Double B Rated Asset, Single B Rated Asset or Triple C Rated Asset that is expected to be paid after the Stated Maturity of the Class C Notes and (b) one *minus* the Applicable Recovery Rate for such Collateral Asset, *minus* (vi) any appraisal reductions applicable to any class of CMBS (other than any CMBS which are Defaulted Obligations) held by the Issuer to the extent such appraisal reduction is intended to reduce the interest payable to such Collateral Asset and only in proportion to such interest reduction *minus* (vii) any portion of the Principal Balance of a Collateral Asset which is comprised of principal carryforward amounts, *minus* (viii) the greater of (x) zero and (y) the sum of the products of (i) the outstanding principal amount of any Non-U.S. Dollar Denominated Asset *less* the notional balance of the applicable Currency Swap Agreement for such Non-U.S. Dollar Denominated Asset and (ii) the mark-to-market value, as determined by the Investment Advisor (to the Issuer, expressed in a positive or negative term) of the related Currency Swap Agreement divided by the notional balance of the Currency Swap Agreement. If a Currency Swap Agreement has terminated or matured it shall be assumed that for purposes of calculating the amount described in clause (viii)(y)(ii) hereof, that a currency swap agreement exists with the same terms as the original currency swap agreement and that such assumed currency swap agreement has a notional balance equal to the notional balance of the related Non-U.S. Dollar Denominated Assets and the same remaining expected amortization and maturity of such Non-U.S. Dollar Denominated Assets at the time of calculation.

"Non-Permitted Affiliate" means any affiliate of the Investment Advisor that is The TCW Group, Inc. or any of its direct or indirect subsidiaries.

"Non-U.S. Dollar Denominated Asset" means a Collateral Asset payable in British Sterling, Canadian Dollars, Euros or Japanese Yen.

"Non-U.S. Securities" means securities that (a) represent obligations outside of the United States or (b) are issued outside of the United States by issuers other than issuers organized under the laws of a commonly used domicile for a structured product transaction; and (c) are obligations of, or issued out of, a G7 country.

"Noteholder" with respect to any Note or CP Note shall mean the person in whose name such Note or CP Note is registered, or, for purposes of voting, the granting of consents and other similar determinations under the Trust Deed, the Security Agreement and the Note Agency Agreement, with respect to any Notes in global form, a beneficial owner thereof and with respect to the CP Notes, the Put Counterparty (for so long as the Put Agreement is in effect and no Put Counterparty Default has occurred and is continuing).

"Notional Amount" means an amount equal to $1,000,000,000, *minus* the aggregate original principal amount of all Class A-1LT-b Notes issued since the Closing Date, *minus* the sum of all amounts deposited to the CP Principal Reserve Account since the Closing Date.

"Obligor" means, with respect to any Collateral Asset, the entity or company that issued the asset. A unique Obligor represents all assets backed by a unique pool of underlying collateral.

"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.

"Optional Redemption Price" means (i) with respect to the Class A-1LT-a Notes, an amount equal to the outstanding principal amount of the Class A-1LT-a Notes *plus* accrued and unpaid interest thereon at the applicable Class A-1LT-a Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Redemption Date, (ii) with respect to the Class A-1LT-b Notes, an amount equal to the outstanding principal amount of the Class A-1LT-b-1 Notes *plus* accrued and unpaid interest thereon at the Class A-1LT-b-1 Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) and an amount equal to the outstanding principal amount of the Class A-1LT-b-2 Notes *plus* accrued and unpaid interest thereon at the Class A-1LT-b-2 Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest), to but excluding the Auction Payment Date, (iii) with respect to the Class A-2 Notes, an amount equal to the outstanding principal amount of the Class A-2 Notes *plus* accrued and unpaid interest thereon at the Class A-2 Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Redemption Date, (iv) with respect to the Class B Notes, an amount equal to the outstanding principal amount of the Class B Notes *plus* accrued and unpaid interest thereon at the Class B Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Redemption Date, (v) with respect to the Class C Notes if the Redemption Date is prior to the Payment Date in November 2014, an amount equal to the greater of (a) the outstanding principal amount of the Class C Notes *plus* any accrued and unpaid Class C Priority Payment (including any unpaid Class C interest) and (b) the Rated Principal Amount of the Class C Notes *plus* accrued and unpaid interest thereon at the Class C Note Interest Rate (including Class C Deferred Interest) to but excluding the Redemption Date, and if the Redemption Date is on or after the Payment Date in November 2014, an amount equal to the Rated Principal Amount of the Class C Notes *plus* accrued and unpaid interest thereon at the Class C Note Interest Rate as of the Redemption Date, (vi) with respect to the Class D Notes, if the Holders of the Class C Notes direct the Optional Redemption and the Redemption Date is prior to the Payment Date in November 2014, an amount that would cause the Internal Rate of Return of the Class D Notes to equal 12% (*provided* that for purposes of calculating such Internal Rate of Return, the Incentive Investment Advisor Fee will be considered to be included in the amounts payable to the Holders of the Class D Notes), and with respect to all other redemptions, an

amount equal to the Rated Principal Amount of the Class D Notes and (vii) with respect to the CP Notes (other than the LIBOR CP Notes) to be Defeased, the amount payable to the CP Issuing and Paying Agent for payment to the Holders thereof on the applicable date on which such CP Notes mature in accordance with their terms, *plus* with respect to any LIBOR CP Notes to be redeemed and Defeased, the outstanding principal amount of the LIBOR CP Notes and accrued and unpaid interest thereon at the LIBOR CP Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Redemption Date.

"Original Actual Balance" means the outstanding principal balance of any Collateral Asset at the time of purchase by the Issuer (without application of any haircut or reduction in balance) less any capitalized or deferred interest included in such balance.

"Original Haircut" equals 100% *minus* the highest percentage of the Original Actual Balance that was rated or shadow rated by any Rating Agency.

"Original Issuance Amount" means, with respect to any Collateral Asset, such Collateral Asset together with all other classes or tranches of obligations issued or incurred by the issuer as part of the initial issuance of such Collateral Asset (or authorized for issuance if such Collateral Asset is issued under a shelf registration statement or medium-term note program).

"Permitted Offer" means an offer (i) pursuant to the terms of which the offeror offers to acquire a debt obligation (including a Collateral Asset) in exchange for consideration consisting solely of cash in an amount equal to or greater than the full face amount of such debt obligation *plus* any accrued and unpaid interest and (ii) as to which the Investment Advisor has determined in its judgment that the offeror has sufficient access to financing to consummate the offer.

"PIK Bond" means (i) a CDO Security satisfying the Eligibility Criteria on which the deferral of interest does not constitute an event of default pursuant to the terms of the related Underlying Instruments (while any other senior debt obligation is outstanding if so provided by the indenture or other Underlying Instruments) or (ii) a Collateral Asset as to which the payment amounts reset less frequently than the interest rate.

"Principal Balance" means, with respect to any Collateral Asset or Eligible Investment, as of any date of determination, the outstanding principal amount of such Collateral Asset or Eligible Investment; subject to the following exceptions: (i) the Principal Balance of any Synthetic Security in the form of a derivative contract (or, if the Issuer paid such notional amount to the Synthetic Security Counterparty when it entered into the Synthetic Security, the aggregate amount of the repayment obligations of the Synthetic Security Counterparty payable to the Issuer through the maturity of such Synthetic Security) will be the notional amount of such Synthetic Security and any Synthetic Security in the form of a note will be equal to the principal amount of the Synthetic Security; (ii) the Principal Balance of a Collateral Asset received upon acceptance of an offer to exchange a Defaulted Obligation for such Collateral Asset shall be deemed to be the lower of (a) the amount equal to the Applicable Recovery Rate times the outstanding principal amount and (b) the Market Value of such Collateral Asset until such time as Proceeds are first received when due with respect to such Collateral Asset; (iii) the Principal Balance of each Defaulted Obligation and Deferred Interest PIK Bond shall be deemed to be zero except (A) for purposes of (1) the Calculation Amount, the Principal Balance of a Defaulted Obligation or a Deferred Interest PIK Bond shall be its outstanding principal amount without giving effect to any deferred or capitalized interest, (2) any Collateral Profile Tests, the Principal Balance of Defaulted Obligations and Deferred Interest PIK Bonds shall equal the outstanding amount of each such Collateral Asset and (3) any Collateral Quality Tests, the Principal Balance of Defaulted Obligations and Deferred Interest PIK Bonds shall be determined by reference to each such Collateral Quality Test, (B) for purposes of determining whether an Event of Default described in clause (vi) of the definition thereof has occurred, Defaulted Obligations and Deferred Interest PIK Bonds shall be included at the outstanding amount of such securities, (C) for purposes of calculating any trustee fees and the Investment Advisor Fee, the Principal Balance of each Defaulted Obligation and each Deferred Interest PIK Bond shall equal the

Applicable Recovery Rate for each such Defaulted Obligation or Deferred Interest PIK Bond and (D), as otherwise expressly indicated; (iv) as of any date of determination, the Principal Balance of any Step-Up Bonds shall be deemed to be the accreted value of such Step-Up Bonds on such date of determination (but such amount shall not be greater than par); (v) the Principal Balance of any cash shall be the amount of such cash, but any cash posted by a Securities Lending Counterparty pursuant to a Securities Lending Agreement shall have a Principal Balance of zero; (vi) the Principal Balance of any Collateral Assets and any Eligible Investments in which the Collateral Agent does not have a perfected security interest shall be deemed to be zero (other than Collateral Assets loaned to a Securities Lending Counterparty; *provided* no default has occurred under the related Securities Lending Agreement); (vii) the Principal Balance of any Collateral Asset that is an equity security or an Interest Only Security shall be deemed to be zero; (viii) the Principal Balance of a PIK Bond that is currently deferring interest or has deferred and capitalized interest that is currently unpaid shall be calculated without regard to any such deferred and capitalized interest; (ix) the Principal Balance of any Default Swap Collateral shall be deemed to be zero as long as the related Synthetic Security is outstanding; (x) the Principal Balance of a Non-U.S. Dollar Denominated Asset shall equal the product of the outstanding principal balance of such Collateral Asset and the applicable exchange rate set forth in the applicable Currency Swap Agreement and (xi) the Principal Balance of any Haircut Asset will equal the greater of (a) zero and (b)(i) the Current Actual Balance of such Haircut Asset *minus* (ii) the product of the Original Actual Balance of such Haircut Asset and the Original Haircut.

