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DISCLAIMER

Attached please find an electronic copy of the Offering Circular dated December 20, 2004 relating to the offering by E*TRADE ABS CDO III, Ltd. (the "**Issuer**") and E*TRADE ABS CDO III, LLC (the "**Co-Issuer**" and, together with the Issuer, the "**Co-Issuers**") of their U.S.$ 201,000,000 Class A-1 First Priority Senior Secured Floating Rate Notes Due 2025, U.S.$ 37,750,000 Class A-2 Second Priority Senior Secured Floating Rate Notes Due 2040, U.S.$ 37,900,000 Class B Third Priority Senior Secured Floating Rate Notes Due 2040, U.S.$ 13,250,000 Class C Fourth Priority Mezzanine Secured Floating Rate Notes Due 2040, and by the Issuer of 12,900 Preference Shares (consisting of 7,900 Composite Preference Shares (U.S.$ 1,000 Aggregate Liquidation Preference) and 5,000 Non-Composite Preference Shares (U.S.$ 1,000 Aggregate Liquidation Preference)), U.S.$ 14,600,000 Series I 2% Composite Securities Due 2040 and U.S.$ 5,000,000 Series II Composite Securities Due 2040 (the "**Offering**").

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

The Offering Circular is subject to completion and amendment. The securities described therein may not be sold nor may offers to buy such securities be accepted prior to the time a final Offering Circular is completed.

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

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

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

THIS E-MAIL IS NOT TO BE DISTRIBUTED OR FORWARDED TO ANY PERSON OTHER THAN THE PERSON RECEIVING THIS ELECTRONIC TRANSMISSION FROM AN INITIAL PURCHASER ON BEHALF OF THE ISSUER(S) AND ANY PERSON RETAINED TO ADVISE THE PERSON RECEIVING THIS ELECTRONIC TRANSMISSION WITH RESPECT TO THE OFFERING CONTEMPLATED IN THE OFFERING CIRCULAR AND IS NOT TO BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FURTHER DISTRIBUTION, FORWARDING OR REPRODUCTION OF THIS EMAIL IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT. THE INFORMATION CONTAINED IN THIS EMAIL MESSAGE IS CONFIDENTIAL INFORMATION INTENDED ONLY FOR THE USE OF THE INDIVIDUAL OR ENTITY TO WHOM IT IS ADDRESSED.

OFFERING CIRCULAR

U.S.$ 201,000,000 Class A-1 First Priority Senior Secured Floating Rate Notes Due 2025
U.S.$ 37,750,000 Class A-2 Second Priority Senior Secured Floating Rate Notes Due 2040
U.S.$ 37,900,000 Class B Third Priority Senior Secured Floating Rate Notes Due 2040
U.S.$ 13,250,000 Class C Fourth Priority Mezzanine Secured Floating Rate Notes Due 2040
12,900 Preference Shares (U.S.$ 12,900,000 Aggregate Liquidation Preference)
(Consisting of 7,900 Composite Preference Shares and 5,000 Non-Composite Preference Shares)
U.S.$ 14,600,000 Series I 2% Composite Securities Due 2040†*
U.S.$ 5,000,000 Series II Composite Securities Due 2040†*

Secured by a Portfolio of Asset-Backed Securities

E*TRADE ABS CDO III, Ltd.
E*TRADE ABS CDO III, LLC

†The Composite Securities do not bear a stated rate of interest. On each Distribution Date on which payments are made in respect of the Components comprising such Composite Security, portions of such payments will be allocated to such Composite Securities.

**Each Composite Security consists of two "Components," one consisting of interests in certain Class C Notes and the other consisting of interests in certain Composite Preference Shares. The initial principal amount of each Composite Security shown above is allocated between Components in the manner described herein.*

E*TRADE ABS CDO III, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the "**Issuer**"), and E*TRADE ABS CDO III, LLC, a limited liability company organized under the laws of the State of Delaware (the "**Co-Issuer**" and, together with the Issuer, the "**Co-Issuers**"), will issue U.S.$ 201,000,000 Class A-1 First Priority Senior Secured Floating Rate Notes Due 2025 (the "**Class A-1 Notes**"), U.S.$ 37,750,000 Class A-2 Second Priority Senior Secured Floating Rate Notes Due 2040 (the "**Class A-2 Notes**" and, together with the Class A-1 Notes, the "**Class A Notes**"), U.S.$ 37,900,000 Class B Third Priority Senior Secured Floating Rate Notes Due 2040 (the "**Class B Notes**") and U.S.$ 13,250,000 Class C Fourth Priority Mezzanine Secured Floating Rate Notes Due 2040 (the "**Class C Notes**" and, together with the Class A Notes and the Class B Notes, the "**Notes**"). The Notes will be issued and secured pursuant to an Indenture dated as of December 22, 2004 (the "**Indenture**") among the Issuer, the Co-Issuer and Wells Fargo Bank, National Association, as trustee (the "**Trustee**"). Concurrently with the issuance of the Notes, the Issuer will issue 7,900 Composite Preference Shares, par value U.S.$ 0.01 per share, issued at an issue price of U.S.$ 1,000 per share (the "**Composite Preference Shares**") and 5,000 Non-Composite Preference Shares, par value U.S.$ 0.01 per share, issued at an issue price of U.S.$ 1,000 per share (the "**Non-Composite Preference Shares**" and, together with the Composite Preference Shares, the "**Preference Shares**") pursuant to the Memorandum and Articles of Association of the Issuer, as amended and restated (the "**Issuer Charter**"), and in accordance with a Preference Share Paying Agency Agreement dated as of December 22, 2004 (the "**Preference Share Paying Agency Agreement**") between the Issuer and Wells Fargo Bank, National Association, as preference share paying agent (in such capacity, the "**Preference Share Paying Agent**"). In addition, the Issuer will issue U.S.$ 14,600,000 Series I 2% Composite Securities Due 2040 (the "**Series I Composite Securities**") and U.S.$ 5,000,000 Series II Composite Securities Due 2040 (the "**Series II Composite Securities**" and, together with the Series I Composite Securities, the "**Composite Securities**") pursuant to the Indenture. See "Description of the Composite Securities." The Notes, Preference Shares and Composite Securities being offered hereby are referred to herein as the "**Offered Securities**." The Collateral (as defined herein) securing the Notes will be managed by E*TRADE Global Asset Management, Inc. ("**ETGAM**" or the "**Collateral Manager**").

(*continued on next page*)

E*TRADE FINANCIAL

It is a condition to the issuance of the Offered Securities that the Class A-1 Notes be rated "Aaa" by Moody's Investors Service, Inc. ("**Moody's**"), "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**Standard & Poor's**"), and "AAA" by Fitch Ratings ("**Fitch**" and, together with Moody's and Standard & Poor's, the "**Rating Agencies**"), that the Class A-2 Notes be rated at least "Aaa" by Moody's, "AAA" by Standard & Poor's and "AAA" by Fitch, that the Class B Notes be rated at least "Aa2" by Moody's, "AA" by Standard & Poor's and "AA" by Fitch, that the Class C Notes be rated at least "Baa2" by Moody's, "BBB" by Standard & Poor's and "BBB" by Fitch, that the Preference Shares be rated "Ba1" by Moody's and "BB+" by Standard & Poor's, that the Series I Composite Securities be rated at least "Baa2" by Moody's and "BBB" by Standard & Poor's and that the Series II Composite Securities be rated at least "Ba1" by Moody's. Application will be made to list the Class A Notes, the Class B Notes, the Class C Notes, the Series I Composite Securities and the Series II Composite Securities on the Irish Stock Exchange Limited (the "**Irish Stock Exchange**"). There can be no assurance that any such listing will be granted. No application will be made to list the Class A Notes, the Class B Notes, the Class C Notes, the Series I Composite Securities or the Series II Composite Securities on any other stock exchange or to list the Preference Shares on any stock exchange.

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

THE PLEDGED ASSETS OF THE ISSUER ARE THE SOLE SOURCE OF PAYMENTS ON THE OFFERED SECURITIES. THE OFFERED SECURITIES DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, THE TRUSTEE, THE HEDGE COUNTERPARTY, E*TRADE GLOBAL ASSET MANAGEMENT, INC., MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED OR ANY OF THEIR RESPECTIVE AFFILIATES.

THE OFFERED SECURITIES BEING OFFERED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), UNDER ANY STATE SECURITIES LAWS OR UNDER THE LAWS OF ANY OTHER JURISDICTION, AND NONE OF THE ISSUER, THE CO-ISSUER OR THE POOL OF COLLATERAL IS OR WILL BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), IN RELIANCE ON THE EXEMPTION PROVIDED BY SECTION 3(c)(7) THEREOF. THE OFFERED SECURITIES MAY ONLY BE OFFERED OR SOLD (A) WITHIN THE UNITED STATES, OR TO OR FOR THE ACCOUNT OR BENEFIT OF, "U.S. PERSONS" (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")), IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO QUALIFIED PURCHASERS (AS DEFINED HEREIN) WHO ARE ALSO (I) "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")) OR (II) "ACCREDITED INVESTORS" WITHIN THE MEANING OF RULE 501(a) UNDER THE SECURITIES ACT AND (B) OUTSIDE THE UNITED STATES TO PERSONS THAT ARE NEITHER U.S. PERSONS NOR U.S. RESIDENTS (FOR PURPOSES OF THE INVESTMENT COMPANY ACT) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE LAWS. EACH PURCHASER OR TRANSFEREE OF OFFERED SECURITIES WILL BE REQUIRED (OR, IN CERTAIN CIRCUMSTANCES, DEEMED) TO MAKE CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS AND AGREEMENTS SET FORTH UNDER "TRANSFER RESTRICTIONS." A TRANSFER OF OFFERED SECURITIES (OR ANY INTEREST THEREIN) IS SUBJECT TO CERTAIN RESTRICTIONS DESCRIBED HEREIN, INCLUDING THAT NO SALE, PLEDGE, TRANSFER OR EXCHANGE MAY BE MADE IN A DENOMINATION LESS THAN THE REQUIRED MINIMUM DENOMINATION. SEE "TRANSFER RESTRICTIONS."

The Offered Securities are offered from time to time in one or more individually negotiated transactions at varying prices to be determined at the time of sale by Merrill Lynch, Pierce, Fenner & Smith Incorporated and United Capital Markets, Inc. (each, an "**Initial Purchaser**") subject to prior sale, when, as and if issued. The Initial Purchasers reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that the delivery of the Offered Securities to the Initial Purchasers will be made on or about December 22, 2004 (the "**Closing Date**"), in the case of the Notes, the Global Preference Shares (as defined herein) and the Global Composite Securities (as defined herein) through the facilities of The Depository Trust Company ("**DTC**"), and in the case of the Restricted Preference Shares (as defined herein) and the Restricted Composite Securities (as defined herein), in the office of counsel to the Initial Purchasers, against payment therefor in immediately available funds. It is a condition to the issuance of the Offered Securities that all Offered Securities be issued concurrently. The Notes will be sold at 100% of par.

Merrill Lynch & Co. UNITED CAPITAL MARKETS

The Date of this Offering Circular is December 20, 2004

(cover continued)

Subject in each case to the Priority of Payments, (a) holders of the Class A-1 Notes will be entitled to receive interest at a floating rate per annum equal to the applicable London interbank offered rate in effect from time to time plus 0.32%, (b) holders of the Class A-2 Notes will be entitled to receive interest at a floating rate per annum equal to the applicable London interbank offered rate in effect from time to time plus 0.59%, (c) holders of the Class B Notes will be entitled to receive interest at a floating rate per annum equal to the applicable London interbank offered rate in effect from time to time plus 0.75% and (d) holders of the Class C Notes will be entitled to receive interest at a floating rate per annum equal to the applicable London interbank offered rate in effect from time to time plus 2.85%. See "Description of the Notes—Priority of Payments."

Interest on the Notes will be payable in U.S. Dollars quarterly in arrears on each January 10, April 10, July 10 and October 10, commencing April 10, 2005 (each, a "**Distribution Date**"); *provided* that (i) the final Distribution Date with respect to the Class A-1 Notes will be January 10, 2025, the final Distribution Date with respect to the Class A-2 Notes will be January 10, 2040, the final Distribution Date with respect to the Class B Notes will be January 10, 2040 and the final Distribution Date with respect to the Class C Notes will be January 10, 2040 and (ii) if any such date is not a Business Day, the relevant Distribution Date will be the next succeeding Business Day. Payments of principal of and interest on the Notes on any Distribution Date will be made if and to the extent that funds are available for such purpose on such Distribution Date in accordance with the Priority of Payments set forth herein. See "Description of the Notes—Interest" and "Description of the Notes—Principal." The principal of each of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes and the Class C Notes (each, a "**Class**" of Notes) is payable on each Distribution Date and is required to be paid by the Stated Maturity applicable to such Class, unless redeemed or repaid prior thereto. See "Description of the Notes—Principal."

On each Distribution Date on which payments, if any, are made on the Class C Notes, portions of such payments will be allocated to the Composite Securities in the proportion that the principal amount of the Class C Notes represented by the Class C Component (as defined herein) bears to the principal amount of the Class C Notes as a whole (including the Class C Notes allocated to the Class C Component). On each Distribution Date on which payments, if any, are made on the Composite Preference Shares, such payments will be allocated to the Composite Securities in their entirety. Such amounts will be paid to the holders of the Composite Securities *pro rata* based on the outstanding principal amount of the Class C Component of each Composite Security, in the case of payments with respect to the Class C Component, or based on the number of Composite Preference Shares comprising the Preference Share Component (as defined herein) of each Composite Security, in the case of payments with respect to the Preference Share Component. No other payments will be made on the Composite Securities.

All of the Class A-1 Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-2 Notes are entitled to receive payments *pari passu* among themselves, all of the Class B Notes are entitled to receive payments *pari passu* among themselves, all of the Class C Notes are entitled to receive payments *pari passu* among themselves, and all of the Preference Shares are entitled to receive payments *pari passu* among themselves. Except as otherwise described herein, including, without limitation, paragraph (15) of "Description of the Notes—Priority of Payments—Interest Proceeds" herein, the relative order of seniority of payment of each Class of Notes is as follows: *first*, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes and, *fourth*, Class C Notes, with (a) each Class of Notes (other than the Class C Notes) in such list being "**Senior**" to each other Class of Notes that follows such Class of Notes in such list (*e.g.,* the Class A-1 Notes are Senior to the Class A-2 Notes, the Class B Notes and the Class C Notes) and (b) each Class of Notes (other than the Class A-1 Notes) in such list being "**Subordinate**" to each other Class of Notes that precedes such Class of Notes in such list (*e.g.,* the Class C Notes are Subordinate to the Class A Notes and Class B Notes). No payment of interest on any Class of Notes will be made until all accrued and unpaid interest on the Notes of each Class that is Senior to such Class and that remain outstanding has been paid in full. No payment of principal of any Class of Notes will be made until all principal of, and accrued and unpaid interest on, the Notes of each Class that is Senior to such Class and that remain outstanding have been paid in full except (i) to the payment of Class C Deferred Interest from Interest Proceeds in certain circumstances and (ii) on any Distribution Date, if Preference Shareholders have received a Dividend Yield of 16% on such Distribution Date, Interest Proceeds that would otherwise be paid to the Preference Share Paying Agent for distribution to the Preference Shareholders will be applied to pay the principal of the Class C Notes until such Class of Notes has been paid in full. See "Description of the Notes—Priority of Payments." The Composite Securities will be entitled to receive payments only to the extent that payments are made on the Class C Notes included in the

Class C Component or the Composite Preference Shares included in the Preference Share Component. See "Description of the Composite Securities—Status and Security" herein.

The Notes are subject to optional and mandatory redemption under the circumstances described under "Description of the Notes—Optional Redemption and Tax Redemption," "—Auction Call Redemption" and "—Mandatory Redemption." The Composite Securities will only be redeemed under the circumstances described under "Description of the Composite Securities—Early Redemption" and "—Redemption" herein.

On each Distribution Date, to the extent funds are available therefor, Interest Proceeds will be released from the lien of the Indenture for payment to the Preference Share Paying Agent only after the payment of interest on the Notes and certain other amounts in accordance with the Priority of Payments. Any Interest Proceeds permitted to be released from the lien of the Indenture on any Distribution Date in accordance with the Priority of Payments and paid to the Preference Share Paying Agent will be distributed to the holders of the Preference Shares (the "**Preference Shareholders**") on such Distribution Date. Until the Notes have been paid in full, Principal Proceeds are not permitted to be released from the lien of the Indenture and will not be available to make distributions in respect of the Preference Shares. Subject to provisions of the Issuer Charter and The Companies Law (2004 Revision) of the Cayman Islands governing the declaration and payment of dividends (as described herein), after the Notes have been paid in full, Interest Proceeds and Principal Proceeds remaining after all other applications under the Priority of Payments will be released from the lien of the Indenture in accordance with the Priority of Payments and paid to the Preference Share Paying Agent for distribution to the Preference Shareholders on each Distribution Date.

Distributions (other than certain liquidating distributions described herein) will be made in cash. The Issuer currently intends, in the event that the Preference Shares are not redeemed at the option of a Majority-in-Interest of Preference Shareholders following the repayment in full of the Notes, to liquidate all of its remaining investments in an orderly manner and distribute the proceeds of such liquidation to the Preference Shareholders. See "Description of the Preference Shares—Distributions."

The Notes offered by the Co-Issuers in the United States ("**Restricted Notes**") will be offered in reliance on an exemption from the registration requirements of the Securities Act and will initially be represented by one or more permanent global notes ("**Restricted Global Notes**") in fully registered form, without interest coupons, deposited with the Trustee as custodian for, and registered in the name of, DTC (or its nominee). The Notes offered by the Co-Issuers outside the United States ("**Regulation S Notes**"), the Preference Shares offered by the Issuer outside the United States ("**Regulation S Preference Shares**") and the Composite Securities offered by the Issuer outside the United States ("**Regulation S Composite Securities**") will be offered in reliance on Regulation S under the Securities Act and will be represented by one or more permanent global notes ("**Regulation S Global Notes**"), one or more permanent global share certificates ("**Global Preference Shares**") or one or more global composite securities ("**Global Composite Securities**"), respectively, in fully registered form, without interest coupons, deposited with the Preference Share Paying Agent as custodian for, and registered in the name of, DTC (or its nominee), for credit to the applicable purchaser accounts at Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**"), or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). The Regulation S Global Notes and the Restricted Global Notes are collectively referred to herein as "**Global Notes**." Except in the limited circumstances described herein, (a) certificated Notes will not be issued in exchange for beneficial interests in a Global Note, (b) certificated Preference Shares will not be issued in exchange for beneficial interests in a Global Preference Share and (c) certificated Composite Securities will not be issued in exchange for beneficial interests in a Global Composite Security. The Preference Shares and Composite Securities offered by the Issuer in the United States will be offered in reliance on an exemption from the registration requirements of the Securities Act ("**Restricted Preference Shares**" and "**Restricted Composite Securities**," respectively). Restricted Preference Shares and Restricted Composite Securities will be issued in definitive, fully registered form, without interest coupons and registered in the name of the beneficial owner thereof. See "Description of the Notes—Form, Denomination, Registration and Transfer," "Description of the Preference Shares—Form, Registration and Transfer" and "Description of the Composite Securities—Form, Denomination, Registration and Transfer." Application will be made to list the Class A Notes, the Class B Notes, the Class C Notes, the Series I Composite Securities and the Series II Composite Securities on the Irish Stock Exchange. There can be no assurance that any such listing will be granted. No application will be made to list the Class A Notes, the Class B Notes, the Class C

Notes, the Series I Composite Securities or the Series II Composite Securities on any other stock exchange or to list the Preference Shares on any stock exchange.

NO OFFERED SECURITIES MAY BE SOLD TO ANY PERSON WITHOUT DELIVERY OF A FINAL OFFERING CIRCULAR (THE "OFFERING CIRCULAR"), WHICH WILL SUPERSEDE IN ALL RESPECTS ALL EARLIER DATED OFFERING CIRCULARS.

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

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

AGGREGATE STATED PRINCIPAL AMOUNT OF ANY CLASS OF NOTES, THE NUMBER OF PREFERENCE SHARES OR THE AGGREGATE PRINCIPAL AMOUNT OF COMPOSITE SECURITIES.

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

NONE OF THE ISSUER, THE CO-ISSUER OR THE POOL OF COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), BY REASON OF THE EXEMPTION FROM REGISTRATION CONTAINED IN SECTION 3(c)(7) THEREOF. NO TRANSFER OF NOTES, PREFERENCE SHARES OR COMPOSITE SECURITIES THAT WOULD HAVE THE EFFECT OF REQUIRING EITHER OF THE CO-ISSUERS OR THE POOL OF COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT WILL BE PERMITTED. ANY TRANSFER OF A DEFINITIVE NOTE MAY BE EFFECTED ONLY ON THE NOTE REGISTER MAINTAINED BY THE NOTE REGISTRAR PURSUANT TO THE INDENTURE. ANY TRANSFER OF AN INTEREST IN A RESTRICTED GLOBAL NOTE, A REGULATION S GLOBAL NOTE, A GLOBAL PREFERENCE SHARE OR A GLOBAL COMPOSITE SECURITY WILL BE SHOWN ON, AND TRANSFERS THEREOF WILL BE EFFECTED ONLY THROUGH, RECORDS MAINTAINED BY DTC AND ITS DIRECT AND INDIRECT PARTICIPANTS (INCLUDING, IN THE CASE OF REGULATION S GLOBAL NOTES, GLOBAL PREFERENCE SHARES AND GLOBAL COMPOSITE SECURITIES, EUROCLEAR AND CLEARSTREAM, LUXEMBOURG). ANY TRANSFER OF RESTRICTED PREFERENCE SHARES OR RESTRICTED COMPOSITE SECURITIES MAY BE EFFECTED ONLY ON THE PREFERENCE SHARE REGISTER AND THE COMPOSITE SECURITY REGISTER MAINTAINED BY THE PREFERENCE SHARE REGISTRAR AND THE COMPOSITE SECURITY REGISTRAR PURSUANT TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT AND THE INDENTURE.

EACH PURCHASER AND TRANSFEREE OF A NOTE, EXCLUDING COMPOSITE SECURITIES, WILL BE DEEMED TO REPRESENT AND WARRANT (OR, IN CERTAIN CIRCUMSTANCES REQUIRED TO CERTIFY) THAT (A) IT IS NOT, AND IS NOT INVESTING THE ASSETS OF, AN "**EMPLOYEE BENEFIT PLAN**" (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**")), THAT IS SUBJECT TO SECTION 406 OF ERISA, A "**PLAN**" (AS DEFINED IN SECTION 4975(e)(1) OF THE UNITED STATES INTERNAL REVENUE CODE OF

1986, AS AMENDED (THE "**CODE**")), THAT IS SUBJECT TO SECTION 4975 OF THE CODE OR A FOREIGN, GOVERNMENTAL OR CHURCH PLAN THAT IS SUBJECT TO ANY FOREIGN, FEDERAL, STATE OR LOCAL LAW THAT IS MATERIALLY SIMILAR TO THE FOREGOING PROVISIONS OF ERISA AND THE CODE (A "**SIMILAR LAW**"), OR (B) ITS PURCHASE AND OWNERSHIP OF SUCH NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR THE CODE (OR, IN THE CASE OF A FOREIGN, GOVERNMENTAL OR CHURCH PLAN, A VIOLATION OF ANY SIMILAR LAW).

EACH ORIGINAL PURCHASER OF A PREFERENCE SHARE OR COMPOSITE SECURITY WILL BE REQUIRED TO CERTIFY WHETHER OR NOT IT IS A BENEFIT PLAN INVESTOR (AS DEFINED IN THE PLAN ASSET REGULATIONS OF THE UNITED STATES DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3-101(f)) (ANY SUCH PERSON, A "**BENEFIT PLAN INVESTOR**") OR A CONTROLLING PERSON (AS DEFINED BELOW) TO ENSURE, IMMEDIATELY AFTER THE ISSUANCE OF THE PREFERENCE SHARES AND COMPOSITE SECURITIES THAT LESS THAN 25% OF THE PREFERENCE SHARES ARE HELD BY BENEFIT PLAN INVESTORS (DISREGARDING PREFERENCE SHARES HELD BY PERSONS OTHER THAN BENEFIT PLAN INVESTORS WHO HAVE DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER, OR WHO PROVIDE INVESTMENT ADVICE FOR A FEE, DIRECT OR INDIRECT, WITH RESPECT TO SUCH ASSETS, OR ANY AFFILIATES OF SUCH PERSONS (EACH, A "**CONTROLLING PERSON**")). AN INVESTOR THAT IS A BENEFIT PLAN INVESTOR SUBJECT TO SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW WILL BE REQUIRED TO CERTIFY THAT ITS INVESTMENT IN PREFERENCE SHARES OR COMPOSITE SECURITIES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER THE FOREGOING PROVISIONS OF ERISA AND THE CODE (OR A VIOLATION OF ANY SIMILAR LAW). NO TRANSFER OF PREFERENCE SHARES OR COMPOSITE SECURITIES (OTHER THAN A TRANSFER FROM THE ISSUER OR AN INITIAL PURCHASER ON THE CLOSING DATE) WILL BE EFFECTIVE AND THE ISSUER, THE PREFERENCE SHARE REGISTRAR, THE PREFERENCE SHARE PAYING AGENT, THE TRUSTEE AND THE NOTE REGISTRAR WILL NOT RECOGNIZE ANY SUCH TRANSFER IF THE TRANSFEREE OF A PREFERENCE SHARE OR COMPOSITE SECURITY IS A BENEFIT PLAN INVESTOR OR CONTROLLING PERSON.

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

This Offering Circular has been prepared by the Co-Issuers solely for use in connection with the offering of the Offered Securities described herein (the "**Offering**") and for listing purposes. The Co-Issuers have taken all reasonable care to confirm that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect and that there are no other facts relating to the Co-Issuers or the Offered Securities, the omission of which makes this Offering Circular as a whole or any such information contained herein, in light of the circumstances under which it was made, misleading in any material respect. The Co-Issuers accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Co-Issuers the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Co-Issuers disclaim any obligation to update such information and do not intend to do so. Neither Initial Purchaser nor any of their affiliates make any representation or warranty as to, have independently verified or assume any responsibility for, the accuracy or completeness of the information contained herein. Neither Initial Purchaser nor any of its affiliates has independently verified any such information or assumes any responsibility for its accuracy or completeness. Neither the Collateral Manager nor any of their affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy and completeness of the information contained herein other than the information appearing in the sections "The Collateral Manager" and "Risk Factors—Conflicts of Interest Involving the

Collateral Manager." None of the Hedge Counterparties or any of their respective affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy and completeness of the information contained herein. Nothing contained in this Offering Circular is or should be relied upon as a promise or representation as to future results or events. The Trustee has not participated in the preparation of this Offering Circular and assumes no responsibility for its contents.

All of the statements in this Offering Circular with respect to the business of the Co-Issuers, and any financial projections or other forecasts, are based on information furnished by the Co-Issuers. See "Forward Looking Statements." None of the Initial Purchasers, the Collateral Manager or their respective affiliates assumes any responsibility for the performance of any obligations of either of the Co-Issuers or any other person described in this Offering Circular (except that the Collateral Manager is responsible for the performance of its obligations under the Collateral Management Agreement) or for the due execution, validity or enforceability of the Offered Securities, instruments or documents delivered in connection with the Offered Securities or for the value or validity of any collateral or security interests pledged in connection with the Notes. None of the Hedge Counterparties or any of their respective affiliates assumes responsibility for the performance of any obligations of any other person described in this Offering Circular or for the due execution, validity or enforceability of the Offered Securities, instruments or documents delivered in connection with the Offered Securities (other than its own obligations under documents entered into by it) or for the value or validity of any collateral or security interests pledged in connection with the Notes.

This Offering Circular contains summaries of certain documents. The summaries do not purport to be complete and are qualified in their entirety by reference to such documents, copies of which will be made available to offerees upon request. Requests and inquiries regarding this Offering Circular or such documents should be directed to Merrill Lynch, Pierce, Fenner & Smith, Incorporated, 4 World Financial Center, New York, New York 10080; Attention: Global Structured Credit Products. Copies of such documents may also be obtained free of charge from AIB/BNY Fund Management (Ireland) Limited in its capacity as paying agent located in Dublin, Ireland for the Class A Notes, the Class B Notes, the Class C Notes, the Series I Composite Securities and the Series II Composite Securities (in such capacity, the "**Paying Agent**") if and for so long as any Offered Securities are listed on the Irish Stock Exchange.

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

Each purchaser of a Restricted Note, a Restricted Preference Share or a Restricted Composite Security will be required (or, in certain circumstances, deemed) to represent to the Co-Issuers and the Initial Purchasers that it is (a) either (i) a Qualified Institutional Buyer, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A or (ii) an "accredited investor" within the meaning of Rule 501(a) (an "**Accredited Investor**") under the Securities Act, and (b) in each case, a Qualified Purchaser and is acquiring the Restricted Note, Restricted Preference Share or Restricted Composite Security for its own account for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A). A "**Qualified Purchaser**" is (i) a "qualified purchaser" as defined in the Investment Company Act, (ii) a "knowledgeable employee" with respect to the Issuer within the meaning of Rule 3c-5 under the Investment Company Act or (iii) a company beneficially owned exclusively by one or more "qualified purchasers" and/or "knowledgeable employees" with respect to the Issuer. Each purchaser of a Regulation S Note, Regulation S Preference Share or Regulation S Composite Security will be required (or, in certain circumstances, deemed) to represent to the Co-Issuers and the Initial Purchasers that it is acquiring the Regulation S Note, Regulation S Preference Share or Regulation S Composite Security in an "offshore transaction" within the meaning of Rule 903 or Rule 904 of Regulation S and is neither a U.S. Person, as such term is defined in Regulation S (a "**U.S. Person**"), nor a U.S. resident for purposes of the Investment Company Act (a "**U.S. Resident**"), and is acquiring the Regulation S Note, Regulation S Preference Share or Regulation S Composite Security for its own account and not for the account or benefit of a U.S. Person or a U.S. Resident. Each purchaser or transferee of Offered Securities will also be required (or, in certain circumstances, deemed) to acknowledge that

the Offered Securities have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (a)(i) to a person (A) whom the seller reasonably believes is a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A and (B) that is a Qualified Purchaser, (ii) in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S to a non-U.S. Person that is not a U.S. Resident or (iii) in the case of Composite Securities and Preference Shares only, in accordance with another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act), that is a Qualified Purchaser, (b) in compliance with the certification and other requirements set forth in the Indenture or the Preference Share Paying Agency Agreement, as applicable, and (c) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

Although the Initial Purchasers may from time to time make a market in one or more Class of Notes, the Preference Shares or the Composite Securities, the Initial Purchasers are under no obligation to do so. In the event that the Initial Purchaser commence any market-making, the Initial Purchasers may discontinue the same at any time. There can be no assurance that a secondary market for any Class of the Notes, the Preference Shares or the Composite Securities will develop, or if a secondary market does develop, that it will provide the holders of such Class of Notes, the holders of Preference Shares or the holders of Composite Securities with liquidity of investment or that it will continue for the life of such Class of Notes or Preference Shares.

THIS OFFERING CIRCULAR IS FOR INFORMATION PURPOSES ONLY AND IS NOT INTENDED TO BE RELIED UPON ALONE AS THE BASIS FOR AN INVESTMENT DECISION. IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CO-ISSUERS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED AND MUST NOT RELY UPON INFORMATION PROVIDED BY OR STATEMENTS MADE BY THE INITIAL PURCHASERS, THE COLLATERAL MANAGER, ANY HEDGE COUNTERPARTY OR ANY OF THEIR RESPECTIVE AFFILIATES. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN OFFERED SECURITIES FOR AN INDEFINITE PERIOD OF TIME.

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

THE CONTENTS OF THIS OFFERING CIRCULAR ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN ATTORNEY, BUSINESS ADVISOR AND TAX ADVISOR AS TO LEGAL, BUSINESS AND TAX ADVICE.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS OFFERING CIRCULAR, ALL PERSONS MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL, STATE AND LOCAL TAX TREATMENT OF THE OFFERED SECURITIES AND THE ISSUER, ANY FACT THAT MAY BE RELEVANT TO UNDERSTANDING THE U.S. FEDERAL, STATE AND LOCAL TAX TREATMENT OF THE OFFERED SECURITIES AND THE ISSUER, AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSIS) RELATING TO SUCH TAX TREATMENT.

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

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

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

NOTICE TO FLORIDA RESIDENTS

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

NOTICE TO CONNECTICUT RESIDENTS

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

NOTICE TO GEORGIA RESIDENTS

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

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

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

NOTICE TO RESIDENTS OF THE NETHERLANDS

THE OFFERED SECURITIES MAY BE OFFERED, SOLD, TRANSFERRED OR DELIVERED IN OR FROM THE NETHERLANDS AS PART OF THEIR INITIAL DISTRIBUTION OR AT ANY TIME THEREAFTER, DIRECTLY OR INDIRECTLY, EXCLUSIVELY TO INDIVIDUALS OR ENTITIES, WHO OR WHICH TRADE OR INVEST IN SECURITIES IN THE CONDUCT OF A PROFESSION OR A BUSINESS WITHIN THE MEANING OF ARTICLE 1 OF THE REGULATION OF 9 OCTOBER 1999 ISSUED PURSUANT TO

ARTICLE 14 OF THE ACT ON THE SUPERVISION OF INVESTMENT INSTITUTIONS (WET TOEZICHT BELEGGINGSINSTELLINGEN), WHICH INCLUDES BANKS, PENSION FUNDS, INSURANCE COMPANIES, SECURITIES FIRMS, INVESTMENT INSTITUTIONS, CENTRAL GOVERNMENTS, LARGE INTERNATIONAL AND SUPRANATIONAL INSTITUTIONS AND OTHER COMPARABLE ENTITIES, INCLUDING TREASURIES AND FINANCE COMPANIES OF LARGE ENTERPRISES, WHICH TRADE OR INVEST IN SECURITIES IN THE CONDUCT OF A PROFESSION OR A BUSINESS.

NOTICE TO RESIDENTS OF GERMANY

THE OFFERED SECURITIES MAY ONLY BE ACQUIRED IN ACCORDANCE WITH THE GERMAN WERTPAPIER-VERKAUFSPROSPEKTGESETZ (SECURITIES SELLING PROSPECTUS ACT) AND THE AUSLANDINVESTMENTGESETZ (FOREIGN INVESTMENT FUNDS ACT). THE OFFERED SECURITIES ARE NOT REGISTERED OR AUTHORIZED FOR DISTRIBUTION UNDER THE FOREIGN INVESTMENT FUNDS ACT AND MAY NOT BE, AND ARE NOT BEING, OFFERED OR ADVERTISED PUBLICLY OR OFFERED SIMILARLY UNDER § 1 FOREIGN INVESTMENT FUNDS ACT OR THE SECURITIES SELLING PROSPECTUS ACT. THEREFORE, THIS OFFER IS ONLY BEING MADE TO RECIPIENTS TO WHOM THIS DOCUMENT IS PERSONALLY ADDRESSED AND DOES NOT CONSTITUTE AN OFFER OR ADVERTISEMENT TO THE PUBLIC. THE OFFERED SECURITIES CAN ONLY BE ACQUIRED FOR A MINIMUM PURCHASE PRICE OF AT LEAST € 40,000 (EXCLUDING COMMISSION AND OTHER FEES) PER PERSON. THE OFFERED SECURITIES HAVE NOT BEEN REGISTERED FOR PUBLIC DISTRIBUTION IN GERMANY. GERMAN INVESTORS WILL THUS NOT BENEFIT FROM THE TAX REGIME UNDER § 17 FOREIGN INVESTMENT FUNDS ACT. HOWEVER, A TAX REPRESENTATIVE HAS BEEN OR WILL BE APPOINTED. THUS GERMAN INVESTORS WILL BE TAXED PURSUANT TO § 18 FOREIGN INVESTMENT FUNDS ACT, PARAGRAPHS (1) AND (2). ALL PROSPECTIVE INVESTORS ARE THEREFORE URGED TO SEEK INDEPENDENT TAX ADVICE. MERRILL LYNCH & CO. AND ITS AFFILIATES DO NOT GIVE TAX ADVICE.

[THE FOLLOWING IS A TRANSLATION OF THE PRECEDING PARAGRAPH]
INFORMATIONEN FÜR EINWOHNER VON DEUTSCHLAND

DIE ANGEBOTENEN WERTPAPIERE KÖNNEN NUR NACH MASSGABE DES WERTPAPIER-VERKAUFSPROSPEKTGESETZES UND DES AUSLANDINVESTMENTGESETZES ERWORBEN WERDEN. DIE ANGEBOTENEN WERTPAPIERE SIND NICHT NACH DEM AUSLANDINVESTMENTGESETZ ZUM ÖFFENTLICHEN VERTRIEB ZUGELASSEN UND DÜRFEN UND WERDEN NICHT GEMÄSS § 1 DES AUSLANDINVESTMENTGESETZES ODER DEM WERTPAPIERVERKAUFSPROSPEKTGESETZ ÖFFENTLICH ODER IN ÄHNLICHER WEISE ANGEBOTEN ODER BEWORBEN. DAHER RICHTET SICH DIESES ANGEBOT AUSSCHLIESSLICH AN SOLCHE EMPFÄNGER, AN DIE DIESES DOKUMENT PERSÖNLICH ADRESSIERT 1ST, UND ES STELLT KEIN ANGEBOT UND KEINE WERBUNG AN DIE BREITE ÖFFENTLICHKEIT DAR. DIE ANGEBOTENEN WERTPAPIERE KÖNNEN NUR ZU EINEM MINDESTKAUFPREIS VON € 40.000 (EXKL. PRO VISIONEN UND SONSTIGEN GEBÜHREN) PRO PERSON ERWORBEN WERDEN. DIE ANGEBOTENEN WERTPAPIERE SIND NICHT ZUM ÖFFENTLICHEN VERTRIEB IN DEUTSCHLAND ZUGELASSEN. DEUTSCHE INVESTOREN PROFITIEREN DAHER NICH VON DEN STEUERLICHEN VERGUNSTIGUNGEN NACH § 17 AUSLANDINVESTMENTGESETZ. ES WURDE BZW. WIRD JEDOCH EIN STEUERVERTRETER BESTELLT. DEUTSCHE INVESTOREN WERDEN DAHER GEMÄSS § 18 ABS. 1 UND 2 AUSLANDINVESTMENTGESETZ BESTEUERT. ALLE POTENTIELLEN INVESTOREN WERDEN DAHER DRINGEND AUFGEFORDERT, UNABHÄNGIGE STEUERBERATUNG EINZUHOLEN. MERRILL LYNCH & CO. UND DIE MIT HIR VERBUNDENEN UNTERNEHMEN GEBEN KEINE STEUERBERATUNG.

NOTICE TO RESIDENTS OF SWEDEN

THE RIGHT TO PURCHASE THE OFFERED SECURITIES DESCRIBED IN THIS DOCUMENT IS OFFERED TO A LIMITED AND PERSONALLY INVITED CIRCLE OF POTENTIAL INVESTORS ONLY. THE

INVITED INVESTORS ARE NOT ALLOWED TO ASSIGN OR OTHERWISE TRANSFER THEIR OFFERED RIGHT TO SUBSCRIBE FOR THE OFFERED SECURITIES.

THE ISSUE OF THE OFFERED SECURITIES DESCRIBED IN THIS DOCUMENT IS NOT MADE TO THE PUBLIC IN SWEDEN AND IS THEREFORE NOT ENCOMPASSED BY THE PROSPECTUS REGULATIONS IN THE SWEDISH FINANCIAL INSTRUMENTS TRADING ACT (LAG 1991:980 OM HANDEL MED FINANSIELLA INSTRUMENT). THIS DOCUMENT HAS NOT BEEN SUBMITTED FOR APPROVAL BY OR REGISTRATION WITH THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY (FINANSINSPEKTIONEN).

NOTICE TO RESIDENTS OF THE REPUBLIC OF IRELAND

THIS OFFERING CIRCULAR IS NOT A PROSPECTUS AND DOES NOT CONSTITUTE AN INVITATION TO THE PUBLIC TO PURCHASE OR SUBSCRIBE FOR ANY OFFERED SECURITIES AND NEITHER IT NOR ANY FORM OF APPLICATION WILL BE ISSUED, CIRCULATED OR DISTRIBUTED TO THE PUBLIC.

THIS OFFERING CIRCULAR AND THE INFORMATION CONTAINED HEREIN IS CONFIDENTIAL AND IS FOR THE USE SOLELY OF THE PERSON TO WHOM IT IS ADDRESSED. ACCORDINGLY, IT MAY NOT BE REPRODUCED IN WHOLE OR IN PART, NOR MAY ITS CONTENTS BE DISTRIBUTED IN WRITING OR ORALLY TO ANY THIRD PARTY AND IT MAY BE READ SOLELY BY THE PERSON TO WHOM IT IS ADDRESSED AND HIS/HER PROFESSIONAL ADVISORS.

NOTICE TO RESIDENTS OF PORTUGAL

THE OFFERING OF THE OFFERED SECURITIES HAS NOT AND WILL NOT BE REGISTERED UNDER THE PORTUGUESE SECURITIES CODE AS A PUBLIC OFFERING. NO OFFER OR SALE OF THE OFFERED SECURITIES MAY BE MADE IN PORTUGAL EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH THE APPLICABLE LAWS THEREOF.

NOTICE TO RESIDENTS OF AUSTRIA

THIS OFFERING CIRCULAR HAS BEEN PRODUCED FOR THE SOLE PURPOSE OF PROVIDING INFORMATION ABOUT THE OFFERED SECURITIES TO A LIMITED NUMBER OF SOPHISTICATED INVESTORS IN AUSTRIA. THIS OFFERING CIRCULAR IS MADE AVAILABLE ON THE CONDITION THAT IT IS FOR THE USE ONLY BY RECIPIENTS AS A SOPHISTICATED POTENTIAL AND INDIVIDUALLY SELECTED INVESTOR AND MAY NOT BE PASSED ON TO ANY OTHER PERSON OR REPRODUCED IN WHOLE OR PART. THIS OFFERING CIRCULAR DOES NOT CONSTITUTE A PUBLIC OFFER (ÖFFENTLICHES ANGEBOT) IN AUSTRIA AND MUST NOT BE USED TOGETHER WITH A PUBLIC OFFER IN AUSTRIA, AND, THEREFORE, THE PROVISIONS OF THE INVESTMENT FUND ACT OF 1993 (INVESTMENTFONDSGESETZ 1993) DO NOT APPLY. CONSEQUENTLY, NO PUBLIC OFFERS OR PUBLIC SALES MUST BE MADE IN AUSTRIA IN RESPECT OF THE OFFERED SECURITIES. THE OFFERED SECURITIES ARE NOT REGISTERED IN AUSTRIA. AUSTRIAN INVESTORS THUS WILL NOT BENEFIT FROM A MORE ADVANTAGEOUS TAX REGIME APPLICABLE TO REGISTERED UNITS IN A COLLECTIVE INVESTMENT SCHEME. ALL PROSPECTIVE INVESTORS ARE THEREFORE URGED TO SEEK INDEPENDENT TAX ADVICE. MERRILL LYNCH & CO. AND ITS AFFILIATES DO NOT GIVE TAX ADVICE.

[THE FOLLOWING IS A TRANSLATION OF THE PRECEDING PARAGRAPH]
INFORMATIONEN FÜR EINWOHNER VON ÖSTERREICH

DIESES OFFERING CIRCULAR WURDE EINZIG ZU DEM ZWECK ERSTELLT, EINER BESCHRÄNKTEN ANZAHL VON PROFESSIONELLEN INVESTOREN IN ÖSTERREICH INFORMATIONEN ÜBER DIE PARTIZIPIERENDEN INVESTMENTANTEILE ZU GEBEN. DIESES OFFERING CIRCULAR WIRD UNTER

DER BEDINGUNG ZUR VERFÜGUNG GESTELLT, DASS ES AUSSCHLIESSLICH VOM EMPFÄNGER, ALS PROFESSIONELLEN POTENTIELLEN UND INDIVIDUELL AUSGESUCHTEN INVESTOR VERWENDET WIRD. ES DARE NICHT AN IRGENDWELCHE ANDEREN PERSONEN WEITERGELEITET WERDEN ODER TEILWEISE ODER IM GANZEN REPRODUZIERT WERDEN. DIESES OFFERING CIRCULAR STELLT KEIN ÖFFENTLICHES ANGEBOT IN ÖSTERREICH DAR. ES DARF AUCH NICHT IM ZUSAMMENHANG MIT EINEM ÖFFENTLICHEN ANGEBOT VERWENDET WERDEN. DIE BESTIMMUNGEN DES INVESTMENTFONDSGESETZES 1993 FINDEN DAHER HIERAUF KEINE ANWENDUNG. FOLGLICH DÜRLFEN IN ÖSTERREICH KEINE ÖFFENTLICHEN ANGEBOTE ODER ÖFFENTLICHEN VERKÄUFE IM ZUSAMMENHANG MIT DEN PARTIZIPIERENDEN INVESTMENTANTEILEN GEMACHT WERDEN. DIE PARTIZIPIERENDEN INVESTMENTANTEILE SIND NICHT IN ÖSTERREICH ZUM ÖFFENTLICHEN ANGEBOT ZUGELASSEN. ÖSTERREICHISCHE INVESTOREN KÖNNEN DAHER NICHT VON DEN VORTEILHAFTEREN STEUERREGELN IN BEZUG AUF REGISTRIERTE ANTEILE AN KAPITALANLAGEGESELLSCHAFTEN PROFITIEREN. ALLE POTENTIELLEN INVESTOREN WERDEN DAHER DRINGEND AUFGEFORDERT, UNABHÄNGIGE STEUERBERATUNG EINZUHOLEN. MERRILL LYNCH & CO. UND IHRE KONZERNGESELLSCHAFTEN GEBEN KEINE STEUERBERATUNG.

NOTICE TO RESIDENTS OF AUSTRALIA

ANY OFFER OF SECURITIES, INVITATION TO SUBSCRIBE FOR SECURITIES OR ISSUE OF THE SECURITIES IN AUSTRALIA THAT IS REGULATED BY THE CORPORATIONS LAW MUST CONSTITUTE AN EXCLUDED OFFER, EXCLUDED INVITATION, OR EXCLUDED ISSUE WITHIN THE MEANING GIVEN TO THOSE EXPRESSIONS IN THE CORPORATIONS LAW.

NOTICE TO INVESTORS IN HONG KONG

EACH INVESTOR WILL AGREE TO SUBSCRIBE FOR THE OFFERED SECURITIES DESCRIBED IN THIS OFFERING CIRCULAR ON THE CONDITION THAT, UPON ITS SUBSCRIPTION FOR THE OFFERED SECURITIES, IT HAS THE PRESENT INTENTION OF HOLDING THE OFFERED SECURITIES TO MATURITY, IT WILL NOT, IN ANY EVENT, RESELL ANY SUCH OFFERED SECURITIES WITHIN SIX MONTHS OF THE DATE OF THEIR ISSUANCE AND THAT IT WILL NOT SELL ANY SUCH OFFERED SECURITIES OTHER THAN TO PERSONS WHOM IT REASONABLY BELIEVES (AND WHO HAVE CONFIRMED THE SAME TO IT IN WRITING) TO HAVE THE PRESENT INTENTION OF HOLDING SUCH OFFERED SECURITIES TO MATURITY AND WHO HAVE CONFIRMED TO IT IN WRITING THAT THEY WILL NOT RESELL ANY SUCH OFFERED SECURITIES WITHIN SIX MONTHS OF THE DATE OF THEIR ISSUANCE.

NOTICE TO RESIDENTS OF JAPAN

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

NOTICE TO RESIDENTS OF FRANCE

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

AVAILABLE INFORMATION

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

FORWARD LOOKING STATEMENTS

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

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

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

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SUMMARY OF TERMS

The following summary does not purport to be complete and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offering Circular. An index of defined terms appears at the back of this Offering Circular. For a discussion of certain factors to be considered in connection with an investment in the Offered Securities, see "Risk Factors."

Securities Offered:	U.S.$ 201,000,000 aggregate principal amount Class A-1 First Priority Senior Secured Floating Rate Notes due 2025 (the "**Class A-1 Notes**").
	U.S.$ 37,750,000 aggregate principal amount Class A-2 Second Priority Senior Secured Floating Rate Notes due 2040 (the "**Class A-2 Notes**" and, together with the Class A-1 Notes, the "**Class A Notes"**)
	U.S.$ 37,900,000 aggregate principal amount Class B Third Priority Senior Secured Floating Rate Notes due 2040 (the "**Class B Notes**").
	U.S.$ 13,250,000 aggregate principal amount Class C Mezzanine Secured Floating Rate Notes due 2040 (the "**Class C Notes**"). The Class A Notes, the Class B Notes and the Class C Notes are referred to herein as the "**Notes**."
	7,900 Composite Preference Shares, par value U.S.$ 0.01 per share, issued at an issue price of U.S.$ 1,000 per share (the "**Composite Preference Shares**").
	5,000 Non-Composite Preference Shares, par value U.S.$ 0.01 per share, issued at an issue price of U.S.$ 1,000 per share (the "**Non-Composite Preference Shares**" and, together with the Composite Preference Shares, the **"Preference Shares**").
	U.S.$ 14,600,000 Series I 2% Composite Securities due 2040 (the "**Series I Composite Securities**").
	U.S.$ 5,000,000 Series II Composite Securities due 2040 (the "**Series II Composite Securities**" and, together with the Series I Composite Securities, the "**Composite Securities**").
	The Notes, the Preference Shares and the Composite Securities are referred to collectively herein as the "**Offered Securities**."
	The Notes will be issued and secured pursuant to an Indenture dated as of December 22, 2004 (the "**Indenture**"), among the Issuer, the Co-Issuer and Wells Fargo Bank, National Association, as trustee (in such capacity, together with its successors, the "**Trustee**"). The Hedge Counterparty will be an express third party beneficiary of the Indenture. See "Description of the Notes—Status and Security" and "—The Indenture." The Notes will be limited-recourse debt obligations of the Co-Issuers secured solely by a pledge of the Collateral by the Issuer to the Trustee pursuant to the Indenture for the benefit of the holders from time to time of the Notes, the Collateral Manager, the Trustee and the Hedge Counterparty (collectively, the "**Secured Parties**"). See "Description of the Notes—Status and Security."
	The terms of the Preference Shares will be set out in the Memorandum and Articles of Association of the Issuer, as amended and restated (the

"**Issuer Charter**"), and will be issued in accordance with a Preference Share Paying Agency Agreement dated as of December 22, 2004 (the "**Preference Share Paying Agency Agreement**") between the Issuer and Wells Fargo Bank, National Association, as preference share paying agent (in such capacity, together with its successors, the "**Preference Share Paying Agent**").

Each series of Composite Securities will consist of two components (each, a "**Component**" and together, the "**Components**"):

(i) a Component initially consisting of (x) in the case of the Series I Composite Securities, U.S.$ 8,700,000 aggregate original principal amount of the Class C Notes and (y) in the case of the Series II Composite Securities, U.S.$ 3,000,000 aggregate original principal amount of the Class C Notes (the "**Class C Component Amount**") allocable to, and represented by, the related series of Composite Securities (the "**Class C Component**"), which will be issued pursuant to the Indenture; and

(ii) a Component initially consisting of (x) in the case of the Series I Composite Securities, 5,900 Composite Preference Shares (U.S.$ 5,900,000 Aggregate Liquidation Preference) and (y) in the case of the Series II Composite Securities, 2,000 Composite Preference Shares (U.S.$ 2,000,000 Aggregate Liquidation Preference) (the "**Preference Share Component Amount**") allocable to, and represented by, the related series of Composite Securities (the "**Preference Share Component**"), which will be issued pursuant to the Preference Share Paying Agency Agreement.

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

Except as otherwise described in the section entitled "Description of the Composite Securities," the terms and conditions of the Composite Securities (including amounts due and payable thereunder) will be (a) with respect to the Class C Component, the terms and conditions of the Class C Notes and (b) with respect to the Preference Share Component, the terms and conditions of the Composite Preference Shares. The Composite Securities are limited recourse obligations of the Issuer. The Composite Securities will be entitled to receive payments only to the extent that payments are made on the Class C Notes included in the Class C Component or the Composite Preference Shares included in the Preference Share Component. The Composite Securities will be secured solely to the extent to which the underlying

	Components are secured. The Preference Share Component therefore will not be secured. See "Description of the Composite Securities." All of the holders of Class A-1 Notes are entitled to receive payments *pari passu* among themselves, all of the holders of Class A-2 Notes are entitled to receive payments *pari passu* among themselves, all of the holders of Class B Notes are entitled to receive payments *pari passu* among themselves, all of the holders of Class C Notes are entitled to receive payments *pari passu* among themselves, and all of the Preference Shareholders are entitled to receive payments *pari passu* among themselves. Except as otherwise described herein, including, without limitation, paragraph (15) of "Description of the Notes—Priority of Payments—Interest Proceeds" herein, the relative order of seniority of payment of each Class of Notes is as follows: *first*, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes and *fourth*, Class C Notes, with (a) each Class of Notes (other than the Class C Notes) in such list being "**Senior**" to each other Class of Notes that follows such Class of Notes in such list and (b) each Class of Notes (other than the Class A-1 Notes) in such list being "**Subordinate**" to each other Class of Notes that precedes such Class of Notes in such list. No payment of interest on any Class of Notes will be made until all accrued and unpaid interest on the Notes of each Class that is Senior to such Class and that remain outstanding has been paid in full. No payment of principal of any Class of Notes will be made until all principal of, and all accrued and unpaid interest on, the Notes of each Class that is Senior to such Class and that remain outstanding have been paid in full except (i) to the payment of Class C Deferred Interest from Interest Proceeds in certain circumstances and (ii) on any Distribution Date, if Preference Shareholders have received a Dividend Yield of 16% on such Distribution Date, Interest Proceeds that would otherwise be paid to the Preference Share Paying Agent for distribution to the Preference Shareholders will be applied to pay the principal of the Class C Notes until such Class of Notes has been paid in full. See "Description of the Notes—Priority of Payments." The Composite Securities will be entitled to receive payments only to the extent that payments are made on the Class C Notes included in the Class C Component or the Composite Preference Shares included in the Preference Shares Component. See "Description of the Composite Securities—Status and Security."
The Co-Issuers:	E*TRADE ABS CDO III, Ltd. (the "**Issuer**") is an exempted company incorporated under The Companies Law (2004 Revision) of the Cayman Islands pursuant to the Issuer Charter. The entire share capital of the Issuer will consist of (a) 1,000 ordinary shares, par value U.S.$ 1.00 per share, each of which will be held in trust for charitable purposes by Walkers SPV Limited, a licensed trust company incorporated in the Cayman Islands (the "**Share Trustee**"), under the terms of a declaration of trust and (b) 12,900 Preference Shares, par value U.S.$ 0.01 per share, to be issued at an issue price of U.S.$ 1,000 per share. The Indenture and Issuer Charter will provide that the activities of the Issuer are limited to (1) acquiring, holding and, in limited circumstances, disposing of the Collateral, (2) entering into and performing its obligations under the Indenture, the Hedge Agreements, the Collateral Management Agreement, the Collateral Administration Agreement, the Purchase Agreement, the Subscription Agreements, the

	Administration Agreement and the Preference Share Paying Agency Agreement, (3) issuing and selling the Offered Securities, (4) pledging the Collateral as security for its obligations in respect of the Notes and otherwise for the benefit of the Secured Parties and (5) other activities incidental to the foregoing and permitted by the Indenture, including, without limitation, entering into any and all documentation necessary to give effect to the foregoing. The Issuer will not have any material assets other than the Collateral. No Collateral Debt Security will be acquired after the Closing Date. The Issuer may not actively manage the Collateral Debt Securities purchased by it, except that the Collateral Manager will dispose of Collateral only in the limited circumstances described herein. See "Security for the Notes—Dispositions of Collateral Debt Securities." E*TRADE ABS CDO III, LLC, a limited liability company organized under the laws of the State of Delaware (the "**Co-Issuer**" and, together with the Issuer, the "**Co-Issuers**"), will be organized for the sole purpose of co-issuing and selling the Notes. The Co-Issuer will be capitalized to the extent of the contribution of U.S.$ 100 by its member, will have no other assets other than such contribution, will have no debt other than as the Co-Issuer of the Notes and will not pledge any assets to secure the Notes. The Co-Issuer will not have any claim against or interest in the Collateral held by the Issuer or otherwise.
Collateral Manager:	E*TRADE Global Asset Management, Inc., a Delaware corporation ("**ETGAM**" or the "**Collateral Manager**") based in Virginia, will perform certain servicing and administrative functions with respect to the Collateral under a collateral management agreement to be entered into between the Issuer and the Collateral Manager (the "**Collateral Management Agreement**"). Pursuant to the Collateral Management Agreement and in accordance with the Indenture, the Collateral Manager will select and will perform certain administrative functions with respect to the Collateral (including exercising rights and remedies associated with the Collateral Debt Securities) based on the restrictions set forth in the Indenture and the Collateral Management Agreement and on the Collateral Manager's experience and judgment. The Collateral Manager will also monitor the Hedge Agreement. The Collateral Manager will not actively manage the Collateral Debt Securities purchased by the Issuer, except that the Collateral Manager will dispose of Collateral only in the limited circumstances described herein. See "Security for the Notes—Dispositions of Collateral Debt Securities." For a summary of the provisions of the Collateral Management Agreement and certain other information concerning the Collateral Manager and key individuals associated therewith who will be performing these functions, see "The Collateral Manager" and "The Collateral Management Agreement."
Use of Proceeds:	The gross proceeds received from the issuance and sale of the Offered Securities, together with an upfront payment from the Hedge Counterparty, will be approximately U.S.$ 304,435,000. The net proceeds from the issuance and sale of the Offered Securities are expected to be approximately U.S.$ 299,000,000, which reflects the payment from such gross proceeds of organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the

	legal fees and expenses of counsel to the Co-Issuers, the Initial Purchasers and the Collateral Manager), the expenses of offering the Offered Securities (including fees payable in connection with the purchase or placement of the Offered Securities), the initial deposits into the Expense Account and the Interest Reserve Account as well as any upfront payments made or received in respect of the Hedge Agreements. Such net proceeds will be used by the Issuer to purchase a diversified portfolio, selected by the Collateral Manager, of interests in certain asset-backed securities and Synthetic Securities the Reference Obligations of which will be asset-backed securities, that, in each case, have the characteristics described herein. See "Security for the Notes—Collateral Debt Securities," "—Asset-Backed Securities" and "—Portfolio Characteristics." On the Closing Date, the Issuer will have acquired the Issuer's entire portfolio, which portfolio will consist of Collateral Debt Securities having an aggregate principal balance (including principal collections on such Collateral Debt Securities deposited in the Principal Collection Account on the Closing Date), when added to any purchased accrued interest on such Collateral Debt Securities, of at least U.S.$ 300,000,000. See "Use of Proceeds." In the event that there are any remaining uninvested net proceeds on the Determination Date preceding the April 2005 Distribution Date, they will be applied in the manner described herein under "Description of the Notes—Certain Definitions," "—Priority of Payments—Principal Proceeds" and "Security for the Notes—The Accounts—Uninvested Proceeds Account."
Limited Authority to Dispose of Collateral Debt Securities:	Neither the Issuer nor the Collateral Manager acting on behalf of the Issuer will direct the Trustee to sell or otherwise dispose of Collateral Debt Securities, except that, pursuant to the Collateral Management Agreement and in accordance with the terms of the Indenture, the Collateral Manager, on behalf of the Issuer, will dispose of Collateral only in the limited circumstances described herein. See "—Liquidation of Collateral Debt Securities," "Security for the Notes—Dispositions of Collateral Debt Securities" and "The Collateral Management Agreement."
Application of Interest Proceeds and Principal Proceeds:	Following the Closing Date, the Issuer will not reinvest Interest Proceeds or Principal Proceeds in additional Collateral Debt Securities; rather, the Issuer will invest all Interest Proceeds and Principal Proceeds received by the Issuer with respect to each Due Period in Eligible Investments and will apply on the next succeeding Distribution Date such proceeds to pay interest and principal on the Notes, to pay other obligations of the Co-Issuers and to make distributions on the Preference Shares, in each case, in accordance with the Priority of Payments. See "Description of the Notes—Priority of Payments."
Interest Payments on the Notes:	The Class A-1 Notes will bear interest at a floating rate per annum equal to LIBOR (determined as described herein) *plus* 0.32%. The Class A-2 Notes will bear interest at a floating rate per annum equal to LIBOR (determined as described herein) *plus* 0.59%. The Class B Notes will bear interest at a floating rate per annum equal to LIBOR (determined as described herein) *plus* 0.75%. The Class C Notes will bear interest at a floating rate per annum equal to LIBOR (determined

	as described herein) *plus* 2.85%. Interest on the Class A Notes, the Class B Notes and the Class C Notes will be computed on the basis of a 360-day year and the actual number of days elapsed. Interest on the Notes will accrue from the Closing Date. Accrued and unpaid interest will be payable quarterly in arrears on each Distribution Date, if and to the extent that funds are available for such purpose on such Distribution Date in accordance with the Priority of Payments set forth herein. See "Description of the Notes—Interest." So long as any Class A Notes or Class B Notes are outstanding, the failure on any Distribution Date to make payment in respect of interest on the Class C Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class C Notes that is not so paid when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "**Class C Deferred Interest**"). Any Class C Deferred Interest will be added to the aggregate outstanding principal amount of the Class C Notes, and thereafter interest will accrue on the aggregate outstanding principal amount of the Class C Notes, as so increased. Upon the payment of Class C Deferred Interest previously capitalized as additional principal, the aggregate outstanding principal amount of the Class C Notes will be reduced by the amount of such payment. Additionally, so long as any Class of Notes is outstanding, if any Coverage Test applicable to such Class of Notes is not satisfied on the Determination Date relating to any Distribution Date, then certain amounts that would otherwise be used to make payments in respect of interest on any Class of Notes Subordinate to such Class will be used instead to redeem, *first*, each Class (if any) of Notes Senior to such Class of Notes (sequentially in direct order of Seniority) and, *second*, such Class of Notes, until each applicable Coverage Test is satisfied. See "Description of the Notes—Priority of Payments."
Payments on the Composite Securities:	The Composite Securities do not bear a stated rate of interest. On each Distribution Date on which payments, if any, are made on the Class C Notes or the Composite Preference Shares, portions of such payments will be allocated to the Composite Securities. See "Description of the Composite Securities—Payments." However, the rating assigned to the Series I Composite Securities by Standard & Poor's (a) addresses the ultimate receipt of the initial Composite Securities Outstanding Balance and 2% per annum return on the related Composite Securities Outstanding Balance, (b) will not at any time address the timely receipt of any payments, including payments on redemption of the Series I Composite Securities and (c) will be withdrawn after the Composite Securities Outstanding Balance is reduced to zero; and the rating assigned to the Series I Composite Securities by Moody's addresses the ultimate receipt of the related Composite Securities Outstanding Balance and 2% per annum return on the related Composite Securities Outstanding Balance and the rating assigned to the Series II Composite Securities by Moody's addresses the ultimate receipt of the related Composite Securities Rated Balance and a per annum return on the related Composite Securities Rated Balance equal to three-month LIBOR in effect from time to time. See "Ratings of the Offered Securities."

Distributions on the Preference Shares:	On each Distribution Date, to the extent funds are available therefor, Interest Proceeds will be released from the lien of the Indenture for payment to the Preference Share Paying Agent only after the payment of interest on the Notes and certain other amounts in accordance with the Priority of Payments; *provided* that, on each Distribution Date, the amount of Interest Proceeds released from the lien of the Indenture for payment to the Preference Shareholders on such Distribution Date will be limited to an amount sufficient to permit the Preference Shareholders to achieve a Dividend Yield on such Distribution Date of 16% per annum on the Aggregate Liquidation Preference of the Preference Shares. Any Interest Proceeds permitted to be released from the lien of the Indenture on any Distribution Date in accordance with the Priority of Payments and paid to the Preference Share Paying Agent will be distributed to the Preference Shareholders on such Distribution Date. Until the Notes have been paid in full, Principal Proceeds are not permitted to be released from the lien of the Indenture and will not be available to make distributions in respect of the Preference Shares. Subject to provisions of the Issuer Charter and The Companies Law (2004 Revision) of the Cayman Islands governing the declaration and payment of dividends (as described herein), after the Notes have been paid in full, Interest Proceeds and Principal Proceeds remaining after all other applications under the Priority of Payments will be released from the lien of the Indenture in accordance with the Priority of Payments and paid to the Preference Share Paying Agent for distribution to the Preference Shareholders on each Distribution Date. Distributions will be made in cash (except certain liquidating distributions). See "Description of the Preference Shares—Distributions." If any of the Coverage Tests is not satisfied on the Determination Date related to any Distribution Date, Interest Proceeds that would otherwise be released from the lien of the Indenture and paid to the Preference Share Paying Agent for distribution to the Preference Shareholders on the related Distribution Date (subject to the payment of certain other amounts prior thereto) will be used instead to repay principal of the Notes sequentially in direct order of seniority, to the extent and as described herein. See "Description of the Notes—Priority of Payments."
Non-Call Period:	The period from the Closing Date to and including the Business Day immediately preceding the Distribution Date in January 2008 is referred to herein as the "**Non-Call Period**."
Maturity; Average Life; Duration:	The stated maturity of the Class A-1 Notes is January 10, 2025; the stated maturity of the Class A-2 Notes is January 10, 2040; the stated maturity of the Class B Notes is January 10, 2040; the stated maturity of the Class C Notes is January 10, 2040 (with respect to each Class of Notes, the "**Stated Maturity**"). Each Class of Notes will mature at the applicable Stated Maturity unless redeemed or repaid prior thereto. The Preference Shares and the Composite Securities will be redeemed on the Scheduled Preference Share Redemption Date, unless redeemed on an earlier date in accordance with the Priority of Payments. The average life of each Class of Notes and the duration of the Preference Shares and the Composite Securities may be less than the number of years until their Stated Maturity and the Scheduled Preference Share

	Redemption Date, respectively. See "Maturity, Prepayment and Yield Considerations" and "Risk Factors—Average Life of the Notes and Prepayment Considerations" and "—Distributions on the Preference Shares; Investment Term; Non-Petition Agreement."
Principal Repayment of the Notes:	Principal Proceeds will be applied on each Distribution Date in accordance with the Priority of Payments to pay principal of each Class of Notes, with principal of a Class of Notes being paid prior to the payment of principal of each other Class of Notes then outstanding that is Subordinate to the Class of Notes being paid except as otherwise described herein. The amount and frequency of principal payments of a Class of Notes will depend upon, among other things, the amount and frequency of payments of the principal and interest received with respect to the Collateral Debt Securities. See "Description of the Notes—Principal" and "—Priority of Payments." Payments of principal may be made on the Notes in the following circumstances (subject, in each case, to the Priority of Payments): (a) upon the failure of the Issuer to satisfy any Coverage Test applicable to any Class of Notes, (b) in connection with a Tax Redemption, (c) for the payment of Class C Deferred Interest and (d) in the case of the Class C Notes, if Preference Shareholders have received a Dividend Yield of 16%, as provided in paragraph (14) under the heading "Description of the Notes—Priority of Payments—Interest Proceeds." In addition, the Issuer may redeem the Notes, in whole but not in part, at the applicable Redemption Price therefor on any Distribution Date occurring after the end of the Non-Call Period in connection with an Optional Redemption. Furthermore, on or after the Distribution Date occurring in January 2013, the Notes may be redeemed in connection with an Auction Call Redemption. See "Description of the Notes—Optional Redemption and Tax Redemption," "—Mandatory Redemption," "—Auction Call Redemption" and "—Priority of Payments—Interest Proceeds."
Mandatory Redemption:	Each Class of Notes will be subject to mandatory redemption on any Distribution Date in the event that any Coverage Test applicable to such Class of Notes is not satisfied on the related Determination Date. Subject to the Priority of Payments, any such redemption will be effected, *first*, from Interest Proceeds to the extent necessary to cause each applicable Coverage Test to be satisfied, and *second*, (to the extent that the application of Interest Proceeds pursuant to the Priority of Payments would be insufficient to cause such tests to be satisfied), from Principal Proceeds until each such Class of Notes has been paid in full. Any such redemption will be applied to each outstanding Class of Notes in accordance with its relative seniority and will otherwise be effected as described below under "Description of the Notes—Priority of Payments." In addition, if on any Distribution Date Preference Shareholders have received distributions on the Preference Shares sufficient to achieve a Dividend Yield of 16%, any excess amount of Interest Proceeds will be applied to the Class C Notes until such Class of Notes has been paid in full. See "Description of the Notes—Principal," "—Mandatory Redemption" and "—Priority of Payments—Interest Proceeds."

Optional Redemption and Tax Redemption of the Notes:	Subject to the satisfaction of certain conditions described herein, on any Distribution Date occurring after the end of the Non-Call Period, the Issuer may redeem the Notes (such redemption, an "**Optional Redemption**"), in whole but not in part, at the direction of a Majority-in-Interest of Preference Shareholders (excluding any Preference Shares held by the Collateral Manager or its Affiliates and accounts for which the Collateral Manager or its Affiliates acts as investment adviser (and for which the Collateral Manager or any such Affiliate has discretionary authority)) at the applicable Redemption Price therefor. Any such redemption may only be effected from (a) the sale proceeds of the Collateral Debt Securities (other than the Retained Collateral) and (b) all other funds in the Interest Collection Account, the Interest Equalization Account, the Uninvested Proceeds Account, the Principal Collection Account, the Interest Reserve Account, the Payment Account, the Expense Account, the Custodial Account and the Synthetic Security Counterparty Accounts on the relevant Distribution Date. No Optional Redemption may be effected, however, unless (i) all sale proceeds under clause (a) above are used (1) to make such an Optional Redemption, (2) to pay any amounts payable under the Priority of Payments and (3) to redeem the Preference Shares other than the Collateral Manager Preference Shares at the applicable Redemption Price and (ii) the aggregate bid price for such Collateral Debt Securities obtained in accordance with the procedures set forth in the Indenture, together with funds under clause (b) above, are sufficient to redeem all of the Notes and Preference Shares (other than Collateral Manager Preference Shares (as defined herein)) simultaneously and to pay certain other amounts in accordance with the procedures set forth in the Indenture. See "Description of the Notes—Optional Redemption and Tax Redemption." In addition, subject to satisfaction of certain conditions described below and herein, the Issuer may redeem the Notes on any Distribution Date (such redemption, a "**Tax Redemption**"), in whole but not in part, at the direction of either (i) the holders of a majority in aggregate outstanding principal amount of any Class of Notes that, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and interest payable to such Class on any Distribution Date (each such Class, an "**Affected Class**") or (ii) a Majority-in-Interest of Preference Shareholders (excluding any Preference Shares held by the Collateral Manager or its Affiliates and accounts for which the Collateral Manager or its Affiliates acts as investment adviser (and for which the Collateral Manager or any such Affiliate has discretionary authority)). Any such redemption may only be effected from (a) the sale proceeds of the Collateral and (b) all other funds in the Interest Collection Account, the Interest Equalization Account, the Uninvested Proceeds Account, the Principal Collection Account, the Interest Reserve Account, the Payment Account, the Expense Account, the Custodial Account and the Synthetic Security Counterparty Accounts on the relevant Distribution Date, at the applicable Redemption Price. No Tax Redemption may be effected, however, unless (i) all sale proceeds under clause (a) above are used to make such a Tax Redemption, (ii) funds under clauses (a) and (b) are sufficient to redeem all of the Notes simultaneously and to pay certain other amounts in accordance with the procedures set forth in the Indenture, (iii) a Tax Event will have occurred and (iv) the Tax

	Materiality Condition is satisfied. See "Description of the Notes—Optional Redemption and Tax Redemption."
Auction Call Redemption:	In addition, if the Notes have not been redeemed in full prior to the Distribution Date occurring in January 2013, then an auction of the Collateral Debt Securities will be conducted by the Trustee on behalf of the Issuer and, provided that certain conditions are satisfied, the Collateral Debt Securities will be sold and the Notes will be redeemed on such Distribution Date. If such conditions are not satisfied and the auction is not successfully conducted on such Distribution Date, the Trustee will conduct auctions on a quarterly basis until the Notes are redeemed in full. See "Description of the Notes—Auction Call Redemption."
Redemption of the Preference Shares:	The Preference Shares will be redeemed on the Scheduled Preference Share Redemption Date, unless redeemed on an earlier Redemption Date in accordance with the Preference Share Documents. See "Description of the Preference Shares—Redemption."
Redemption of Composite Securities:	The Composite Securities will only be redeemed prior to their stated maturity when and in the same manner as the Preference Shares are redeemed (but will be redeemed in part to the extent of the early redemption of the Class C Notes comprising the Class C Component). Any proceeds of the early redemption of the respective Components will be paid to the holders of the Composite Securities on the related Distribution Date to the extent of the ratable portion of such proceeds allocable to the Components. See (i) "Description of the Notes—Mandatory Redemption," "—Auction Call Redemption," "—Optional Redemption and Tax Redemption," "—Redemption Procedures" and "—Redemption Price" and (ii) "Description of the Preference Shares—Redemption." The Composite Securities will be fully redeemed when the Composite Preference Shares constituting the Preference Share Component have been fully redeemed. The Composite Securities will be redeemed in the manner described for the Composite Preference Shares under "Description of the Preference Shares—Redemption." See "Description of the Composite Securities—Early Redemption" and "—Redemption."
Voting Rights of Composite Securities:	The holders of the Composite Securities will be treated as holders of the Class C Notes and the Composite Preference Shares to the extent of the respective Class C Component Amount and the Preference Share Component Amount, as applicable, for purposes of any requests, demands, authorizations, directions, notices, consents, waivers or other actions under the Indenture (in the case of the Class C Component Amount and the Preference Share Component Amount) or the Preference Share Paying Agency Agreement (in the case of the Preference Share Component Amount). The holders of the Composite Securities will be entitled to vote, or to direct the voting of, the Components of such Composite Securities.
Security for the Notes:	Pursuant to the Indenture, the Notes, together with the Issuer's obligations to the Hedge Counterparty under the Hedge Agreement, will be secured by: (i) the Collateral Debt Securities and Equity Securities, if any; (ii) the rights of the Issuer under the Hedge Agreement; (iii) amounts on deposit in the Payment Account, the Interest Collection Account, the Interest Equalization Account, the

	Principal Collection Account, the Uninvested Proceeds Account, the Expense Account, the Interest Reserve Account, the Custodial Account, the Hedge Counterparty Collateral Account, each Synthetic Security Issuer Account and any other account under the Indenture and Eligible Investments purchased with the funds on deposit in such accounts; (iv) the rights of the Issuer under the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement, the Purchase Agreement and the Subscription Agreements; and (v) all proceeds of the foregoing (collectively, excluding the U.S.$ 1,000 issued ordinary share capital and U.S.$ 1,000 transaction fee paid to the Issuer and any further transaction fee that may be paid to it in respect of any further issuance of securities and the bank accounts in which monies relating to such share capital and transaction fees are held, the "**Collateral**"). In the event of any realization on the Collateral, proceeds will be allocated to the payment of each Class of Notes in accordance with the respective priorities established by the Priority of Payments. The security interest granted under the Indenture in each Synthetic Security Counterparty Account is subject to and subordinate to the security interest and rights of the relevant Synthetic Security Counterparty in and to such Synthetic Security Counterparty Account.
Acquisitions of Collateral:	On the Closing Date, the Issuer will have acquired the Issuer's entire portfolio, which portfolio will consist of Collateral Debt Securities having an aggregate principal balance (including principal collections on such Collateral Debt Securities deposited in the Principal Collection Account on the Closing Date), when added to any purchased accrued interest on such Collateral Debt Securities, of at least U.S.$ 300,000,000 and will be pledged to the Trustee under the Indenture. The Collateral Debt Securities so acquired by the Issuer will, on the Closing Date, have the characteristics described herein under "Security for the Notes—Collateral Debt Securities" and "—Portfolio Characteristics." Schedule C sets forth a list identifying the initial portfolio of Collateral Debt Securities included in the Collateral on the Closing Date. No Collateral Debt Security will be acquired after the Closing Date. The Collateral Manager will dispose of Collateral only in the limited circumstances described herein. See "Security for the Notes—Dispositions of Collateral Debt Securities."
Liquidation of Collateral Debt Securities:	On January 10, 2040, or in connection with any Optional Redemption, Tax Redemption or Auction Call Redemption, the Collateral Debt Securities (except, solely in the case of an Optional Redemption, the Retained Collateral), Eligible Investments and other Collateral will be liquidated, and there will be distributed to the Preference Shareholders (other than the holders of Collateral Manager Preference Shares in the case of an Optional Redemption) in accordance with the Priority of Payments all net proceeds from such liquidation and all available cash after the payment (in the order of priorities set forth under "Description of the Notes—Priority of Payments") of all (i) fees, (ii) expenses (including the amounts due to the Hedge Counterparty) and (iii) principal of and interest (including any Defaulted Interest and interest on Defaulted Interest, any Class C Deferred Interest and interest on Class C Deferred Interest) on the Notes. In connection with

	an Optional Redemption, rather than a distribution of cash proceeds, the holders of the Collateral Manager Preference Shares will receive an in-kind distribution of the Retained Collateral. See "Description of the Notes—Optional Redemption" and "Description of the Preference Shares—Redemption." The Issuer Charter provides that the Issuer will be wound up on the earlier to occur of (i) the passing of an Ordinary Resolution resolving to dissolve the Issuer (a) at any time on or after January 10, 2040 (the "**Scheduled Preference Share Redemption Date**"), (b) at any time after the sale or other disposition of all of the Issuer's assets, or (c) at any time after the Notes are paid in full; and (ii) on the date of a winding up pursuant to the provisions of or as contemplated by The Companies Law of the Cayman Islands as then in effect. The Issuer currently intends, in the event that the Preference Shares are not redeemed at the option of a Majority-in-Interest of Preference Shareholders (excluding any Preference Shares held by the Collateral Manager or its Affiliates and accounts for which the Collateral Manager or its Affiliates acts as investment adviser (and for which the Collateral Manager or any such Affiliate has discretionary authority)) following the repayment in full of the Notes, to liquidate all of its remaining investments in an orderly manner and distribute the proceeds of such liquidation to the Preference Shareholders.
The Offering:	The Offered Securities are being offered for sale (i) within the United States, or to or for the account or benefit of, U.S. Persons, (a) to a limited number of Accredited Investors that are also Qualified Purchasers in transactions exempt from registration under the Securities Act or (b) to Qualified Institutional Buyers that are also Qualified Purchasers pursuant to Rule 144A and (ii) outside the United States to persons that are neither U.S. Persons nor U.S. Residents in offshore transactions in reliance on Regulation S and, in each case, in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. A "**Qualified Purchaser**" is (i) a "qualified purchaser" as defined in the Investment Company Act, (ii) a "knowledgeable employee" with respect to the Issuer within the meaning of Rule 3c-5 under the Investment Company Act or (iii) a company beneficially owned exclusively by one or more "qualified purchasers" and/or "knowledgeable employees" with respect to the Issuer. See "Plan of Distribution" and "Transfer Restrictions."
Ratings:	It is a condition to the issuance of the Offered Securities that the Class A-1 Notes be rated "Aaa" by Moody's Investors Service, Inc. ("**Moody's**"), "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**Standard & Poor's**"), and "AAA" by Fitch Ratings ("**Fitch**" and, together with Moody's and Standard & Poor's, the "**Rating Agencies**"), that the Class A-2 Notes be rated at least "Aaa" by Moody's, "AAA" by Standard & Poor's and "AAA" by Fitch, that the Class B Notes be rated at least "Aa2" by Moody's, "AA" by Standard & Poor's and "AA" by Fitch, that the Class C Notes be rated at least "Baa2" by Moody's, "BBB" by Standard & Poor's and "BBB" by Fitch, that the Preference Shares be rated "Ba1" by Moody's and "BB+" by Standard & Poor's, that the Series I Composite Securities be rated at least "Baa2" by Moody's and

"BBB" by Standard & Poor's and that the Series II Composite Securities be rated at least "Ba1" by Moody's.