"Principal Proceeds" means, with respect to any Due Period, the sum (without duplication) of: (i) the net proceeds from the sale of Notes (including any net proceeds from any subsequent issuance of Notes); (ii) all payments of principal on the Collateral Assets and Eligible Investments received in cash by the Issuer during such Due Period, including principal payments received on any Default Swap Collateral if the related Synthetic Security has terminated and the Issuer has no further payment obligations thereunder, prepayments or mandatory sinking fund payments, or payments in respect of optional redemptions, exchange offers, tender offers, (other than payments of principal of Eligible Investments acquired with Proceeds other than Principal Proceeds), Unscheduled Principal Payments and recoveries on Defaulted Obligations; (iii) all payments of interest on the Collateral Assets and Eligible Investments received in cash by the Issuer during such Due Period to the extent such payments constitute proceeds from accrued interest purchased with Principal Proceeds (subject to the proviso below); (iv) Sale Proceeds received by the Issuer during such Due Period (excluding accrued interest on sold or disposed of Collateral Assets or Eligible Investments other than accrued interest that was purchased with Principal Proceeds (subject to the proviso below)) including any proceeds from the sale of any interest rate caps; (v) all interest, amendment, waiver, late payment fees, restructuring and other fees and commissions collected in cash during the related Due Period in respect of Defaulted Obligations; (vi) any proceeds resulting from the termination, replacement, partial reduction or liquidation of any Hedge Agreement, to the extent such proceeds exceed the cost of entering into a replacement Hedge Agreement; (vii) all payments received in cash by the Issuer during such Due Period that represent call, prepayment or redemption premiums (including prepayment premiums on Interest Only Securities unless such Interest Only Security at the time of purchase by the Issuer was collateralized by more than 50 loans), if prior to the end of the Reinvestment Period; (viii) after the payment by the CP Issuing and Paying Agent of all amounts due on CP Notes maturing since the immediately preceding Payment Date, any amounts remaining on deposit in the CP Principal Reserve Account on the related Payment Date, (ix) after the Reinvestment Period, with respect to any Collateral Asset, any prepayment premiums (including prepayment premiums on Interest Only Securities unless such Interest Only Security at the time of purchase by the Issuer was collateralized by more than 50 loans), received but not in excess of the purchase premium paid thereon; and (x) after the Closing Date, the amount equal to the excess, if any, of (a) the par amount of Collateral Assets sold, principal payments and any recoveries on Defaulted Obligations in such Due Period *minus* the discount to par realized from the sale of Credit Risk Obligations and Defaulted Obligations and the discount to par realized on any recoveries on Defaulted Obligations in such Due Period over (b) the Principal Balance of Collateral Assets purchased in such Due Period and Eligible Investments acquired with Principal Proceeds in such Due Period which remain outstanding on the related Determination Date for such Due Period *(provided, however,* that the sum of (i) the excess of the aggregate of all prior Payment Dates of the amounts described in sub-clause (b) of this clause (x) and (ii) the excess of the Aggregate Principal Amount on the Closing Date over $1,500,000,000 over the

aggregate for all prior Payment Dates of the amounts described in sub-clause (a) of this clause (x) will be applied to reduce the excess of amounts described in sub-clause (a) over amounts described in sub-clause (b) of this clause (x) to, but not less than zero; *provided, however*, that with respect to a Collateral Asset purchased on the Closing Date, the Investment Advisor may elect, in its sole discretion, to exclude from Principal Proceeds all or any portion of interest received with respect to such Collateral Asset (whether as an interest payment actually received by the Issuer or as a portion of Sale Proceeds representing accrued but unpaid interest that would otherwise be included in Principal Proceeds). For avoidance of doubt, with respect to a Collateral Asset, Principal Proceeds (i) will include (a) the interest payment actually received on the first payment date of such Collateral Asset occurring after the date of acquisition by the Issuer, but only to the extent such interest payment represents accrued interest outstanding on such Collateral Asset at the time it was acquired, and (b) if such Collateral Asset is sold prior to the first payment date of such Collateral Asset occurring after the date of acquisition by the Issuer, that portion of the Sale Proceeds representing compensation to the Issuer for accrued but unpaid interest on such sold Collateral Asset, but only to the extent that such amount represents accrued interest outstanding on such Collateral Asset at the time it was acquired by the Issuer; and (ii) will not include (a) any interest payment actually received with respect to such Collateral Asset on any payment date of such Collateral Asset other than the first payment date of such Collateral Asset occurring after the date of acquisition by the Issuer, and (b) if such Collateral Asset is sold after the first payment date of such Collateral Asset occurring after the date of acquisition by the Issuer, any portion of the Sale Proceeds representing compensation to the Issuer for accrued but unpaid interest.

"Proceeds" means, with respect to any Due Period, without duplication, all amounts received by the Trustee with respect to the Collateral Assets (excluding amounts received on any related Synthetic Security in Collateral for so long as the related Synthetic Security remains outstanding unless otherwise provided in the related Synthetic Security and excluding any payments of interest on Collateral Assets subject to the Cash Flow Swap Agreement), all amounts received as amendment, waiver, late payment fees and commissions collected during the Due Period on Collateral Assets, all amounts received with respect to Eligible Investments in the Accounts and the Expense Reserve Account and all amounts received under any Hedge Agreements relating to the Due Period, including Principal Proceeds.

"Proposed Portfolio" means the portfolio (measured by Principal Balance) of Collateral Assets and Principal Proceeds held as cash and Eligible Investments purchased with Principal Proceeds, on any Measurement Date, resulting from the sale, maturity or other disposition of a Collateral Asset or a proposed acquisition of a Collateral Asset, as the case may be.

"Put Collateral Account" means any cash, securities or other collateral delivered and/or pledged by the Put Counterparty to or for the benefit of the Issuer.

"Put Counterparty Default" means the occurrence of any of the following events:

(i) the Put Counterparty fails to make a payment required under the Put Agreement in accordance with its terms (beyond any applicable grace or notice periods);

(ii) the Put Counterparty (a) files any petition or commences any case or proceeding under any provision or chapter of the United States Bankruptcy Code or any other similar foreign, federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization, (b) makes a general assignment for the benefit of its creditors or (c) has an order for relief entered against it under the United States Bankruptcy Code or any other similar foreign, federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization which is final and nonappealable; or

(iii) a court of competent jurisdiction or other competent regulatory authority enters a final and nonappealable order, judgment or decree (a) appointing a custodian, trustee, agent or receiver for the Put Counterparty or for all or any material portion of its property or (b) authorizing the taking of possession by a custodian, trustee, agent or receiver of the Put Counterparty (or the taking of possession of all or any material portion of the property of the Put Counterparty).

"Put Premium" means, with respect to the CP Notes, an amount equal to the product of the Put Premium Rate applicable to the CP Notes and the sum of the aggregate outstanding principal amount of the LIBOR CP Notes and the CP Face Amount of the other CP Notes, calculated on the basis of actual days elapsed in a year of 360 days.

"Put Premium Rate" means, with respect to the CP Notes, 0.095% per annum to November 2008 Payment Date and 0.215% per annum thereafter.

"Qualifying Foreign Obligor" means a corporation, partnership or other entity located in Australia, Canada, France, Germany, Ireland, Japan, New Zealand, Sweden, Switzerland or the United Kingdom, so long as the unguaranteed, unsecured and otherwise unsupported long term U.S. Dollar-denominated sovereign debt obligations of such country have Actual Ratings assigned to it equal to or better than "Aa2" by Moody's and "AA-" by S&P.

"Rating Agency Condition" means, with respect to any action taken or to be taken under the Transaction Documents, a condition that is satisfied when each of Moody's, S&P and Fitch, unless expressly required otherwise by the Transaction Documents, have confirmed in writing to the Issuer, the Trustee and the Investment Advisor that such action will not result in the immediate withdrawal, reduction or other adverse action with respect to any then-current short-term or long-term rating (including any private or confidential rating) of the Class A Notes or the Class B Notes by such Rating Agency and will not result in the immediate withdrawal or reduction by more than one subcategory of the then-current rating (including any private or confidential rating) of the long-term ratings of the Class C Notes by Moody's and Fitch and the Class D Notes by Moody's, *provided* that for purposes of satisfying the Rating Agency Condition, the Class C Notes and the Class D Notes will no longer be considered outstanding after payment in full of the Rated Principal Amount of the Class C Notes and the Rated Principal Amount of the Class D Notes, respectively. As specified in the Transaction Documents, the Rating Agency Condition may apply only with respect to a particular Rating Agency, and Holders of a Class of Notes may waive satisfaction of the Rating Agency Condition with respect to their Class of Notes and if the Rating Agency Condition is so waived by the Notes, the Rating Agencies will still be given notice.