The ratings assigned by Moody's to the Notes address the ultimate cash receipt of all required interest and principal payments on each such Class of Notes, in each case as provided in the governing documents, and are based on the expected loss posed to the Noteholders relative to the promise of receiving the present value of such payments. The ratings assigned by Standard & Poor's and Fitch to the Notes (other than the Class C Notes) address the timely payment of interest and ultimate payment of principal on each such Class of Notes. The ratings assigned by Standard & Poor's and Fitch to the Class C Notes address the ultimate payment of interest and principal on the Class C Notes.

The ratings assigned to the Preference Shares by the Rating Agencies (a) address only the ultimate receipt of the initial Preference Share Rated Balance, (b) will not at any time address the timely receipt of any payments, including payments on redemption or repurchase of the Preference Shares or any other distributions thereon and (c) will be monitored by the Rating Agencies on an ongoing basis. The rating assigned to the Preference Shares by Standard & Poor's will be withdrawn after the Preference Share Rated Balance is reduced to zero.

The "**Preference Share Rated Balance**" means an amount equal to (i) on the Closing Date, the Aggregate Liquidation Preference of the Preference Shares and (ii) on any Distribution Date, the Preference Share Rated Balance on the immediately preceding Distribution Date (or, with respect to the first Distribution Date, on the Closing Date), decreased by the aggregate amount of all cash distributions in respect of the Preference Shares payable to the Preference Share Paying Agent for distribution to the Preference Shareholders on such current Distribution Date. See "Ratings of the Offered Securities."

The rating assigned to the Series I Composite Securities by Standard & Poor's (a) addresses the ultimate receipt of the initial Composite Securities Outstanding Balance and 2% per annum return on the related Composite Securities Outstanding Balance, (b) will not at any time address the timely receipt of any payments, including payments on redemption of the Series I Composite Securities and (c) will be withdrawn after the Composite Securities Outstanding Balance is reduced to zero. The rating assigned to the Series I Composite Securities by Moody's addresses the ultimate receipt of the related Composite Securities Outstanding Balance and 2% per annum return on the related Composite Securities Outstanding Balance and the rating assigned to the Series II Composite Securities by Moody's addresses the ultimate receipt of the related Composite Securities Rated Balance and a per annum return on the related Composite Securities Rated Balance equal to three-month LIBOR in effect from time to time. The "**Composite Securities Outstanding Balance**" means, with respect to the Series I Composite Securities, an amount equal to (i) on the Closing Date, the aggregate principal amount of the Class C Component and the Aggregate Liquidation Preference of the Preference Share Component and (ii) on any Distribution Date, the Composite Securities Outstanding Balance on the immediately preceding Distribution Date (or, with respect to the first Distribution Date, on the Closing Date), increased by the following (if negative) and decreased by the following (if positive):

	the result obtained by subtracting 0.50% of the Composite Securities Outstanding Balance on the immediately preceding Distribution Date (or, with respect to the first Distribution Date, on the Closing Date) from the aggregate amount of interest and principal payable in respect of the related Class C Component and cash distributions payable in respect of the related Preference Share Component on such current Distribution Date. The "**Composite Securities Rated Balance**" means, with respect to the Series II Composite Securities, an amount equal to (i) on the Closing Date, the aggregate principal amount of the related Class C Component and the Aggregate Liquidation Preference of the related Preference Share Component and (ii) on any Distribution Date, the Composite Securities Rated Balance on the immediately preceding Distribution Date (or, with respect to the first Distribution Date, on the Closing Date), increased by the following (if negative) and decreased by the following (if positive): the result obtained by subtracting the product of (x) three-month LIBOR, (y) the Composite Securities Rated Balance on the immediately preceding Distribution Date (or, with respect to the first Distribution Date, on the Closing Date) and (z) actual number of days elapsed in the applicable period divided by 360, from the aggregate amount of interest and principal payable in respect of the related Class C Component and cash distributions payable in respect of the related Preference Share Component on such current Distribution Date. See "Ratings of the Offered Securities."
Minimum Denominations:	The Class A Notes, the Class B Notes and the Class C Notes will be issuable in a minimum denomination of U.S.$ 250,000 and will be offered only in such minimum denomination or an integral multiple of U.S.$ 1,000 in excess thereof. After issuance, (i) a Note may fail to be in compliance with the minimum denomination requirement stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments and (ii) Class C Notes may fail to be in an amount which is an integral multiple of U.S.$ 1,000 due to the addition to the principal amount thereof of Class C Deferred Interest. See "Transfer Restrictions." The Composite Securities will be issuable in minimum denominations of U.S.$ 250,000 and integral multiples of U.S.$ 1,000 in excess thereof. After issuance, any Composite Security may fail to be in such required minimum denomination due to the repayment of principal thereof in accordance with the Priority of Payments. The Issuer is authorized to issue 7,900 Composite Preference Shares and 5,000 Non-Composite Preference Shares, par value U.S.$ 0.01 per share, and will issue each Preference Share at an initial issue price of U.S.$ 1,000 per share. The minimum number of Preference Shares to be issued to an investor will initially be 250 representing an original capital contribution of U.S.$ 250,000. Preference Shares may not be transferred if, after giving effect to such transfer, the transferee (or, if the transferor retains any Preference Shares, the transferor) would own less than 250 Preference Shares.
Form, Registration and Transfer of the Notes:	The Notes (other than the Class C Notes included in the Class C Component) offered in reliance upon Regulation S ("**Regulation S**

Notes") will be represented by one or more permanent global notes ("**Regulation S Global Notes**") in fully registered form, without interest coupons, deposited with the Trustee as custodian for, and registered in the name of, The Depository Trust Company ("**DTC**") (or its nominee), for the accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**"), and/or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Interests in the Regulation S Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants (including Euroclear and Clearstream, Luxembourg). Interests in a Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg.

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

The Class C Notes included in the Class C Component of the Composite Securities will not be separately issued, but will be represented by the securities evidencing the Composite Securities. See "Description of the Composite Securities."

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

No Note (or any interest therein) may be transferred to a transferee acquiring an interest in a Restricted Note except (a) to a transferee who the seller reasonably believes is a "qualified institutional buyer" (as defined in Rule 144A) (a "**Qualified Institutional Buyer**"), purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A, (b) to a transferee that is a Qualified Purchaser, (c) in compliance with the certification (if any) and other requirements set forth in the Indenture and (d) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

No Note (or any interest therein) may be transferred to a transferee acquiring an interest in a Regulation S Note except (a) to a transferee that is acquiring such interest in an "offshore transaction" (within the meaning of Regulation S) in accordance with Rule 903 or Rule 904 of Regulation S, (b) to a transferee that is neither a U.S. Person nor a U.S. Resident, (c) in compliance with the certification (if any) and other requirements set forth in the Indenture and (d) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

No Note (or any interest therein) may be transferred, and neither the Trustee nor the Note Registrar will recognize any such transfer, unless (a) such transfer is made in a manner exempt from registration under the Securities Act, (b) such transfer is made in denominations greater than or equal to the minimum denomination therefor, (c) such transfer would not have the effect of requiring either of the Co-Issuers or the pool of Collateral to register as an investment company under the Investment Company Act and (d) the transferee is able to make all applicable certifications and representations required by the relevant transfer certificate attached as an exhibit to the Indenture (if the Indenture requires that a transfer certificate be delivered in connection with such a transfer). Notwithstanding the foregoing, (x) an owner of a beneficial interest in a Regulation S Global Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Note without the provision of written certification, *provided* that such transfer is not made to a U.S. Person or a U.S. Resident or for the account or benefit of a U.S. Person or a U.S. Resident and is effected through Euroclear or Clearstream, Luxembourg in an offshore transaction as required by Regulation S and only in accordance with the Applicable Procedures; and (y) an owner of a beneficial interest in a Restricted Global Note may transfer such interest in the form of a beneficial interest in such Restricted Global Note without the provision of written certification; *provided* that each of the transferor and the transferee of such beneficial interest will be deemed to have made the representations that would have otherwise been required by such certifications. See "Description of the Notes—Form, Denomination, Registration and Transfer" and "Transfer Restrictions."

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers determines that any beneficial owner of a Restricted Note (or any interest therein) (A) was not at the time of purchase both a Qualified Institutional Buyer (unless such beneficial owner is an Accredited Investor that purchased such Restricted Note or interest therein directly from an Initial Purchaser) and a Qualified Purchaser or (B) any beneficial owner of a Regulation S Note (or any interest therein) is at any time either a U.S. Person or a U.S. Resident, then either of the Co-Issuers may require, by notice to such holder, that such holder sell all of its right, title and interest to such Restricted Note (or interest therein) or Regulation S Note (or interest therein), as applicable, to a person (x) if such person is taking delivery in the form of an interest in a Restricted Note, that is both a Qualified Institutional Buyer and a Qualified Purchaser or (y) if such person is taking delivery in the form of an interest in a Regulation S Note, that is neither a U.S. Person nor a U.S. Resident, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (i) upon direction from the Collateral Manager or the Issuer, the Trustee, on behalf of and at the expense of the Issuer, will cause such beneficial owner's interest in such Note to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Trustee, the Co-Issuers and the Collateral Manager, in connection with such transfer, that such person is both a Qualified Institutional Buyer and a

	Qualified Purchaser or (y) if such person is taking delivery in the form of an interest in a Regulation S Note, such person is neither a U.S. Person nor a U.S. Resident, and (ii) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner.
Form, Registration and Transfer of the Composite Securities:	The Composite Securities offered in the United States pursuant to an exemption from the registration requirements of the Securities Act ("**Restricted Composite Securities**"), will be issued in definitive, fully registered, certificated form without interest coupons, registered in the name of the beneficial owner thereof. The Composite Securities offered in reliance upon Regulation S ("**Regulation S Composite Securities**") will be represented by one or more permanent global certificates (a "**Global Composite Security**") in fully registered form, and deposited with the Trustee, as custodian for, and registered in the name of (DTC or its nominee) for the accounts of Euroclear and/or Clearstream, Luxembourg. Beneficial interests in each Global Composite Security will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg. Owners of beneficial interests in Global Composite Securities will be entitled or required, as the case may be, under certain limited circumstances described herein, to exchange such interest for certificates in fully registered definitive form registered in the name of the legal and beneficial owner thereof ("**Definitive Composite Securities**"). No owner of an interest in a Global Composite Security will be entitled to receive Definitive Composite Securities therefor unless for a person other than a distributor (as defined in Regulation S), such person provides certification that the Definitive Composite Security is beneficially owned by a person that is not a U.S. Person (as defined in Regulation S). The Composite Securities are subject to the same restrictions on transfer as the Composite Preference Shares. Transfers by a holder of a beneficial interest in a Global Composite Security to a transferee who takes delivery of such interest in the form of a Restricted Composite Security will be made only in accordance with the Applicable Procedures and upon receipt by the Issuer, the Collateral Manager and the Composite Security Registrar of written certifications (1) from the transferor of the beneficial interest in the form provided in the Indenture to the effect that, among other things, such transfer is being made (x)(I) to a person who the transferor reasonably believes is a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A or (II) in accordance with another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (y) in each case, in accordance with any applicable securities laws of any state of the

United States or any other jurisdiction and (2) from the transferee of such beneficial interest in the form provided for in the Indenture to the effect that, among other things, the transferee (w) is either a Qualified Purchaser or is not a U.S. Resident (within the meaning of the Investment Company Act), (x) is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), and (y) is either a Qualified Institutional Buyer or otherwise entitled to take delivery of Restricted Composite Securities in accordance with another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act).

Transfers by a holder of a Restricted Composite Security to a transferee who takes delivery of such interest through an interest in a Global Composite Security will be made only upon receipt by the Issuer, the Collateral Manager and the Composite Security Registrar of written certification from the transferor in the form provided in the Indenture to the effect that such transfer is being made in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 903 or Rule 904 of Regulation S.

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any owner of a Composite Security (or any interest therein) (A) is a U.S. Person (within the meaning of Regulation S under the Securities Act) or a U.S. Resident and (B) is not both (1) a Qualified Institutional Buyer or otherwise entitled to purchase such Composite Security pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (2) a Qualified Purchaser, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Composite Security (or interest therein) to a person that is both (1) a Qualified Instituitonal Buyer or otherwise entitled to take delivery of such Composite Security pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (2) a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such owner fails to effect the transfer required within such 30-day period, (a) upon direction from the Collateral Manager or the Issuer, the Composite Security Registrar, on behalf of and at the expense of the Issuer, will cause such owner's interest in such Composite Security to be transferred in a commercially reasonable disposition (conducted by the Composite Security Registrar in accordance with Sections 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Composite Security Registrar, the Preference Share Paying Agent, the Issuer and the Collateral Manager, in

	connection with such transfer, that such person is both a (i) a Qualified Institutional Buyer or otherwise entitled to take delivery of such Composite Security pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser and (b) pending such transfer, no further payments will be made in respect of such Composite Security held by such owner. See "Description of the Composite Securities—Form, Denomination, Registration and Transfer."
Form, Registration and Transfer of the Preference Shares:	The Preference Shares (other than the Composite Preference Shares) being offered by the Issuer in the United States in reliance upon an exemption from the registration requirements of the Securities Act ("**Restricted Preference Shares**") will be represented by certificates in fully registered, definitive form registered in the name of the legal and beneficial owner thereof (or a nominee acting on behalf of the disclosed legal and beneficial owner thereof). The Preference Shares (other than the Composite Preference Shares) offered outside the United States in reliance upon Regulation S ("**Regulation S Preference Shares**") will be represented by one or more permanent global certificates in fully registered form, deposited with the Trustee as custodian for, and registered in the name of, DTC (or its nominee) for the accounts of Euroclear and/or Clearstream, Luxembourg ("**Global Preference Shares**"). Interests in a Global Preference Share will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants (including Euroclear and Clearstream, Luxembourg). Interests in a Global Preference Share may be held only through Euroclear or Clearstream, Luxembourg. Under certain limited circumstances described herein, definitive, registered Preference Shares ("**Definitive Preference Shares**") may be issued in exchange for Global Preference Shares. The Composite Preference Shares included in the Preference Share Component of the Composite Securities will not be separately issued, but will be represented by the securities evidencing the Composite Securities. See "Description of the Composite Securities." No Preference Share (or any interest therein) may be transferred to a U.S. Person or within the United States except (a) to a transferee (i) that the seller reasonably believes is a Qualified Institutional Buyer purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or (ii) pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act), (b) to a transferee that is a Qualified Purchaser, (c) if such transfer is made in compliance with the

certification and other requirements set forth in the Issuer Charter and the Preference Share Paying Agency Agreement and (d) if such transfer is made in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

No Regulation S Preference Share (or any interest therein) may be transferred except (a) to a transferee that is acquiring such interest in an "offshore transaction" (within the meaning of Regulation S) in accordance with Rule 903 or Rule 904 of Regulation S, (b) to a transferee that is neither a U.S. Person nor a U.S. Resident, (c) if such transfer is made in compliance with the certification and other requirements set forth in the Issuer Charter and the Preference Share Paying Agency Agreement and (d) if such transfer is made in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

The Preference Share Paying Agency Agreement provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that (A) any beneficial owner of Restricted Preference Shares was not at the time of purchase both (i) a Qualified Institutional Buyer or otherwise entitled to purchase such Restricted Preference Shares pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser at any time or (B) any beneficial owner of a Regulation S Preference Share (or any interest therein) is at any time either a U.S. Person or a U.S. Resident, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Restricted Preference Shares or Regulation S Preference Share (or interest therein), as applicable, to a person (x) if such person is taking delivery in the form of a Restricted Preference Share, that is both (i) a Qualified Institutional Buyer or otherwise entitled to take delivery of such Restricted Preference Share pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser or (y) if such person is taking delivery in the form of an interest in a Regulation S Preference Share, that is neither a U.S. Person nor a U.S. Resident, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (a) upon direction from the Collateral Manager or the Issuer, the Preference Share Paying Agent, on behalf of and at the expense of the Issuer, will cause such beneficial owner's interest in such Preference Share to be transferred in a commercially reasonable sale (conducted by the Administrator in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Preference Share Paying Agent, the Preference Share Registrar, the Issuer and the Collateral Manager, in connection with such transfer, that (x) if such

	person is taking delivery in the form of a Restricted Preference Share, such person is both (i) a Qualified Institutional Buyer or otherwise entitled to take delivery of such Restricted Preference Share pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser or (y) if such person is taking delivery in the form of an interest in a Regulation S Preference Share, such person is neither a U.S. Person nor a U.S. Resident, and (b) pending such transfer, no further payments will be made in respect of such Preference Share held by such beneficial owner. No Preference Share or Composite Security (or any interest therein) may be transferred, and neither the Issuer nor the Preference Share Registrar will recognize any such transfer, unless (a) such transfer is made in denominations greater than or equal to the minimum denomination therefor, (b) the transferee is able to make all applicable certifications and representations required by the relevant transfer certificate attached as an exhibit to the Preference Share Paying Agency Agreement or Indenture, if applicable, (c) the transferee is not a Benefit Plan Investor or Controlling Person and (d) such transfer is made to a transferee that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle) (each as defined herein). Global Preference Shares or Definitive Preference Shares may not be held by Benefit Plan Investors or Controlling Persons at any time. See "Description of the Preference Shares—Form, Registration and Transfer" and "Transfer Restrictions." Notwithstanding the foregoing, (x) an owner of a beneficial interest in a Global Preference Share may transfer such interest in the form of a beneficial interest in such Global Preference Share upon provision to the Preference Share Registrar of written certification from the transferee and transferor in the form provided for in the Preference Share Paying Agency Agreement; *provided* that such transfer is not made to a U.S. Person or a U.S. Resident or for the account or benefit of a U.S. Person or a U.S. Resident and is effected through Euroclear or Clearstream, Luxembourg in an offshore transaction as required by Regulation S and only in accordance with the Applicable Procedures. See "Description of the Preference Shares—Form, Registration and Transfer" and "Transfer Restrictions."
Listing:	Application will be made to the Irish Stock Exchange to admit the Class A Notes, the Class B Notes, the Class C Notes, the Series I Composite Securities and the Series II Composite Securities to the Daily Official List (the "**Daily Official List**"). There can be no assurance that such application will be granted. No application will be made to list the Class A Notes, the Class B Notes, the Class C Notes, the Series I Composite Securities or the Series II Composite Securities on any other stock exchange or to list the Preference Shares on any stock exchange.

Irish Listing Agent:	The Bank of New York
Irish Paying Agent:	AIB/BNY Fund Management (Ireland) Limited
Governing Law:	The Notes, the Indenture, the Subscription Agreements, the Collateral Management Agreement, the Hedge Agreements, the Collateral Administration Agreement, the Preference Share Paying Agency Agreement and the Purchase Agreement will be governed by, and construed in accordance with, the law of the State of New York. The Issuer Charter, the Administration Agreement and the Preference Shares will be governed by, and construed in accordance with, the law of the Cayman Islands.
Tax Treatment:	See "Certain U.S. Federal Income Tax Considerations" and "Certain Cayman Islands Tax Considerations."
Benefit Plan Investors:	See "Certain ERISA Considerations."

RISK FACTORS

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

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

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

Subordination of each Class of Subordinate Notes. No payment of interest on any Class of Notes will be made until all accrued and unpaid interest on the Notes of each Class that is Senior to such Class and that remains outstanding has been paid in full. No payment of principal of any Class of Notes will be made until all principal of, and all accrued and unpaid interest on, the Notes of each Class that is Senior to such Class and that remains outstanding have been paid in full except (i) to the payment of Class C Deferred Interest in certain circumstances and (ii) on any Distribution Date, if Preference Shareholders have received a Dividend Yield of 16% on such Distribution Date, Interest Proceeds that would otherwise be paid to the Preference Share Paying Agent for distribution to the Preference Shareholders will be applied to pay the principal of the Class C Notes until such Class of Notes has been paid in full. See "Description of the Notes—Priority of Payments." If an Event of Default occurs, so long as any Notes are outstanding, the holders of the most Senior Class of Notes then outstanding will be entitled to determine the remedies to be exercised under the Indenture. So long as any Class A Notes or Class B Notes are outstanding, the failure on any Distribution Date to make payment in respect of interest on the Class C Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class C Notes that is not paid when due by operation of the Priority of Payments will be deferred. In the event of any realization on the Collateral, proceeds will be allocated to the Notes and other amounts in accordance with the Priority of Payments prior to any distribution to the Preference Shareholders. See "Description of the Notes—The Indenture" and "—Priority of Payments." Remedies pursued by the holders of the Class or Classes of Notes entitled to determine the exercise of such remedies could be adverse to the interest of the holders of the other Classes of Notes. To the extent that any losses are suffered by any of the holders of any Offered Securities, such losses will be borne, *first*, by the holders of the Preference Shares, *second*, by the holders of the Class C Notes, *third*, by the holders of the Class B Notes, *fourth*, by the holders of the Class A-2 Notes, and *fifth*, by the holders of the Class A-1 Notes.

Composite Securities Risks. An investment in the Composite Securities involves certain risks. The Composite Securities are limited recourse obligations of the Issuer. The Composite Securities will be entitled to receive payments only to the extent that payments are made on the Class C Notes included in the Class C Component or the Composite Preference Shares included in the Preference Share Component. See "Description of the Composite Securities—Exchange of Composite Securities for Underlying Components." The Composite Securities will be secured solely to the extent to which the underlying Components are secured. The Preference Share Component therefore will not be secured. In addition to the risks particular to Composite Securities described herein, the risk of ownership of the Composite Securities will be (a) with respect to the Class C Component, the risks of ownership of the Class C Notes and (b) with respect to the Preference Share Component, the risks of ownership of the Composite Preference Shares.

Payments in respect of the Preference Shares. The Issuer, pursuant to the Indenture, will pledge substantially all of its assets to secure the Notes and certain other obligations of the Issuer. The Preference Shares will not be secured by the Collateral. The proceeds of such assets will only be available to make payments in respect of the Preference Shares as and when such proceeds are released in accordance with the Priority of Payments. There can be no assurance that, after payment of principal and interest on the Notes and other fees and expenses of the Co-Issuers in accordance with the Priority of Payments, the Issuer will have funds remaining to make distributions in respect of the Preference Shares. See "Description of the Notes—Priority of Payments."

Any amounts that are released from the lien of the Indenture for distribution to the Preference Shareholders in accordance with the Priority of Payments on any Distribution Date will not be available to make payments in respect of the Notes on any subsequent Distribution Date.

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

Diversion of Interest Proceeds. On any Distribution Date, no dividend in excess of the amount necessary to achieve a Dividend Yield of 16% on the Preference Shares as of such Distribution Date will be distributed to the Preference Shareholders unless the Class C Notes have been paid in full as of such Distribution Date. See "Description of the Notes—Priority of Payments—Interest Proceeds."

Certain Legal and Insolvency Considerations. It is intended that payments and collections received on the Collateral Debt Securities will be available to service the Offered Securities even in the event that ETGAM (the "**Transferor**") becomes subject to a bankruptcy, delinquency, rehabilitation, liquidation, receivership, conservatorship or similar insolvency proceeding (a "**Proceeding**").

If ETGAM were subject to a Proceeding, particularly a case under the United States Bankruptcy Code, an argument by a trustee in bankruptcy of ETGAM (or ETGAM as a debtor-in-possession) could be made that the transfer of the applicable Collateral Debt Securities from ETGAM to the Issuer pursuant to the asset sale agreement between ETGAM and the Issuer (the "**Sale Agreement**") should be recharacterized as a pledge of such Collateral Debt Securities to secure a loan from the Issuer to ETGAM rather than being treated as a sale of such Collateral Debt Securities to the Issuer. In the event that such an argument were successful, the Issuer (or the Trustee) would have a secured claim against ETGAM. In such case, the Issuer (or the Trustee) might be delayed or prohibited from exercising remedies with respect to such Collateral Debt Securities, other collateral might be substituted for such Collateral Debt Securities, collections on such Collateral Debt Securities or such other collateral might be applied to the payments on the Offered Securities at different times than those required by the Indenture to the extent the Issuer is deemed adequately protected, post-Proceeding interest might be limited and, to the extent any distributions on such Collateral Debt Securities were paid to ETGAM, the security interest of the Issuer (and the Trustee) in such distributions might be avoidable. Even if such an argument were not successful, it is possible that payments on the Offered Securities would be subject to delays while the claim was being resolved and, to the extent that any

distributions on such Collateral Debt Securities were paid to ETGAM, it is likely that payment thereof to the Issuer would be delayed, which could result in possible delays in payments on the Offered Securities.

Regarding characterization of the transfer from the Transferor to the Issuer as a sale, the Transferor has warranted to the Issuer in the Sale Agreement, as the case may be, that the transfer of the Transferor's Collateral Debt Securities is intended to be a valid and binding sale of such Collateral Debt Securities. In addition, the Transferor will take all actions necessary under applicable law to effect a valid and binding sale of such Collateral Debt Securities to the Issuer.

In addition, if a Transferor were subject to a Proceeding, an argument by a conservator, receiver or trustee in bankruptcy of the Transferor could be made that the separate existence of the affiliate of ETGAM that will purchase 5,000 Non-Composite Preference Shares on the Closing Date (the "**Preference Share Affiliate**") should be ignored, and accordingly that the assets and liabilities of the Preference Share Affiliate should be considered assets and liabilities of the Transferor. Furthermore, if the Transferor were subject to a Proceeding, an argument by a conservator, receiver or trustee in bankruptcy of the Transferor could be made that the separate existence of both the Preference Share Affiliate and the Issuer should be ignored, and accordingly that the assets and liabilities of both the Preference Share Affiliate and the Issuer should be considered assets and liabilities of the Transferor; in the event such an argument were successful, the Trustee on behalf of the holders of the Offered Securities would be considered to be a secured creditor in the consolidated proceeding with respect to the Transferor. In either such event, the Issuer or the Trustee on behalf of the holders of the Offered Securities would be subject to the delays, prohibitions and other possible effects described above. Even if such arguments were not successful, it is possible that payments on the Offered Securities would be subject to delays while the claim was being resolved.

Respecting the possibility that the assets and liabilities of the Preference Share Affiliate, or of both the Preference Share Affiliate and the Issuer, could be consolidated with those of the Transferor, the parties have taken steps in structuring the transactions that are intended to minimize the risk that the separate identities of the Preference Share Affiliate and of the Issuer would not be respected. These steps include the creation of the Preference Share Affiliate and the Issuer as separate, special purpose companies pursuant to a certificate of formation and limited liability company agreement and Memorandum and Articles of Association, respectively, containing certain limitations (including restrictions on the nature of their business and their relationship with the Transferor), and undertakings by the Transferor, the Preference Share Affiliate and the Issuer to observe material legal formalities and an undertaking by the Transferor that it will not initiate any Proceeding against the Issuer.

Nature of Collateral. The Collateral is subject to credit, liquidity and interest rate risk. The amount and nature of the collateral securing the Notes have been established with a view to withstand certain assumed deficiencies in payment occasioned by defaults in respect of the Collateral Debt Securities. See "Rating of the Offered Securities." If any deficiencies exceed such assumed levels, however, payments on the Notes and distributions on the Preference Shares could be adversely affected. To the extent that a default occurs with respect to any Collateral Debt Security securing the Notes, it is not likely that the Issuer will receive the full amount of principal and interest owing to the Issuer in respect of such Collateral Debt Security. The market value of the Collateral Debt Securities included in the Collateral generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of such Collateral Debt Securities or, with respect to Synthetic Securities included in the Collateral, of the obligors on or issuers of the Reference Obligations, the remaining term thereof to maturity, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The Issuer will observe certain limitations on its ability to purchase Synthetic Securities in order to ensure that it is not treated as a "dealer in securities" or otherwise treated as engaged in a trade or business in the United States for U.S. federal income tax purposes.

Limited Authority to Dispose of Collateral Debt Securities. The Collateral Debt Securities will consist of a portfolio of Asset-Backed Securities acquired by the Issuer on or about the Closing Date. No Collateral Debt Securities may be sold or disposed of by the Issuer except that the Collateral Manager will dispose of Collateral only in the limited circumstances described herein. See "Security for the Notes—Dispositions of Collateral Debt Securities." Accordingly, the Issuer will not be able to purchase additional Collateral Debt Securities or sell or otherwise dispose of existing Collateral Debt Securities (other than as described above), regardless of whether it may be advantageous for the Issuer to do so.

Asset-Backed Securities. The Collateral Debt Securities will consist of Asset-Backed Securities. "**Asset-Backed Securities**" are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities. See "Security for the Notes—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 is an important issue in Asset-Backed Securities because of the significant credit risks inherent in the underlying collateral and because issuers are primarily private entities. The structure of an Asset-Backed Security and the terms of the investors' interest in the collateral can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Although the basic elements of all Asset-Backed Securities are similar, individual transactions can differ markedly in both structure and execution. Important determinants of the risk associated with issuing or holding the securities include the process by which principal and interest payments are allocated and distributed to investors, how credit losses affect the issuing vehicle and the return to investors in such Asset-Backed Securities, whether collateral represents a fixed set of specific assets or accounts, whether the underlying collateral assets are revolving or closed-end, under what terms (including maturity of the asset-backed instrument) any remaining balance in the accounts may revert to the issuing entity and the extent to which the entity that is the actual source of the collateral assets is obligated to provide support to the issuing vehicle or to the investors in such Asset-Backed Securities. See "Security for the Notes—Asset-Backed Securities."

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

RMBS Securities. RMBS securities are generally ownership or participation interests in pools of mortgage loans secured by one-family to four-family residential properties and include Home Equity Loan Securities, Residential A Mortgage Securities and Residential B/C Mortgage Securities. RMBS securities are subject to various risks. Credit risk arises from losses due to defaults by the borrowers in the underlying collateral and the servicer's failure to perform. As with other Asset-Backed Securities, RMBS securities are susceptible to prepayment risks as they generally do not contain prepayment penalties and a reduction in interest rates will increase the prepayments on RMBS securities resulting in a reduction in yield to maturity for holders of such securities. Legal risks can arise as a result of the procedures followed in connection with the origination of the mortgage loans or the servicing thereof which may require compliance with various federal and state laws, public policies and principles of equity regulating interest rates and other charges, require certain disclosures, require licensing or originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and debt collection practices and may limit the ability of a servicer of a residential mortgage loan to collect all or part of the principal of or interest on such mortgage loan, entitle the borrower to a refund of amounts previously paid by it or subject such servicer to damages and sanctions. RMBS securities may be affected by a decline in real estate values and changes in the financial condition of mortgagors of properties securing the mortgage loans. There is no assurance that the values of the properties securing the mortgage loans have remained or will remain at their levels on the dates of origination of the related mortgage loans. If the residential real estate market should experience an overall decline in property values such that the outstanding balances of the mortgage loans become equal to or greater than the value of the

properties securing such loans, delinquencies, foreclosures and losses could be higher than those now generally experienced in the mortgage lending industry.

Furthermore, the risk of loss from mortgage loans may increase due to the concentration of mortgage loans in certain regions. Such concentration may present risk consideration in addition to that generally present for similar mortgage-backed securities without such concentration. Certain geographic regions of the United States from time to time will experience weaker regional economic conditions and housing markets are directly or indirectly affected by natural disasters or civil disturbances such as earthquakes, hurricanes, floods, eruptions and riots. The risk of loss from mortgage loans may also increase due to economic conditions generally, in particular industries or affecting particular segments of the borrowing community (such as mortgagors relying on commission income and self-employed mortgagors) and other factors which may or may not affect real property values (including the purposes for which the mortgage loans were made and the uses of the mortgaged properties). The rate of principal payment on the mortgage loans (including prepayments, liquidations due to defaults and mortgage loan repurchases) may also affect the risk of loss from mortgage loans. The rate of principal payment on the mortgage loans is affected by a number of considerations, including, without limitation, the following: (i) the amortization schedules of the mortgage loans, (ii) the rate of partial prepayments and full prepayments by borrowers due to refinancing, job transfer, changes in property values or other factors, (iii) liquidations of the properties that secure defaulted mortgage loans and (iv) repurchases of mortgage loans by the depositor of such mortgage loans according to the procedures governing the particular pool of mortgage loans.