"Reference Obligation" means a Residential Mortgage Backed Security, Commercial Mortgage Backed Security, CDO Security, REIT Debt Security, Asset Backed Security or Insured Security upon which a Synthetic Security is based and that satisfies the criteria set forth in the definition of Synthetic Security.

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

"Registered" means, with respect to any debt obligation or debt security, a debt obligation or debt security that is issued after July 18, 1984, and that is in registered form within the meaning of Section 881(c)(2)(B)(i) of the Code and the Treasury regulations promulgated thereunder.

"Reinvestment Period" means the period from the Closing Date and ending on the first to occur of (i) the end of the Due Period related to the Payment Date in November 2008, (ii) the occurrence of an Event of Default resulting in acceleration of the Notes and the LIBOR CP Notes, (iii) the date on which the Investment Advisor notifies the Trustee in writing that the Reinvestment Period should terminate because investments in additional Collateral Assets within the foreseeable future would either be impractical or not beneficial and (iv) the Class A/B Overcollateralization Ratio is less than 102.4% as of any Measurement Date.

"REIT Debt Security" means a security issued by publicly held real estate investment trusts (as defined in Section 856 of the Code or any successor provision).

"REIT Hotel and Leisure Debt Security" means a REIT Debt Security issued by publicly held real estate investment trusts (as defined in Section 856 of the Code or any successor provision) that invest primarily in hotels and other lodging properties, golf courses and resorts.

"Residential Mortgage-Backed Securities" or "RMBS Securities" means securities that represent interests in pools of residential mortgage loans secured by 1- to 4-family residential real estate in the judgment of the Investment Advisor and shall include, without limitation, RMBS Residential A Mortgage Securities, RMBS Residential B/C Mortgage Securities, RMBS Manufactured Housing Loan Securities, RMBS Home Equity Loan Securities and RMBS Agency Securities.

"RMBS Agency Security" means a security issued and fully and unconditionally guaranteed by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or the Government National Mortgage Association.

"RMBS Home Equity Loan Securities" means Residential Mortgage-Backed Securities (other than RMBS Residential B/C Mortgage Securities and RMBS Residential A 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 such Residential Mortgage-Backed Securities) on the cash flow from balances (including revolving balances) outstanding under lines of credit secured by a first and/or subordinate lien on 1- to 4- family residential real estate, the proceeds of which 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).

"RMBS Manufactured Housing Loan Securities" means Residential Mortgage-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 such Residential Mortgage-Backed Securities) on the cash flow from manufactured housing (also known as mobile homes and prefabricated homes) installment sales contracts and installment loan agreements.

"RMBS Residential A Mortgage Securities" means Residential Mortgage-Backed Securities (other than RMBS Residential B/C Mortgage Securities and RMBS Home Equity 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 such Residential Mortgage-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 1- to 4- family residential real estate, the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used).

"RMBS Residential B/C Mortgage Securities" means Residential Mortgage-Backed Securities (other than RMBS Residential A Mortgage Securities and RMBS Home Equity 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 such Residential Mortgage-Backed Securities) on the cash flow from subprime residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by 1- to 4- family residential real estate, the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used).

"S&P Recovery Rate" means, with respect to a Collateral Asset on any Measurement Date, an amount equal to the percentage for such Collateral Asset set forth in the S&P Recovery Rate Matrix attached as Part II of Schedule A to the Security Agreement, as partially reproduced in Appendix D hereto, in (x) the applicable table set forth therein and (y) the row in such table opposite the S&P Rating (determined in accordance with procedures prescribed by S&P for such Collateral Asset on the date of its purchase by the Issuer or, in the case of a Defaulted Obligation, the S&P Rating immediately prior to default).

"Sale Proceeds" means all amounts representing Proceeds (including accrued interest) from the sale or other disposition of any Collateral Asset or Eligible Investment received during such Due Period (other than proceeds from the sale or other disposition of any Defaulted Obligation), net of any reasonable amounts expended by the Investment Advisor or the Trustee in connection with such sale or other disposition.

"Servicer" means, with respect to any CMBS Security, RMBS Security or ABS Security, the entity that, absent any default, event of default or similar condition (however described), is primarily responsible for monitoring and otherwise administering the cashflows from which payments to investors in such Collateral Assets are made. To the degree that multiple entities are a party to this responsibility for a given Collateral Asset, the Servicer will be deemed to be the entity most directly involved in maximizing the cashflow of the assets through the management and resolution of delinquent and defaulted assets.

"Share Trustee" means Maples Finance Limited, a licensed trust company incorporated in the Cayman Islands that holds the Issuer Ordinary Shares and all of the outstanding common equity of the Co-Issuer pursuant to the terms of a charitable trust.

"Single B Calculation Amount" means the sum of the products of (i) the Principal Balance of each Single B Rated Asset and (ii) 60%.

"Single B Rated Asset" means any Collateral Asset (other than a Triple C Rated Asset) with an Actual Rating from S&P less than "BB-" or with an Actual Rating from Moody's less than "Ba3".

"Spread" of a Collateral Asset that is a Floating Rate Asset or a Deemed Floating Collateral Asset, as of any Measurement Date, will equal any of (i) if such security is a LIBOR based (but not limited to one-month LIBOR) Floating Rate Asset, the stated margin at which interest accrues on such Floating Rate Asset, (ii) if such security is a Floating Rate Asset that bears interest based on a non-LIBOR based floating rate index, the stated spread shall be deemed to be the greater of (a) zero and (b) the then-current base rate applicable to such Floating Rate Asset *plus* the rate at which such Floating Rate Asset pays interest in excess of such base rate *minus* LIBOR for the applicable period, or (iii) if such security is a Deemed Floating Collateral Asset, the Weighted Average Deemed Floating Rate *minus* the Weighted Average Fixed Payment Rate.

"Stated Maturity" means, (i) with respect to any Notes, the Payment Date in November 2039 and (ii) with respect to any CP Notes, the maturity date of up to nine months from the date of their issuance, set according to the terms of the CP Notes and subject to the terms of the Trust Deed; *provided* that the Stated Maturity of the CP Notes can be extended by as many as two Business Days as set forth in the Trust Deed.

"Statistical Loss Amount" means, as of any Measurement Date, the sum of, for each Collateral Asset, the product of (i) the Principal Balance of such Collateral Asset and (ii) the Moody's Expected Loss Rate for such Collateral Asset. For purposes of the calculation of the Statistical Loss Amount on any Measurement Date, Defaulted Obligations, Double B Rated Assets, Single B Rated Assets and Triple C Rated Assets and for any Collateral Asset expected to be paid in full after the November 2039 Payment Date, excluding the principal amount thereof expected to be paid after such Payment Date.

"Step-Down Bond" means a security which by the terms of the related Underlying Instrument provides for a decrease, in the case of a fixed rate security, in the per annum interest rate on such security or, in the case of a floating rate security, in the spread over the applicable index or benchmark rate, solely as a function of the passage of time; *provided* that a Step-Down Bond shall not include any such security providing for payment of a constant rate of interest at all times after the date of calculation. In calculating any Collateral Quality Test defined herein 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. A Step-Down Bond will be treated as a zero-coupon bond once and if it declines to a zero interest rate.

"Step-Up Bond" means a security which by the terms of the related Underlying Instrument provides for an increase, in the case of a fixed rate security, in the per annum interest rate on such security or, in the case of a floating rate security, in the spread over the applicable index or benchmark rate, solely as a function of the passage of time; *provided* that a Step-Up Bond shall not include any such security providing for payment of a constant rate of interest at all times after the date of calculation. In

calculating any Collateral Quality Test defined herein 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. A Step-Up Bond will be treated as a zero-coupon bond until such time as it has a positive interest rate and will be carried at accreted value until the final stepped-up rate is in effect.

"Structured Corporate Security" means a security that represents the debt of a corporate obligor through the creation of a trust and the pledge of specific corporate assets.

"Structured Finance Security" means any security that is an asset-backed security, enhanced equipment trust certificate, collateralized bond obligation, collateralized loan obligation or similar instrument.

"Subcategory" means, with respect to a Collateral Asset, the classification of a Collateral Asset within a Category as a specific type of Commercial Mortgage-Backed Security, Residential Mortgage-Backed Security and CDO Security and including any Approved Subcategories.

"SupraMajority" means (a) with respect to any Class of Notes, the Holders of more than 66-2/3% of the aggregate outstanding principal amount of such Class of Notes and (b) with respect to the CP Notes, the Put Counterparty (for so long as the Put Agreement is in effect and no Put Counterparty Default has occurred and is continuing) voting in the amount of the then outstanding aggregate face amount of the CP Notes.

"Swap Balance" has the meaning set forth in the Cashflow Swap Agreement.