Many of the RMBS which the Issuer may purchase are subject to available funds caps or other caps on the interest rate payable to holders of such securities. The effect of such caps is to reduce the rate at which interest is paid to the holders of such securities (including the Issuer), which would have an adverse effect on the Issuer's ability to pay interest on the Notes and to make distributions on the Preference Shares.

RMBS may have structural characteristics that distinguish them from other Asset-Backed Securities. The rate of interest payable on RMBS may be set or effectively capped at the weighted average net coupon of the underlying mortgage loans themselves, often referred to as an "available funds cap." As a result of this cap, the return to investors is dependent on the relative timing and rate of delinquencies and prepayments of mortgage loans bearing a higher rate of interest. In general, early prepayments will have a greater impact on the yield to investors. Federal and state law may also affect the return to investors by capping the interest rates payable by certain mortgagors.

Servicemembers Civil Relief Act. The Servicemembers Civil Relief Act, or the "**Relief Act**," provides relief to borrowers who enter active military service and to borrowers in reserve status who are called to active duty after the origination of their mortgage loan. The response of the United States to the terrorist attacks on September 11, 2001 has included the activation to active duty of persons in reserve military status. The Relief Act provides generally that a borrower who is covered by the Relief Act may not be charged interest on a mortgage loan in excess of 6% per annum during the period of the borrower's active duty. Amounts in excess of the 6% limitation are not required to be paid by the borrower at any future time. The Relief Act also limits the ability to foreclose on a mortgage loan during the borrower's period of active duty and, in some cases, during an additional three month period thereafter. As a result, there may be delays in payment and increased losses on such mortgage loans. Those delays and increased losses will be borne primarily by subordinated classes of securities.

Synthetic Securities. As described above, a portion of the Collateral Debt Securities included in the Collateral may consist of Synthetic Securities the Reference Obligations of which are Asset-Backed Securities or a specified pool or index of financial assets, either static or revolving, that by their terms convert into cash within a finite period of time. Investments in such types of assets through the purchase of Synthetic Securities present risks in addition to those resulting from direct purchases of such Collateral Debt Securities. With respect to Synthetic Securities, the Issuer will usually have a contractual relationship only with the counterparty of such Synthetic Security, and not the Reference Obligor(s) on the Reference Obligation. The Issuer generally will have no right directly to enforce compliance by the Reference Obligor(s) with the terms of either the Reference Obligation or any rights of set-off against the Reference Obligor(s), nor will the Issuer generally have any voting or other consensual rights of ownership with respect to the Reference Obligation. The Issuer will not directly benefit from any 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 counterparty, the Issuer will be treated as a general creditor of such counterparty, and will not have any claim of title with respect to the

Reference Obligation. Consequently, the Issuer will be subject to the credit risk of the counterparty as well as that of the Reference Obligor(s). As a result, concentrations of Synthetic Securities entered into with any one counterparty will subject the Offered Securities to an additional degree of risk with respect to defaults by such counterparty as well as by the Reference Obligor(s). One or more affiliates of either Initial Purchaser may act as counterparty with respect to all or a portion of the Synthetic Securities, which relationship may create certain conflicts of interest. Furthermore, such affiliates of either Initial Purchaser may, in their role as counterparty to all or a portion of the Synthetic Securities, manage the Reference Obligations with respect to the Synthetic Securities and make determinations regarding those Reference Obligations. See "—Certain Conflicts of Interest—Conflicts of Interest Involving the Initial Purchasers."

CMBS Securities. CMBS securities represent interests in (or are secured by) commercial mortgage loans and include CMBS Conduit Securities and CMBS Large Loan Securities. Consequently, the performance of the CMBS securities included in the Collateral will be affected by payments, defaults and losses on the underlying mortgage loans. Commercial mortgage loans are generally secured by multifamily or commercial property and may entail risks of delinquency and foreclosure, and risks of loss in the event thereof, that are greater than similar risks associated with loans made on the security of single-family residential property. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced (for example, if rental or occupancy rates decline or real estate tax rates or other operating expenses increase), the borrower's ability to repay the loan, and the value of the property, may be impaired. Net operating income of an income-producing property can be affected by, among other things, tenant mix, success of tenant businesses, property management decisions (including responding to changing market conditions, planning and implementing rental or pricing structures and causing maintenance and capital improvements to be carried out in a timely fashion), property location and condition, competition from comparable types of properties, any need to address environmental contamination at the property and the occurrence of any uninsured casualty or condemnation at the property.

The value of an income producing property is directly related to the net operating income derived from such property. Furthermore, the value of any commercial property may be adversely affected by risks generally incident to interests in real property, including various events which the related borrower and/or manager of the commercial property, the issuer, the depositor, the indenture trustee, the master servicer or the special servicer may be unable to predict or control, such as changes in general or local economic conditions and/or specific industry segments; 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; environmental hazards; terrorist acts; and social unrest and civil disturbances. The exercise of remedies and successful realization of liquidation proceeds relating to CMBS securities may be highly dependent upon the performance of the related servicer or special servicer. There may be a limited number of special servicers available, particularly those which do not have conflicts of interest.

Insolvency Considerations with Respect to Issuers of Collateral Debt Securities. The Collateral Debt Securities 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.

Various laws enacted for the protection of creditors may apply to the Collateral Debt Securities. The information in this and the following paragraph is applicable with respect to U.S. issuers subject to United States federal bankruptcy law. Insolvency considerations may differ with respect to other issuers. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an issuer of a Collateral Debt Security, 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 Debt Security 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, at such time, the sum of its debts was greater than the value of all its property at a fair valuation, or if, at such time, the present fair saleable value of its assets was less than the amount that would be required to pay its probable liabilities on its existing debts as they become absolute and matured. There can be no assurance as to what standard a court would apply in order to determine that the issuer was "insolvent" upon giving effect to such incurrence of the indebtedness constituting the Collateral Debt Security 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 Debt Security, payments made on such Collateral Debt Security 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. In general, if payments on a Collateral Debt Security are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as the Issuer) or from subsequent transferees of such payment (such as the holders of the Offered Securities). To the extent that any such payments are recaptured from the Issuer, the resulting loss will be borne first by the holders of the Preference Shares, then by the holders of the Class C Notes, then by the holders of the Class B Notes and finally by the holders of the Class A Notes. However, a court in a bankruptcy or insolvency proceeding would be able to direct the recapture of any such payment from a holder of Offered Securities only to the extent that such court has jurisdiction over such holder or its assets. Moreover, it is likely that avoidable payments could not be recaptured directly from a holder that has given value in exchange for its Offered Security, in good faith and without knowledge that the payments were avoidable. Nevertheless, since there is no judicial precedent relating to a structured security such as the Offered Securities, there can be no assurance that a holder of the Offered Securities will be able to avoid recapture on this or any other basis.

There can be no assurance that any payment on the Collateral Debt Securities would not be avoidable and whether any creditor claims could be asserted in a U.S. court (or the courts of any other county) against the Issuer.

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

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

International Investing. A limited portion of the Collateral Debt Securities may consist of obligations of an issuer organized under the law of the Bahamas, Bermuda, the Cayman Islands, the Channel Islands or the Netherlands Antilles or obligations of a Qualifying Foreign Obligor. Moreover, collateral securing Asset-Backed Securities may consist of obligations of issuers or borrowers organized under the laws of various jurisdictions other than the United States. Investing outside the United States may involve greater risks than investing in the United States. These risks may include: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; and (iii) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws therein. Moreover, many foreign companies are not subject to

accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies.

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

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

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

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

Conflicts of Interest Involving the Collateral Manager. Various potential and actual conflicts of interest may arise from the overall investment activities of the Collateral Manager and its Affiliates, including investment authorities that the Collateral Manager or an Affiliate undertakes on behalf of accounts for which it acts as investment advisor. In particular, the Collateral Manager and its Affiliates may invest for the account of others in debt obligations that would be appropriate as security for the Notes and have no duty in making such investments to act in a way that is favorable to the Issuer or the holders of the Notes (the "**Noteholders**") or the Preference Shareholders. Such investments may be different from those made on behalf of the Issuer. The Collateral Manager and its Affiliates, or accounts for which the Collateral Manager or an Affiliate of the Collateral Manager acts as an investment advisor, may have economic interests in or other relationships with issuers in whose obligations or securities the Issuer may invest. In particular, such persons may make and/or hold an investment in an issuer's securities that may be *pari passu*, senior or junior in ranking to an investment in such issuer's securities made and/or held by the Issuer or in which partners, security holders, officers, directors, agents or employees of such persons serve on boards of directors or otherwise have ongoing relationships. Each of such ownership and other relationships may result in securities laws restrictions on transactions in such securities by the Issuer and otherwise create conflicts of interest for the Issuer or Collateral Manager. In such instances, the Collateral Manager and its Affiliates may in their discretion (except as provided below under "Security for the Notes—Dispositions of Collateral Debt Securities") make investment recommendations and decisions that may be the same as or different from those made with respect to the Issuer's investments.

Although the officers and employees of the Collateral Manager will devote as much time to the Issuer as the Collateral Manager deems appropriate, the officers and employees may have conflicts in allocating their time and services among the Issuer and the Collateral Manager's and its Affiliates' other accounts. In addition, the Collateral Manager and its Affiliates, in connection with their other business activities, may acquire material non-public confidential information that may restrict the Collateral Manager from purchasing securities or selling securities for itself or its clients (including the Issuer) or otherwise using such information for the benefit of its clients or itself.

The Collateral Manager currently serves as investment adviser to E*TRADE Bank, which is, and E*TRADE ABS CDO I, Ltd. and E*TRADE ABS CDO II, Ltd., which were, authorized to invest in Asset-Backed Securities and may in the future serve as manager of other such companies. The Collateral Manager and its Affiliates may pursue its own interests as a manager or adviser of Collateral Debt Securities or as an owner of other securities issued by an issuer of Collateral Debt Securities, without considering the effect of its actions or omissions on the Issuer. The Asset-Backed Securities purchased by the Issuer on the Closing Date will be purchased from portfolios of Asset-Backed Securities held by the Collateral Manager. The Issuer will purchase the initial portfolio of Collateral Debt Securities from the Collateral Manager on the Closing Date only to the extent the Collateral Manager determines that such purchases are consistent with the restrictions contained in the Indenture and applicable law.

The Preference Share Affiliate of the Collateral Manager will acquire 5,000 of the Non-Composite Preference Shares on the Closing Date. In addition, the Collateral Manager, its Affiliates and client accounts for which the Collateral Manager or its Affiliates act as investment adviser may at times own Notes of one or more Classes. At any given time, the Collateral Manager and its Affiliates will not be entitled to vote the Offered Securities held by any of such Collateral Manager, its Affiliates and client accounts for which such Collateral Manager or any Affiliate thereof acts as investment adviser (and for which such Collateral Manager or such Affiliate has discretionary authority) with respect to any assignment or termination of, any of the express rights or obligations of the Collateral Manager under the Collateral Management Agreement or the Indenture (including the exercise of any rights to remove the Collateral Manager or terminate the Collateral Management Agreement or approve or object to a Replacement Officer), or any amendment or other modification of the Collateral Management Agreement or the Indenture increasing the rights or decreasing the obligations of the Collateral Manager. For purposes hereof, "**Affiliate**" means, with respect to the Collateral Manager, (i) any other person who, directly or indirectly, is in control of, or controlled by, or is under common control with, the Collateral Manager or (ii) any other person who is a director, member, officer, employee or general partner of (a) the Collateral Manager or (b) any such other person described in clause (i) above. For the purposes of the foregoing definition, control of a person will mean the power, direct or indirect, (x) to vote more than 50% of the securities having ordinary voting power for the election of directors of such person or (y) to direct or cause the direction of the management and policies of such person whether by contract or otherwise. The ownership of a portion of the Preference Shares by its Affiliate may give the Collateral Manager an incentive to take actions that vary from the interests of the holders of the Notes.

Conflicts of Interest Involving the Initial Purchasers. Certain of the Collateral Debt Securities acquired or to be acquired by the Issuer will consist of obligations of issuers or obligors, or obligations sponsored or serviced by companies, for which an Initial Purchaser or an affiliate thereof has acted as underwriter, agent, placement agent or dealer or for which an Initial Purchaser or an affiliate thereof has acted as lender or provided other commercial or investment banking services. Either Initial Purchaser or an affiliate thereof may structure issuers of Collateral Debt Securities and arrange to place such Collateral Debt Securities with the Issuer. Either Initial Purchaser or an affiliate thereof may also act as counterparty with respect to one or more Synthetic Securities. In its role as counterparty with respect to Synthetic Securities, an Initial Purchaser or one of more of its affiliates may manage a pool of Reference Obligations with respect to the Synthetic Securities and make determinations regarding those Reference Obligations. In addition, an affiliate of either Initial Purchaser may act as Hedge Counterparty under one or more Hedge Agreements with the Issuer. Moreover, either Initial Purchaser or its affiliates may from time to time enter into derivative transactions with third parties with respect to the Offered Securities or with respect to Collateral Debt Securities acquired by the Issuer, and an Initial Purchaser or its affiliates may, in connection therewith, acquire (or establish long, short or derivative financial positions with respect to) Offered Securities, Collateral Debt Securities or one or more portfolios of financial assets similar to the portfolio of Collateral Debt Securities acquired by (or intended to be acquired by) the Issuer. These activities may create certain conflicts of interest, and there can be no assurance that the terms on which the Issuer entered into (or enters into) any of the foregoing transactions with such Initial Purchaser (or an affiliate thereof) were or are the most favorable terms available in the market at the time from other potential counterparties. See "Security for the Notes—The Hedge Agreements."

Money Laundering Prevention. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "**USA Patriot Act**"), effective as of October 26, 2001, requires that financial institutions, a term that includes banks, broker-dealers and investment companies, establish and maintain compliance programs to guard against money laundering activities. The USA Patriot Act requires the Secretary of the U.S. Treasury to prescribe regulations in connection with anti-money laundering

policies of financial institutions. The Federal Reserve Board, the U.S. Treasury and the SEC are currently studying what types of investment vehicles should be required to adopt anti-money laundering procedures, and it is unclear at this time whether such procedures will apply to pooled investment vehicles such as the Issuer. It is possible that there could be promulgated legislation or regulations that would require the Issuer or the Initial Purchasers or other service providers to the Issuer, in connection with the establishment of anti-money laundering procedures, to share information with governmental authorities with respect to investors in the Offered Securities. Such legislation and/or regulations could require the Issuer to implement additional restrictions on the transfer of the Offered Securities or interests therein. The Issuer reserves the right to request such information as is necessary to verify the identity of investors in the Offered Securities and the source of the payment of subscription monies, or as is necessary to comply with any customer identification programs required by Financial Crimes Enforcement Network and/or the SEC. In the event of delay or failure by the applicant to produce any information required for verification purposes, an application for or transfer of Offered Securities or interests therein and the subscription monies relating thereto may be refused. In connection with the establishment of anti-money laundering procedures, the Issuer may implement additional restrictions on the transfer of Offered Securities.

The Issuer and the Administrator are also subject to anti-money laundering legislation in the Cayman Islands pursuant to the Proceeds of Criminal Conduct Law (2004 Revision) of the Cayman Islands (the "**PCCL**"). Pursuant to the PCCL, the Cayman Islands government passed The Money Laundering Regulations (2003 Revision) of 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 investor's identity and the source of the payment used by such investor for purchasing the Offered Securities in a manner similar to the obligations imposed under the laws of other major financial centers. In addition, if any person who is resident in the Cayman Islands has a suspicion that a payment to the Issuer (by way of investment or otherwise) contains the proceeds of criminal conduct, that person must report such suspicion to the Cayman Island authorities pursuant to the PCCL. If the Issuer were determined by the Cayman Islands government to be in violation of the PCCL or The Money Laundering Regulations (2003 Revision) of the Cayman Islands, the Issuer could be subject to substantial criminal penalties. Such a violation could materially adversely affect the timing of payments by the Issuer to the holders of the Offered Securities.

Purchase of Asset-Backed Securities. The Asset-Backed Securities purchased by the Issuer on the Closing Date will be purchased from a portfolio of Asset-Backed Securities held by the Collateral Manager, at prices determined by the Collateral Manager. The Issuer will purchase such Asset-Backed Securities from the Collateral Manager only to the extent the Collateral Manager determines that such purchases are consistent with the restrictions contained in the Indenture and applicable law.

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

Relation to Prior Investment Results. The prior investment results of the Collateral Manager and the persons associated with the Collateral Manager 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.

Projections, Forecasts and Estimates. Any projections, forecasts and estimates contained herein are forward looking statements and are based upon certain assumptions that the Co-Issuers consider reasonable. Projections are necessarily speculative in nature, and it can be expected that some or all of the assumptions

underlying the projections will not materialize or will vary significantly from actual results. Accordingly, the projections are only an estimate. Actual results may vary from the projections and the variations may be material.

Some important factors that could cause actual results to differ materially from those in any forward looking statements include changes in interest rates, market, financial or legal uncertainties, differences in the actual allocation of the Collateral Debt Securities among asset categories from those identified in Schedule C, mismatches between the timing of accrual and receipt of Interest Proceeds and Principal Proceeds from the Collateral Debt Securities, defaults under Collateral Debt Securities and the effectiveness of the Hedge Agreement, among others. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Co-Issuer, the Collateral Manager, the Trustee, the Initial Purchasers or any of their respective affiliates or any other person or entity of the results that will actually be achieved by the Issuer.

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

Investment Company Act. Neither of the Co-Issuers nor the pool of Collateral has been registered with the United States Securities and Exchange Commission (the "**SEC**") as an investment company pursuant to the Investment Company Act. The Issuer has not so registered in reliance on an exception for investment companies (a) whose investors resident in the United States are solely "qualified purchasers" or "knowledgeable employees" (within the meaning given to such terms in the Investment Company Act and the regulations of the SEC thereunder) or certain transferees thereof identified in Rule 3c-6 under the Investment Company Act and (b) which do not make a public offering of their securities in the United States. Counsel for the Co-Issuers will opine, in connection with the issuance of the Offered Securities, that none of the Issuer, the Co-Issuer or the pool of Collateral is on the Closing Date an investment company required to be registered under the Investment Company Act (assuming, for the purposes of such opinion, that the Notes and Preference Shares are sold in accordance with the terms of the Indenture, the Preference Share Paying Agency Agreement, the Issuer Charter, the Purchase Agreement and the Subscription Agreements). 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, the Co-Issuer or the pool of Collateral is required, but in violation of the Investment Company Act had failed, to register as an investment company, possible consequences include, but are not limited to, the following: (i) the SEC could apply to a district court to enjoin the violation; (ii) investors in the Issuer or the Co-Issuer could sue the Issuer or the Co-Issuer, as the case may be, and recover any damages caused by the violation; and (iii) any contract to which the Issuer or the Co-Issuer, as the case may be, is a party that is made in, or whose performance involves a, violation of the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than nonenforcement and would not be inconsistent with the purposes of the Investment Company Act. Should the Issuer, the Co-Issuer or the pool of Collateral be subjected to any or all of the foregoing, the Issuer, the Co-Issuer or the pool of Collateral, as the case may be, would be materially and adversely affected.

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

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers determines that any beneficial owner of a Restricted Note (or any interest therein) (A) was not at the time of purchase both a Qualified Institutional Buyer (unless such beneficial owner is an Accredited Investor that purchased such Restricted Note or interest therein directly from an Initial Purchaser) and a Qualified Purchaser or (B) any beneficial owner of a Regulation S Note (or any interest therein) is at any time either a U.S. Person or a U.S. Resident, then either of the Co-Issuers may require, by notice to such holder, that such holder sell all of its right, title

and interest to such Restricted Note (or interest therein) or Regulation S Note (or interest therein), as applicable, to a person (x) if such person is taking delivery in the form of an interest in a Restricted Note, that is both a Qualified Institutional Buyer and a Qualified Purchaser or (y) if such person is taking delivery in the form of an interest in a Regulation S Note, that is neither a U.S. Person nor a U.S. Resident, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (i) upon direction from the Collateral Manager or the Issuer, the Trustee, on behalf of and at the expense of the Issuer, will cause such beneficial owner's interest in such Note to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Trustee, the Co-Issuers and the Collateral Manager, in connection with such transfer, that such person is both a Qualified Institutional Buyer and a Qualified Purchaser or (y) if such person is taking delivery in the form of an interest in a Regulation S Note, such person is neither a U.S. Person nor a U.S. Resident, and (ii) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner.

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any owner of a Restricted Composite Security (or any interest therein) (A) was not at the time of purchase both (i) a Qualified Institutional Buyer or otherwise entitled to purchase such Restricted Composite Security pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser or (B) any beneficial owner of a Regulation S Composite Security (or any interest therein) is at any time either a U.S. Person or a U.S. Resident, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Restricted Composite Security (or interest therein) or Regulation S Composite Security (or interest therein), as applicable, to a person (x) if such person is taking delivery in the form of an interest in a Restricted Composite Security, that is both (i) a Qualified Institutional Buyer or otherwise entitled to take delivery of such Restricted Composite Security pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser or (y) if such person is taking delivery in the form of an interest in a Regulation S Composite Security, that is neither a U.S. Person nor a U.S. Resident, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (i) upon direction from the Collateral Manager or the Issuer, the Trustee, on behalf of and at the expense of the Issuer, will cause such beneficial owner's interest in such Composite Security to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Trustee, the Issuers and the Collateral Manager, in connection with such transfer, that such person is both (i) a Qualified Institutional Buyer or otherwise entitled to take delivery of such Restricted Composite Security pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser or (y) if such person is taking delivery in the form of an interest in a Regulation S Composite Security, such person is neither a U.S. Person nor a U.S. Resident, and (ii) pending such transfer, no further payments will be made in respect of such Composite Security held by such owner or beneficial owner.

The Preference Share Paying Agency Agreement provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that (A) any beneficial owner of Restricted Preference Shares was not at the time of purchase both (i) a Qualified Institutional Buyer or otherwise entitled to purchase such Restricted Preference Shares pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser or (B) any beneficial owner of a Regulation S Preference Share (or any interest therein) is at any time either a U.S. Person or a U.S. Resident, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such

Restricted Preference Shares or Regulation S Preference Share (or interest therein), as applicable, to a person (x) if such person is taking delivery in the form of a Restricted Preference Share, that is both (i) a Qualified Institutional Buyer or otherwise entitled to take delivery of such Restricted Preference Share pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser or (y) if such person is taking delivery in the form of an interest in a Regulation S Preference Share, that is neither a U.S. Person nor a U.S. Resident, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (a) upon direction from the Collateral Manager or the Issuer, the Preference Share Paying Agent, on behalf of and at the expense of the Issuer, will cause such beneficial owner's interest in such Preference Share (or the Composite Securities comprised of such Preference Shares) to be transferred in a commercially reasonable sale (conducted by the Administrator in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Preference Share Paying Agent, the Preference Share Registrar, the Issuer and the Collateral Manager, in connection with such transfer, that (x) if such person is taking delivery in the form of a Restricted Preference Share, such person is both (i) a Qualified Institutional Buyer or otherwise entitled to take delivery of such Restricted Preference Share pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser or (y) if such person is taking delivery in the form of an interest in a Regulation S Preference Share, such person is neither a U.S. Person nor a U.S. Resident, and (b) pending such transfer, no further payments will be made in respect of such Preference Share held by such beneficial owner.

Mandatory Repayment of the Notes. If any Coverage Test applicable to a Class of Notes is not met, Interest Proceeds to the extent necessary to cause each applicable Coverage Test to be satisfied and, after application of Interest Proceeds, Principal Proceeds will be used to repay principal of one or more Classes of Notes until each such Class of Notes has been paid in full. See "Description of the Notes—Mandatory Redemption."

In addition, if on any Distribution Date Preference Shareholders have received distributions on the Preference Shares sufficient to achieve a Dividend Yield (as defined herein) of 16% on such Distribution Date, any excess amount of Interest Proceeds will be applied to pay principal of the Class C Notes until such Class of Notes has been paid in full. See "Description of the Notes—Principal," "—Mandatory Redemption" and "—Priority of Payments—Interest Proceeds."

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

Auction Call Redemption. In addition, if the Notes have not been redeemed in full prior to the Distribution Date occurring in January 2013, then an auction of the Collateral Debt Securities will be conducted and, provided that certain conditions are satisfied, the Collateral Debt Securities will be sold and the Notes will be redeemed on such Distribution Date. If such conditions are not satisfied and the auction is not successfully conducted on such Distribution Date, the Trustee will conduct auctions on a quarterly basis until the Notes are redeemed in full. See "Description of the Notes—Redemption Price" and "—Auction Call Redemption."

Optional Redemption. Subject to satisfaction of certain conditions, a Majority-in-Interest of Preference Shareholders (excluding any Preference Shares held by the Collateral Manager or its Affiliates and accounts for which the Collateral Manager or its Affiliates acts as investment adviser (and for which the Collateral Manager or any such Affiliate has discretionary authority)) may require that the Notes be redeemed in whole and not in part as described under "Description of the Notes—Optional Redemption and Tax Redemption"; *provided* that such optional redemption may not occur prior to the end of the Non-Call Period. See "Description of the Notes—Optional Redemption and Tax Redemption." The Hedge Agreement will terminate upon any Optional Redemption.

Tax Redemption. Subject to satisfaction of certain conditions, the Issuer may redeem the Notes, in whole but not in part, on any Distribution Date and only from (a) the sale proceeds of the Collateral and (b) all other funds

in the Interest Collection Account, the Interest Equalization Account, the Uninvested Proceeds Account, the Principal Collection Account, the Interest Reserve Account, the Payment Account, the Expense Account, the Custodial Account and the Synthetic Security Counterparty Accounts on such Distribution Date, at the direction of either (i) the holders of a majority in aggregate outstanding principal amount of any Affected Class of Notes or (ii) a Majority-in-Interest of Preference Shareholders (excluding any Preference Shares held by the Collateral Manager or its Affiliates and accounts for which the Collateral Manager or its Affiliates acts as investment adviser (and for which the Collateral Manager or any such Affiliate has discretionary authority)), at the applicable Redemption Price. No Tax Redemption may be effected, however, unless (i) all sale proceeds under clause (a) above are used to make such Tax Redemption, (ii) funds under clauses (a) and (b) are sufficient to redeem the Notes simultaneously and to pay certain other amounts in accordance with the procedures set forth in the Indenture, (iii) a Tax Event will have occurred and (iv) the Tax Materiality Condition is satisfied. See "Description of the Notes—Optional Redemption and Tax Redemption." The Hedge Agreement will terminate upon any Tax Redemption.

Accelerated Maturity Date. If an Event of Default occurs and is continuing and the conditions to liquidating the Collateral set forth in the Indenture are satisfied, the Trustee will use commercially reasonable efforts to liquidate the Collateral and terminate the Hedge Agreement and, on the second Business Day following the Business Day on which the Trustee notifies the Issuer, the Collateral Manager, the Hedge Counterparty and each Rating Agency that such liquidation and such termination is completed (the "**Accelerated Maturity Date**"), apply the proceeds thereof in accordance with the Priority of Payments described under "Description of the Notes—Priority of Payments—Interest Proceeds" and "—Principal Proceeds." See "Description of the Notes—The Indenture."

An Accelerated Maturity Date may occur even if there are insufficient proceeds to make any distribution on the Preference Shares or, if the holders of at least 66-2/3% in aggregate outstanding principal amount of each Class of Notes voting as a separate Class and the Hedge Counterparty (unless no early termination or liquidation payment would be owing by the Issuer to the Hedge Counterparty upon the termination thereof by reason of an event of default or termination event under the Hedge Agreement with respect to the Issuer) so direct, even if there are insufficient funds to pay the Redemption Price of each Class of Notes in full.

Termination of the Hedge Agreement and Liquidation of Collateral Upon Redemption. The Hedge Agreement will terminate upon an Optional Redemption, Tax Redemption or Auction Call Redemption and upon notice of the liquidation of Collateral after an Event of Default under the Indenture, which may require the Issuer to make a termination payment to the Hedge Counterparty. Any such termination payment would reduce the proceeds available to be distributed on the Offered Securities. In the event of an early termination of the Hedge Agreement, the Issuer is more likely to be required to make a termination payment to the Hedge Counterparty (and the amount of such termination payment is likely to be larger) as a result of any Up Front Payment (as defined in "Security for the Notes—The Hedge Agreement") by the Hedge Counterparty. When paid on the related Distribution Date, any such termination payment would reduce the proceeds otherwise available to be distributed on all the Offered Securities on such Distribution Date.

In addition, an Optional Redemption, a Tax Redemption, an Auction Call Redemption or the occurrence of liquidation of Collateral following an Event of Default under the Indenture may require the Collateral Manager to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the Collateral Debt Securities sold. Moreover, the Collateral Manager may be required, in order to sell all the Collateral Debt Securities, to aggregate Collateral Debt Securities in a block transaction, thereby possibly resulting in a lower realized value for the Collateral Debt Securities sold.

Dispositions of Collateral Debt Securities by the Collateral Manager Under Certain Circumstances. Under the Indenture, the Collateral Manager has the right, but not the obligation to purchase from the Issuer, at a price equal to fair market price, Collateral Debt Securities that are Credit Risk Securities, Withholding Securities, Written Down Securities, Defaulted Securities or Impaired RMBS, subject to satisfaction of the conditions described herein. Such sales of Collateral Debt Securities may result in losses by the Issuer, which losses may result in the reduction or withdrawal of the rating of any or all of the Offered Securities by any of the Rating Agencies. On the other hand, circumstances may exist under which it is in the best interests of the Issuer to dispose of Collateral Debt Securities, but the Collateral Manager does not, or is not permitted to, exercise the right to purchase such assets.

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

A portion of the Collateral Debt Securities included in the Collateral may be obligations that pay interest more frequently than quarterly. Accordingly, a difference in the rates payable for one-month LIBOR or two-month LIBOR versus three-month LIBOR could adversely impact the ability of the Issuer to make payments on the Notes. In addition, any payments of principal of or interest on pledged Collateral Debt Securities received during a Due Period will be reinvested in Eligible Investments maturing not later than the Business Day immediately preceding the next quarterly Distribution Date. There is no requirement that Eligible Investments bear interest at LIBOR, and the interest rates available for Eligible Investments are inherently uncertain. As a result of these mismatches, an increase in three-month LIBOR could adversely impact the ability of the Issuer to make payments on the Notes (including by reason of a decline in the value of previously issued fixed rate Collateral Debt Securities as LIBOR increases). To mitigate a portion of such interest rate or payment mismatches, the Issuer will on the Closing Date enter into the Hedge Agreement and may enter into Basis Swap transactions after the Closing Date provided the Rating Condition has been met. However, there can be no assurance that the Collateral Debt Securities included in the Collateral and Eligible Investments, together with the Hedge Agreement, will in all circumstances generate sufficient Interest Proceeds to make timely payments of interest on the Notes. Moreover, the benefits of the Hedge Agreement may not be achieved in the event of the early termination of the Hedge Agreement, including termination upon the failure of the Hedge Counterparty to perform its obligations thereunder, or if additional swap transactions are not entered into. See "Security for the Notes—The Hedge Agreement."

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

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

Distributions on the Preference Shares; Investment Term; Non-Petition Agreement. Prior to the payment in full of the Notes and all other amounts owing under the Indenture, Preference Shareholders will be entitled to receive distributions only to the extent permissible under the Indenture and Cayman Islands law (as described herein). The timing and amount of distributions payable to Preference Shareholders and the duration of the Preference Shareholders' investment in the Issuer therefore will be affected by the average life of the Notes. See "—Average Life of the Notes and Prepayment Considerations" above. Each purchaser or transferee of Preference Shares will be required, or deemed, to covenant that it will not cause the filing of a petition in bankruptcy against the Issuer before one year and one day has elapsed since the payment in full of the Notes or, if longer, the applicable

preference period then in effect plus one day. If such provision failed to be effective to preclude the filing of a petition under applicable bankruptcy laws, then the filing of such a petition could result in one or more payments on the Notes made during the period prior to such filing being deemed to be preferential transfers subject to avoidance by the bankruptcy trustee or similar official exercising authority with respect to the Issuer's bankruptcy estate.

The Issuer is a QSPE. The Issuer is intended to be a Qualifying Special Purpose Entity ("**QSPE**") under FASB 140 (*Accounting and Servicing of Financial Assets and Extinguishment of Liabilities*) in order to permit the Transferors to treat the transfer of the Collateral Debt Securities as an absolute transfer in accordance with FASB 140. For purposes of qualifying as a QSPE in accordance with the requirements set forth in FASB 140, the Issuer is intended to be a passive entity, and its permitted activities are significantly limited and are specified in their entirety in the Issuer's constitutive documents. The Issuer will not undertake any business other than the issuance of the Offered Securities, the acquisition of the Collateral and other related transactions.

Further, the Issuer will not be permitted to purchase additional Collateral Debt Securities after the Closing Date or to sell or otherwise dispose of any Collateral Debt Securities except in the limited circumstances described under "Security for the Notes—Disposition of Collateral Debt Securities."

Changes in Tax Law; No Gross-Up in Respect of Offered Securities. Although no withholding tax is currently imposed on the payments of interest on or principal of the Notes or on the distributions on the Preference Shares, there can be no assurance that, as a result of any change in any applicable law, treaty, rule, regulation, or interpretation thereof, the payments on the Offered Securities would not in the future become subject to withholding taxes. In the event that any withholding tax is imposed on payments of interest or other payments on any Offered Securities, no "gross-up" payments or additional amounts will be paid to the Holders of the Offered Securities.

Changes in Tax Law; No Gross-Up in Respect of Collateral Debt Securities. Under the Eligibility Criteria, a Collateral Debt Security will be eligible for purchase by the Issuer if, at the time it is purchased, either the payments thereon are not subject to U.S. withholding tax or foreign withholding tax or the issuer thereof (and the guarantor, if any) is required to make "gross-up" payments that cover the full amount of any such withholding taxes. However, there can be no assurance that, as a result of any change in any applicable law, treaty, rule, regulation or interpretation thereof, the payments on the Collateral Debt Securities would not in the future become subject to withholding taxes imposed by the United States or another jurisdiction. In that event, if the obligors of such Collateral Debt Securities 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 the Offered Securities would accordingly be reduced. There can be no assurance that remaining payments on the Collateral Debt Securities would be sufficient to make timely payments of interest on and payment of principal at the Stated Maturity of each Class of the Notes or that there would be amounts available to pay dividends and make other distributions on the Preference Shares. The Issuer may redeem the Notes, in whole but not in part, at the direction of either (i) the holders of a majority in aggregate outstanding principal amount of any Affected Class of Notes or (ii) a Majority-in-Interest of Preference Shareholders (excluding any Preference Shares held by the Collateral Manager or its Affiliates and accounts for which the Collateral Manager or its Affiliates acts as investment adviser (and for which the Collateral Manager or any such Affiliate has discretionary authority)). See "Description of the Notes—Optional Redemption and Tax Redemption."

Prospective investors should review the material with respect to the U.S. federal income tax treatment of the Offered Securities set forth under "Certain U.S. Federal Income Tax Considerations."

Certain ERISA Considerations. The Issuer intends to restrict ownership of the Preference Shares and Composite Securities so that no assets of the Issuer will be deemed to be "plan assets" subject to ERISA and/or Section 4975 of the Code as such term is defined in the Plan Asset Regulation issued by the United States Department of Labor. Although the Issuer intends to restrict the acquisition of Preference Shares and Composite Securities by Benefit Plan Investors (which is defined in the Plan Asset Regulation to include all employee benefit plans, whether or not the plans are subject to Title I of ERISA and/or Section 4975 of the Code) to less than 25% of all Preference Shares (including the Preference Share component of Composite Securities and excluding any Preference Shares and Preference Share component of Composite Securities held by Controlling Persons (as defined herein), such as the Preference Shares held by the Collateral Manager), there can be no assurance that ownership of Preference Shares and Composite Securities by Benefit Plan Investors will always remain below the 25% threshold established under the Plan Asset Regulation. In particular, each owner of a Preference Share will be required to

execute and deliver to the Issuer and the Preference Share Paying Agent a letter in the form attached as an exhibit to the Preference Share Paying Agency Agreement, to the effect that such owner will not transfer such interest except in compliance with the transfer restrictions set forth in, (including the requirement that any subsequent transferee execute and deliver a letter in such form as a condition to any subsequent transfer). Each owner of a Combination Note will be required to execute and deliver a similar letter. Although each such owner will be required to indemnify the Issuer for the consequences of any breach of such obligations, there is no assurance that an owner will not breach such obligations or that, if such breach occurs, such owner will have the financial capacity, willingness or legal ability to indemnify the Issuer for any losses that the Issuer may suffer, including by reason of non compliance with the 25% threshold. In addition, each transferee of Preference Shares or Composite Securities will be required to represent and warrant that (i) it is not, and is not acting on behalf of, a Benefit Plan Investor or a Controlling Person and (ii) it, and any fiduciary of it causing it to acquire Preference Shares or Composite Securities, agrees to indemnify and hold harmless the Co-Issuers from any cost, damage or loss incurred by the Co-Issuers as a result of such owner being or being deemed to be a Benefit Plan Investor.