"Synthetic Security" means any derivative financial instrument with respect to a debt instrument, whether in the form of a swap transaction, structured bond investment or otherwise, purchased, or entered into, by the Issuer with or from a Synthetic Security Counterparty which investment, unless otherwise specified or meeting the Rating Agency Condition or constituting a Form-Approved Synthetic Security, contains equivalent probability of default, recovery upon default (or a specific percentage thereof) and expected loss characteristics as those of the related Reference Obligation (without taking account of such considerations as they relate to the Synthetic Security Counterparty), but which will contain a maturity, interest rate and other non-credit characteristics which may be different than the Reference Obligation to which the credit risk of the Synthetic Security relates; *provided* that the Issuer shall at no time during any taxable year of the Issuer hold a Synthetic Security which (1) is not either (a) treated as debt for U.S. federal income tax purposes or (b) a security (as defined in Section 2(a)(36) of the Investment Company Act) other than any security which represents an interest in an entity treated as a grantor trust or a partnership for U.S. federal income tax purposes, unless less than 10% of the gross income of the Issuer for such taxable year will be derived from Synthetic Securities not described in (a) or (b) or (2) is treated as insurance or as a financial guarantee for tax or regulatory purposes, where the Issuer is the seller of insurance or a financial guarantor, as the case may be, unless (in the case of (1) or (2)) the Issuer has obtained an opinion or advice of counsel to the effect that the acquisition, disposition or ownership by the Issuer of such Synthetic Security will not cause the Issuer to be treated as engaged in a United States trade or business or subject to United States income tax on a net basis; *provided* that (a) such Synthetic Security shall provide that no Reference Obligation or other Deliverable Obligation may be delivered to the Issuer in settlement of the Synthetic Security if delivery thereof to the Issuer or transfer thereof by the Issuer to a third party would require or cause the Issuer to assume, or subject the Issuer to, any obligation or liability (other than immaterial, nonpayment obligations), (b) each Synthetic Security contains appropriate limited recourse and non-petition provisions (to the extent that the Issuer has contractual payment or other obligations to the Synthetic Security Counterparty) equivalent *(mutatis mutandis*) to those contained in the Security Agreement and (c) in the case of each Synthetic Security structured as a credit default swap, the Issuer is the seller of protection and not the buyer of protection; *provided, further*, that either Moody's or S&P may revoke its consent to the documentation underlying a Form-Approved Synthetic Security upon 30 days' prior notice; *provided, further, however*, that, if the Synthetic Security is not a Form-Approved Synthetic Security, the Rating Agency Condition shall have been satisfied; *provided, however*, that if (a) Moody's has been provided with notice of a proposed

Synthetic Security, (b) Moody's has acknowledged in a written confirmation signed by an authorized officer of Moody's that Moody's has received such notice and (c) Moody's has not indicated within 10 Business Days of the confirmed receipt of the most recently revised drafts of the documents (or copies of executed documents, if applicable) that the inclusion of such proposed Synthetic Security will, at that time, cause the Rating Agency Condition with respect to Moody's not to be satisfied, then the Rating Agency Condition with respect to Moody's will be deemed to have been satisfied, if, but only if, the Reference Obligation with respect to such Synthetic Security satisfies the definition of a Collateral Asset, or would satisfy the definition of a Collateral Asset, but for the maturity, coupon, currency or recovery rate of such Reference Obligation.

"Synthetic Security Counterparty" means an entity required to make payments on a Synthetic Security pursuant to the terms of such Synthetic Security or any guarantee thereof to the extent that a Reference Obligor makes payments on a related Reference Obligation, (i) which entity, or the long term senior unsecured debt of such entity, shall meet the Synthetic Security Counterparty Required Ratings; *provided, however*, that for purposes of determining the rating of a Synthetic Security Counterparty, a Synthetic Security Counterparty that is placed on "credit watch" with negative implications by Moody's shall be deemed to have a rating one notch below its then-current rating and if such Synthetic Security Counterparty is placed on "credit watch" with positive implications such Synthetic Security Counterparty shall be deemed to have a rating one notch above its then-current rating and (ii) with respect to which the Rating Agency Condition has been satisfied; *provided* that, in the case of a Synthetic Security structured as a default swap where the related Default Swap Collateral is held in a Default Swap Collateral Account, no Actual Rating by S&P is required for the related Synthetic Security Counterparty.

"Synthetic Security Counterparty Defaulted Obligation" means a Synthetic Security (other than a Synthetic Security that falls under clause (iii)(a) of the definition of "Defaulted Obligation") with respect to which:

(a) the long term debt obligations of the relevant Synthetic Security Counterparty are rated less than "A3" by Moody's or the short term debt obligations of such Synthetic Security Counterparty are rated less than "D" or "SD" by Standard & Poor's, or cease to be rated; or

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

"Tax Event" means (i) the adoption of, or a change in, any tax statute (including the Code), treaty, regulation (whether temporary or final), rule, ruling, practice, procedure or judicial decision or interpretation which results or will result in withholding tax payments representing in excess of 3% of the aggregate interest due and payable on the Collateral Assets during the Due Period in which such event occurs as a result of the imposition of U.S. or other withholding tax with respect to which the obligors are not required to make gross-up payments that cover the full amount of such withholding taxes on an after-tax basis or (ii) the adoption of, or change in, any tax statute (including the Code), treaty, regulation (whether temporary or final), rule, ruling, practice, procedure or judicial decision or interpretation which results or will result in taxation of the Issuer's net income in an amount equal to 3% or more of the net income of the Issuer during any Due Period in which such event occurs.

"Tax Redemption Price" means (i) with respect to the Class A-1LT-a Notes, an amount equal to the outstanding principal amount of the Class A-1LT-a Notes *plus* accrued and unpaid interest thereon at the applicable Class A-1LT-a Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Redemption Date, (ii) with respect to the Class A-1LT-b Notes, an amount equal to the outstanding principal amount of the Class A-1LT-b-1 Notes *plus* accrued and unpaid interest thereon at the Class A-1LT-b-1 Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) and an amount equal to the outstanding principal amount of the Class A-1LT-b-2 Notes *plus* accrued and unpaid interest thereon at the Class A-1LT-b-2 Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest), to but excluding the Auction Payment Date, (iii) with respect to the Class A-2 Notes, an amount equal to the outstanding principal amount of the Class A-2 Notes *plus* accrued and unpaid interest thereon at the Class A-2 Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Redemption Date, (iv) with respect to the Class B

Notes, an amount equal to the outstanding principal amount of the Class B Notes *plus* accrued and unpaid interest thereon at the Class B Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Redemption Date, (v) with respect to the Class C Notes, an amount equal to the Rated Principal Amount of the Class C Notes *plus* accrued and unpaid interest thereon at the Class C Note Interest Rate as of the Redemption Date, (vi) with respect to the Class D Notes, an amount equal to the Rated Principal Amount of the Class D Notes and (vii) with respect to the CP Notes (other than the LIBOR CP Notes) to be Defeased, the amount payable to the CP Issuing and Paying Agent for payment to the Holders thereof on the applicable maturity date on which such CP Notes mature in accordance with their terms, *plus* with respect to any LIBOR CP Notes to be redeemed and Defeased, the outstanding principal amount of the LIBOR CP Notes and accrued and unpaid interest thereon at the LIBOR CP Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Redemption Date.

"Terms and Conditions of the Notes" or "Conditions" means the Terms and Conditions of the Notes attached as Schedule 4 to the Trust Deed.

"Total Redemption Amount" means the sum of all amounts due pursuant to clauses (1), (2), (3), (4), (5) and (7) of the Priority of Payments for Final Payment Dates (which will include, in the case of an Optional Redemption, the Optional Redemption Prices for all the Notes, and in the case of a Tax Redemption, the Tax Redemption Prices for all the Notes).

"Transaction Documents" means the Trust Deed, the Note Agency Agreement, the Security Agreement, the Investment Advisory Agreement, the Hedge Agreements, the Securities Lending Agreements, the Administration Agreement, the Memorandum and Articles of Association of the Issuer, the CP Issuing and Paying Agency Agreement, the CP Note Placement Agreements, the Put Agreement and the Account Control Agreement.

"Treasury" means the United States Department of the Treasury.

"Triple C Calculation Amount" means the sum of the products of (i) the Principal Balance of each Triple C Rated Asset and (ii) 50%.

"Triple C Rated Asset" mean any Collateral Asset with an Actual Rating from S&P of less than "B-" or with an Actual Rating from Moody's of less than "B3".

"Underlying Instruments" means the indenture or other agreement pursuant to which a Collateral Asset or Eligible Investment has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Collateral Asset or Eligible Investment or of which holders of such Collateral Asset or Eligible Investment are the beneficiaries.

"Unscheduled Principal Payments" means any proceeds received by the Issuer from a prepayment or redemption (in whole but not in part by the obligor of a Collateral Asset that is either a CMBS Security, a REIT Debt Security or a CDO Security, or in whole or in part by the obligor of any other Collateral Asset) prior to the expected maturity date of such Collateral Asset.