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

Each purchaser and transferee of a Note, excluding Composite Securities, will be deemed to represent and warrant (or, if required by the Indenture, a transferee will be required to certify) either that (a) it is not, and is not investing the assets of, an employee benefit plan subject to Title I of ERISA, a plan subject to Section 4975 of the Code or a governmental or church plan subject to any Similar Law or (b) its purchase and ownership of such Note will be covered by a prohibited transaction class exemption issued by the United States Department of Labor (or, in the case of a foreign, governmental or church plan, will not result in a violation of any Similar Law). Each original purchaser of a Restricted Preference Share or Composite Security will be required to certify whether or not it is a Benefit Plan Investor or a Controlling Person, and each such purchaser that is a Benefit Plan Investor subject to Section 406 of ERISA, Section 4975 of the Code or any Similar Law will be required to certify that its investment in Restricted Preference Shares or Composite Securities will not result in a non exempt prohibited transaction under the foregoing provisions of ERISA and the Code or a violation of any Similar Law. No transfer of Preference Shares or Composite Securities (other than a transfer from the Issuer or an Initial Purchaser on the Closing Date) will be effective and the Issuer, the Preference Share Registrar, the Preference Share Paying Agent, the Trustee and the Note Registrar will not recognize any such transfer if the transferee of a Preference Share or Composite Security is a Benefit Plan Investor or Controlling Person.

See "Certain ERISA Considerations" herein for a more detailed discussion of certain ERISA and related considerations with respect to an investment in the Notes or the Preference Shares.

DESCRIPTION OF THE NOTES

The Notes will be issued pursuant to the Indenture. The following summary describes certain provisions of the Notes and the Indenture. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture. Copies of the Indenture may be obtained by prospective investors upon request to the Trustee at 9062 Old Annapolis Road, Columbia, Maryland 21045.

Status and Security

The Notes will be limited-recourse debt obligations of the Co-Issuers. All of the Class A-1 Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-2 Notes are entitled to receive payments *pari passu* among themselves, all of the Class B Notes are entitled to receive payments *pari passu* among themselves and all of the Class C Notes are entitled to receive payments *pari passu* among themselves. Except as otherwise described herein, the relative order of seniority of payment of each Class of Notes is as follows: *first*, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes and, *fourth*, Class C Notes, with (a) each Class of Notes (other than the Class C Notes) in such list being "**Senior**" to each other Class of Notes that follows such Class of Notes in such list and (b) each Class of Notes (other than the Class A-1 Notes) in such list being "**Subordinate**" to each other Class of Notes that precedes such Class of Notes in such list. No payment of interest on any Class of Notes will be made until all accrued and unpaid interest on the Notes of each Class that is Senior to such Class and that remain outstanding has been paid in full. Except as otherwise described herein, including, without limitation, paragraph (15) of "—Priority of Payments—Interest Proceeds," no payment of principal of any Class of Notes will be made until all principal of, and all accrued and unpaid interest on, the Notes of each Class that is Senior to such Class and that remain outstanding have been paid in full. See "Description of the Notes—Priority of Payments."

Under the terms of the Indenture, the Issuer will grant to the Trustee for the benefit of the Secured Parties a first priority security interest in the Collateral described herein to secure the Issuer's obligations under the Indenture and the Notes, subject in the case of any Synthetic Security Counterparty Account to the security interest of the related Synthetic Security Counterparty in such Synthetic Security Counterparty Account.

Payments of principal of and interest on the Notes will be made solely from the proceeds of the Collateral, in accordance with the priorities described under "—Priority of Payments" herein. If the amounts received in respect of the Collateral (net of certain expenses) are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency and, following liquidation of all the Collateral, the obligations of the Co-Issuers to pay any such deficiency will be extinguished.

Interest

The Class A-1 Notes will bear interest at a floating rate per annum equal to LIBOR (determined as described herein) plus 0.32%. The Class A-2 Notes will bear interest at a floating rate per annum equal to LIBOR (determined as described herein) plus 0.59%. The Class B Notes will bear interest at a floating rate per annum equal to LIBOR (determined as described herein) plus 0.75%. The Class C Notes will bear interest at a floating rate per annum equal to LIBOR (determined as described herein) plus 2.85%. Interest on the Class A Notes, the Class B Notes and the Class C Notes will be computed on the basis of a 360-day year and the actual number of days elapsed.

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

Payments of interest on the Notes will be payable in U.S. Dollars quarterly in arrears on each January 10, April 10, July 10 and October 10, commencing April 10, 2005 (each a "**Distribution Date**"); *provided* that (i) the final Distribution Date with respect to the Class A-1 Notes will be January 10, 2025, the final Distribution Date with respect to the Class A-2 Notes will be January 10, 2040, the final Distribution Date with respect to the Class B Notes will be January 10, 2040 and the final Distribution Date with respect to the Class C Notes will be January 10, 2040

and (ii) if any such date is not a Business Day, the relevant Distribution Date will be the next succeeding Business Day.

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

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

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

Definitions

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

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

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

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

of such Interest Period (except that in the case where such Interest Period will commence on a day that is not a LIBOR Business Day, for the relevant term commencing on the next following LIBOR Business Day), to the principal London offices of leading banks in the London interbank market.

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

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

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

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

As used herein:

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

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

"**Designated Maturity**" means, with respect to any Class of Notes, (i) for the initial Interest Period, the number of calendar days from, and including the Closing Date to, but excluding, the first Distribution Date and (ii) for each Interest Period after the initial Interest Period, three months.

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

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

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

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

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

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

Principal

The Stated Maturity of the Class A-1 Notes is January 10, 2025; the Stated Maturity of the Class A-2 Notes is January 10, 2040; the Stated Maturity of the Class B Notes is January 10, 2040 and the Stated Maturity of the Class C Notes is January 10, 2040. Each Class of Notes is scheduled to mature at the applicable Stated Maturity unless redeemed or repaid prior thereto. However, the Notes may be paid in full prior to their Stated Maturity. See "Risk Factors—Average Life of the Notes and Prepayment Considerations" and "Maturity, Prepayment and Yield Considerations." Any payment of principal with respect to any Class of Notes (including any payment of principal made in connection with a mandatory redemption, an Optional Redemption, Auction Call Redemption or Tax Redemption) will be made by the Trustee on a *pro rata* basis on each Distribution Date among the Notes of such Class according to the respective unpaid principal amounts thereof outstanding immediately prior to such payment. The Trustee will, so long as any Class of Notes is listed on the Irish Stock Exchange, notify the Irish Stock Exchange not later than the second Business Day preceding each Distribution Date of the amount of principal payments to be made on the Notes of each Class on such Distribution Date, the amount of any Class C Deferred Interest, the aggregate outstanding principal amount of the Notes of each Class and the percentage of the original aggregate outstanding principal amount of the Notes of such Class after giving effect to the principal payments, if any, on such Distribution Date.

Principal Proceeds will be applied on each Distribution Date in accordance with the Priority of Payments to pay principal of each Class of Notes. No payment of principal of any Class of Notes will be made until all principal of, and all accrued interest due and payable on, the Notes of each Class that is Senior to such Class and that remain outstanding have been paid in full, except (i) to the payment of Class C Deferred Interest from Interest Proceeds in certain circumstances and (ii) on any Distribution Date, if Preference Shareholders have received a Dividend Yield of 16% on such Distribution Date, Interest Proceeds that would otherwise be paid to the Preference Share Paying Agent for distribution to the Preference Shareholders will be applied to pay the principal of the Class C Notes until such Class of Notes has been paid in full. See "Description of the Notes—Priority of Payments."

Mandatory Redemption

Each Class of Notes will be subject to mandatory redemption on any Distribution Date in the event that any Coverage Test applicable to such Class of Notes is not satisfied on the related Determination Date. Subject to the Priority of Payment, any such redemption will be effected, *first*, from Interest Proceeds to the extent necessary to cause each applicable Coverage Test to be satisfied, and *second*, (to the extent that the application of Interest Proceeds pursuant to the Priority of Payments would be insufficient to cause such tests to be satisfied), from Principal Proceeds, until each such Class of Notes has been paid in full. Any such redemption will be applied to

each outstanding Class of Notes sequentially in direct order of seniority and will otherwise be effected as described below under "—Priority of Payments."

If on any Distribution Date Preference Shareholders have received distributions on the Preference Shares sufficient to achieve a Dividend Yield of 16% on such Distribution Date, any excess amount of Interest Proceeds will be applied to pay principal of the Class C Notes until such Class of Notes has been paid in full.

Auction Call Redemption

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

(i) neither the Collateral Manager nor any of its Affiliates will be allowed to bid in any Auction;

(ii) the Auction has been conducted in accordance with the Auction Procedures;

(iii) the Trustee has received bids for the Collateral Debt Securities (or for each of the related subpools) from at least two prospective purchasers (including the winning bidder) identified on a list of qualified bidders (such bidders, "**Qualified Bidders**") provided by the Collateral Manager to the Trustee in accordance with the Indenture (*provided* that neither the Collateral Manager nor any of its affiliates will bid on Collateral Debt Securities sold pursuant to an Optional Redemption, an Auction Call Redemption, a Tax Redemption or a sale of Collateral Debt Securities pursuant to an Event of Default);

(iv) the Collateral Manager certifies that the highest bids would result in the sale of the Collateral Debt Securities (or the related subpools) for a purchase price (paid in cash) which together with the balance of all Eligible Investments and cash held by the Issuer (other than Eligible Investments and cash held in the Hedge Counterparty Collateral Account or any Synthetic Security Issuer Account) will be at least equal to the Total Senior Redemption Amount; *provided* that the holders of 100% of the aggregate outstanding amount of any Class of Notes may elect (on behalf of the entire Class) to receive less than 100% of the portion of the Redemption Price that would otherwise be payable to holders of such Class (and the minimum funding requirements specified in this clause (iv)); and

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

Provided that all of the conditions set forth in clauses (i) through (v) have been met, the Trustee will sell and transfer the Collateral Debt Securities (or the related subpool), without representation, warranty or recourse, to such highest bidder (or the highest bidder for each subpool, as the case may be) in accordance with and upon completion of the Auction Procedures. The Trustee will deposit the purchase price for the Collateral Debt Securities in the Collection Accounts, and the Notes and, to the extent funds are available therefor, the Preference Shares, will be redeemed on the Distribution Date immediately following the relevant Auction Date (such redemption, the "**Auction Call Redemption**").

If any of the foregoing conditions is not met with respect to any Auction or if the highest bidder (or the highest bidder for any subpool, as the case may be) fails to pay the purchase price before the sixth Business Day following the relevant Auction Date, (a) the Auction Call Redemption will not occur on the Distribution Date following the relevant Auction Date, (b) the Trustee will give notice of the withdrawal, (c) subject to clause (d)

below, the Trustee will decline to consummate such sale and will not solicit any further bids or otherwise negotiate any further sale of Collateral Debt Securities in relation to such Auction and (d) unless the Notes are redeemed in full prior to the next succeeding Auction Date, the Trustee will conduct another Auction on the next succeeding Auction Date.

Optional Redemption and Tax Redemption

Subject to the satisfaction of certain conditions described herein, on any Distribution Date occurring after the end of the Non-Call Period, the Issuer may redeem the Notes (such redemption, an "**Optional Redemption**"), in whole but not in part, at the direction of a Majority-in-Interest of Preference Shareholders (excluding any Preference Shares held by the Collateral Manager or its Affiliates and accounts for which the Collateral Manager or its Affiliates acts as investment adviser (and for which the Collateral Manager or any such Affiliate has discretionary authority)) at the applicable Redemption Price therefor. Any such redemption may only be effected from (a) the sale proceeds of the Collateral Debt Securities (other than the Retained Collateral) and (b) all other funds in the Interest Collection Account, the Interest Equalization Account, the Uninvested Proceeds Account, the Principal Collection Account, the Interest Reserve Account, the Payment Account, the Expense Account, the Custodial Account and any Synthetic Security Counterparty Account on the relevant Distribution Date. No Optional Redemption may be effected, however, unless (i) all sale proceeds under clause (a) above are used (1) to make such an Optional Redemption, (2) to pay any amounts payable under the Priority of Payments and (3) to redeem the Preference Shares other than the Collateral Manager Preference Shares at the applicable Redemption Price and (ii) the aggregate bid price for such Collateral Debt Securities obtained in accordance with the procedures set forth in the Indenture, together with funds under clause (b) above, are sufficient to redeem all of the Notes and Preference Shares (other than Collateral Manager Preference Shares) simultaneously and to pay certain other amounts in accordance with the procedures set forth in the Indenture.

In connection with the sale of Collateral Debt Securities to effect an Optional Redemption, the Trustee will solicit bids for the entire pool of Collateral Debt Securities and will determine the highest bid therefor. If such bid exceeds the Senior Redemption Amount (as defined below), the Trustee will immediately notify the Collateral Manager of the highest bid for such Collateral Debt Securities and will notify the Preference Share Paying Agent and the Collateral Manager of the amount by which such highest bid, together with the proceeds from any Eligible Investments maturing on or prior to the scheduled Redemption Date and all cash (other than in respect of any Synthetic Security Issuer Account or any Hedge Counterparty Collateral Account), exceeds the Senior Redemption Amount (the "**Available Preference Share Redemption Amount**").

So long as ETGAM is the Collateral Manager, if the Available Preference Share Redemption Amount is greater than the Preference Share Redemption Date Amount, the Collateral Manager will within two Business Days direct the Trustee to retain (and not sell to the highest bidder) one or more Collateral Debt Securities identified in writing by the Collateral Manager that in the aggregate would have resulted in sale proceeds equal to the product of (x) the Preference Share Optional Redemption Price and (y) the aggregate number of Collateral Manager Preference Shares (such Collateral Debt Securities, the "**Retained Collateral**").

If the Available Preference Share Redemption Date Amount is less than the Preference Share Redemption Date Amount, the Preference Shareholders whose aggregate Voting Percentages at such time equal 100% of all Preference Shareholders' Voting Percentages at such time, excluding any Preference Shares held by the Collateral Manager or its Affiliates and accounts for which the Collateral Manager or its Affiliates acts as investment adviser (and for which the Collateral Manager or any such Affiliate has discretionary authority) may, by notice to the Preference Share Paying Agent, elect to receive less than the Preference Share Redemption Date Amount in order to effect such Optional Redemption (*provided* that the Available Preference Share Redemption Amount is greater than the Preference Share Redemption Date Amount *divided by* the number of outstanding Collateral Manager Preference Shares) and the Collateral Manager will within two Business Days direct the Trustee to retain (and not sell to the highest bidder) one or more Collateral Debt Securities identified in writing by the Collateral Manager that in the aggregate would have resulted in sale proceeds in an amount equal to (x) the Preference Share Redemption Date Amount *divided by* (y) the aggregate number of Preference Shares outstanding multiplied by (z) the aggregate number of Collateral Manager Preference Shares outstanding (such Collateral Debt Securities, the "**Retained Collateral**").

In either case, the Retained Collateral will be released from the lien of the Indenture and will be assigned, in accordance with the Preference Share Paying Agency Agreement, to the holders of the Collateral Manager Preference Shares.

"**Collateral Manager Preference Shares**" means Preference Shares held by ETGAM or its Affiliates or accounts for which ETGAM or its Affiliates acts as investment adviser (and for which ETGAM or any such Affiliate has discretionary authority).

"**Preference Share Optional Redemption Price**" means (a) the Available Preference Share Redemption Amount divided by (b) the number of Preference Shares outstanding.

In addition, subject to satisfaction of certain conditions described herein, the Issuer may redeem the Notes on any Distribution Date (such redemption, a "**Tax Redemption**"), in whole but not in part, by the Issuer at the direction of either (i) the holders of a majority of the aggregate outstanding principal amount of any Class of Notes that, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and interest payable to such Class on any Distribution Date (each such Class, an "**Affected Class**") or (ii) a Majority-in-Interest of Preference Shareholders (excluding any Preference Shares held by the Collateral Manager or its Affiliates and accounts for which the Collateral Manager or its Affiliates acts as investment adviser (and for which the Collateral Manager or any such Affiliate has discretionary authority)). Any such redemption may only be effected from (a) the sale proceeds of the Collateral and (b) all other funds in the Interest Collection Account, the Interest Equalization Account, the Uninvested Proceeds Account, the Principal Collection Account, the Interest Reserve Account, the Payment Account, the Expense Account, the Custodial Account and any Synthetic Security Counterparty Account on the relevant Distribution Date, at the applicable Redemption Price (exclusive of installments of principal and interest due on or prior to such date, provided payment of which will have been made or duly provided for, to the holders of the Notes as provided for in the Indenture). No Tax Redemption may be effected, however, unless (i) all sale proceeds under clause (a) above are used to make such Tax Redemption, (ii) funds under clauses (a) and (b) are at least equal to the Total Senior Redemption Amount, (iii) a Tax Event will have occurred and (iv) the Tax Materiality Condition is satisfied.

Notwithstanding the immediately preceding paragraph, in connection with any Tax Redemption, holders of at least 66-2/3% of the aggregate outstanding principal amount of an Affected Class of Notes may elect to receive less than 100% of the portion of the Total Senior Redemption Amount that would otherwise be payable to holders of such Affected Class (and the minimum funding requirements specified in the immediately preceding paragraph will be reduced accordingly).

The "**Non-Call Period**" is the period from the Closing Date to and including the Business Day immediately preceding the Distribution Date in January 2008.

A "**Tax Event"** will occur if (i) any obligor is, or on the next scheduled payment date under any Collateral Debt Security, will be, required to deduct or withhold from any payment under any Collateral Debt Security to the Issuer for or on account of any tax for whatever reason and such obligor is not required to pay to the Issuer such additional amount as is necessary to ensure that the net amount actually received by the Issuer (free and clear of taxes, whether assessed against such obligor or the Issuer) will equal the full amount that the Issuer would have received had no such deduction or withholding been required, (ii) any jurisdiction imposes net income, profits, or similar tax on the Issuer, or (iii) the Issuer is required to deduct or withhold from any payment under a Hedge Agreement for or on account of any tax and the Issuer is obligated to make a gross up payment (or otherwise pay additional amounts) to the Hedge Counterparty, or (iv) a Hedge Counterparty is required to deduct or withhold from any payment under the Hedge Agreement for or on account of any tax for whatever reason and such Hedge Counterparty is not required to pay to the Issuer such additional amount as is necessary to ensure that the net amount actually received by the Issuer (free and clear of taxes, whether assessed against such obligor or the Issuer) will equal the full amount that the Issuer would have received had no such deduction or withholding been required. The "**Tax Materiality Condition**" will be satisfied if a Tax Event occurs and (i) such a tax or taxes imposed on the Issuer or withheld from payments to the Issuer and with respect to which the Issuer receives less than the full amount that the Issuer would have received had no such deduction occurred, and (ii) "gross up payments" required to be made by the Issuer exceed the amounts that the Issuer would have been required to pay had no deduction or withholding been required exceeds, in the aggregate, U.S.$ 1,000,000 during any 12-month period.

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

Any such notice of redemption may be withdrawn by the Issuer up to the fourth Business Day prior to the scheduled Redemption Date by written notice to the Trustee and the Collateral Manager only if the Collateral Manager is unable to deliver the sale agreement or agreements referred to in the immediately succeeding paragraph in form satisfactory to the Trustee. Notice of any such withdrawal will be given by the Trustee to each holder of Notes at such holder's address in the Note Register maintained by the Note Registrar under the Indenture by overnight courier guaranteeing next day delivery, sent not later than the third Business Day prior to the scheduled Redemption Date. In addition, the Trustee will, if any Class of Notes to have been redeemed was listed on the Irish Stock Exchange deliver a notice of such withdrawal to the Company Announcements Office of the Irish Stock Exchange not less than three Business Days prior to the scheduled Redemption Date.

The Notes may not be redeemed pursuant to an Auction Call Redemption, Optional Redemption or Tax Redemption unless at least four Business Days before the scheduled Redemption Date, the Collateral Manager will have furnished to the Trustee and the Hedge Counterparty evidence, in form satisfactory to the Trustee, that the Collateral Manager on behalf of the Issuer has entered into a binding agreement or agreements to sell to a financial institution or institutions, not later than the Business Day immediately preceding the scheduled Redemption Date, all or part of the Collateral Debt Securities at a purchase price, in immediately available funds, at least equal to an amount sufficient, together with the Eligible Investments maturing on or prior to the scheduled Redemption Date and all cash (other than any Synthetic Security Counterparty Account, any Synthetic Security Issuer Account or any Hedge Counterparty Collateral Account), to pay amounts (including termination payments due and payable under the Hedge Agreements (assuming that the Issuer is the "defaulting party"), if any) payable under the Priority of Payments (including fees and expenses incurred by the Trustee and the Collateral Manager in connection with such sale of Collateral Debt Securities and all Administrative Expenses), to pay any amounts accrued and unpaid by the Issuer pursuant to the Hedge Agreement and to redeem the Notes on the scheduled Redemption Date at the applicable Redemption Price therefor, together with all accrued interest to the date of redemption and all Class C Deferred Interest (the aggregate amount required to make all such payments and to effect such redemption of the Notes, the "**Senior Redemption Amount**") and to make a payment to the Preference Share Paying Agent for distribution to the Preference Shareholders in a amount at least equal to the Preference Share Redemption Date Amount (*provided* that Preference Shareholders whose aggregate Voting Percentages at such time equal 100% of all Preference Shareholders' Voting Percentages at such time, excluding any Preference Shares held by the Collateral Manager or its Affiliates and accounts for which the Collateral Manager or its Affiliates acts as investment adviser (and for which the Collateral Manager or any such Affiliate has discretionary authority) may agree to receive a lesser amount, in which case, the Total Senior Redemption Amount will be reduced accordingly; *provided, further,* that the amount attributable to the Collateral Manager Preference Shares will not be reduced below the applicable Preference Share Redemption Date Amount in connection with such election) (the aggregate amount required to make all such payments and to effect such redemption, the "**Total Senior Redemption Amount**").

"**IRR**" means with respect to each Distribution Date, the rate of return on the Preference Shares that would result in a net present value of zero, assuming (i) the original Aggregate Liquidation Preference of the Preference Shares as the initial negative cash flow on the Closing Date and all distributions, if any, on such Distribution Date and each preceding Distribution Date as positive cash flows, (ii) the initial date for the calculation as of the Closing Date and (iii) the number of days to each subsequent Distribution Date from the Closing Date being calculated on

the basis of a 360-day year consisting of twelve 30-day months; *provided* that the IRR will be calculated on a bond-equivalent yield basis.

"**Preference Share Redemption Date Amount**" means, in respect of any Redemption Date, the sum of (a) the Preference Share Rated Balance and (b) the amount required (after taking into account any dividends or other distributions made or to be made to the holders of the Preference Shares on such Redemption Date and all prior Distribution Dates in accordance with the Priority of Payments) to ensure that, after distribution of such amount to the Preference Shareholders, such Preference Shareholders will have received an IRR on the Preference Shares for the period from the Closing Date to such Redemption Date of not less than (v) 10% per annum, if such Redemption Date occurs on or before January 10, 2009, (w) 9% per annum, if such Redemption Date occurs after January 10, 2009 but before January 10, 2011, (x) 8% per annum, if such Redemption Date occurs after January 10, 2011 but before January 10, 2013, (y) 7% per annum, if such Redemption Date occurs after January 10, 2013 but before January 10, 2015 or (z) 2% per annum, if such Redemption Date occurs after January 10, 2015.

Redemption Price

The amount payable in connection with any Auction Call Redemption, Optional Redemption or Tax Redemption of any Note will be as set forth in the remainder of this paragraph and as set forth above (with respect to each Class of Notes, the "**Redemption Price**"). The Redemption Price payable with respect to any Note will be an amount equal to (a) the outstanding principal amount of such Note being redeemed *plus* (b) accrued interest (including Defaulted Interest and accrued, unpaid and uncapitalized interest on Defaulted Interest, if any) thereon *plus* (c) with respect to the Class C Notes, any Class C Deferred Interest.

Cancellation

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

Payments

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

If any payment on the Notes is due on a day that is not a Business Day, then payment will be made on the next succeeding Business Day with the same force and effect as if made on the date for payment. For this purpose, "**Business Day**" means a day on which banking institutions are not authorized or obligated by law, regulation or executive order to close in London or New York City or any other city in which the corporate trust office of the Trustee is located and, in the case of the final payment of principal of any Note, the place of presentation of such Note.

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

Except as otherwise required by applicable law, any money deposited with the Trustee or any Paying Agent in trust for the payment of principal of or interest on any Note and remaining unclaimed for two years after such principal or interest has become due and payable will be paid to the Issuer upon request by the Issuer therefor, and the holder of such Note will thereafter, as an unsecured general creditor, look to the Issuer or the Co-Issuer for payment of such amounts and all liability of the Trustee or such Paying Agent with respect to such trust money (but only to the extent of the amounts so paid to the Issuer) will thereupon cease. The Trustee or the Paying Agent,

before being required to make any such release of payment may, but will not be required to, adopt and employ, at the expense of the Issuer, any reasonable means of notification of such release of payment, including mailing notice of such release to holders whose Notes have been called but have not been surrendered for redemption or whose right to or interest in monies due and payable but not claimed is determinable from the records of any Paying Agent, at the last address of record of each such holder.

Priority of Payments

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

Interest Proceeds. On each Distribution Date, Interest Proceeds with respect to the related Due Period will be distributed in the order of priority set forth under paragraphs (1) to (16) below:

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

(2) (a) *first*, to the payment, in the following order, to the Trustee, the Collateral Administrator, the Preference Share Paying Agent and the Administrator of accrued and unpaid fees and expenses owing to them under the Indenture, the Collateral Administration Agreement, the Preference Share Paying Agency Agreement and the Administration Agreement, as applicable; (b) *second*, to the payment, first, to the Trustee of accrued and unpaid operational expenses of the Trustee owing to it under the Indenture (and, if an Event of Default has occurred and is continuing under the Indenture, to the Trustee of other accrued and unpaid expenses (including amounts payable pursuant to any indemnity)), second, to the Rating Agencies of accrued and unpaid fees and expenses of the Rating Agencies, third, to the Trustee of other accrued and unpaid expenses (including amounts payable pursuant to any indemnity) of the Trustee owing to it under the Indenture and fourth, to the Rating Agencies of accrued and unpaid expenses of the Rating Agencies, (c) *third*, to the payment, in the following order, to the Collateral Administrator, the Preference Share Paying Agent, the Note Registrar, the Administrator and the Collateral Manager of accrued and unpaid administrative expenses (including indemnification payments, if any) owing to them under the Collateral Administration Agreement, the Preference Share Paying Agency Agreement, the Administration Agreement and the Collateral Management Agreement, as applicable; *provided* that all payments made pursuant to subclauses (a), (b) and (c) of this clause (2) do not exceed on such Distribution Date U.S.$ 75,000 for such Due Period; and (d) *fourth*, if the balance of all Eligible Investments and Cash in the Expense Account on the related Determination Date is less than U.S.$ 75,000, for deposit to the Expense Account of an amount equal to the lesser of (x) the amount by which U.S.$ 75,000 exceeds the aggregate amount of payments made under subclauses (a), (b) and (c) of this clause (2) on such Distribution Date and (y) such amount as would have caused the balance of all Eligible Investments and Cash in the Expense Account immediately after such deposit to equal U.S.$ 75,000;

(3) to the payment to the Collateral Manager of accrued and unpaid Senior Collateral Manager Fees;

(4) to the payment of any amount scheduled to be paid to a Hedge Counterparty pursuant to any Hedge Agreement, together with any termination payments (and any accrued interest thereon) payable by the Issuer pursuant to such Hedge Agreement other than by reason of an event of default or termination event (other than "illegality" or "tax event") as to which the Hedge Counterparty is the "defaulting party" or the sole "affected party";

(5) to the payment of accrued and unpaid interest on the Class A-1 Notes (including Defaulted Interest and any interest thereon);

(6) to the payment of accrued and unpaid interest on the Class A-2 Notes (including Defaulted Interest and any interest thereon);

(7) to the payment of accrued and unpaid interest on the Class B Notes (including Defaulted Interest and any interest thereon);

(8) if either Class A/B Coverage Test is not satisfied on the related Determination Date and if any Class A Note or Class B Note remains outstanding, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, and *third*, the Class B Notes, to the extent necessary to cause each of the Class A/B Coverage Tests to be satisfied or until such Class of Notes has been paid in full;

(9) to the payment of accrued and unpaid interest on the Class C Notes (including Defaulted Interest, interest thereon, if any, and interest on any Class C Deferred Interest, if any, but excluding any Class C Deferred Interest);

(10) if either Class C Coverage Test is not satisfied on the related Determination Date and if any Notes remain outstanding, to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, and *fourth*, the Class C Notes to the extent necessary to cause each of the Class C Coverage Tests to be satisfied or until such Class of Notes has been paid in full;

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

(12) to the payment of all other accrued and unpaid administrative expenses of the Co-Issuers (including any accrued and unpaid fees and expenses, owing in the following order, to the Trustee, the Rating Agencies, the Note Registrar, the Collateral Administrator, the Preference Share Paying Agent, the Preference Share Registrar and the Administrator under the Indenture, the Collateral Administration Agreement, the Collateral Management Agreement, the Preference Share Paying Agency Agreement and the Administration Agreement) not paid pursuant to paragraph (2) above (whether as the result of the limitations on amounts set forth therein or otherwise);

(13) to the payment to the Collateral Manager of accrued and unpaid Subordinate Collateral Manager Fees;

(14) to the Preference Share Paying Agent for distribution on a *pro rata* basis to the holders of the Composite Preference Shares and the holders of the Non-Composite Preference Shares of a dividend on the Preference Shares, up to the amount necessary to achieve a Dividend Yield of 16% on such Distribution Date;

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

(16) to the Preference Share Paying Agent for distribution on a *pro rata* basis to the holders of the Composite Preference Shares and the holders of the Non-Composite Preference Shares as a dividend on the Preference Shares or (in the case of a payment on the Scheduled Preference Share Redemption Date or any other date upon which the Preference Shares are redeemed) as a payment on redemption of the Preference Shares as provided in the Issuer Charter.

Principal Proceeds. On each Distribution Date, Principal Proceeds with respect to the related Due Period will be distributed in the order of priority set forth under paragraphs (1) to (6) below:

(1) to the payment of the amounts referred to in paragraphs (1) to (7) under "Priority of Payments—Interest Proceeds" above in the same order of priority specified therein, but only to the extent not paid thereunder;

(2) to the payment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes and *third,* the Class B Notes, until each such Class of Notes has been paid in full;

(3) *first*, to the payment of accrued and unpaid interest on the Class C Notes (other than Defaulted Interest and any Class C Deferred Interest), *second*, to the payment of Defaulted Interest on the Class C Notes

until paid in full, and *third*, to the payment of principal of the Class C Notes (including Class C Deferred Interest) until the Class C Notes have been paid in full;

(4) to the payment of amounts referred to in paragraph (12) under "Priority of Payments—Interest Proceeds," but only to the extent not paid thereunder;

(5) to the payment of amounts referred to in paragraph (13) under "Priority of Payments—Interest Proceeds," but only to the extent not paid thereunder; and

(6) to the Preference Share Paying Agent for distribution on a *pro rata* basis to the holders of the Composite Preference Shares and the holders of the Non-Composite Preference Shares (excluding Collateral Manager Preference Shares if such date is a Redemption Date resulting from an Optional Redemption) as a dividend on the Preference Shares or, in the case of a payment on the Scheduled Preference Share Redemption Date or any other date upon which the Preference Shares are redeemed, as a payment on redemption of the Preference Shares (other than the Collateral Manager Preference Shares in connection with an Optional Redemption) as provided in the Issuer Charter.

Except as otherwise expressly provided in the Priority of Payments, if, on any Distribution Date, the amount available in the Payment Account from amounts received in the related Due Period are insufficient to make the full amount of the disbursements required by any paragraph in this section to different Persons, the Trustee will make the disbursements called for by each such paragraph ratably in accordance with the respective amounts of such disbursements then due and payable to the extent funds are available therefor.

In the event that any amounts to be paid to the Preference Share Paying Agent pursuant to paragraph (14) or (16) of the "Priority of Payments—Interest Proceeds" or paragraph (6) of the "Priority of Payments—Principal Proceeds" cannot be distributed to the Preference Shareholders due to restrictions on such distributions under the laws of the Cayman Islands, the Issuer will notify the Preference Share Paying Agent and all such amounts will be held in the Preference Share Payment Account until the first Distribution Date (or in the case of any payment otherwise due on a redemption date of the Preference Shares, the first Business Day) on which the Issuer notifies the Preference Share Paying Agent that such distribution can be made to the Preference Shareholders (subject to the availability of such amounts under Cayman Islands law to pay any liability of the Issuer not limited in recourse to the Collateral).

If the Notes and the Preference Shares have not been redeemed prior to January 10, 2040, it is expected that the Issuer (or the Collateral Manager acting pursuant to the Collateral Management Agreement on behalf of the Issuer) will, subject to the retention of certain Collateral Debt Securities for distribution to the holders of Collateral Manager Preference Shares as described under "Optional Redemption," sell all of the Collateral Debt Securities and all Eligible Investments standing to the credit of the Accounts (other than any Hedge Counterparty Collateral Account, any Synthetic Security Issuer Account and any Synthetic Security Counterparty Account) and sell or liquidate all other Collateral, and all net proceeds from such sales and liquidations and all available cash after the payment (in the order of priorities set forth above) of all (i) fees, (ii) expenses (including any amount owing by the Issuer under the Hedge Agreements), (iii) principal of and interest (including any Defaulted Interest and interest on Defaulted Interest, any Class C Deferred Interest, and interest on any Class C Deferred Interest) on the Notes, (iv) the return of U.S.$ 1,000 of capital contributed to the Issuer by the owner of the Issuer's ordinary shares in accordance with the Issuer Charter and (v) a U.S.$ 1,000 profit fee to the Issuer, will be distributed to the Preference Share Paying Agent for deposit into the Preference Share Payment Account for (subject to the restrictions on distributions under the laws of the Cayman Islands) payment to the Preference Shareholders as a distribution by way of redemption, whereupon all of the Notes and Preference Shares will be cancelled.

Certain Definitions

"**Applicable Recovery Rate**" means, with respect to any Collateral Debt Security on any Measurement Date, the lowest of (a) an amount equal to the percentage for such Collateral Debt Security set forth in the Moody's recovery rate matrix set forth in Part I of Schedule A hereto in (x) the table corresponding to the relevant Specified Type of CDO Obligation or Other ABS, (y) the column in such table setting forth the Moody's Rating of such Collateral Debt Security as of the date of issuance of such Collateral Debt Security and (z) the row in such table opposite the percentage of the issue of which such Collateral Debt Security is a part relative to the total

capitalization of (including both debt and equity securities issued by) the relevant Issue of such Collateral Debt Security, determined on the original issue date of such Collateral Debt Security; *provided* that (1) if such Collateral Debt Security is an ABS REIT Debt Security, such amount will be 40% (or 10% in the case of REIT Debt Securities-Health Care or REIT Debt Securities-Mortgage) and (2) if the Collateral Debt Security is a Synthetic Security, the recovery rate will be that assigned by Moody's, (b) an amount equal to the percentage for such Collateral Debt Security set forth in the Standard & Poor's recovery rate matrix set forth in Part II of Schedule A hereto in (x) the applicable table, (y) the row in such table opposite the Standard & Poor's Rating of such Collateral Debt Security as of the issuance of such Collateral Debt Security and (z) the column in such table below the then current rating of the most senior Class of Notes outstanding; *provided, further,* that if such Collateral Debt Security is a Synthetic Security, the recovery rate will be that assigned by Standard & Poor's at the time of acquisition of such Synthetic Security and (c) an amount equal to the percentage corresponding to the domicile and seniority of such Defaulted Security or Deferred Interest PIK Bond, as applicable, as set forth in the Fitch recovery rate matrix attached as Part III of Schedule A hereto; *provided, further,* that the applicable percentage will be the percentage corresponding to the most senior outstanding Class of Notes then rated by Fitch.

"**Calculation Amount**" means, with respect to any Defaulted Security or Deferred Interest PIK Bond at any time, the lesser of (a) the fair market value of such Defaulted Security or Deferred Interest PIK Bond and (b) the Applicable Recovery Rate *multiplied by* the principal balance of such Defaulted Security or Deferred Interest PIK Bond.

"**Deferred Interest PIK Bond**" means (a) with respect to a PIK Bond that has a Moody's Rating of at least "Baa3" (and, if rated "Baa3," such PIK Bond has not been placed on a watch list for possible downgrade) with respect to which payment of interest in whole has been deferred and capitalized in an amount equal to the amount of interest payable in respect of the lesser of (i) one year and (ii) two payment periods; and (b) with respect to a PIK Bond that has a Moody's Rating of (i) "Baa3" and such PIK Bond has been placed on a watch list for possible downgrade or (ii) below "Baa3" with respect to which payment in whole has been deferred and capitalized in an amount equal to the amount of interest payable in respect of the lesser of (x) six months and (y) one payment period.

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

"**Dividend Yield**" means, as of any Distribution Date, (a) the aggregate amount distributed on such Distribution Date pursuant to paragraph (14) under "Priority of Payments—Interest Proceeds" above divided by (b) the original Aggregate Liquidation Preference of all Preference Shares multiplied by (c) 360 divided by (d) the number of days during the related Interest Period (calculated on the basis of a year of 360 days and twelve 30-day months).

"**Interest Excess**" means (a) the sum of (i) the aggregate principal balance of the pledged Collateral Debt Securities on the Closing Date *plus* (ii) any purchased accrued interest on such Collateral Debt Securities *plus* (iii) all Uninvested Proceeds on deposit in the Uninvested Proceeds Account on the Closing Date *minus* (b) U.S.$ 300,000,000.

"**Interest Proceeds**" means, with respect to any Due Period, the sum (without duplication) of: (1) all payments of interest on the Collateral Debt Securities during such Due Period (excluding (a) accrued interest and interest in respect of Defaulted Securities, Deferred Interest PIK Bonds and Written-Down Securities included in Principal Proceeds pursuant to paragraphs (7) and (8) of the definition of Principal Proceeds and (b) payments of interest on Semi-Annual Pay Securities during such Due Period required to be deposited into the Interest Equalization Account, together with the amount, if any, released from the Interest Equalization Account for deposit into the Interest Collection Account with respect to such Due Period); (2) all payments of interest (including any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) on Eligible Investments in the Collection Accounts and the Interest Equalization Account received in cash by the Issuer during such Due Period and all payments of principal, including repayments, on Eligible Investments purchased with amounts from the Interest Collection Account received by the Issuer during such Due Period; (3) all amendment and waiver fees, all late payment fees, and all other fees and commissions received in cash by the Issuer during such Due Period in connection with such Collateral Debt Securities and Eligible Investments (other than fees and commissions received in respect of Defaulted Securities, Deferred Interest PIK Bonds and Written Down Securities and yield maintenance payments included in Principal Proceeds pursuant to paragraph (9) of the definition thereof); (4) all payments received pursuant to the Hedge Agreement (excluding any payments received by the Issuer by reason of

an event of default or termination event that are required to be used for the purchase of a replacement Hedge Agreement) less any deferred premium payments payable by the Issuer under the Hedge Agreement during such Due Period; (5) all amounts on deposit in the Expense Account and the Interest Reserve Account that are transferred to the Payment Account for application as Interest Proceeds as described below under "Security for the Notes—The Accounts—Expense Account" and "—Interest Reserve Account"; and (6) Uninvested Proceeds on deposit in the Uninvested Proceeds Account on the Distribution Date occurring in April 10, 2005 in an amount equal to the lesser of (a) the Interest Excess and (b) U.S.$ 750,000; *provided* that Interest Proceeds will in no event include (i) any payment or proceeds specifically defined as "Principal Proceeds" in the definition thereof or (ii) the U.S.$ 1,000 issued ordinary share capital and U.S.$ 1,000 transaction fee paid to the Issuer and any further transaction fee that may be paid to it in respect of any further issuance of securities and the bank accounts in which monies relating to such share capital and transaction fees are held.

"**Measurement Date**" means any of the following: (i) the Closing Date, (ii) any date on which a Collateral Debt Security becomes a Defaulted Security, (iii) each Determination Date, (iv) the last Business Day of any calendar month (other than a month in which there is a Determination Date), and (v) with reasonable notice to the Issuer and the Trustee, any other Business Day that any Rating Agency or the holders of more than 50% of the aggregate outstanding principal amount of any Class of Notes requests be a "Measurement Date."

"**Net Outstanding Portfolio Collateral Balance**" means, on any Measurement Date, an amount equal to (a) the aggregate principal balance on such Measurement Date of all Collateral Debt Securities *plus* (b) the aggregate principal balance of all Principal Proceeds and Uninvested Proceeds held as cash and Eligible Investments purchased with Principal Proceeds or Uninvested Proceeds *minus* (c) the aggregate principal balance on such Measurement Date of all Collateral Debt Securities that are (i) Defaulted Securities or Deferred Interest PIK Bonds (or, with respect to any Deferred Interest PIK Bond with respect to which only a portion of interest has been deferred and capitalized, the aggregate principal balance with respect to such portion that has been deferred and capitalized) or (ii) Equity Securities *plus* (d) for each Defaulted Security or Deferred Interest PIK Bond, the Calculation Amount with respect to such Defaulted Security or Deferred Interest PIK Bond (with respect to any Deferred Interest PIK Bond with respect to which payment of interest in part has been deferred and capitalized, the Calculation Amount with respect to such part) *minus* (e) the Overcollateralization Haircut Amount.

"**Overcollateralization Haircut Amount**" means, with respect to any date of determination, the sum of the following:

(a) the product of (i) 50% and (ii) the aggregate Principal Balance of all Collateral Debt Securities (other than Deferred Interest PIK Bonds and Defaulted Securities) that have a Moody's Rating of "Caa1" or lower;

(b) the product of (i) 20% and (ii) the aggregate principal balance of all Collateral Debt Securities (other than Deferred Interest PIK Bonds and Defaulted Securities) that have a Moody's Rating of "B1," "B2" or "B3";

(c) the product of (i) 10% and (ii) the excess (if any) of (A) the aggregate principal balance of all Collateral Debt Securities (other than Deferred Interest PIK Bonds and Defaulted Securities) that have a Moody's Rating of "Ba1," "Ba2" or "Ba3" over (B) 10% of the aggregate principal balance of all Collateral Debt Securities (other than Deferred Interest PIK Bonds and Defaulted Securities); and

(d) in the event that the aggregate principal balance of all Collateral Debt Securities (other than Deferred Interest PIK Bonds and Defaulted Securities) with a Standard & Poor's Rating of below BBB- exceeds 5% of the aggregate principal balance of all Collateral Debt Securities (other than Deferred Interest PIK Bonds and Defaulted Securities), (1) the product of (A) 30% and (B) the aggregate principal balance of all Collateral Debt Securities (other than Deferred Interest PIK Bonds and Defaulted Securities) that have a Standard & Poor's Rating of "CCC+" or lower, *plus* (2) the product of (A) 20% and (B) the aggregate principal balance of all Collateral Debt Securities (other than Deferred Interest PIK Bonds and Defaulted Securities) that have a Standard & Poor's Rating of "B+," "B" or "B–", *plus* (3) the product of (A) 10% and (B) the excess (if any) of (x) the aggregate principal balance of all Collateral Debt Securities (other than Deferred Interest PIK Bonds and Defaulted Securities) that have a Standard & Poor's Rating of

"BB+," "BB" or "BB–" over (y) the greater of (1) zero and (2) the excess of 10% of the aggregate principal balance of all Collateral Debt Securities (other than Deferred Interest PIK Bonds and Defaulted Securities) over the aggregate principal balance of all Collateral Debt Securities (other than Deferred Interest PIK Bonds and Defaulted Securities) with a Standard & Poor's Rating of below "BB–";

provided that if a pledged Collateral Debt Security falls within more than one of the categories described in the foregoing clauses, then, as of the Measurement Date on which the Moody's Rating or Standard & Poor's Rating, as applicable, of the pledged Collateral Debt Security first caused it to be included in more than one such category, such pledged Collateral Debt Security shall be included only in the category that, as of such Measurement Date, results in the greatest Overcollateralization Haircut Amount (and not in any of the other categories), and such pledged Collateral Debt Security shall remain in such category until the next Measurement Date on which such Moody's Rating or Standard & Poor's Rating is changed in a way that would cause it to fall into an additional category (in which case it shall be included only in the category that, as of such Measurement Date, results in the greatest Overcollateralization Haircut Amount) or into none of the above categories. Notwithstanding the foregoing, (x) the applicability of clauses (a), (b) and (c) of this definition (including the applicable percentages and ratings, as well as the definitions used therein) may be modified if the Rating Condition with respect to Moody's is satisfied with respect to such modification and (y) the applicability of clause (d) of this definition (including the applicable percentages and ratings, as well as the definitions used therein) may be modified if the Rating Condition with respect to Standard & Poor's is satisfied with respect to such modification.

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

"**Principal Proceeds**" means, with respect to any Due Period, the sum (without duplication) of: (1) any Uninvested Proceeds on deposit in the Uninvested Proceeds Account in excess of the Interest Excess; (2) all payments of principal on the Collateral Debt Securities and Eligible Investments received in cash by the Issuer during such Due Period including prepayments or mandatory sinking fund payments, or payments in respect of optional redemptions, exchange offers, tender offers, recoveries on Defaulted Securities, Deferred Interest PIK Bonds and Written Down Securities (other than Uninvested Proceeds and payments of principal of Eligible Investments acquired with Interest Proceeds), including the proceeds of a sale of any Equity Security and any amounts received as a result of optional redemptions, exchange offers, tender offers for any Equity Security received in cash by the Issuer during such Due Period; (3) all payments of principal on Eligible Investments purchased with amounts from the Principal Collection Account (excluding any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) received in cash by the Issuer during such Due Period; (4) all amendment, waiver, late payment fees and other fees and commissions, collected during the related Due Period in respect of Defaulted Securities, Deferred Interest PIK Bonds and Written Down Securities; (5) any proceeds resulting from the termination and liquidation of the Hedge Agreement, to the extent such proceeds exceed the cost of entering into a replacement Hedge Agreement in accordance with the requirements set forth in the Indenture; (6) all payments received in cash by the Issuer during such Due Period that represent call, prepayment or redemption premiums; (7) all payments of interest received to the extent that they represent accrued interest purchased with Principal Proceeds; (8) all Sale Proceeds and payments of interest received in respect of Defaulted Securities; (9) all payments of interest received in respect of Deferred Interest PIK Bonds and Written Down Securities; (10) all yield maintenance payments received in cash by the Issuer during such Due Period; (11) any proceeds from the issuance and sale of the Notes and Preference Shares that are not applied to the purchase of Collateral Debt Securities prior to the Determination Date preceding the April 2005 Distribution Date and not deposited into the Expense Account on the Closing Date; and (12) all other payments received in connection with the Collateral Debt Securities and Eligible Investments that are not included in Interest Proceeds; *provided* that in no event will Principal Proceeds include the U.S.$ 1,000 issued ordinary share capital and U.S.$ 1,000 transaction fee paid to the Issuer and any further transaction fee that may be paid to it in respect of any further issuance of securities and the bank accounts in which monies relating to such share capital and transaction fees are held.

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

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

"**Uninvested Proceeds**" means, at any time on or prior to the Determination Date preceding the April 2005 Distribution Date, the net proceeds received by the Issuer on the Closing Date from the initial issuance of the Offered Securities, to the extent such proceeds have not theretofore been deposited in the Expense Account or the Interest Reserve Account or invested in Collateral Debt Securities.

The Coverage Tests

The Coverage Tests applicable to a Class of Notes will be used primarily to determine whether and to what extent Interest Proceeds may be used to pay interest on Classes of Notes Subordinate to such Class and certain other expenses. In the event that any Class A/B Coverage Test is not satisfied on any Distribution Date, funds that would otherwise be used to pay interest on the Class C Notes and certain other expenses must instead be used to pay principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes and, *third*, the Class B Notes, to the extent necessary to cause each Class A/B Coverage Test to be satisfied. In the event that either Class C Coverage Test is not satisfied on any Distribution Date, funds that would otherwise be distributed to the Preference Shares and certain other expenses must instead be used to pay principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes and, *fourth*, the Class C Notes, to the extent necessary to cause each Class C Coverage Test to be satisfied. See "—Priority of Payments."

For purposes of the Coverage Tests, unless otherwise specified, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation. None of the Coverage Tests will apply prior to the first Determination Date.

The "**Class A/B Coverage Tests**" will consist of the Class A/B Overcollateralization Test and the Class A/B Interest Coverage Test.

The "**Class C Coverage Tests**" will consist of the Class C Overcollateralization Test and the Class C Interest Coverage Test. The Class A/B Coverage Tests and the Class C Coverage Tests are collectively referred to herein as the "**Coverage Tests**."

The Class A/B Overcollateralization Test:

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

The "**Class A/B Overcollateralization Test**" will be satisfied on any Measurement Date on which any Class A Note or Class B Note remains outstanding if the Class A/B Overcollateralization Ratio on such Measurement Date is equal to or greater than 103.25%. It is expected that, on the Closing Date, the Class A/B Overcollateralization Ratio will be approximately 108.4%.

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

The "**Class C Overcollateralization Test**" will be satisfied on any Measurement Date on which any Class A Note, Class B Note or Class C Note remains outstanding if the Class C Overcollateralization Ratio on such Measurement Date is equal to or greater than 101.4%. It is expected that, on the Closing Date, the Class C Overcollateralization Ratio will be approximately 103.5%.

The Interest Coverage Tests:

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

(a) the sum of (i) the scheduled interest payments due (in each case regardless of whether the due date for any such interest payment has yet occurred) in the Due Period in which such Measurement Date occurs on (x) the Collateral Debt Securities and (y) any Eligible Investments held in the Collection Accounts (whether such Eligible Investments were purchased with Interest Proceeds or Principal Proceeds) *plus* (ii) any fees actually received by the Issuer during such Due Period that constitute Interest Proceeds *plus* (iii) the amount, if any, scheduled to be paid to the Issuer by the Hedge Counterparty under the Hedge Agreement on the Distribution Date relating to such Due Period *minus* (iv) the amount, if any, scheduled to be paid to the Hedge Counterparty by the Issuer under the Hedge Agreement on the Distribution Date relating to such Due Period *minus* (v) the amount, if any, scheduled to be paid to the payment of taxes and filing and registration fees owed by the Co-Issuers *minus* (vi) the amount, if any, scheduled to be paid (x) to the payment to the Trustee, the Collateral Administrator, the Preference Share Paying Agent, the Note Registrar and the Administrator of accrued and unpaid fees and expenses owing to them under the Indenture, the Collateral Administration Agreement, the Preference Share Paying Agency Agreement and the Administration Agreement and (y) to the payment of other accrued and unpaid administrative expenses of the Co-Issuers (excluding Collateral Manager Fee and principal and interest on the Notes), to the extent all such payments pursuant to this clause (vi) do not exceed for any Due Period an amount equal to U.S.$ 75,000 *minus* (vii) the amount, if any, scheduled to be paid to the payment to the Collateral Manager of accrued and unpaid Senior Collateral Manager Fee *plus* (viii) the amount released from the Interest Equalization Account for deposit into the Interest Collection Account on the Distribution Date relating to such Due Period *plus* (ix) the amount, if any, in the Interest Reserve Account on the Business Day prior to the Distribution Date relating to such Due Period *minus* (x) Scheduled Distributions of interest on Semi-Annual Pay Securities due in such Due Period required to be deposited into the Interest Equalization Account; by

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

For the purpose of determining compliance with any Interest Coverage Test, there will be excluded all scheduled payments of interest or principal on Defaulted Securities and Deferred Interest PIK Bonds and any payment, including any amount payable to the Issuer by the Hedge Counterparty, that will not be made in cash or received when due, as determined by the Collateral Manager in its reasonable judgment. For purposes of calculating any Interest Coverage Ratio, (i) the expected interest income on floating rate Collateral Debt Securities and Eligible Investments and under the Hedge Agreement and the expected interest payable on the Notes will be calculated using the interest rates applicable thereto on the applicable Measurement Date and (ii) accrued original issue discount on Eligible Investments will be deemed to be a scheduled interest payment thereon due on the date such original issue discount is scheduled to be paid.

The "**Class A/B Interest Coverage Test**" will be satisfied on any Measurement Date on which any Class A Note or Class B Note remains outstanding if the Class A/B Interest Coverage Ratio as of such Measurement Date is equal to or greater than (a) on the Closing Date and thereafter to and including the first Distribution Date, 103%,

(b) thereafter to and including the second Distribution Date, 105% and (c) thereafter, 110%. It is expected that, on the Closing Date, the Class A/B Interest Coverage Ratio will be approximately 152.3%.

The "**Class C Interest Coverage Test**" will be satisfied on any Measurement Date on which any Class A-1 Note, Class A-2 Note, Class B Note or Class C Note remains outstanding if the Class C Interest Coverage Ratio as of such Measurement Date is equal to or greater than (a) on the Closing Date and thereafter to and including the first Distribution Date, 101%, (b) thereafter to and including the second Distribution Date, 103% and (c) thereafter, 105%. It is expected that, on the Closing Date, the Class C Interest Coverage Ratio will be approximately 139.8%.

Form, Denomination, Registration and Transfer

General

(i) Regulation S Notes, which will be sold to persons that are neither U.S. Persons nor U.S. Residents in "offshore transactions" within the meaning of Rule 903 or Rule 904 of Regulation S, will be represented by one or more permanent Regulation S Global Notes in definitive, fully registered form, without interest coupons, and deposited with the Trustee as custodian for, and registered in the name of, The Depository Trust Company ("**DTC**") or its nominee, for the accounts of Euroclear and Clearstream, Luxembourg. Beneficial interests in a Regulation S Global Note may only be held through Euroclear or Clearstream, Luxembourg and may not be held by a U.S. Person or U.S. Resident at any time. By acquisition of a beneficial interest in a Regulation S Global Note, any purchaser thereof will be deemed to represent that it is neither a U.S. Person nor a U.S. Resident and that, if in the future it decides to transfer such beneficial interest, it will transfer such interest only in an "offshore transaction" in accordance with Regulation S or to a person who takes delivery in the form of a Restricted Note. Beneficial interests in each Regulation S Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg.

(ii) Restricted Notes, which will be offered in reliance upon an exemption from the registration requirements of the Securities Act (a) under Section 4(2) of the Securities Act or (b) pursuant to Rule 144A will be represented by one or more Restricted Global Notes in definitive, fully registered form, without interest coupons, and deposited with the Trustee as custodian for, and registered in the name of, DTC or its nominee. Interests in Restricted Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants.

(iii) The Notes are subject to the restrictions on transfer set forth herein under "Transfer Restrictions."

(iv) Owners of beneficial interests in Regulation S Global Notes and Restricted Global Notes will be entitled or required, as the case may be, under certain limited circumstances described below, to receive physical delivery of certificated Notes ("**Definitive Notes**") in fully registered, definitive form. No owner of an interest in a Regulation S Global Note will be entitled to receive a Definitive Note unless such person provides certification that the Definitive Note is beneficially owned by a person that is neither a U.S. Person nor a U.S. Resident. The Notes are not issuable in bearer form.

(v) Pursuant to the Indenture, Wells Fargo Bank, National Association will be appointed and will serve as the registrar with respect to the Notes (in such capacity, the "**Note Registrar**") and will provide for the registration of Notes and the registration of transfers of Notes in the register maintained by it (the "**Note Register**"). Wells Fargo Bank, National Association will be appointed as a transfer agent with respect to the Notes (in such capacity, the "**Transfer Agent**").

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

(vii) After issuance, (a) a Note may fail to be in compliance with the minimum denomination requirement stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments and (b) Class C Notes may fail to be in an amount which is an integral multiple of U.S.$ 1,000 due to the addition to the principal amount thereof of Class C Deferred Interest.

(viii) The Class C Notes included in the Class C Component of the Composite Securities will not be separately issued, but will be represented by the securities evidencing the Composite Securities. See "Description of the Composite Securities."

Global Notes

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

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

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

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

Definitive Notes

Interests in a Regulation S Note or a Restricted Note represented by a Global Note will be exchangeable or transferable, as the case may be, for a Regulation S Note or a Restricted Note, respectively, that is a Definitive Note if (a) DTC notifies the Issuer that it is unwilling or unable to continue as depositary for such Note or (b) DTC ceases to be a "Clearing Agency" registered under the Exchange Act, and a successor depositary is not appointed by the Issuer within 90 days. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause Definitive Notes bearing an appropriate legend (a "**Legend**") regarding restrictions on transfer to be delivered. Upon the transfer, exchange or replacement of Definitive Notes bearing a Legend, or upon specific request for removal of a Legend on a Note, the Co-Issuers will deliver through the Trustee or any Paying Agent (other than the Preference Share Paying Agent) to the holder and the transferee, as applicable, one or more Definitive Notes in certificated form corresponding to the principal amount of Definitive Notes surrendered for transfer, exchange or replacement that bear such Legend, or will refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of U.S. counsel, as may reasonably

be required by the Issuer that neither the Legend nor the restrictions on transfer set forth therein is required to ensure compliance with the provisions of the Securities Act or the Investment Company Act. Definitive Notes will be exchangeable or transferable for interests in other Definitive Notes as described below.

Transfer and Exchange of Notes

(i) Transfers by a holder of a beneficial interest in a Regulation S Global Note to a transferee who takes delivery of such interest through a Restricted Global Note will be made only in accordance with the Applicable Procedures and upon receipt by the Note Registrar of written certifications (1) from the transferor of the beneficial interest in the form provided in the Indenture to the effect that, among other things, such transfer is being made (a) to a person who the transferor reasonably believes is a Qualified Institutional Buyer and that is a Qualified Purchaser, to whom notice is given that the transfer is being made in reliance on the exemption of the registration requirements of the Securities Act provided by Rule 144A and (b) in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and (2) from the transferee of such beneficial interest in the form provided for in the Indenture. Exchanges or transfers by a holder of a Note represented by a Definitive Note to a transferee who takes delivery of such Note through a Restricted Global Note will be made within 5 to 10 calendar days after the receipt by the Note Registrar or Transfer Agent, as the case may be, of the Definitive Notes to be so exchanged or transferred only in accordance with the Applicable Procedures, and, if applicable, upon receipt by the Note Registrar of a written certification from the transferor in the form provided in the Indenture.

An owner of a beneficial interest in a Regulation S Global Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Note without the provision of written certification; *provided* that (1) such transfer is not made to a U.S. Person or U.S. Resident or for the account or benefit of a U.S. Person or U.S. Resident and is effected through Euroclear or Clearstream, Luxembourg in an offshore transaction as required by Regulation S and only in accordance with the Applicable Procedures and (2) each of the transferor and transferee of such beneficial interest will be deemed to have made the applicable certifications set forth herein under "Transfer Restrictions."

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

(ii) Transfers by a holder of a beneficial interest in a Restricted Global Note to a transferee who takes delivery of such interest through a Regulation S Global Note will be made only in accordance with the Applicable Procedures and upon receipt by the Note Registrar of written certification from the transferor in the form provided in the Indenture to the effect that such transfer is being made in an "offshore transaction" (within the meaning of Regulation S) in accordance with Rule 904 of Regulation S. Exchanges or transfers by a holder of a Note represented by a Definitive Note to a transferee who takes delivery of such Note through a Regulation S Global Note will be made within 5 to 10 days after the receipt by the Note Registrar or Transfer Agent, as the case may be, of the Definitive Notes to be so exchanged or transferred only in accordance with the Applicable Procedures, and, if applicable, upon receipt by the Note Registrar of a written certification from the transferor in the form provided in the Indenture.

An owner of a beneficial interest in a Restricted Global Note may transfer such interest in the form of a beneficial interest in such Restricted Global Note without the provision of written certification if the transferee is a Qualified Institutional Buyer and a Qualified Purchaser.

(iii) Transfers between Participants in DTC will be effected in the ordinary way in accordance with the Applicable Procedures and will be settled in immediately available funds. Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

(iv) Notes in the form of Definitive Notes may be exchanged or transferred in whole or in part in the principal amount of authorized denominations by surrendering such Definitive Notes at the office of the Note Registrar or any Transfer Agent with a written instrument of transfer as provided in the Indenture. In addition, if the Definitive Notes being exchanged or transferred contain a Legend, additional certifications to the effect that such exchange or transfer is in compliance with the restrictions contained in such Legend, may be required. With respect to any transfer of a portion of a Definitive Note, the transferor will be entitled to receive, at any aforesaid office, a new Definitive Note representing the principal amount retained by the transferor after giving effect to such transfer. Definitive Notes issued upon any such exchange or transfer (whether in whole or in part) will be made available at the office of the applicable Transfer Agent.

(v) No service charge will be made for exchange or registration of transfer of any Note but the Trustee may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith and expenses of delivery (if any) not made by regular mail.

(vi) Definitive Notes issued upon any exchange or registration of transfer of securities will be valid obligations of the Co-Issuers, evidencing the same debt, and entitled to the same benefits, as the Definitive Notes surrendered upon exchange or registration of transfer.

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

(viii) The laws of some states require that certain persons take physical delivery of securities in definitive form. Consequently, any transfer of beneficial interests in a Note represented by a Global Note to such persons may require that such interests in a Global Note be exchanged for Definitive Notes. Because DTC can only act on behalf of Participants, which in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a Global Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may require that such interest in a Global Note be exchanged for Definitive Notes. Interests in a Global Note will be exchangeable for Definitive Notes only as described above.

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

(x) Because of time zone differences, cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interests in a Regulation S Global Note by or through a Euroclear or Clearstream, Luxembourg participant to a DTC participant will be received with value on the DTC settlement date but will be available in the

relevant Euroclear or Clearstream, Luxembourg cash account only as of the Business Day following settlement in DTC.

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

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

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

(xiv) The transfer of Composite Securities will be subject to additional ERISA related transfer restrictions. See "Certain ERISA Considerations" and "Transfer Restrictions."

No Gross-Up

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

The Indenture

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

Events of Default

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

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

(ii) a default in the payment of principal of any Note at its Stated Maturity (or, in the case of a failure to make such payment solely due to an administrative error or omission by the Trustee, the Administrator, a

Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, such default continues for a period of seven days);

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

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

(v) a default in the performance, or breach, of any other covenant or other agreement (other than the covenant to meet the Collateral Quality Tests or the Coverage Tests) of the Issuer or the Co-Issuer under the Indenture or any representation or warranty of the Issuer or the Co-Issuer made in the Indenture or in any certificate or other writing delivered pursuant thereto or in connection therewith proves to be incorrect in any material respect when made, and the continuation of such default or breach for a period of 30 days (or, if such default, breach or failure has an adverse effect on the validity, perfection or priority of the security interest granted under the Indenture, 15 days) after any of the Issuer, the Co-Issuer or the Collateral Manager has actual knowledge thereof or after notice thereof to the Issuer and the Collateral Manager by the Trustee or to the Issuer, the Collateral Manager and the Trustee by the holders of at least 25% in aggregate outstanding principal amount of Notes of the Controlling Class or a Hedge Counterparty;

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

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

(viii) the failure, on any Measurement Date, to cause the Net Outstanding Portfolio Collateral Balance to be at least equal to the aggregate outstanding principal amount of the Class A Notes on such Measurement Date.

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

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

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

(A) the Trustee determines, subject to the provisions of the Indenture, that the anticipated net proceeds of a sale or liquidation of such Collateral would be sufficient to discharge in full the amounts then due and unpaid on the Notes and certain administrative expenses (including any amounts due to any Hedge Counterparty) in accordance with the Priority of Payments and holders of a majority in aggregate outstanding principal amount of Notes of the Controlling Class agree with such determination; or

(B) the holders of at least 66-2/3% in aggregate outstanding principal amount of each Class of Notes voting as a separate Class (and, unless they will be paid in full all amounts owing to it by the Issuer, the Hedge Counterparty) direct, subject to the provisions of the Indenture, the sale of the Collateral (excluding any Notes held by the Collateral Manager or any of its Affiliates).

If an Event of Default occurs and is continuing and the conditions to liquidating the Collateral set forth in the Indenture are satisfied, the Trustee will use commercially reasonable efforts to liquidate the Collateral and terminate the Hedge Agreement and, on the second Business Day following the Business Day on which the Trustee notifies the Issuer, the Collateral Manager, the Hedge Counterparty and each Rating Agency that such liquidation and such termination is completed (the "**Accelerated Maturity Date**"), apply the proceeds thereof in accordance with the Priority of Payments described under "Description of the Notes—Priority of Payments—Interest Proceeds" and "—Principal Proceeds." See Description of the Notes—The Indenture."

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

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

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

The holders of a majority in aggregate outstanding principal amount of Notes of the Controlling Class, acting together with the Hedge Counterparty, may, prior to the time a judgment or decree for the payment of money due has been obtained by the Trustee, waive any past default on behalf of the holders of all the Notes and its consequences, except a default in the payment of the principal of any Note or in the payment of interest (including any Defaulted Interest or interest thereon) on the Class A-1 Notes or, after the Class A-1 Notes have been paid in full, the Class A-2 Notes, or after the Class A-2 Notes have been paid in full, the Class B Notes or, after the Class B Notes have been paid in full, the Class C Notes, or in respect of a provision of the Indenture that cannot be modified or amended without the waiver or consent of the holder of each outstanding Note affected thereby, or arising as a result of an Event of Default described in clause (vi) above under "Events of Default."

No holder of a Note will have the right to institute any proceeding with respect to the Indenture unless (i) such holder previously has given to the Trustee written notice of an Event of Default, (ii) except in certain cases of a default in the payment of principal or interest, the holders of at least 25% in aggregate outstanding principal amount of the Notes of the Controlling Class or a Hedge Counterparty have made a written request upon the Trustee to institute such proceedings in its own name as Trustee and such holders have offered the Trustee reasonable

indemnity, (iii) the Trustee has for 30 days failed to institute any such proceeding and (iv) no direction inconsistent with such written request has been given to the Trustee during such 30-day period by the holders of a majority in aggregate outstanding principal amount of the Notes of the Controlling Class.

In determining whether the holders of the requisite percentage of Notes have given any direction, notice or consent, (i) Notes owned by the Issuer, the Co-Issuer or any affiliate thereof will be disregarded and deemed not to be outstanding and (ii) in relation to any assignment or termination of any of the express rights or obligations of the Collateral Manager under the Collateral Management Agreement or the Indenture (including the exercise of any right to remove the Collateral Manager or terminate the Collateral Management Agreement or approve or object to a Replacement Officer), or any amendment or other modification of the Collateral Management Agreement or the Indenture increasing the rights or decreasing the obligations of the Collateral Manager, Notes owned by the Collateral Manager or any of its Affiliates, or by any accounts managed by them, will be disregarded and deemed not to be outstanding. The Collateral Manager and its Affiliates will be entitled to vote Notes held by them, and by accounts managed by them, with respect to all matters other than those described in the foregoing clause (ii). The term "**Collateral Manager**" for purposes of this paragraph includes any successor or successors to ETGAM.

Notices

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

Modification of the Indenture

With the consent of (x) the holders of not less than a majority in aggregate outstanding principal amount of the outstanding Notes of each Class adversely affected thereby and a Majority-in-Interest of Preference Shareholders (if the Preference Shares are materially and adversely affected thereby) and (y) the consent of the Hedge Counterparty (if required pursuant to the terms of the Hedge Agreement), the Trustee and Co-Issuers may enter into one or more supplemental indentures to add provisions to, or change in any manner or eliminate any provisions of, the Indenture or modify in any manner the rights of the holders of the Notes of such Class or the Preference Shares or the Hedge Counterparty, as the case may be, under the Indenture; *provided*, that in connection with any vote of the Preference Shareholders that would modify the permitted activities of the Issuer under the Indenture, any Preference Shares held by the Collateral Manager or its Affiliates and accounts for which the Collateral Manager or its Affiliates acts as investment adviser (and for which the Collateral Manager or any such Affiliate has discretionary authority) will be excluded. Unless notified by holders of a majority in aggregate outstanding principal amount of any Class of Notes, a Majority-in-Interest of Preference Shareholders or the Hedge Counterparty that such Class of Notes or the Preference Shares will be materially and adversely affected, or the Hedge Counterparty will be adversely affected, the Trustee may, consistent with the written advice of counsel, determine whether or not such Class of Notes or the Preference Shares would be materially and adversely affected or the Hedge Counterparty would be adversely affected by such change (after giving notice of such change to the holders of such Class of Notes, the Preference Shareholders and the Hedge Counterparty). Such determination will be conclusive and binding on all present and future holders of the Notes, the Preference Shareholders and the Hedge Counterparty.

Notwithstanding the foregoing, the Trustee may not enter into any supplemental indenture without the consent of each holder of each outstanding Note of each Class affected thereby and each Preference Shareholder if the Preference Shares are affected thereby and the Hedge Counterparty if its consent is required pursuant to the terms of the Hedge Agreement, if such supplemental indenture (i) changes the Stated Maturity of the principal of or the due date of any installment of interest on any Note, reduces the principal amount thereof or the rate of interest thereon, or the redemption price with respect thereto, changes the earliest date on which the Issuer may redeem any Note, changes the provisions of the Indenture relating to the application of proceeds of any Collateral to the payment of principal of or interest on the Notes, changes any place where, or the coin or currency in which, any Note or the principal thereof or interest thereon is payable, or impairs the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the applicable redemption date), (ii) reduces the percentage in aggregate outstanding principal amount of holders of Notes of each Class whose consent is required for the authorization of any supplemental indenture or for any waiver of compliance with certain

provisions of the Indenture or certain defaults thereunder or their consequences, (iii) impairs or adversely affects the Collateral pledged under the Indenture except as otherwise permitted thereby, (iv) permits the creation of any lien ranking prior to or on a parity with the lien created by the Indenture with respect to any part of the Collateral or terminates such lien on any property at any time subject thereto or deprives the holder of any Note of the security afforded by the lien created by the Indenture, (v) reduces the percentage of the aggregate outstanding principal amount of holders of Notes of each Class whose consent is required to request that the Trustee preserve the Collateral pledged under the Indenture or rescind the Trustee's election to preserve the Collateral or to sell or liquidate the Collateral pursuant to the Indenture, (vi) modifies any of the provisions of the Indenture with respect to supplemental indentures requiring the consent of Noteholders except to increase the percentage of outstanding Notes whose holders' consent is required for any such action or to provide that other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby, (vii) modifies the definition of the term "Outstanding" or the subordination provisions of the Indenture, (viii) changes the permitted minimum denominations of any Class of Notes or (ix) modifies any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of interest on or principal of any Note or the right of the holders of Notes to the benefit of any provisions for the redemption of such Notes contained therein. The Trustee may not enter into any supplemental indenture unless the Rating Condition will have been satisfied with respect to such supplemental indenture, unless consent from each affected holder of Notes and the Hedge Counterparty is obtained.

The Co-Issuers and the Trustee may also enter into supplemental indentures without obtaining the consent of holders of any Notes, the Preference Shareholders or the Hedge Counterparty (except to the extent otherwise required under the Hedge Agreement) in order to (i) evidence the succession of any person to the Issuer or the Co-Issuer and the assumption by such successor of the covenants in the Indenture and the Notes, (ii) add to the covenants of the Co-Issuers or the Trustee for the benefit of the holders of all of the Notes or to surrender any right or power conferred upon the Co-Issuers, (iii) convey, transfer, assign, mortgage or pledge any property to or with the Trustee, (iv) evidence and provide for the acceptance of appointment by a successor trustee and to add to or change any of the provisions of the Indenture as will be necessary to facilitate the administration of the trusts under the Indenture by more than one Trustee, (v) correct or amplify the description of any property at any time subject to the lien created by the Indenture, or to better assure, convey and confirm unto the Trustee any property subject or required to be subject to the lien created by the Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations) or to subject to the lien created by the Indenture any additional property, (vi) modify the restrictions on and procedures for resales and other transfers of the Notes to reflect any changes in applicable law or regulation (or the interpretation thereof) or in accordance with the USA Patriot Act, the PCCL, The Money Laundering Regulations (2003 Revision) of the Cayman Islands or other similar applicable laws or regulations or to enable the Co-Issuers to rely upon any less restrictive exemption from registration under the Securities Act or the Investment Company Act or to remove restrictions on resale and transfer to the extent not required thereunder, (vii) correct any inconsistency, defect or ambiguity in the Indenture, (viii) prevent the Issuer, the Noteholders, the Preference Shareholders or the Trustee from being subject to withholding or other taxes, fees or assessments or to prevent the Issuer from being treated as engaged in the United States trade or business for U.S. federal income tax purposes or otherwise subject to U.S. federal, state, local or foreign income or franchise tax on a net income tax basis (provided that such action will not cause the Noteholders to experience any material change to the timing, character or source of the income from the Notes and will not be considered a significant modification resulting in an exchange for purposes of section 1.1001-3 of the U.S. Treasury regulations), (ix) avoid the Issuer, the Co-Issuer or the pool of Collateral being required to register as an investment company under the Investment Company Act or to avoid the consolidation of the Issuer with the Collateral Manager on the financial statements of the Collateral Manager, (x) accommodate the issuance of any Class of Notes as definitive notes or (xi) if 100% of the Preference Shareholders request in writing to the Issuer and the Trustee, accommodate the issuance of additional Preference Shares at the request of the holders of 100% of the Preference Shares; *provided* that in each such case, such supplemental indenture would not materially and adversely affect any holder of Notes, any Preference Shareholder or the Hedge Counterparty; *provided, further,* that the Trustee will not enter into any such supplemental indenture unless the Trustee has received written advice from Cadwalader, Wickersham & Taft LLP or an opinion of other nationally recognized U.S. tax counsel experienced in such matters that (i) the modification will not cause the Noteholders to experience any material change to the timing, character or source of the income from the Notes and will not be considered a significant modification resulting in an exchange for purposes of section 1.1001-3 of the U.S. Treasury regulations, and (ii) the proposed supplemental indenture will not cause the Issuer to be treated as engaged in a U.S. trade or business or otherwise subject to U.S. federal income

tax on a net income tax basis. Unless notified by holders of a majority in aggregate outstanding principal amount of Notes of any Class, a Majority-in-Interest of Preference Shareholders or the Hedge Counterparty that such Class, the Preference Shareholders or the Hedge Counterparty will be adversely affected, the Trustee may rely upon an opinion of counsel as to whether the interests of any holder of Notes would be materially and adversely affected or the Hedge Counterparty would be adversely affected by any such supplemental indenture (after giving notice of such change to each holder of Securities and the Hedge Counterparty). The Trustee may not enter into any supplemental indenture described in clause (vi) or (vii) of this paragraph without the written consent of the Collateral Manager. In addition, the Trustee may not enter into any supplemental indenture without the written consent of the Collateral Manager if such supplemental indenture alters the rights or obligations of the Collateral Manager in any respect, and the Collateral Manager will not be bound by any such supplemental indenture unless the Collateral Manager has consented thereto. The Trustee will not enter into any such supplemental indenture if, with respect to such supplemental indenture, the Rating Condition as determined by Standard & Poor's would not be satisfied; *provided* that the Trustee may, with the consent of the holders of 100% of the aggregate outstanding principal amount of Notes of each Class and the Hedge Counterparty (to the extent required pursuant to the terms of the Hedge Agreement), enter into any such supplemental indenture notwithstanding any such reduction or withdrawal of the ratings of any outstanding Class of Notes.