"Weighted Average Coupon" means, as of any Measurement Date will equal a fraction (expressed as a percentage) obtained by dividing (I) by (II) where (I) equals the sum of (a) a number obtained by (i) summing the products obtained by multiplying (x) the Current Interest Rate on each Collateral Asset that is a Fixed Rate Asset or Deemed Fixed Collateral Asset (excluding all Defaulted Obligations, Deferred Interest PIK Bonds and Interest Only Securities) by (y) the Principal Balance of each such Collateral Asset *plus* (b) the number obtained by summing the payment in such period applicable to any interest rate cap and the annualized Applicable Amount for Interest Only Securities *plus* (c) the Necessary Fixed Crossover Amount *minus* (d) the Necessary Spread Crossover Amount and (II) equals the aggregate Principal Balance of all Collateral Assets that are Fixed Rate Assets or Deemed Fixed Collateral Assets (excluding all Defaulted Obligations, Deferred Interest PIK Bonds, Interest Only Securities and Excess Assets) held by the Issuer as of such Measurement Date (*provided, however,* that

for purposes of determining the "Weighted Average Coupon" with respect to Non-U.S. Dollar Denominated Assets, interest payments expected to be received on such Collateral Assets shall be calculated in then-current U.S. Dollars after giving effect to any currency exchange by the Issuer and payments in then-current U.S. Dollars made to the Issuer and by the Issuer under the Currency Swap Agreements).

"Weighted Average Deemed Fixed Rate" will equal a number obtained by (i) summing the products obtained by multiplying (a) the Deemed Fixed Rate on the associated swap applicable to each Deemed Fixed Collateral Asset (excluding all Defaulted Obligations and Deferred Interest PIK Bonds) by (b) the Principal Balance of each such Collateral Asset and (ii) dividing such sum by the Aggregate Principal Amount of all Collateral Assets that are Deemed Fixed Collateral Assets (excluding all Defaulted Obligations and Deferred Interest PIK Bonds).

"Weighted Average Deemed Fixed Spread" will equal a number obtained by (i) summing the product obtained by multiplying (a) the spread on each underlying Floating Rate Security, with respect to each Collateral Asset that is a Deemed Fixed Collateral Asset (excluding all Defaulted Obligations and Deferred Interest PIK Bonds) by (b) the Principal Balance of each such Collateral Asset and (ii) dividing such sum by the Aggregate Principal Amount of all Collateral Assets that are Deemed Fixed Collateral Assets (excluding all Defaulted Obligations and Deferred Interest PIK Bonds).

"Weighted Average Deemed Floating Rate" will equal a number obtained by (i) summing the products obtained by multiplying (a) the current interest rate on each Collateral Asset that is a Deemed Floating Collateral Asset (excluding all Defaulted Obligations and Deferred Interest PIK Bonds) by (b) the Principal Balance of each such Collateral Asset and (ii) dividing such sum by the Aggregate Principal Amount of all Collateral Assets that are Deemed Floating Collateral Assets (excluding all Defaulted Obligations and Deferred Interest PIK Bonds).

"Weighted Average Fixed Payment Rate" will equal a number obtained by (i) summing the products obtained by multiplying (a) the Fixed Payment Rate on the associated swap applicable to each Deemed Floating Collateral Asset (excluding all Defaulted Obligations and Deferred Interest PIK Bonds) by (b) the Principal Balance of each such Collateral Asset and (ii) dividing such sum by the Aggregate Principal Amount of all Collateral Assets that are Deemed Floating Collateral Assets (excluding all Defaulted Obligations and Deferred Interest PIK Bonds).

"Weighted Average Life" means as of any Measurement Date for any Collateral Asset the number obtained by (i) for such Collateral Asset (other than Defaulted Obligations and Deferred Interest PIK Bonds), multiplying each expected principal payment by the number of years (rounded to the nearest hundredth) from the Measurement Date until such expected principal payment (including any payment of deferred or capitalized interest) is due; (ii) summing the product calculated pursuant to clause (i) for such Collateral Asset; and (iii) dividing the sum calculated pursuant to clause (ii) by the sum of all principal payments (including capitalized interest) scheduled to be received on such Collateral Asset on and after such Measurement Date; *provided, however,* the Investment Advisor shall use prepayment assumptions and calculate the Weighted Average Life of a Collateral Asset based upon assumptions deemed reasonable in its judgment based on market conditions at the time of such calculation.

"Weighted Average Spread" means as of any Measurement Date will equal a fraction (expressed as a percentage) obtained by dividing (I) by (II) where (I) equals the sum of (a) a number obtained by summing the products obtained by multiplying (x) the Spread on each Collateral Asset that is a Floating Rate Asset or a Deemed Floating Collateral Asset (other than a Defaulted Obligation or a Deferred Interest PIK Bond) as of such date by (y) the Principal Balance of each such Collateral Asset *plus* (b) the Necessary Spread Crossover Amount *minus* (c) the Necessary Fixed Crossover Amount and (II) equals the aggregate Principal Balance of all Collateral Assets that are Floating Rate Assets or Deemed Floating Collateral Assets (excluding all Defaulted Obligations and Deferred Interest PIK Bonds or Excess Assets) held by the Issuer as of such Measurement Date (*provided, however,* that for purposes of determining the "Weighted Average Spread" with respect to Non-U.S. Dollar Denominated Assets, interest payments

expected to be received on such Collateral Assets shall be calculated in then-current U.S. Dollars after giving effect to any currency exchange by the Issuer and payments in then-current U.S. Dollars made to the Issuer and by the Issuer under the Currency Swap Agreements).

"Written-Down Security" means any Collateral Asset (other than a Defaulted Obligation) as to which the aggregate par amount of such Collateral Asset 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 Asset exceeds the aggregate par amount (including reserved interest or other amounts available for overcollateralization) of all collateral securing such securities (excluding defaulted collateral).

APPENDIX B

Calculation of Moody's Maximum Rating Distribution and Moody's Rating

The "Moody's Maximum Rating Distribution" on any Measurement Date is the number obtained by dividing (i) the summation of the series of products obtained for any Collateral Asset that is not a Defaulted Obligation by multiplying (a) the Principal Balance on such Measurement Date of each such Collateral Asset by (b) its respective Moody's Rating Factor on such Measurement Date by (ii) the aggregate Principal Balance on such Measurement Date of all Collateral Assets that are not Defaulted Obligations and rounding the result up to the nearest whole number. For purposes of the Moody's Maximum Rating Distribution, the Principal Balance of a Deferred Interest PIK Bond shall be deemed to be equal to its outstanding principal amount without regard to any deferred and capitalized interest.

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

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

The diversity score methodology and correlation coefficient's methodology may be updated from time to time by Moody's as demonstrated by a published report distributed by Moody's and applied across most collateralized debt obligation transactions.

For purposes of the Moody's Maximum Rating Distribution Test, if a Collateral Asset does not have a Moody's Rating assigned to it at the date of acquisition, the Moody's Rating Factor with respect to such Collateral Asset shall be 10,000 for a period of 90 days from the acquisition of such Collateral Asset. After such 90-day period, if such Collateral Asset 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 Investment Advisor seeks to obtain an estimate of a Moody's Rating Factor, then the Moody's Rating Factor of such Collateral Asset will be deemed to be such estimate thereof as may be assigned by Moody's upon the request of the Issuer or the Investment Advisor.

The following definition of "Moody's Rating" has been provided to the Issuer and capitalized terms used therein with respect to types of securities and Specified Types have the meanings ascribed thereto by Moody's.

The "Moody's Rating" of any Collateral Asset will be determined as follows (subject to revision by Moody's):

(i) if such Collateral Asset is rated by Moody's, the Moody's Rating shall be such rating, or if such Collateral Asset is not rated by Moody's, but the Issuer or the Investment Advisor on behalf of the Issuer has requested that Moody's assign a rating to such Collateral Asset, the Moody's Rating shall be the rating so assigned by Moody's; *provided* that for purposes of this definition, (i) the rating assigned by Moody's to a Collateral Asset placed on watch for possible

downgrade by Moody's will be deemed to have been downgraded by one subcategory, (ii) the rating for a CDO Security rated "A3" or lower by Moody's and placed on watch for a possible downgraded by Moody's will be deemed to have been downgraded by two subcategories, (iii) the rating assigned by Moody's to a Collateral Asset placed on watch for possible upgrade by Moody's will be deemed to have been upgraded by one subcategory;

(ii) (a) if such Collateral Asset is not rated by Moody's but is rated by S&P, then the Moody's Rating of such Collateral Asset may be an Implied Rating determined by subtracting the number of subcategories from the Moody's equivalent rating according to the following table ("notching"):

ASSET CLASS	AAA to AA-	A+ to BBB-	Below BBB-
Asset Backed			
Agricultural and Industrial Equipment loans	1	2	3
Aircraft and Auto leases	2	3	4
Arena and Stadium Financing	1	2	3
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
Floor Plan	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
Trade Receivables	2	3	4
	AAA	**AA+ to BBB-**	**Below BBB-**
Residential Mortgage Related			
Jumbo A	1	2	3
Alt-A or mixed pools	1	3	4
HEL (including Residential B&C)	1	2	3

(b) if such Collateral Asset is not rated by Moody's but is rated by Fitch, then the Moody's Rating of such Collateral Asset may be determined by subtracting the number of subcategories from the Moody's equivalent rating according to the following table:

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

(c) if such Collateral Asset is dual-rated Jumbo A or Alt-A, the Moody's Rating shall be the lower of the two ratings as determined in clauses (i) and (ii) above, *plus* one-half of a subcategory;

(d) if such Collateral Asset is not rated by Moody's but is rated by S&P and Fitch and is a CMBS Security, the Moody's Rating of such Collateral Asset may be determined by subtracting the number of subcategories from the Moody's equivalent rating according to the following table:

	Tranche rated by Fitch and S&P; no tranche in deal rated by Moody's	Tranche rated by Fitch and/or S&P; at least one other tranche in deal rated by Moody's
Commercial Mortgage Backed Securities		
Conduit [1]	2 notches from lower of Fitch/S&P	1.5 notches from lower of Fitch/S&P
Credit Tenant Lease	Follow corporate notching practice	Follow corporate notching practice
Large Loan	No notching permitted	

1. For this purpose, conduits are defined as fixed rate, sequential pay, multi-borrower transactions having a Herfindahl score of 40 or higher at the loan level with all collateral (conduit loans, A notes, large loans, CTLs and any other real estate collateral) factored in.