Modification of Certain Other Documents

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

The Hedge Counterparty will be an express third party beneficiary of the Indenture.

Consolidation, Merger or Transfer of Assets

The Issuer will not consolidate or merge with or into any other entity or transfer or convey all or substantially all of its assets to any entity, unless permitted by Cayman Islands law and unless, (i) the Issuer will be the surviving entity, or the entity (if other than the Issuer) formed by such consolidation or into which the Issuer is merged or to which all or substantially all of the assets of the Issuer are transferred or conveyed will be an exempted company organized and existing under the laws of the Cayman Islands or such other jurisdiction outside the United States as may be approved by holders of a majority in aggregate outstanding principal amount of the Notes of each Class and the Hedge Counterparty; *provided* that no such approval will be required in connection with any such transaction undertaken solely to effect a change in the jurisdiction of organization pursuant to the terms of the Indenture, and will expressly assume, by a supplemental indenture, executed and delivered to the Trustee, the Hedge Counterparty and each Noteholder, the due and punctual payment of the principal of and interest on all Notes and the performance of every covenant of the Indenture and each Hedge Agreement on the part of the Issuer to be performed or observed, all as provided therein, (ii) irrespective of whether the Issuer is the surviving entity, each Rating Agency and the Hedge Counterparty will have received written notification of such consolidation, merger, transfer or conveyance and the Rating Condition will have been satisfied with respect to the consummation of such transaction, (iii) if the Issuer is not the surviving entity, the entity formed by such consolidation or into which the Issuer is merged or to which all or substantially all of the assets of the Issuer are transferred or conveyed will have agreed with the Trustee (a) to observe the same legal requirements for the recognition of such formed or surviving entity as a legal entity separate and apart from any of its affiliates as are applicable to the Issuer with respect to its affiliates and (b) not to consolidate or merge with or into any other entity or transfer or convey the Collateral or all or substantially all of its assets to any other entity except in accordance with the provisions set forth in the Indenture, (iv) if the Issuer is not the surviving entity, the entity formed by such consolidation or into which the Issuer is merged or to which all or substantially all of the assets of the Issuer are transferred or conveyed will have delivered to the Trustee and each Rating Agency an officer's certificate and an opinion of counsel each stating that such entity will be duly organized, validly existing and (if applicable) in good standing in the jurisdiction in which such entity is organized; that such entity has sufficient power and authority to assume the obligations set forth in clause (i) above

and to execute and deliver a supplemental indenture for the purpose of assuming such obligations; that such entity has duly authorized the execution, delivery and performance of a supplemental indenture for the purpose of assuming such obligations and that such supplemental indenture is a valid, legal and binding obligation of such entity, enforceable in accordance with its terms, subject only to bankruptcy, reorganization, insolvency, moratorium and other laws affecting the enforcement of creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); that, immediately following the event which causes such entity to become the successor to the Issuer, (a) such entity has good and marketable title, free and clear of any lien, security interest or charge, other than the lien and security interest of the Indenture, to the Collateral and (b) the Trustee continues to have a valid perfected first priority security interest in the Collateral securing all of the Notes; and such other matters as the Trustee or any Noteholder may reasonably require, (v) immediately after giving effect to such transaction, no Default will have occurred and be continuing, (vi) the Issuer will have delivered to the Trustee, the Hedge Counterparty, and each Noteholder an officer's certificate and an opinion of counsel each stating that such consolidation, merger, transfer or conveyance and such supplemental indenture comply with the provisions set forth in the Indenture, that all conditions precedent set forth in the Indenture relating to such transaction have been complied with, (vii) the Issuer has received advice from Cadwalader, Wickersham & Taft LLP or an opinion of counsel that the Issuer or the entity referred to in clause (i) will not be treated as engaged in a U.S. trade or business or otherwise subject to U.S. federal income or foreign tax on a net income tax basis, (viii) the Issuer has received an opinion of counsel that such action will not cause the Noteholders to experience any material change to the timing, character or source of the income from the Notes and will not be considered a significant modification resulting in an exchange for purposes of section 1.1001-3 of the U.S. Treasury regulations, (ix) the Issuer will have delivered to the Trustee an opinion of counsel stating that after giving effect to such transaction, neither of the Co-Issuers nor the pool of Collateral will be required to register as an investment company under the Investment Company Act and (x) the Hedge Counterparty will have consented in writing to the consummation of such transaction.

The Co-Issuer will not consolidate or merge with or into any other entity or transfer or convey all or substantially all of its assets to any entity, unless (i) the Co-Issuer will be the surviving entity, or the entity (if other than the Co-Issuer) formed by such consolidation or into which the Co-Issuer is merged or to which all or substantially all of the assets of the Co-Issuer are transferred or conveyed will be an entity organized and existing under the laws of the State of Delaware or such other jurisdiction within the United States and will expressly assume, by an indenture supplemental to the Indenture, executed and delivered to the Trustee, the due and punctual payment of the principal of and interest on all Notes and the performance of every covenant of the Indenture on the part of the Co-Issuer to be performed or observed, all as provided therein, (ii) irrespective of whether the Co-Issuer is the surviving entity, each Rating Agency and the Hedge Counterparty will have received written notification of such consolidation, merger, transfer or conveyance and the Rating Condition will have been satisfied with respect to the consummation of such transaction, (iii) if the Co-Issuer is not the surviving entity, the entity formed by such consolidation or into which the Co-Issuer is merged or to which all or substantially all of the assets of the Co-Issuer are transferred or conveyed will have agreed with the Trustee (a) to observe the same legal requirements for the recognition of such formed or surviving entity as a legal entity separate and apart from any of its affiliates as are applicable to the Co-Issuer with respect to its affiliates and (b) not to consolidate or merge with or into any other entity or transfer or convey all or substantially all of its assets to any other entity except in accordance with the provisions set forth in the Indenture, (iv) if the Co-Issuer is not the surviving entity, the entity formed by such consolidation or into which the Co-Issuer is merged or to which all or substantially all of the assets of the Co-Issuer are transferred or conveyed will have delivered to the Trustee and each Rating Agency an officer's certificate and an opinion of counsel each stating that such entity will be duly organized, validly existing and (if applicable) in good standing in the jurisdiction in which such entity is organized; that such entity has sufficient power and authority to assume the obligations set forth in clause (i) above and to execute and deliver a supplemental indenture for the purpose of assuming such obligations; that such entity has duly authorized the execution, delivery and performance of a supplemental indenture for the purpose of assuming such obligations and that such supplemental indenture is a valid, legal and binding obligation of such entity, enforceable in accordance with its terms, subject only to bankruptcy, reorganization, insolvency, moratorium and other laws affecting the enforcement of creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and such other matters as the Trustee or any Noteholder may reasonably require, (v) immediately after giving effect to such transaction, no Default will have occurred and be continuing, (vi) the Co-Issuer will have delivered to the Trustee, the Hedge Counterparty and each Noteholder an officer's certificate and an opinion of counsel each stating that such consolidation, merger, conveyance or transfer and such

supplemental indenture comply with the provisions set forth in the Indenture and that all conditions precedent in Article XIII of the Indenture relating to such transaction have been complied with and that no adverse tax consequences will result therefrom to any Noteholder, (vii) after giving effect to such transaction, none of the Issuer, the Co-Issuer or the pool of Collateral will be required to register as an investment company under the Investment Company Act, and (viii) after giving effect to such transaction, the outstanding stock of the Co-Issuer will not be beneficially owned by any entity other than the Issuer.

Petitions for Bankruptcy

The Indenture provides that the holders of the Notes (other than the then Controlling Class of Notes) agree not to cause the filing of a petition for winding up or a petition in bankruptcy against the Issuer or the Co-Issuer before one year and one day have elapsed since the final payments to the holders of the then Controlling Class of Notes or, if longer, the applicable preference period then in effect.

Satisfaction and Discharge of Indenture

The Indenture will be discharged with respect to the Collateral upon delivery to the Trustee for cancellation of all of the Notes, or, within certain limitations (including the obligation to pay principal and interest, including Class C Deferred Interest, Defaulted Interest and interest on Defaulted Interest), upon deposit with the Trustee of funds sufficient for the payment or redemption thereof and the payment by the Co-Issuers of all other amounts due under the Notes, the Indenture, the Hedge Agreement, the Collateral Administration Agreement, the Administration Agreement and the Collateral Management Agreement.

Trustee

Wells Fargo Bank, National Association will be the Trustee under the Indenture. The Co-Issuers, the Collateral Manager and their respective affiliates may maintain other banking relationships in the ordinary course of business with the Trustee. The payment of the fees and expenses of the Trustee is solely the obligation of the Co-Issuers. The Trustee and its affiliates may receive compensation in connection with the investment of trust assets in certain Eligible Investments as provided in the Indenture. Eligible Investments may include investments for which the Trustee and/or its affiliates provide services. The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability or expense incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture. Pursuant to the Indenture, the Issuer has granted to the Trustee a lien senior to that of the Noteholders to secure payment by the Issuer of the compensation and expenses of the Trustee and any sums the Trustee may be entitled to receive as indemnification by the Issuer under the Indenture (subject to the Dollar limitations set forth in the Priority of Payments with respect to any Distribution Date), which lien the Trustee is entitled to exercise only under certain circumstances. In the Indenture, the Trustee will agree not to cause the filing of a petition for winding up or a petition in bankruptcy against the Co-Issuers for nonpayment to the Trustee of amounts payable thereunder until at least one year and one day, or if longer, the applicable preference period then in effect, after the payment in full of all of the Notes and the final distribution in respect of all of the Preference Shares.

The Trustee may resign at any time by giving written notice thereof to the Co-Issuers, the Noteholders, the Collateral Manager, the Hedge Counterparty and each Rating Agency. Upon receiving such notice of resignation, the Co-Issuers will promptly appoint a successor trustee; *provided* that such successor trustee will be appointed only upon written consent of the holders of a majority in aggregate outstanding principal amount of each Class of Notes or, at any time an Event of Default has occurred and is continuing, by a majority in aggregate outstanding principal amount of the Controlling Class of Notes. If no successor trustee has been appointed and an instrument of acceptance by a successor Trustee has not been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee or any holder of a Note, on behalf of itself and all others similarly situated, may petition any court of competent jurisdiction for the appointment of a successor Trustee. The Trustee may be removed at any time at the direction of the holders of at least 66-2/3% in aggregate outstanding principal amount of the Notes (voting together as a single Class) or, at any time when an Event of Default has occurred and is continuing by the holders of a majority in aggregate outstanding principal amount of the Controlling Class of Notes. The Co-Issuers may remove the Trustee, or any holder of a Note may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee if (a) the Trustee ceases to be

eligible to act in such capacity under the Indenture and fails to resign after written request therefor by the Co-Issuers or by any holder or (b) the Trustee becomes incapable of acting, is adjudged as bankrupt or insolvent or a receiver or liquidator of the Trustee or of its property is appointed or any public officer takes charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. If the Co-Issuers fail to appoint a successor trustee within 60 days after resignation, removal, incapability or vacancy in the office of the Trustee, a majority in aggregate outstanding principal amount of the Controlling Class of Notes may appoint a successor trustee or, if such Class fails to so appoint, any Noteholder, on behalf of itself and all other similarly situated, may petition any court of competent jurisdiction for the appointment of a successor trustee. No resignation or removal of the Trustee will become effective until the acceptance of the appointment of a successor Trustee.

Composite Securities

The Composite Securities will be issued pursuant to the Indenture, in the case of the Class C Component, and the Preference Share Paying Agency Agreement, in the case of the Preference Share Component. For a description of the Composite Securities, see "Description of the Composite Securities."

Governing Law

The Indenture, the Subscription Agreements, the Notes, the Preference Share Paying Agency Agreement, the Purchase Agreement, the Collateral Administration Agreement, the Hedge Agreement and the Collateral Management Agreement will be governed by, and construed in accordance with, the law of the State of New York.

DESCRIPTION OF THE PREFERENCE SHARES

The Preference Shares will be issued pursuant to the Issuer Charter and in accordance with a Preference Share Paying Agency Agreement (the "**Preference Share Paying Agency Agreement**") between Wells Fargo Bank, National Association, as Preference Share Paying Agent (in such capacity, the "**Preference Share Paying Agent**") and the Issuer. The following summary describes certain provisions of the Preference Shares and the Preference Share Documents. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Preference Share Documents. Copies of the Preference Share Documents may be obtained by prospective investors upon request in writing to the Trustee at 9062 Old Annapolis Road, Columbia, Maryland 21045.

Status

The Issuer is authorized to issue 7,900 Composite Preference Shares, par value U.S.$ 0.01 per share, at an issue price of U.S.$ 1,000 per share, and 5,000 Non-Composite Preference Shares, par value U.S.$ 0.01 per share, at an issue price of U.S.$ 1,000 per share. The Preference Shares are participating shares in the capital of the Issuer and will rank *pari passu* with respect to distributions.

Distributions

On each Distribution Date, to the extent funds are available therefor, Interest Proceeds will be released from the lien of the Indenture for payment to the Preference Share Paying Agent only after the payment of interest on the Notes and, in certain circumstances, principal due in respect of the Notes and the payment of certain other amounts in accordance with the Priority of Payments. Any Interest Proceeds permitted to be released from the lien of the Indenture and paid to the Preference Share Paying Agent will be distributed to the Preference Shareholders on each Distribution Date. Until the Notes and certain other amounts have been paid in full, Principal Proceeds are not permitted to be released from the lien of the Indenture and will not be available to make distributions in respect of the Preference Shares. See "Description of the Notes—Priority of Payments—Interest Proceeds" and "—Principal Proceeds" and "Security for the Notes."

Subject to provisions of The Companies Law (2004 Revision) of the Cayman Islands governing the declaration and payment of dividends and as set forth in the Issuer Charter, after the Notes and certain other amounts have been paid in full, Interest Proceeds and Principal Proceeds remaining after all other applications under the Priority of Payments will be released from the lien of the Indenture and paid to the Preference Share Paying Agent on each Distribution Date for distribution to the Preference Shareholders on such Distribution Date. Cayman Islands law provides that dividends may only be paid by the Issuer if the Issuer has funds lawfully available for such purpose. Dividends may be paid out of profit and out of the Issuer's share premium account (which includes subscription monies in excess of the par value of each share); *provided* that the Issuer is solvent.

Distributions on any Preference Share will be made to the person in whose name such Preference Share is registered fifteen days prior to the applicable Distribution Date (the "**Record Date**"). Payments will be made by wire transfer in immediately available funds to a Dollar account maintained by the holder thereof appearing in the Preference Share Register in accordance with wire transfer instructions received from such holder by the Preference Share Paying Agent on or before the Record Date or, if no wire transfer instructions are received by the Preference Share Paying Agent, by a Dollar check drawn on a bank in the United States. Final distributions or payments made in the course of a winding up will be made only against surrender of the certificate representing such Preference Shares at the office of the Preference Share Registrar.

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

If any of the Coverage Tests is not satisfied on the Determination Date related to any Distribution Date, funds that would otherwise be distributed to Preference Shareholders (subject to the payment of certain other

amounts prior thereto) will be used instead to repay principal of the Notes sequentially in direct order of Seniority, to the extent and as described herein. See "Description of the Notes—Priority of Payments."

If on any Distribution Date Preference Shareholders have received distributions on the Preference Shares sufficient to yield a Dividend Yield of at least 16% on such Distribution Date, any excess amount of Interest Proceeds will be applied to pay principal of the Class C Notes until such Class of Notes has been paid in full.

Redemption

Subject to the in-kind distribution of Collateral Debt Securities to the holders of Collateral Manager Shares in connection with an Optional Redemption of the Notes, on any Distribution Date on or after the Distribution Date on which the Notes have been paid in full, the Preference Shares will be redeemed (in whole but not in part) at a redemption price per share equal to (x) the proceeds from the liquidation of the assets of the Issuer *minus* the costs and expenses of such liquidation *minus* the amount required to establish adequate reserves to meet all contingent, unliquidated liabilities or obligations of the Issuer *minus* a payment to the holders of the ordinary shares of the Issuer an amount equal to U.S.$ 1.00 per share *divided by* (y) the number of Preference Shares. See "Description of the Notes—Optional Redemption."

The Issuer Charter

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

Notices

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

Voting Rights

Set forth below is a summary of certain matters with respect to which Preference Shareholders are entitled to vote. This summary is not meant to be an exhaustive list, and, subject to covenants made by or deemed to be made by each purchaser or transferee of a Preference Share pursuant to the Preference Share Paying agency Agreement, the Issuer Charter and The Companies Law (2004 Revision) of the Cayman Islands afford Preference Shareholders of the Issuer the right to vote on matters in addition to those mentioned below.

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

Redemption of the Preference Shares: On any Distribution Date on or after the Distribution Date on which the Notes have been paid in full, subject in some circumstances to obtaining the approval of the Directors of the Issuer, the Preference Shares will be redeemed (in whole but not in part), as described above under "—Optional Redemption."

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

The Indenture: The Issuer is not permitted to enter into a supplemental indenture (other than a supplemental indenture that does not require the consent of Noteholders) without the consent of a Majority-in-Interest of Preference Shareholders (if the Preference Shares are materially and adversely affected thereby). The Issuer is not permitted to enter into a supplemental indenture without the consent of Preference Shareholders whose Voting Percentages equal 100% of the Voting Percentages of all Preference Shareholders if such supplemental indenture would have the effect of (i) amending the manner in which the

proceeds of the Collateral are applied on any Distribution Date (including by amending any provision of the Priority of Payments or the manner in which principal of and interest on any Class of Notes is calculated); (ii) extending the Stated Maturity of any Class of Notes or changing the date on which any distribution in respect of the Preference Shares is payable; (iii) changing the earliest date on which each Class of the Notes may be redeemed; (iv) impairing or adversely affecting the Collateral (except as otherwise expressly permitted by the Indenture); (v) permitting the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any part of the Collateral; or (vi) changing the voting percentages required for any action to be taken, or any consent or waiver to be given, by the Preference Shareholders.

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

Modification of the Issuer Charter

As a general matter of Cayman Islands law, the Issuer Charter may be amended at any time by at least a Special-Majority-in-Interest of Preference Shareholders subject to S. 60 of the Companies Law (2004 Revision). However, each purchaser and transferee of Preference Shares will be required, or deemed, to covenant that any modification of the Issuer Charter will require the affirmative vote of 100% of the Voting Percentages of all Preference Shareholders. Any amendment of the Issuer Charter not in accordance with the provisions of the Indenture will constitute an event of default under the Indenture.

Dissolution; Liquidating Distributions

The Issuer currently intends, in the event that the Preference Shares are not redeemed at the option of a Majority-in-Interest of Preference Shareholders following the repayment in full of the Notes, to liquidate all of its remaining investments in an orderly manner and distribute the proceeds of such liquidation to the Preference Shareholders. There can be no assurance that the Notes will be repaid before their Stated Maturity. See "Maturity, Prepayment and Yield Considerations" and "Risk Factors—Average Life of the Notes and Prepayment Considerations."

The Issuer Charter provides that the Issuer will be wound up on the earlier to occur of (i) the passing of a Special Resolution resolving to dissolve the Issuer (a) at any time on or after January 10, 2040, (b) at any time after the sale or other disposition of all of the Issuer's assets, or (c) at any time after the Notes are paid in full; (ii) on the date of a winding up pursuant to the provisions of or as contemplated by The Companies Law of the Cayman Islands as then in effect.

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

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

(2) *second*, to creditors of the Issuer, in the order of priority provided by law, including fees payable to the Collateral Manager or its affiliates;

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

(4) *fourth*, to pay the Preference Shareholders a sum equal to the Aggregate Liquidation Preference of the Preference Shares;

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

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

Consolidation, Merger or Transfer of Assets

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

Petitions for Bankruptcy

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

Governing Law

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

Certain Definitions

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

"**Aggregate Liquidation Preference**" means, with respect to the Preference Shares as of any date of determination, the total number of Preference Shares registered in the Preference Share Register multiplied by U.S.$ 1,000.

"**Majority-in-Interest of Preference Shareholders**" means, at any time, Preference Shareholders whose aggregate Voting Percentages at such time exceed 50% of all Preference Shareholders' Voting Percentages at such time. For avoidance of doubt, the Composite Preference Shares and the Non-Composite Preference Shares will be treated as a single class for purposes of determining whether a Majority-in-Interest of Preference Shareholders have directed or consented to the taking of any action by the Issuer.

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

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

"**Voting Percentage**" of a Preference Shareholder at any time means the ratio (expressed as a percentage) of such Preference Shareholder's Voting Preference Shares to the aggregate Voting Preference Shares of all Preference Shareholders at such time. For the avoidance of doubt, the Composite Preference Shares and the Non-Composite Preference Shares will be treated as a single class for purposes of determining the Voting Percentage of any Preference Shareholder.

"**Voting Preference Shares**" of a Preference Shareholder at any time means for each Preference Shareholder, the number of Composite Preference Shares and Non-Composite Preference Shares held by such Preference Shareholder at such time.

Listing

The Preference Shares will not be listed on any stock exchange.

Form, Registration and Transfer

General

(i) The Preference Shares (other than the Composite Preference Shares) offered in the U.S. to (a) Qualified Institutional Buyers in reliance on Rule 144A or (b) Accredited Investors in reliance on another available exemption from the registration requirements of the Securities Act ("**Restricted Preference Shares**") will be issued in definitive, fully registered, certificated form, without interest coupons, registered in the name of the beneficial owner thereof. Each purchaser and transferee of a Restricted Preference Share offered by the Issuer in the United States will be required to represent in writing that it is an Accredited Investor or a Qualified Institutional Buyer acquiring Restricted Preference Shares for its own account for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A or another available exemption from the registration requirements of the Securities Act). Each initial purchaser and transferee of a Restricted Preference Share that is a U.S. Person or a U.S. Resident will be required to represent that it or the account for which it is purchasing such Preference Share is a Qualified Purchaser.

(ii) (a) Preference Shares (other than the Composite Preference Shares) offered by the Issuer to persons that are not U.S. Persons outside the United States in reliance upon Regulation S ("**Global Preference Shares**") will be represented by one or more permanent global certificates ("**Global Share Certificates**") in definitive, fully registered form, and deposited with the Trustee as custodian for, and registered in the name of, The Depository Trust Company ("**DTC**") or its nominee, for the accounts of Euroclear and Clearstream, Luxembourg. Beneficial interests in a Global Share Certificate may only be held through Euroclear or Clearstream, Luxembourg. By acquisition of a beneficial interest in Global Preference Shares, any purchaser thereof will be deemed to represent that it is neither a U.S. Person nor a U.S. Resident and that, if in the future it decides to transfer such beneficial interest, it will transfer such interest only in an "offshore transaction" in accordance with Regulation S or to a person who takes delivery in the form of a Restricted Preference Share. Beneficial interests in each Global Share Certificate will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg.

(b) Owners of beneficial interests in Global Preference Shares will be entitled or required, as the case may be, under certain limited circumstances described below, to exchange such interest for certificates in fully registered definitive form registered in the name of the legal and beneficial owner thereof ("**Definitive Preference Shares**"). No owner of an interest in a Global Share Certificate will be entitled to receive Definitive Preference Shares therefor unless such person provides certification that the Definitive Preference Share is beneficially owned by a person that is neither a U.S. Person nor a U.S. Resident.

(c) So long as the depositary for Global Preference Shares, or its nominee, is the registered holder of such Global Preference Shares, such depositary or such nominee, as the case may be, will be considered the absolute owner or holder of such Global Preference Shares represented by such Global Share Certificate for all purposes under the Issuer Charter and the Global Preference Shares and members of, or participants in, the depositary (the "**Participants**") as well as any other persons on whose behalf Participants may act (including Euroclear and Clearstream, Luxembourg and account holders and participants therein) will have no rights under the Issuer Charter or under a Global Preference Share. Owners of beneficial interests in a Global Share Certificate will not be considered to be the owners or holders of any Preference Share under the Issuer Charter or a Global Preference Share. In addition, no beneficial owner of an interest in a Global Preference Share will be able to exchange or transfer that interest, except in accordance with the applicable procedures of the depositary and Euroclear or Clearstream, Luxembourg (in addition to those under the Preference Share Paying Agency Agreement), in each case to the extent applicable (the "**Applicable Procedures**").

(d) Investors may hold their interests in a Global Preference Share directly through Euroclear or Clearstream, Luxembourg, if they are participants in such systems, or indirectly through organizations which are participants in such systems. Euroclear and Clearstream, Luxembourg will hold interests in Global Preference Shares on behalf of their Participants through customers' securities accounts in their respective names on the books of their respective depositaries, which in turn will hold such interests in such Global Preference Shares in customers' securities accounts in the depositaries' names on the books of DTC.

(e) Distributions on a Global Preference Share registered in the name of a depositary or its nominee will be made to the depositary or its nominee as the registered owner of the Global Preference Share. None of the Issuer, the Trustee, the Note Registrar and any Preference Share Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Preference Shares or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

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

(iii) The Preference Shares will be subject to the restrictions on transfer set forth in this Offering Circular under "—Transfer and Exchange of Preference Shares" and "Transfer Restrictions." Preference Shares may not be transferred if, after giving effect to such transfer, the transferee (or, if the transferor retains any Preference Shares, the transferor) would own less than U.S.$ 250,000 of Preference Shares.

(iv) Wells Fargo Bank, National Association has been appointed as transfer agent with respect to the Preference Shares (the "**Preference Share Transfer Agent**").

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

(vi) Pursuant to the Administration Agreement, Wells Fargo Bank, National Association (on behalf of the Issuer) has been appointed and will serve as the registrar with respect to the Preference Shares (in such capacity, the "**Preference Share Registrar**") and will provide for the registration of Preference Shares and the registration of transfers of Preference Shares in the register maintained by it (the "**Preference Share Register**"). Written instruments of transfer are available at the office of the Preference Share Registrar.

(vii) The Issuer is authorized to issue 12,900 Preference Shares.

(viii) The Composite Preference Shares included in the Preference Share Component of the Composite Securities will not be separately issued, but will be represented by the securities evidencing the Composite Securities. See "Description of the Composite Securities."

Transfer and Exchange of Preference Shares

(i) Transfers by a holder of a beneficial interest in a Global Preference Share to a transferee who takes delivery of such interest in the form of a Restricted Preference Share will be made only in accordance with the Applicable Procedures and upon receipt by the Issuer, the Collateral Manager and the Preference Share Paying Agent of written certifications (1) from the transferor of the beneficial interest in the form provided in the Preference Share Paying Agency Agreement to the effect that, among other things, such transfer is being made (x)(I) to a person who the transferor reasonably believes is a Qualified Institutional Buyer and who is a Qualified Purchaser, purchasing for its own account or for the account of another Qualified Institutional Buyer that is a Qualified Purchaser, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the

exemption from Securities Act registration provided by Rule 144A or (II) to a person entitled to take delivery of such Restricted Preference Shares pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) who is a Qualified Purchaser and (y) in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and (2) from the transferee in the form provided for in the Preference Share Paying Agency Agreement to the effect that, among other things, the transferee (w) is a Qualified Purchaser, (x) is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle) and (y) is either a Qualified Institutional Buyer or otherwise entitled to take delivery of Restricted Preference Shares pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act).

An owner of a beneficial interest in a Global Preference Share may transfer such interest in the form of a beneficial interest in such Global Preference Share if (1) such transfer is not made to a U.S. Person or a U.S. Resident or for the account or benefit of a U.S. Person or a U.S. Resident and is effected through Euroclear or Clearstream, Luxembourg in an offshore transaction as required by Regulation S and only in accordance with the Applicable Procedures and (2) each of the transferor and the transferee of such beneficial interest makes the applicable certifications set forth herein under "Transfer Restrictions."

Interests in a Global Preference Share represented by a Global Share Certificate will be exchangeable or transferable, as the case may be, for Definitive Preference Shares if (a) DTC, Euroclear or Clearstream Luxembourg, as applicable, notifies the Issuer that it is unwilling or unable to continue as depositary for such Preference Share, (b) DTC, Euroclear or Clearstream Luxembourg, as applicable, ceases to be a "Clearing Agency" registered under the Exchange Act, and a successor depositary is not appointed by the Issuer within 90 calendar days, (c) the transferee of an interest in such Global Preference Shares is required by law to take physical delivery of securities in definitive form or (d) the transferee is otherwise unable to pledge its interest in a Global Preference Share. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause Definitive Preference Shares bearing an appropriate legend regarding restrictions on transfer to be delivered.

(a) Transfers by a holder of a Restricted Preference Share to a transferee who takes delivery of such interest through an interest in a Global Preference Share will be made only upon receipt by the Issuer, the Collateral Manager and the Preference Share Paying Agent of written certification from the transferor in the form provided in the Preference Share Paying Agency Agreement to the effect that such transfer is being made in an "offshore transaction" (within the meaning of Regulation S) in accordance with Rule 903 or Rule 904 of Regulation S. No transfer of a Preference Share to a transferee who takes delivery thereof in the form of an interest in a Global Preference Share may be made and none of the Issuer, Trustee, Preference Share Paying Agent and Preference Share Registrar will recognize any such transfer if, after giving effect to such transfer, 25% or more, as determined under the Plan Asset Regulation, of the value of the Preference Shares would be held by Benefit Plan Investors (disregarding Preference Shares held by Controlling Persons).

Transfers by a holder of a Restricted Preference Share or a Definitive Preference Share to a transferee who takes delivery of a Restricted Preference Share or a Definitive Preference Share will be made only upon receipt by the Issuer, the Collateral Manager and the Preference Share Paying Agent of written certifications (1) from the transferor in the form provided in the Preference Share Paying Agency Agreement to the effect that, among other things, such transfer is being made (i) to a person who the transferor reasonably believes is a Qualified Institutional Buyer and who is a Qualified Purchaser (in the case of a transferee acquiring Restricted Preference Shares), purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A or (ii) solely in the case of a transferee acquiring Restricted Preference Shares, in accordance with another applicable exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) to a

transferee who is a Qualified Purchaser or (iii) to a person who is neither a U.S. Person nor a U.S. Resident acquiring Definitive Preference Shares in an "offshore transaction" within the meaning of Rule 903 or Rule 904 of Regulation S, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and (2) from the transferee in the form provided for in the Preference Share Paying Agency Agreement to the effect that, among other things, the transferee (w) is either, in the case of Restricted Preference Shares, a Qualified Purchaser or, in the case of Definitive Preference Shares, neither a U.S. Person nor a U.S. Resident, (x) is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (y) in the case of Definitive Preference Shares, is not a Benefit Plan Investor (as defined in the Plan Asset Regulation) or a Controlling Person and (z) in the case of Restricted Preference Shares, is either a Qualified Institutional Buyer or otherwise entitled to take delivery of Restricted Preference Shares pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act).

(b) Transfers between Participants in DTC will be effected in the ordinary way in accordance with the Applicable Procedures and will be settled in immediately available funds. Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

(c) Definitive Preference Shares and Restricted Preference Shares may be exchanged or transferred in whole or in part in the authorized denomination of the number of shares by surrendering such Definitive Preference Shares or Restricted Preference Shares, as the case may be, at the office of the Preference Share Paying Agent with a written instrument of transfer (in the case of a transfer) or a written request for exchange (in the case of an exchange) as provided in the Preference Share Paying Agency Agreement. With respect to any transfer of a portion of Definitive Preference Shares or Restricted Preference Shares, the transferor will be entitled to receive, at any aforesaid office, new Definitive Preference Shares or Restricted Preference Shares, as the case may be, representing the number of Preference Shares retained by the transferor after giving effect to such transfer. Definitive Preference Shares and Restricted Preference Shares issued upon any such exchange or transfer (whether in whole or in part) will be made available at the office of the Preference Share Paying Agent.

(d) The laws of some states require that certain persons take physical delivery of securities in definitive form. Consequently, any transfer of beneficial interests in Global Preference Shares to such persons may require that such interests in Global Preference Shares be exchanged for Definitive Preference Shares. Because DTC can only act on behalf of Participants, which in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in Global Preference Shares to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may require that such interest in a Global Preference Shares be exchanged for Definitive Preference Shares. Interests in a Global Preference Share will be exchangeable, at the request of the Beneficial Owner thereof, for Definitive Preference Shares as described above.

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

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

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

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

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

(ii) If, notwithstanding the foregoing restrictions, the Issuer determines that (A) any beneficial owner of Restricted Preference Shares was not both (i) a Qualified Institutional Buyer or otherwise entitled to purchase such Restricted Preference Shares pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser at any time or (B) any beneficial owner of a Regulation S Preference Share (or any interest therein) is at any time either a U.S. Person or a U.S. Resident, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Restricted Preference Shares or Regulation S Preference Share (or interest therein), as applicable, to a person (x) if such person is taking delivery in the form of a Restricted Preference Share, that is both (i) a Qualified Institutional Buyer or otherwise entitled to take delivery of such Restricted Preference Share pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser or (y) if such person is taking delivery in the form of an interest in a Regulation S Preference Share, that is neither a U.S. Person nor a U.S. Resident, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (a) upon direction from the Collateral Manager or the Issuer, the Preference Share Paying Agent, on behalf of and at the expense of the Issuer, will cause such beneficial owner's interest in such Preference Share to be transferred in a commercially reasonable sale (conducted by the Administrator in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Preference Share Paying

Agent, the Preference Share Registrar, the Issuer and the Collateral Manager, in connection with such transfer, that (x) if such person is taking delivery in the form of a Restricted Preference Share, such person is both (i) a Qualified Institutional Buyer or otherwise entitled to take delivery of such Restricted Preference Share pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser or (y) if such person is taking delivery in the form of an interest in a Regulation S Preference Share, such person is neither a U.S. Person nor a U.S. Resident, and (b) pending such transfer, no further payments will be made in respect of such Preference Share held by such beneficial owner.

(iii) The Preference Share Registrar will effect exchanges and transfers of Preference Shares. In addition, the Preference Share Registrar will keep in the Preference Share Register records of the ownership, exchange and transfer of the Preference Shares.

(iv) The Preference Shares will bear the applicable legends regarding the restrictions set forth herein under "Transfer Restrictions."

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

(vi) The Preference Shares will be subject to additional ERISA-related transfer restrictions. See "Certain ERISA Considerations" and "Transfer Restrictions."

DESCRIPTION OF THE COMPOSITE SECURITIES

General

The Issuer will issue U.S.$ 14,600,000 Series I 2% Composite Securities due 2040 (the "**Series I Composite Securities**") and U.S.$ 5,000,000 Series II Composite Securities due 2040 (the "**Series II Composite Securities**" and, together with the Series I Composite Securities, the "**Composite Securities**"). Each series of Composite Securities will consist of two components (each, a "**Component**" and together, the "**Components**"):

(1) a Component initially consisting of (x) in the case of the Series I Composite Securities, U.S.$ 8,700,000 aggregate original principal amount of the Class C Notes and (y) in the case of the Series II Composite Securities, U.S.$ 3,000,000 aggregate original principal amount of the Class C Notes (the "**Class C Component Amount**") allocable to, and represented by, the related series of Composite Securities (the "**Class C Component**"), which will be issued pursuant to the Indenture; and

(2) a Component initially consisting of (x) in the case of the Series I Composite Securities, 5,900 Composite Preference Shares (U.S.$ 5,900,000 Aggregate Liquidation Preference) and (y) in the case of the Series II Composite Securities, 2,000 Composite Preference Shares (U.S.$ 2,000,000 Aggregate Liquidation Preference) (the "**Preference Share Component Amount**") allocable to, and represented by, the related series of Composite Securities (the "**Preference Share Component**"), which will be issued pursuant to the Preference Share Paying Agency Agreement.

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

Except as otherwise described in this section entitled "Description of the Composite Securities," the terms and conditions of the Composite Securities (including amounts due and payable thereunder) will be (a) with respect to the Class C Component, the terms and conditions of the Class C Notes and (b) with respect to the Preference Share Component, the terms and conditions of the Composite Preference Shares.

Status and Security

The Composite Securities are limited recourse obligations of the Issuer. The Composite Securities will be entitled to receive payments only to the extent that payments are made on the Class C Notes included in the Class C Component or the Composite Preference Shares included in the Preference Share Component.

The Composite Securities will be secured solely to the extent to which the underlying Components are secured. The Preference Share Component therefore will not be secured.

Interest

The Composite Securities do not bear a stated rate of interest. Instead, payments of interest and dividends on the Components will be paid to holders of the Composite Securities as described below under "—Payments."

Early Redemption

The Composite Securities will only be redeemed prior to their stated maturity when and in the same manner as the Preference Shares are redeemed (but will be redeemed in part to the extent of the early redemption of the Class C Notes comprising the Class C Component). Any proceeds of the early redemption of the respective

Components will be paid to the holders of the Composite Securities on the related Distribution Date to the extent of the ratable portion of such proceeds allocable to the Components. See (i) "Description of the Notes—Mandatory Redemption," "—Auction Call Redemption," "—Optional Redemption and Tax Redemption," "—Redemption Procedures" and "—Redemption Price" and (ii) "Description of the Preference Shares—Redemption."

Redemption

The Composite Securities will be fully redeemed when the Composite Preference Shares constituting the Preference Share Component have been fully redeemed. The Composite Securities will be redeemed in the manner described for the Composite Preference Shares under "Description of the Preference Shares—Redemption."