(e) if such Collateral Asset is a CDO Security, no notching is permitted and the Moody's Rating shall be the rating so assigned by Moody's;

provided that any ratings by S&P or Fitch used to determine a Moody's Rating shall (a) address the full return of interest and principal; (b) be for the benefit of multiple investors and remain valid if the Collateral Asset is transferred to subsequent investors; (c) be an Actual Rating and (d) be monitored through the life of the Collateral Asset; and

provided, further, that (w) the aggregate Principal Balance of Collateral Assets that may be given a Moody's Rating based on Collateral Assets rated by both S&P and Fitch may not exceed 20% of the Aggregate Principal Amount, (x) the aggregate Principal Balance of Collateral Assets that may be given a Moody's Rating based on Collateral Assets rated by only one of S&P or Fitch may not exceed 10% of the Aggregate Principal Amount, (y) the aggregate Principal Balance of Collateral Assets that may be given a Moody's Rating based on Collateral Assets rated by only S&P or only Fitch may not exceed 7.5% of the Aggregate Principal Amount and (z) Asset-Backed Securities or Mortgage-Backed Securities, other than the Specified Types referred to in paragraphs (a) through (e) above and any RMBS Agency Securities, have a Moody's Rating;

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

(a) if the corporate guarantee or obligation 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 Collateral Asset shall be the rating of the other security;

(b) if the corporate guarantee or obligation 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 Collateral Asset shall be one rating subcategory below the rating of the other security;

(c) if the corporate guarantee or obligation 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 corporate guarantee shall be three rating subcategories below the rating of the other security; or

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

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

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

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

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

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

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

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

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

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

(2) rated below "Baa3" but not rated "B3" by Moody's, the Moody's Rating of such corporate guarantee 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 corporate guarantee shall be "B2";

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

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

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

(i) if the Collateral Asset is a subordinated obligation of the guarantor or obligor and the other security is also a subordinated obligation, the Moody's Rating of such corporate guarantee or obligation shall be the rating of the other security;

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

(a) (1) if such corporate obligation or guarantee is rated by S&P, then the Moody's Rating of such corporate obligation or guarantee will be (x) one subcategory below the Moody's equivalent of the rating assigned by S&P if such security is rated "BBB–" or higher by S&P and (y) two subcategories below the Moody's equivalent of the rating assigned by S&P if such security is rated "BB+" or lower by S&P; *provided* that the Aggregate Principal Amount that may be given a rating based on an S&P rating as provided in this subclause (a)(1) may not exceed 10% of the Aggregate Principal Amount; and

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

(b) if such corporate obligation or guarantee is not rated by Moody's or S&P, and no other security or obligation of the guarantor is rated by Moody's or S&P, then the Issuer or the Investment Advisor, on behalf of the Issuer, may present such corporate obligation or guarantee to Moody's for an estimate of such Collateral Asset'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 obligation or 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 has 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 corporate obligation or guarantee will be "B3";

(d) with respect to a corporate obligation or 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 Collateral Asset 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 Collateral Asset will be "Ca".

(v) with respect to a Collateral Asset that is an RMBS Agency Security, the Moody's Rating of such Collateral Asset will be the rating assigned by Moody's to the agency which guarantees such RMBS Agency Security; and

(vi) if such Collateral Asset is a Synthetic Security, the Moody's Rating of such Synthetic Security shall be the rating assigned thereto by Moody's in connection with the acquisition thereof by the Issuer upon the request of the Issuer or the Investment Advisor; *provided* that the Moody's Rating of any Form-Approved Synthetic Security not rated by S&P or Moody's will be the rating assigned by Moody's to the Reference Obligation.

APPENDIX C

Determination of S&P Rating

The following definition of S&P Rating has been provided to the Issuer by S&P and the asset classes have the meanings ascribed thereto by S&P.

"S&P Rating" of any Collateral Asset will be determined as follows:

(a) (1) if S&P has assigned a rating to such Collateral Asset either publicly or privately (for the benefit of the Investment Advisor and S&P has consented to the disclosure of any such private rating), the S&P Rating shall be the rating assigned thereto by S&P; *provided, however*, that if the rating assigned to such Collateral Asset by S&P is on the then-current credit rating watch list with negative implications, then the rating of such Collateral Asset will be one subcategory below the rating then assigned to such Collateral Asset by S&P and if the rating assigned to such Collateral Asset by S&P is on the then-current credit rating watch list with positive implications, then the rating of such Collateral Asset will be one subcategory above the rating then assigned to such Collateral Asset by S&P;

(2) if such Collateral Asset is not rated by S&P (other than an RMBS Agency Security), then the Issuer or the Investment Advisor on behalf of the Issuer may apply to S&P for a confidential credit estimate, which shall be the S&P Rating of such Collateral Asset; *provided* that pending receipt from S&P of such estimate, such Collateral Asset shall have an S&P Rating of "CCC-" if the Investment Advisor believes that such estimate will be at least "CCC-"; or

(3) if such Collateral Asset is not rated by S&P and neither the Issuer nor the Investment Advisor obtains an S&P Rating for such Collateral Asset pursuant to subclause (2) above, then the S&P Rating of such Collateral Asset may be implied only by reference to the chart set forth below so long as such referenced rating is a publicly monitored rating; *provided* that if such Collateral Asset is not rated by S&P, and neither the Issuer nor the Investment Advisor obtains an S&P Rating for such Collateral Asset pursuant to this clause (a) then no more than 20% of the Aggregate Principal Amount may imply an S&P Rating pursuant to this clause (a)(3).

Asset classes are eligible for notching if they are not first loss tranches or combination securities. Notwithstanding the foregoing, no Structured Finance Security that is a Non-U.S. Dollar Denominated Asset, no Synthetic Security and no CDO Security the underlying assets of which are CDO Securities shall be eligible for notching unless the Rating Agency Condition with regard to S&P has been satisfied in connection with such treatment. If the security is publicly rated by two agencies, notch down as shown below will be based on the lowest rating. If publicly rated only by one agency, then notch down what is shown below *minus* one additional notch based on the public rating.

	Issued prior to 8/1/01 and the current rating is investment grade	Issued prior to 8/1/01 and the current rating is non investment grade	Issued after 8/1/01 and the current rating is investment grade	Issued after 8/1/01 and the current rating is non investment grade
1. CONSUMER ABS Automobile Loan Receivable Securities Automobile Lease Receivable Securities Car Rental Receivable Securities Credit Card Securities Healthcare Securities Student Loan Securities	-1	-2	-2	-3
2. COMMERCIAL ABS Cargo Securities Equipment Leasing Securities Aircraft Leasing Securities Small Business Loan Securities Restaurant and Food Services Securities Tobacco Litigation Securities	-1	-2	-2	-3
3. Non-RE-REMIC RMBS Manufactured Housing Loan Securities	-1	-2	-2	-3
4. Non-RE-REMIC CMBS CMBS – Conduit CMBS – Credit Tenant Lease CMBS – Large Loan CMBS – Single Borrower CMBS – Single Property	-1	-2	-2	-3
5. CDO/CLO CASH FLOW SECURITIES* Cash Flow CDO - at least 80% High Yield Cash Flow CDO - at least 80% Investment Cash Flow CLO - at least 80% High Yield Cash Flow CLO - at least 80% Investment	-1	-2	-2	-3
6. REITs REIT – Multifamily and Mobile Home Park REIT – Retail REIT – Hospitality REIT – Office REIT – Industrial REIT – Healthcare	-1	-2	-2	-3

	Issued prior to 8/1/01 and the current rating is investment grade	Issued prior to 8/1/01 and the current rating is non investment grade	Issued after 8/1/01 and the current rating is investment grade	Issued after 8/1/01 and the current rating is non investment grade
REIT – Warehouse REIT – Self Storage REIT – Mixed Use				
7. SPECIALTY STRUCTURED Stadium Financings Project Finance Future Flows	-3	-4	-3	-4
8. RESIDENTIAL MORTGAGES Residential "A" Residential "B/C" Home equity loans	-1	-2	-2	-3
9. REAL ESTATE OPERATING COMPANIES	-1	-2	-2	-3

* No notching permitted with respect to CDO Securities issued after 8/1/01.

(b) if such Collateral Asset is a Synthetic Security, Future Flow Security or Project Finance Security the S&P Rating of such Synthetic Security shall be the rating assigned thereto by S&P in connection with the acquisition thereof by the Issuer upon the request of the Issuer or the Investment Advisor.

APPENDIX D

Recovery Rate Assumptions

Part I

Standard and Poor's Recovery Rate Matrix

The following information has been provided to the Issuer by S&P and the asset classes and related capitalized terms have the meanings ascribed thereto by S&P.

A. If the Collateral Asset is the senior-most tranche of securities issued by the issuer of such Collateral Asset*:

	Stress Case Equal to AAA rating	Stress Case Equal to AA Rating	Stress Case Equal to A rating	Stress Case Equal to BBB rating
Collateral Asset Rating at the time of Acquisition				
AAA	80.0%	85.0%	90.0%	90.0%
AA	70.0%	75.0%	85.0%	90.0%
A	60.0%	65.0%	75.0%	85.0%
BBB	50.0%	55.0%	65.0%	75.0%

B. If the Collateral Asset is not the senior-most tranche of securities issued by the issuer of such Collateral Asset*:

	Stress Case Equal to AAA rating	Stress Case Equal to AA Rating	Stress Case Equal to A rating	Stress Case Equal to BBB rating
Collateral Asset Rating at the time of Acquisition				
AAA	65.0%	70.0%	80.0%	85.0%
AA	55.0%	65.0%	75.0%	80.0%
A	40.0%	45.0%	55.0%	65.0%
BBB	30.0%	35.0%	40.0%	45.0%

* If the Collateral Asset is a Project Finance Security, an ABS Future Flow Security, a Synthetic Security or a CDO Security the underlying assets of which are CDO Securities, the recovery rate for such Collateral Asset will be zero until a recovery rate is assigned by S&P and if such Collateral Asset is an Insured Security (other than a monoline insurer as set forth in paragraph D below), the recovery rate will be determined by S&P on a case by case basis. If the Collateral Asset is a REIT Debt Security, the recovery rate will be 40%.

C. If the underlying instruments of the Collateral Assets permit more than 20% of the underlying collateral by principal amount to be non-U.S. assets, the recovery rate will in accordance be as described in clauses (A) and (B) above, as applicable.

D. If the Collateral Asset has its payment obligations guaranteed by a primary monoline insurer, then

(1) If the Collateral Asset has its payment obligations guaranteed by a primary monoline insurer, then the recovery rate is such primary insurer's recovery rate multiplied by (one *minus* the recovery rate of the related Collateral Asset) *plus* the recovery rate of the related Collateral Asset. The recovery rate of the monoline is 44% if the primary insurer is one of the following entities:

Ambac Assurance Corp.
Financial Guaranty Insurance Co.
Financial Security Assurance Inc.
MBIA Insurance Corps.
XL Capital Assurance Inc.

(2) Otherwise, the recovery rate will be assigned by S&P upon the acquisition of such Collateral Asset by the Issuer and upon request by the Investment Advisor.

Moody's Recovery Rate Assumptions

The following information has been provided to the Issuer by Moody's and the capitalized terms used therein and not otherwise defined with respect to types of securities have the meanings ascribed thereto by Moody's.

For Diversified Securities[1], the recovery rate is assumed as follows:

	Rating of a Tranche at Issuance					
Tranche as % of capital structure at issuance	**Aaa**	**Aa**	**A**	**Baa**	**Ba**	**B**
greater than 70%	85%	80%	70%	60%	50%	40%
greater than 10% and less than or equal to 70%	75%	70%	60%	50%	40%	30%
less than or equal to 10%	70%	65%	55%	45%	35%	25%

For Residential Mortgage-Backed Securities, the recovery rate is assumed as follows:

	Rating of a Tranche at Issuance					
Tranche as % of capital structure at issuance	**Aaa**	**Aa**	**A**	**Baa**	**Ba**	**B**
greater than 70%	85%	80%	65%	55%	45%	30%
greater than 10% and less than or equal to 70%	75%	70%	55%	45%	35%	25%
greater than 5% and less than or equal to 10%	65%	55%	45%	40%	30%	20%
greater than 2% and less than or equal to 5%	55%	45%	40%	35%	25%	15%
less than or equal to 2%	45%	35%	30%	25%	15%	10%

For Undiversified Securities[2], the recovery rate is assumed as follows:

	Rating of a Tranche at Issuance					
Tranche as % of capital structure at issuance	**Aaa**	**Aa**	**A**	**Baa**	**Ba**	**B**
greater than 70%	85%	80%	65%	55%	45%	30%
greater than 10% and less than or equal to 70%	75%	70%	55%	45%	35%	25%
greater than 5% and less than or equal to 10%	65%	55%	45%	35%	25%	15%
greater than 2% and less than or equal to 5%	55%	45%	35%	30%	20%	10%
less than or equal to 2%	45%	35%	25%	20%	10%	5%

or Low-Diversity CDOs[3], the recovery rate is assumed as follows:

	Rating of a Tranche at Issuance					
Tranche as % of capital structure at issuance	**Aaa**	**Aa**	**A**	**Baa**	**Ba**	**B**
greater than 70%	80%	75%	60%	50%	45%	30%
greater than 10% and less than or equal to 70%	70%	60%	55%	45%	35%	25%
greater than 5% and less than or equal to 10%	60%	50%	45%	35%	25%	15%
greater than 2% and less than or equal to 5%	50%	40%	35%	30%	20%	10%
less than or equal to 2%	30%	25%	20%	15%	7%	4%

For High-Diversity CDOs[4], the recovery rate is assumed as follows:

	Rating of a Tranche at Issuance					
Tranche as % of capital structure at issuance	**Aaa**	**Aa**	**A**	**Baa**	**Ba**	**B**
greater than 70%	85%	80%	65%	55%	45%	30%
greater than 10% and less than or equal to 70%	75%	70%	60%	50%	40%	25%
greater than 5% and less than or equal to 10%	65%	55%	50%	40%	30%	20%
greater than 2% and less than or equal to 5%	55%	45%	40%	35%	25%	10%
less than or equal to 2%	45%	35%	30%	25%	10%	5%

Using such recovery rate assumptions, a High-Diversity CDO would have a diversity score of 20 or higher and a Low-Diversity CDO would have a diversity score of less than 20.

The Moody's Recovery Rate for Corporate Securities is 30% for corporate bonds issued by U.S. obligors and for other issuers such amount as determined in consultation with Moody's. The Moody's Recovery Rate for REIT unsecured debt securities is 40% (other than for mortgage and healthcare related REIT debt securities, for which it is 10%).

The Recovery Rate for a Haircut Asset that is shadow rated by Moody's for a balance less than its applicable balance for applying such Recovery Rate will be determined at the time such Haircut Asset receives a shadow rating.

The Recovery Rate for ABS Passenger Airline Enhanced Equipment Trust Certificates will be the greater of (x) 30% and (y) the Recovery Rate Assigned by Moody's.

The Recovery Rate for ABS Future Flow Securities, Project Finance Securities will be 0% until the Rating Agency Condition with respect to Moody's is satisfied.

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[1]"Diversified Securities" means: (i) ABS Automobile Securities; (ii) ABS Car Rental Receivable Securities; (iii) ABS Credit Card Securities; (iv) ABS Student Loan Securities; and (v) any other type of Collateral Assets that are designated as Diversified Securities after the Closing Date by Moody's and notified to the Collateral Agent and the Investment Advisor.

[2]"Undiversified Securities" means any Commercial Mortgage-Backed Securities and CDO Securities and those Collateral Assets not included in Diversified Securities and any other type of Asset-Backed Securities that are designated as Undiversified Securities after the Closing Date by Moody's and notified to the Collateral Agent and the Investment Advisor.

[3]"Low-Diversity CDOs" means CDO 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 CDO Securities) on the cash flow from a portfolio of commercial and industrial bank loans, asset-backed securities, mortgage-backed securities or corporate debt securities or any combination of the foregoing, generally having the following characteristics: (1) the bank loans and debt securities have varying contractual maturities; (2) the loans and securities are obligations of a pool of obligors or issuers that represent a relatively undiversified pool of obligor credit risk having a Moody's diversity score of 20 or lower; (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual bank loans or debt securities depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of loans or securities bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (4) proceeds from such repayments can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional bank loans and/or debt securities.

[4]"High-Diversity CDOs" means CDO 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 CDO Securities) on the cash flow from a portfolio of commercial and industrial bank loans, asset-backed securities, mortgage-backed securities or corporate debt securities or synthetic securities or any combination of the foregoing, generally having the following characteristics: (1) the bank loans and debt securities have varying contractual maturities; (2) the loans and securities are obligations of obligors or issuers that represent a relatively diversified pool of obligor credit risk having a Moody's diversity score higher than 20; (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual bank loans or debt securities depending on numerous factors specific to the particular issuers or obligors and on 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.

APPENDIX E

Limits For
Securities Lending Counterparties

Long term Senior Unsecured Debt Rating of Securities Lending Counterparties		Individual Securities Lending Counterparty Limit	Aggregate Securities Lending Counterparty Limit
Moody's	S&P		
Aaa	AAA	3%	15%
Aa1	AA+	3%	12%
Aa2	AA	2½%	10%
Aa3	AA–	2½%	8%
A1	A+	1%	3%
A2	A	1%	2%

APPENDIX F

Calculation of Moody's Expected Loss Rate

Year	Aaa	Aa1	Aa2	Aa3	Al	A2	A3	Baal	Baa2	Baa3
1	0.0000%	0.0003%	0.0007%	0.0017%	0.0032%	0.0060%	0.0214%	0.0495%	0.0935%	0.2310%
2	0.0001%	0.0017%	0.0044%	0.0105%	0.0204%	0.0385%	0.0825%	0.1540%	0.2585%	0.5775%
3	0.0004%	0.0055%	0.0143%	0.0325%	0.0644%	0.1221%	0.1980%	0.3080%	0.4565%	0.9405%
4	0.0010%	0.0116%	0.0259%	0.0556%	0.1040%	0.1898%	0.2970%	0.4565%	0.6600%	1.3090%
5	0.0016%	0.0171%	0.0374%	0.0781%	0.1436%	0.2569%	0.4015%	0.6050%	0.8690%	1.6775%
6	0.0022%	0.0231%	0.0490%	0.1007%	0.1815%	0.3207%	0.5005%	0.7535%	1.0835%	2.0350%
7	0.0029%	0.0297%	0.0611%	0.1249%	0.2233%	0.3905%	0.6105%	0.9185%	1.3255%	2.3815%
8	0.0036%	0.0369%	0.0743%	0.1496%	0.2640%	0.4560%	0.7150%	1.0835%	1.5675%	2.7335%
9	0.0045%	0.0451%	0.0902%	0.1799%	0.3152%	0.5401%	0.8360%	1.2485%	1.7820%	3.0635%
10	0.0055%	0.0550%	0.1100%	0.2200%	0.3850%	0.6600%	0.9900%	1.4300%	1.9800%	3.3550%
11	0.0067%	0.0719%	0.1371%	0.3540%	0.5709%	0.7877%	1.2826%	1.7773%	2.2719%	4.2333%
12	0.0079%	0.0876%	0.1674%	0.4199%	0.6723%	0.9248%	1.4738%	2.0226%	2.5714%	4.6683%
13	0.0092%	0.1051%	0.2009%	0.4909%	0.7808%	1.0707%	1.6732%	2.2755%	2.8778%	5.1006%
14	0.0107%	0.1241%	0.2376%	0.5668%	0.8958%	1.2249%	1.8799%	2.5347%	3.1895%	5.5287%
15	0.0122%	0.1449%	0.2776%	0.6473%	1.0169%	1.3866%	2.0929%	2.7991%	3.5052%	5.9513%
16	0.0138%	0.1672%	0.3207%	0.7322%	1.1437%	1.5552%	2.3114%	3.0675%	3.8236%	6.3675%
17	0.0154%	0.1911%	0.3669%	0.8213%	1.2756%	1.7300%	2.5346%	3.3390%	4.1433%	6.7767%
18	0.0171%	0.2166%	0.4162%	0.9143%	1.4123%	1.9103%	2.7615%	3.6125%	4.4635%	7.1781%
19	0.0189%	0.2436%	0.4684%	1.0109%	1.5532%	2.0955%	2.9916%	3.8874%	4.7832%	7.5714%
20	0.0207%	0.2721%	0.5235%	1.1108%	1.6979%	2.2850%	3.2240%	4.1628%	5.1015%	7.9562%
21	0.0226%	0.3020%	0.5814%	1.2137%	1.8460%	2.4782%	3.4583%	4.4381%	5.4179%	8.3323%
22	0.0246%	0.3332%	0.6419%	1.3195%	1.9970%	2.6744%	3.6936%	4.7126%	5.7315%	8.6995%
23	0.0265%	0.3658%	0.7050%	1.4279%	2.1505%	2.8732%	3.9297%	4.9858%	6.0419%	9.0578%
24	0.0286%	0.3996%	0.7706%	1.5385%	2.3063%	3.0740%	4.1658%	5.2573%	6.3487%	9.4071%
25	0.0306%	0.4345%	0.8384%	1.6513%	2.4639%	3.2764%	4.4017%	5.5266%	6.6515%	9.7475%
26	0.0327%	0.4706%	0.9085%	1.7658%	2.6229%	3.4799%	4.6368%	5.7934%	6.9499%	10.0791%
27	0.0349%	0.5078%	0.9807%	1.8820%	2.7831%	3.6841%	4.8709%	6.0573%	7.2437%	10.4020%
28	0.0370%	0.5459%	1.0548%	1.9996%	2.9441%	3.8886%	5.1035%	6.3180%	7.5326%	10.7163%
29	0.0392%	0.5850%	1.1308%	2.1184%	3.1057%	4.0931%	5.3344%	6.5754%	7.8165%	11.0221%
30	0.0414%	0.6249%	1.2084%	2.2382%	3.2676%	4.2971%	5.5634%	6.8293%	8.0952%	11.3197%

Year	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3
1	0.4785%	0.8580%	1.5455%	2.5740%	3.9380%	6.3910%	9.5599%	14.3000%	28.0446%
2	1.1110%	1.9085%	3.0305%	4.6090%	6.4185%	9.1355%	12.7788%	17.8750%	31.3548%
3	1.7215%	2.8490%	4.3285%	6.3690%	8.5525%	11.5665%	15.7512%	21.4500%	34.3475%
4	2.3100%	3.7400%	5.3845%	7.6175%	9.9715%	13.2220%	17.8634%	24.1340%	36.4331%
5	2.9040%	4.6255%	6.5230%	8.8660%	11.3905%	14.8775%	19.9726%	26.8125%	38.4017%
6	3.4375%	5.3735%	7.4195%	9.8395%	12.4575%	16.0600%	21.4317%	28.6000%	39.6611%
7	3.8830%	5.8850%	8.0410%	10.5215%	13.2055%	17.0500%	22.7620%	30.3875%	40.8817%
8	4.3395%	6.4130%	8.6405%	11.1265%	13.8325%	17.9190%	24.0113%	32.1750%	42.0669%
9	4.7795%	6.9575%	9.1905%	11.6820%	14.4210%	18.5790%	25.1195%	33.9625%	43.2196%
10	5.1700%	7.4250%	9.7130%	12.2100%	14.9600%	19.1950%	26.2350%	35.7500%	44.3850%
11	6.1940%	8.1547%	10.7874%	13.4192%	16.0511%	20.6128%	27.4851%	36.6485%	44.8962%
12	6.7647%	8.8610%	11.5936%	14.3255%	17.0573%	21.9203%	28.6344%	37.4049%	45.3571%
13	7.3228%	9.5449%	12.3605%	15.1752%	17.9899%	23.1321%	29.6671%	38.0482%	45.7455%
14	7.8671%	10.2055%	13.0890%	15.9717%	18.8544%	24.2555%	30.5988%	38.6010%	46.0766%
15	8.3966%	10.8419%	13.7806%	16.7185%	19.6564%	25.2976%	31.4428%	39.0808%	46.3621%

Year	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3
16	8.9108%	11.4540%	14.4369%	17.4189%	20.4009%	26.2651%	32.2103%	39.5012%	46.6108%
17	9.4092%	12.0418%	15.0595%	18.0762%	21.0930%	27.1643%	32.9108%	39.8729%	46.8296%
18	9.8919%	12.6057%	15.6501%	18.6935%	21.7370%	28.0012%	33.5524%	40.2042%	47.0237%
19	10.3588%	13.1461%	16.2104%	19.2738%	22.3371%	28.7810%	34.1421%	40.5017%	47.1974%
20	10.8100%	13.6638%	16.7422%	19.8197%	22.8972%	29.5087%	34.6857%	40.7708%	47.3539%
21	11.2458%	14.1593%	17.2470%	20.3337%	23.4205%	30.1888%	35.1882%	41.0156%	47.4959%
22	11.6666%	14.6337%	17.7265%	20.8184%	23.9103%	30.8252%	35.6542%	41.2396%	47.6254%
23	12.0727%	15.0876%	18.1821%	21.2757%	24.3693%	31.4217%	36.0873%	41.4456%	47.7442%
24	12.4645%	15.5220%	18.6153%	21.7077%	24.8002%	31.9816%	36.4908%	41.6358%	47.8536%
25	12.8426%	15.9377%	19.0275%	22.1163%	25.2051%	32.5078%	36.8676%	41.8121%	47.9548%
26	13.2074%	16.3357%	19.4198%	22.5031%	25.5863%	33.0031%	37.2202%	41.9761%	48.0488%
27	13.5594%	16.7168%	19.7936%	22.8696%	25.9456%	33.4699%	37.5508%	42.1292%	48.1363%
28	13.8990%	17.0817%	20.1500%	23.2173%	26.2846%	33.9105%	37.8613%	42.2725%	48.2181%
29	14.2268%	17.4314%	20.4899%	23.5475%	26.6050%	34.3268%	38.1536%	42.4069%	48.2947%
30	14.5432%	17.7667%	20.8144%	23.8613%	26.9082%	34.7208%	38.4290%	42.5333%	48.3667%

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TABLE OF CONTENTS

DAVIS SQUARE FUNDING III, LTD.

DAVIS SQUARE FUNDING III (DELAWARE) CORP.

U.S.$337,000,000
Class A-1LT-a Floating Rate Notes
Due 2039

U.S.$60,500,000
Class A-2 Floating Rate Notes
Due 2039

U.S.$20,000,000
Class B Floating Rate Notes
Due 2039

U.S.$75,000,000
Class C Participating Notes
Due 2039

U.S.$9,500,000
Class D Participating Notes
Due 2039

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