Acts of Holders of Composite Securities

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

Payments

On each Distribution Date on which payments, if any, are made on the Class C Notes, portions of such payments will be allocated to the Composite Securities in the proportion that the principal amount of the Class C Notes represented by the Class C Component bears to the principal amount of the Class C Notes as a whole (including the Class C Notes allocated to the Class C Component)(such ratio, expressed as a percentage, the "**Class C Component Percentage**"). On each Distribution Date on which payments, if any, are made on the Composite Preference Shares, such payments will be allocated to the Composite Securities in their entirety. Such amounts will be paid to the holders of the Composite Securities *pro rata* based on the outstanding principal amount of the Class C Component of each Composite Security, in the case of payments with respect to the Class C Component, or based on the number of Composite Preference Shares comprising the Preference Share Component of each Composite Security, in the case of payments with respect to the Preference Share Component.

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

No other payments will be made on the Composite Securities.

Cancellation

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

Form, Denomination, Registration and Transfer

General

(i) The Composite Securities offered in the U.S. to (a) Qualified Institutional Buyers in reliance on Rule 144A or (b) Accredited Investors in reliance on Section 4(2) under the Securities Act ("**Restricted Composite Securities**") will be issued in definitive, fully registered, certificated form without interest coupons, registered in the name of the beneficial owner thereof. Each initial purchaser and transferee of a Restricted Composite Security offered by the Issuer in the United States will be required to represent in writing that it is a Qualified Institutional Buyer or an Accredited Investor acquiring Restricted Composite Securities for its own account for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A). Each initial

purchaser and transferee of a Restricted Composite Security will be required to represent that it or the account for which it is purchasing such Composite Security is a Qualified Purchaser.

(ii) Composite Securities offered by the Issuer to persons that are not U.S. Persons outside the United States in reliance upon Regulation S ("**Regulation S Composite Securities**") will initially be represented by one or more permanent global securities (a "**Global Composite Security**") in definitive, fully registered form, and deposited with the Trustee as custodian for, and registered in the name of, The Depository Trust Company ("**DTC**") or its nominee, initially for the accounts of Euroclear and Clearstream, Luxembourg. By acquisition of a beneficial interest in Global Composite Securities, any purchaser thereof will be deemed to represent that it is not a U.S. Person and that, if in the future it decides to transfer such beneficial interest, it will transfer such interest only in an offshore transaction in accordance with Regulation S or to a person who takes delivery in the form of a Restricted Composite Security. Beneficial interests in each Global Composite Security will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg.

(iii) Owners of beneficial interests in Global Composite Securities will be entitled or required, as the case may be, under certain limited circumstances described below, to exchange such interest for certificates in fully registered definitive form registered in the name of the legal and beneficial owner thereof ("**Definitive Composite Securities**"). No owner of an interest in a Global Composite Security will be entitled to receive Definitive Composite Securities therefor unless for a person other than a distributor (as defined in Regulation S), such person provides certification that the Definitive Composite Security is beneficially owned by a person that is not a U.S. Person (as defined in Regulation S).

(iv) Pursuant to the Indenture, Wells Fargo Bank, National Association has been appointed and will serve as the registrar of the Composite Securities ("**Composite Security Registrar**") and will provide for the registration of the Composite Securities and the registration of transfers of Composite Securities in the register maintained by it ("**Composite Security Register**"). Wells Fargo Bank, National Association has been appointed as a transfer agent with respect to the Composite Securities (in such capacity, the "**Composite Security Transfer Agent**").

(v) The Composite Securities will be issuable in minimum denominations of U.S.$ 250,000 and integral multiples of U.S.$ 1,000 in excess thereof. After issuance, any Composite Security may fail to be in such required minimum denomination due to the repayment of principal thereof in accordance with the Priority of Payments.

Global Composite Securities

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

(ii) Investors may hold their interests in a Global Composite Security directly through Euroclear or Clearstream, Luxembourg, if they are participants in such systems, or indirectly through organizations which are participants in such systems. Investors may also hold such interests other than through Euroclear or Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg will hold interests in Global Composite Securities on behalf of their Participants through customers' securities accounts in their respective names on the books of their respective depositaries, which in turn will hold such interests in such Global Composite Securities in customers' securities accounts in the depositaries' names on the books of DTC.

(iii) Distributions on a Global Composite Security registered in the name of a depositary or its nominee will be made to the depositary or its nominee as the registered owner of the Global Composite Security. None of the Issuer, the Trustee, the Composite Security Registrar and any Paying Agent (other than the Preference Share Paying Agent) will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Composite Securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

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

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

Definitive Composite Securities

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

Transfer and Exchange of Composite Securities

(i) The Composite Securities are subject to the same restrictions on transfer as the Composite Preference Shares. Transfers by a holder of a beneficial interest in a Global Composite Security to a transferee who takes delivery of such interest in the form of a Restricted Composite Security will be made only in accordance with the Applicable Procedures and upon receipt by the Issuer, the Collateral Manager and the Composite Security Registrar of written certifications (1) from the transferor of the beneficial interest in the form provided in the Indenture to the effect that, among other things, such transfer is being made (x)(I) to a person who the transferor reasonably believes is a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A or (II) in accordance with another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may

reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (y) in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and (2) from the transferee of such beneficial interest in the form provided for in the Indenture to the effect that, among other things, the transferee (w) is either a Qualified Purchaser or is not a U.S. Resident (within the meaning of the Investment Company Act), (x) is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), and (y) is either a Qualified Institutional Buyer or otherwise entitled to take delivery of Restricted Composite Securities in accordance with another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act).

Transfers by a holder of a beneficial interest in a Global Composite Security to a transferee who takes delivery of such interest in a Global Composite Security will be made only to a transferee that is acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 903 or Rule 904 of Regulation S and only in accordance with the Applicable Procedures.

Interests in a Global Composite Security represented by a Global Share Certificate will be exchangeable or transferable, as the case may be, for Definitive Composite Securities if (a) DTC notifies the Issuer that it is unwilling or unable to continue as depositary for such Composite Security or (b) DTC ceases to be a "Clearing Agency" registered under the Exchange Act, and a successor depositary is not appointed by the Issuer within 90 days. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause Definitive Composite Securities bearing an appropriate legend regarding restrictions on transfer to be delivered.

(ii) Transfers by a holder of a Restricted Composite Security to a transferee who takes delivery of such interest through an interest in a Global Composite Security will be made only upon receipt by the Issuer, the Collateral Manager and the Composite Security Registrar of written certification from the transferor in the form provided in the Indenture to the effect that such transfer is being made in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 903 or Rule 904 of Regulation S and only in accordance with the Applicable Procedures.

Transfers by a holder of a Restricted Composite Security or a Definitive Composite Security to a transferee who takes delivery of a Restricted Composite Security or a Definitive Composite Security will be made only upon receipt by the Issuer, the Collateral Manager and the Composite Security Registrar of written certifications (1) from the transferor in the form provided in the Indenture to the effect that, among other things, such transfer is being made (i) in the case of a transferee acquiring Restricted Composite Securities, (I) to a person who the transferor reasonably believes is a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A or (II) in accordance with another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) or (ii) to a person who is not a U.S. Person acquiring Definitive Composite Securities in an offshore transaction (within the meaning of Regulation S) pursuant to Rule 903 or Rule 904 of Regulation S, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and (2) from the transferee in the form provided for in the Indenture to the effect that, among other things, the transferee (w) is either a Qualified Purchaser or is not a U.S. Resident (within the meaning of the Investment Company Act), (x) is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (y) is not a Benefit Plan Investor or Controlling Person and (z) in the case of Restricted Composite Securities, is either a Qualified Institutional Buyer or otherwise entitled to take delivery of such Restricted Composite Securities pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act).

(iii) Transfers between Participants in DTC will be effected in the ordinary way in accordance with the Applicable Procedures and will be settled in immediately available funds. Transfers between participants in

Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

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

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

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

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

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

(ix) Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in Global Composite Securities among participants of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee and the Composite Security Registrar will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their

respective Participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If, notwithstanding the foregoing restrictions, the Issuer determines that any owner of Composite Securities (or any interest therein) (A) is a U.S. Person or a U.S. Resident and (B) is not both (1) a Qualified Institutional Buyer or otherwise entitled to purchase such Composite Securities pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (2) a Qualified Purchaser, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Composite Securities to a person that is both (1) a Qualified Instituitonal Buyer or otherwise entitled to take delivery of such Composite Securities pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (2) a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such owner fails to effect the transfer required within such 30-day period, (a) upon direction from the Collateral Manager or the Issuer, the Composite Security Registrar, on behalf of and at the expense of the Issuer, will cause such owner's interest in such Composite Securities to be transferred in a commercially reasonable disposition (conducted by the Composite Security Registrar in accordance with Sections 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Composite Security Registrar, the Preference Share Paying Agent, the Issuer and the Collateral Manager, in connection with such transfer, that such person is both (i) a Qualified Institutional Buyer or otherwise entitled to take delivery of such Composite Securities pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser and (b) pending such transfer, no further payments will be made in respect of such Composite Securities held by such owner.

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

(xi) The Composite Security Registrar will effect exchanges and transfers of Composite Securities. All Composite Securities issued upon any exchange or registration of transfer are entitled to the same benefits as the Composite Securities surrendered upon exchange or registration of transfer.

(xii) The Composite Security Registrar will keep in the Composite Securities Register records of the ownership, exchange and transfer of the Composite Securities.

(xiii) The Composite Securities will be subject to additional ERISA related transfer restrictions. See "Certain ERISA Considerations."

Exchange of Composite Securities for Underlying Components

Each Composite Securityholder will have the right to exchange (a "**Composite Security Exchange**") Composite Securities for the related underlying components in whole or in part as described below.

A Composite Securityholder will exercise such right by giving a notice (a "**Composite Security Exchange Notice**") to the Trustee, the Preference Share Paying Agent and the Collateral Manager to the effect that such Composite Securityholder requests that all or a portion of the Composite Securities held by such Composite Securityholder be exchanged for the following (the "**Composite Security Exchange Securities**"): (i) to the extent specified, Related Securities of one or more types (i.e., Class C Notes and/or Preference Shares) in amounts specified in the Composite Security Exchange Notice and (ii) the balance, if any, for Composite Securities reflecting a reduction in whole or in part of the amount of the Related Component or Related Components represented by such

Composite Security. Any Composite Securityholder Exchange Notice will be irrevocable and will be in form and substance reasonably satisfactory to each recipient.

No Composite Securityholder Exchange Notice will request a Composite Security Exchange if the Securities deliverable in accordance therewith would constitute:

(i) in the case of C Notes, the lesser of (A) $250,000 aggregate outstanding principal amount thereof and (B) the balance of the amount of the Class C Component, as the case may be, represented by all Composite Securities held by the Composite Securityholder giving such Composite Security Exchange Notice; or

(ii) in the case of Preference Shares, the lesser of (A) 250 Preference Shares and (B) the balance of the amount of the Preference Shares Component, as the case may be, represented by all Composite Securities held by the Composite Securityholder giving such Composite Security Exchange Notice.

As a condition to delivery of Composite Security Exchange Securities in accordance with a Composite Security Exchange Notice, the Composite Securityholder giving such Composite Security Exchange Notice will furnish to the recipients thereof such representations, warranties and certifications relating solely to compliance with transfer restrictions and investor eligibility, under applicable laws as any such recipient will reasonably request.

As promptly as practicable following the giving of a Composite Security Exchange Notice and the satisfaction of the condition referred to in the preceding paragraph, upon delivery to the Trustee of the Composite Securities to which such Composite Security Exchange Notice relates, the Issuer and, as applicable, the Co-Issuer will execute and deliver and issue, and the Trustee will authenticate, Composite Security Exchange Securities as specified in such Composite Security Exchange Notice, which Composite Security Exchange Securities will be registered in the name of (or will be beneficially owned) by the Composite Securityholder giving such Composite Security Exchange Notice or as the Issuer will otherwise authorize in writing. The Issuer will take such action with respect to Composite Security Exchange Securities delivered in global form as will be necessary to permit such delivery and issuance.

The Composite Security Exchange Securities will have the characteristics of the Related Securities to which the applicable components relate, including rights to accrued interest accrued before the effective date of the related Composite Security Exchange.

Listing

Application will be made to the Irish Stock Exchange to admit the Composite Securities to the Daily Official List. No application will be made to list the Composite Securities on any other stock exchange.

Use of Proceeds

The net proceeds of the issuance of the Series I Composite Securities will be used to purchase U.S.$ 8,700,000 aggregate principal amount of the Class C Notes and 5,900 Composite Preference Shares and the net proceeds of the issuance of the Series II Composite Securities will be used to purchase U.S.$ 3,000,000 aggregate principal amount of the Class C Notes and 2,000 Composite Preference Shares. For so long as the Composite Securities are listed on the Irish Stock Exchange, and so long as the rules of such exchange so require, notices to the holders of the Composite Securities will also be given by delivery to the Company Announcements Office of the Irish Stock Exchange.

Notices

Notices to the holders of the Composite Securities will be given by first-class mail, postage prepaid, to the registered holders of the Composite Securities at their address appearing in the Composite Security Register.

Governing Law

The Composite Securities and the Class C Notes will be governed by the law of the State of New York. The Composite Preference Shares will be governed by the law of the Cayman Islands.

Tax Matters

See "Income Tax Considerations—U.S. Federal Income Taxation."

Benefit Plan Investors

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

USE OF PROCEEDS

The gross proceeds received from the issuance and sale of the Offered Securities will be approximately U.S.$ 304,435,000. The net proceeds from the issuance and sale of the Offered Securities are expected to be approximately U.S.$ 299,000,000, which reflects the payment from such gross proceeds of organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchasers and the Collateral Manager), the expenses of offering the Offered Securities (including fees payable in connection with the purchase or placement of the Offered Securities), the initial deposit into the Expense Account of U.S.$ 75,000 and the initial deposit into the Interest Reserve Account of U.S.$ 200,000, as well as any upfront payments made or received in respect of the Hedge Agreement. Such net proceeds will be used by the Issuer to purchase a diversified portfolio, selected by the Collateral Manager, of interests in (a) certain Asset-Backed Securities and (b) Synthetic Securities the Reference Obligations of which will be Asset-Backed Securities that, in each case, satisfy the investment criteria described herein under "Security for the Notes—Collateral Debt Securities" and "—Portfolio Characteristics." On the Closing Date, the Issuer will have acquired the Issuer's entire portfolio, which portfolio will consist of Collateral Debt Securities having an aggregate principal balance (including principal collections on such Collateral Debt Securities deposited in the Principal Collection Account on the Closing Date), when added to any purchased accrued interest on such Collateral Debt Securities, of at least U.S.$ 300,000,000. Schedule C sets forth a list identifying the initial portfolio of Collateral Debt Securities included in the Collateral on the Closing Date. In the event that there are any remaining Uninvested Proceeds on the Determination Date preceding the April 2005 Distribution Date, they will be transferred to the Payment Account and treated as Principal Proceeds on the April 2005 Distribution Date and distributed in accordance with the Priority of Payments. See "Security for the Notes."

CERTAIN LEGAL INVESTMENT CONSIDERATIONS

Institutions whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities may be subject to restrictions on investments in the Offered Securities. Any such institution should consult its legal advisers in determining whether and to what extent there may be restrictions on its ability to invest in the Offered Securities. Without limiting the foregoing, any financial institution that is subject to the jurisdiction of the Comptroller of Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, any state insurance commission, or any other federal or state agencies with similar authority should review any applicable rules, guidelines and regulations prior to purchasing the Offered Securities. Depository institutions should review and consider the applicability of the Federal Financial Institutions Examination Council ("**FFIEC**") Supervisory Policy Statement on Securities Activities, which has been adopted by the federal regulators which are members of the FFIEC.

None of the Co-Issuers, the Initial Purchasers or the Collateral Manager make any representation as to the proper characterization of the Offered Securities for legal investment or other purposes, or as to the ability of particular investors to purchase the Offered Securities for legal investment or other purposes, or as to the ability of particular investors to purchase the Offered Securities under applicable investment restrictions. The uncertainties described above (and any unfavorable future determinations concerning legal investment or financial institution regulatory characteristics of the Offered Securities) may affect the liquidity of the Offered Securities. Accordingly, all institutions whose activities are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult their own legal advisors in determining whether and to what extent the Offered Securities are subject to investment, capital or other restrictions.

RATINGS OF THE OFFERED SECURITIES

It is a condition to the issuance of the Offered Securities that the Class A-1 Notes be rated "Aaa" by Moody's Investors Service, Inc. ("**Moody's**"), "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**Standard & Poor's**"), and "AAA" by Fitch Ratings ("**Fitch**"), that the Class A-2 Notes be rated at least "Aaa" by Moody's, "AAA" by Standard & Poor's and "AAA" by Fitch, that the Class B Notes be rated at least "Aa2" by Moody's, "AA" by Standard & Poor's and "AA" by Fitch, that the Class C Notes be rated at least "Baa2" by Moody's, "BBB" by Standard & Poor's and "BBB" by Fitch, that the Preference Shares be rated "Ba1" by Moody's and "BB+" by Standard & Poor's, that the Series I Composite Securities be rated at least "Baa2" by Moody's and "BBB" by Standard & Poor's and that the Series II Composite Securities be rated at least "Ba1" by Moody's.

The ratings assigned by Moody's to the Notes address the ultimate cash receipt of all required interest and principal payments on each such Class of Notes, in each case as provided in the governing documents, and are based on the expected loss posed to the Noteholders relative to the promise of receiving the present value of such payments. The ratings assigned by Standard & Poor's and Fitch to the Notes (other than the Class C Notes) address the timely payment of interest and ultimate payment of principal on each such Class of Notes. The ratings assigned by Standard & Poor's and Fitch to the Class C Notes address the ultimate payment of interest and principal on the Class C Notes.

The ratings assigned to the Preference Shares by Moody's and Standard & Poor's (a) address only the ultimate receipt of the initial Preference Share Rated Balance, (b) will not at any time address the timely receipt of any payments, including payments on redemption or repurchase of the Preference Shares or any other distributions thereon and (c) will be monitored by Moody's and Standard & Poor's on an ongoing basis.

The "**Preference Share Rated Balance**" means an amount equal to (i) on the Closing Date, the Aggregate Liquidation Preference of the Preference Shares and (ii) on any Distribution Date, the Preference Share Rated Balance on the immediately preceding Distribution Date (or, with respect to the first Distribution Date, on the Closing Date), decreased by the aggregate amount of all cash distributions in respect of the Preference Shares payable to the Preference Share Paying Agent for distribution to the Preference Shareholders on such current Distribution Date. The rating assigned to the Preference Shares by Standard & Poor's will be withdrawn after the Preference Share Rated Balance is reduced to zero.

The rating assigned to the Series I Composite Securities by Standard & Poor's (a) addresses the ultimate receipt of the initial Composite Securities Outstanding Balance and 2% per annum return on the related Composite Securities Outstanding Balance, (b) will not at any time address the timely receipt of any payments, including payments on redemption of the Series I Composite Securities and (c) will be withdrawn after the Composite Securities Outstanding Balance is reduced to zero. The rating assigned to the Series I Composite Securities by Moody's addresses the ultimate receipt of the related Composite Securities Outstanding Balance and 2% per annum return on the related Composite Securities Outstanding Balance and the rating assigned to the Series II Composite Securities by Moody's addresses the ultimate receipt of the related Composite Securities Rated Balance and a per annum return on the related Composite Securities Rated Balance equal to three-month LIBOR in effect from time to time. The "**Composite Securities Outstanding Balance**" means with respect to the Series I Composite Securities, an amount equal to (i) on the Closing Date, the aggregate principal amount of the Class C Component and the Aggregate Liquidation Preference of the Preference Share Component and (ii) on any Distribution Date, the Composite Securities Outstanding Balance on the immediately preceding Distribution Date (or, with respect to the first Distribution Date, on the Closing Date), increased by the following (if negative) and decreased by the following (if positive): the result obtained by subtracting 0.50% of the Composite Securities Outstanding Balance on the immediately preceding Distribution Date (or, with respect to the first Distribution Date, on the Closing Date) from the aggregate amount of interest and principal payable in respect of the related Class C Component and cash distributions payable in respect of the related Preference Share Component on such current Distribution Date. The "**Composite Securities Rated Balance"** means with respect to the Series II Composite Securities, an amount equal to (i) on the Closing Date, the aggregate principal amount of the related Class C Component and the Aggregate Liquidation Preference of the related Preference Share Component and (ii) on any Distribution Date, the Composite Securities Rated Balance on the immediately preceding Distribution Date (or, with respect to the first Distribution

Date, on the Closing Date), increased by the following (if negative) and decreased by the following (if positive): the result obtained by subtracting the product of (x) three-month LIBOR, (y) the Composite Securities Rated Balance on the immediately preceding Distribution Date (or, with respect to the first Distribution Date, on the Closing Date) and (z) actual number of days elapsed in the applicable period divided by 360, from the aggregate amount of interest and principal payable in respect of the related Class C Component and cash distributions payable in respect of the related Preference Share Component on such current Distribution Date.

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

MATURITY, PREPAYMENT AND YIELD CONSIDERATIONS

The Stated Maturity of the Class A-1 Notes is January 10, 2025; the Stated Maturity of the Class A-2 Notes is January 10, 2040; the Stated Maturity of the Class B Notes is January 10, 2040 and the Stated Maturity of the Class C Notes is January 10, 2040. The Notes will mature at their Stated Maturity unless redeemed or repaid prior thereto. The Preference Shares will be redeemed on January 10, 2040 or, if such a day is not a Business Day, the immediately following Business Day (the "**Scheduled Preference Share Redemption Date**") unless redeemed prior thereto. However, the average lives of the Notes and the Modified duration of the Preference Shares may be less than the number of years until the Stated Maturity or the Scheduled Preference Share Redemption Date, respectively. Based on the portfolio of Collateral Debt Securities that the Collateral Manager expects the Issuer to purchase as of the Closing Date, assuming (a) no Collateral Debt Securities default, (b) any optional redemption of the Collateral Debt Securities occurs in accordance with their respective terms, (c) all outstanding Notes are redeemed on the Distribution Date occurring in January 2013, and (d) LIBOR for each future Interest Period equals the rate for such Interest Period based on the zero coupon swap curve with such rate initially to be equal to approximately 2.41%, (i) the average life of the Class A-1 Notes would be approximately 4.4 years from the Closing Date, (ii) the average life of the Class A-2 Notes would be approximately 8.0 years from the Closing Date, (iii) the average life of the Class B Notes would be approximately 8.1 years from the Closing Date, (iv) the average life of the Class C Notes would be approximately 6.5 years from the Closing Date and (v) the Modified duration of the Preference Shares would be approximately 4.3 years. Such average lives of the Notes and the Modified duration of the Preference Shares are presented for illustrative purposes only. Although the Collateral Manager prepared the list in Schedule C identifying the portfolio of Collateral Debt Securities that the Issuer will purchase on the Closing Date, the assumptions used to calculate the average lives of the Notes and the Modified duration of the Preference Shares are necessarily arbitrary, do not necessarily reflect historical experience with respect to securities similar to the Collateral Debt Securities and do not constitute a prediction with respect to the rates or timing of receipts of Interest Proceeds or Principal Proceeds, defaults, recoveries, sales, prepayments or optional redemptions to which the Collateral Debt Securities may be subject. Actual experience as to these matters will differ, and may differ materially, from that assumed in calculating the illustrative average lives and the Modified duration set forth above, and consequently the actual average lives of the Notes and the Modified duration of the Preference Shares will differ, and may differ materially, from those set forth above. Accordingly, prospective investors should make their own determinations of the expected weighted average lives and maturity of the Notes and the Modified duration of the Preference Shares and, accordingly, their own evaluation of the merits and risks of an investment in the Notes or the Preference Shares. See "Risk Factors—Projections, Forecasts and Estimates."

Average life refers to the average number of years that will elapse from the date of delivery of a security until each Dollar of the principal of such security will be paid to the investor. The "**Modified duration**" is the value obtained by dividing (a) the weighted average term-to-maturity (expressed in years) of the cash flows in respect of the Preference Shares, where the weights are the present values of each cash flow as a percentage of the present value of all cash flows to the Preference Shareholders by (b) one *plus* the internal rate of return to the Preference Shareholders for that scenario *divided by* two.

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

SECURITY FOR THE NOTES

General

The Collateral securing the Notes (including the Class C Component of the Composite Securities) will consist of all property of the Issuer, including, but not limited to, (i) the Collateral Debt Securities and Equity Securities, if any, owned by the Issuer and pledged to secure the Notes; (ii) the rights of the Issuer under the Hedge Agreement; (iii) amounts or other assets on deposit in the Payment Account, the Interest Collection Account, the Interest Equalization Account, the Principal Collection Account, the Expense Account, the Interest Reserve Account, the Uninvested Proceeds Account, the Custodial Account, the Hedge Counterparty Collateral Account, each Synthetic Security Counterparty Account, each Synthetic Security Issuer Account and any other account established under the Indenture (including any Eligible Investments purchased with funds on deposit in any such account and all income from the investment of funds therein other than in the Synthetic Security Counterparty Accounts); (iv) the rights of the Issuer under the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement, the Purchase Agreement and the Subscription Agreements; and (v) all proceeds of each of the foregoing (collectively, excluding the U.S.$ 1,000 issued ordinary share capital and U.S.$ 1,000 transaction fee paid to the Issuer and any further transaction fee that may be paid to it in respect of any further issuance of securities and the bank accounts in which monies relating to such share capital and transaction fees are held, the "**Collateral**"). The security interest granted under the Indenture in each Synthetic Security Counterparty Account is subject to and subordinate to the security interest and rights of the relevant Synthetic Security Counterparty in and to such Synthetic Security Counterparty Account. The Class A Notes, the Class B Notes and the Class C Notes will be limited-recourse obligations of the Co-Issuers, the Composite Securities will be limited-recourse obligations of the Issuer and the Preference Shares will constitute equity interests in the Issuer. The Preference Shares and the Preference Share Component of the Composite Securities will not be secured by the Collateral. Payments of principal of, and interest on, the Notes and payments of dividends and other distributions on the Preference Shares will be payable solely from the Collateral. All payments from the Collateral are subject to the Priority of Payments. See "Description of the Notes—Priority of Payments."

Collateral Debt Securities

The Collateral Manager expects that, by the Closing Date, the Issuer will have acquired the Issuer's entire portfolio as set forth in Schedule C hereto, which portfolio will consist of Collateral Debt Securities having an aggregate principal balance (including principal collections on such Collateral Debt Securities deposited in the Principal Collection Account on the Closing Date), when added to any purchased accrued interest on such Collateral Debt Securities, of at least U.S.$ 300,000,000 satisfying the Eligibility Criteria and the applicable Portfolio Characteristics. It is estimated that the net proceeds from the sale of the Notes and Preference Shares on the Closing Date will be approximately U.S.$ 299,000,000. Any net proceeds from the sale of the Notes and Preference Shares which are, at any time, not invested in Collateral Debt Securities will be invested in Eligible Investments.

Eligibility Criteria

All debt securities (other than Eligible Investments) to be purchased by the Issuer and meeting the criteria described below are referred to herein as "**Collateral Debt Securities**." A Collateral Debt Security will be eligible to be purchased by the Issuer and pledged to the Trustee if it meets the following eligibility criteria (the "**Eligibility Criteria**"):

(a) it is a (i) U.S. Dollar-denominated obligation or security ("**CDO Obligation**") issued by a collateralized debt obligation fund ("**CDO Issuer**") or (ii) U.S. Dollar-denominated Asset-Backed Security ("**Other ABS**") issued by asset-backed securities issuers other than CDO Issuers ("**Other ABS Issuers**"); and

(b) at the time of purchase:

(i) it provides for a fixed amount of principal payable (in an amount at least equal to its stated principal balance at the time of its purchase, including in connection with any redemption or put of such security)

in cash no later than its stated maturity with no contingency regarding the payment of principal or the amount of any payment of principal;

(ii) it is eligible under the instrument or agreement pursuant to which it was issued or created to be purchased by the Issuer and pledged to the Trustee;

(iii) it is not denominated or payable in, or convertible into an obligation or security denominated or payable in, a currency other than Dollars;

(iv) it does not require the Issuer to make one or more future advances or payments to the obligor or issuer;

(v) it has a Moody's Rating, a Standard & Poor's Rating and a Fitch Rating;

(vi) either (A) it is issued by an entity that is treated as a corporation that is not a United States real property holding corporation as defined in Section 897(c)(2) of the Code for U.S. federal income tax purposes, (B) it is treated as indebtedness for U.S. federal income tax purposes or (C) the Issuer has received advice from Cadwalader, Wickersham & Taft LLP or an opinion of other nationally recognized U.S. tax counsel experienced in such matters to the effect that the acquisition, ownership or disposition of such security will not cause the Issuer to be treated as engaged in a trade or business within the United States for U.S. federal income tax purposes or otherwise subject the Issuer to U.S. federal income tax on a net income tax basis;

(vii) it does not provide for any interest, principal or other payments that are subject to deduction or withholding for or account of any withholding or similar tax, unless the issuer of such security is required to make "gross-up" payments that ensure that the net amount actually received by the Issuer (free and clear of taxes, whether assessed against such obligor or the Issuer) will equal the full amount that the Issuer would have received had no such deduction or withholding been required;

(viii) it does not have a Rating assigned by Standard & Poor's that includes a subscript "r," "t," "p," "pi" or "q"; and

(ix) it is in registered form.

In order to ensure that the Issuer is not treated as engaged in a U.S. trade or business for U.S. federal income tax purposes, the Issuer and the Collateral Manager will observe certain additional restrictions and limitations on their activities and on the Collateral Debt Securities 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 Collateral Manager as a result of these limitations and restrictions.

Asset-Backed Securities

Most of the Collateral Debt Securities will consist of Asset-Backed Securities, including, without limitation, Automobile Securities, CMBS Conduit Securities, CMBS Large Loan Securities, Credit Card Securities, Equipment Trust Certificates, Home Equity Loan Securities, ABS CDO Securities, Residential A Mortgage Securities, Residential B/C Mortgage Securities, Residential Mortgage Related Asset-Backed Securities, Small Business Loan Securities, Timeshare Securities. Asset-Backed Securities are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities.

The term "**Asset-Backed Securities**" is generally used to refer to securities for which the underlying collateral consists of assets such as credit card receivables, home equity loans, leases, commercial mortgage loans and debt obligations. Issuers of Asset-Backed Securities are primarily banks and finance companies, captive finance subsidiaries of non-financial corporations or specialized originators such as credit card lenders. Credit risk is an important issue in Asset-Backed Securities because of the significant credit risks inherent in the underlying collateral and because issuers are primarily private entities. Accordingly, Asset-Backed Securities generally include one or more credit enhancements that are designed to raise the overall credit quality of the security above that of the

underlying collateral. Another important type of Asset-Backed Security is commercial paper issued by special-purpose entities. Asset-backed commercial paper is usually backed by trade receivables, though such conduits may also fund commercial and industrial loans. Banks are typically more active as issuers of these instruments than as investors in them.

An Asset-Backed Security is created by the sale of assets or collateral to a conduit, which becomes the legal issuer of the Asset-Backed Securities. The securitization conduit or issuer is generally a bankruptcy-remote vehicle such as a grantor trust or, in the case of an asset-backed commercial paper program, a special-purpose entity. The sponsor or originator of the collateral usually establishes the issuer. Interests in the trust, which embody the right to certain cash flows arising from the underlying assets, are then sold in the form of securities to investors through an investment bank or other securities underwriter. Each Asset-Backed Security has a servicer (often the originator of the collateral) that is responsible for collecting the cash flows generated by the securitized assets—principal, interest and fees net of losses and any servicing costs as well as other expenses—and for passing them along to the investors in accordance with the terms of the securities. The servicer processes the payments and administers the borrower accounts in the pool.

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

Asset-Backed Securities also use various forms of credit enhancements to transform the risk-return profile of underlying collateral, including third-party credit enhancements, recourse provisions, overcollateralization and various covenants. Third-party credit enhancements include standby letters of credit, collateral or pool insurance, or surety bonds from third parties. Recourse provisions are guarantees that require the originator to cover any losses up to a contractually agreed-upon amount. One type of recourse provision, usually seen in securities backed by credit card receivables, is the "spread account." This account is actually an escrow account whose funds are derived from a portion of the spread between the interest earned on the assets in the underlying pool of collateral and the lower interest paid on securities issued by the trust. The amounts that accumulate in this escrow account are used to cover credit losses in the underlying asset pool, up to several multiples of historical losses on the particular assets collateralizing the securities. Overcollateralization is another form of credit enhancement that covers a predetermined amount of potential credit losses. It occurs when the value of the underlying assets exceeds the face value of the securities. A similar form of credit enhancement is the cash-collateral account, which is established when a third party deposits cash into a pledged account. The use of cash-collateral accounts, which are considered by enhancers to be loans, grew as the number of highly rated banks and other credit enhancers declined in the early 1990s. Cash-collateral accounts provide credit protection to investors of a securitization by eliminating "event risk," or the risk that the credit enhancer will have its credit rating downgraded or that it will not be able to fulfill its financial obligation to absorb losses. An investment banking firm or other organization generally serves as an underwriter for Asset-Backed Securities. In addition, a credit-rating agency often will analyze the policies and operations of the originator and servicer, as well as the structure, underlying pool of assets, expected cash flows and other attributes of the securities. Before assigning a rating to the issue, the rating agency will also assess the extent of loss protection provided to investors by the credit enhancements associated with the issue.

Although the basic elements of all Asset-Backed Securities are similar, individual transactions can differ markedly in both structure and execution. Important determinants of the risk associated with issuing or holding the securities include the process by which principal and interest payments are allocated and down-streamed to investors, how credit losses affect the trust and the return to investors, whether collateral represents a fixed set of specific assets or accounts, whether the underlying collateral assets are revolving or closed-end, under what terms (including maturity of the asset-backed instrument) any remaining balance in the accounts may revert to the issuing company and the extent to which the company that is the actual source of the collateral assets is obligated to provide

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

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

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

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

A number of banks have used a structure—a "special-purpose entity"—that is designed to acquire trade receivables and commercial loans from high-quality (often investment-grade) obligors and to fund those loans by issuing (asset-backed) commercial paper that is to be repaid from the cash flow of the receivables. Capital is contributed to the special-purpose entity by the originating bank that, together with the high quality of the underlying borrowers, is sufficient to allow the special-purpose entity to receive a high credit rating. The net result

is that the special-purpose entity's cost of funding can be at or below that of the originating bank itself. The special-purpose entity is "owned" by individuals who are not formally affiliated with the bank, although the degree of separation is typically minimal. These securitization programs enable banks to arrange short-term financing support for their customers without having to extend credit directly. This structure provides borrowers with an alternative source of funding and allows banks to earn fee income for managing the programs. As the asset-backed commercial paper structure has developed, it has been used to finance a variety of underlying loans—in some cases, loans purchased from other firms rather than originated by the bank itself—and as a "remote origination" vehicle from which loans can be made directly. Like other securitization techniques, this structure allows banks to meet their customers' credit needs while incurring lower capital requirements and a smaller balance sheet than if such banks made the loans directly.

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

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

Credit risk arises from (1) losses due to defaults by the borrowers in the underlying collateral and (2) the issuer's or servicer's failure to perform. These two elements can blur together as, for example, in the case of a servicer who does not provide adequate credit-review scrutiny to the serviced portfolio, leading to higher incidence of defaults. Asset-Backed Securities are rated by major rating agencies. Market risk arises from the cash-flow characteristics of the security, which for many Asset-Backed Securities tend to be predictable. The greatest variability in cash flows comes from credit performance, including the presence of wind-down or acceleration features designed to protect the investor in the event that credit losses in the portfolio rise well above expected levels. Interest-rate risk arises for the issuer from the relationship between the pricing terms on the underlying collateral and the terms of the rate paid to security holders and from the need to mark to market the excess servicing or spread account proceeds carried on the balance sheet. Liquidity risk can arise from increased perceived credit risk, like that which occurred in 1996 and 1997 with the rise in reported delinquencies and losses on securitized pools of credit cards. Liquidity can also become a major concern for asset-backed commercial paper programs if concerns about credit quality, for example, lead investors to avoid the commercial paper issued by the relevant special-purpose entity. For these cases, the securitization transaction may include a "liquidity facility," which requires the facility provider to advance funds to the relevant special-purpose entity should liquidity problems arise. To the extent that the bank originating the loans is also the provider of the liquidity facility, and that the bank is likely to experience similar market concerns if the loans it originates deteriorate, the ultimate practical value of the liquidity facility to the transaction may be questionable. Operations risk arises through the potential for misrepresentation of loan quality or terms by the originating institution, misrepresentation of the nature and current value of the assets by the servicer and inadequate controls over disbursements and receipts by the servicer.

The types of Asset-Backed Securities that are eligible to be pledged to the Trustee on the Closing Date are the following different "**Specified Types**." Schedule C sets forth a list identifying the initial portfolio of Collateral Debt Securities included in the Collateral on the Closing Date. The Portfolio Characteristics of the initial portfolio will be determined in part based upon the Specified Types included in the initial portfolio.

"**ABS CDO Securities**" means CDO Obligations 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 Obligations) on the market value of, credit exposure to, or cash flow from, a portfolio consisting substantially of Asset-Backed Securities, commercial mortgage-backed securities or residential mortgage-backed securities or any combination of the foregoing.

"**Automobile Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend on the cash flow from installment sale loans made to finance the acquisition of, or from leases of, automobiles; *provided* that such dependence may in addition be conditioned upon rights or additional assets

designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities such as a financial guaranty insurance policy.

"**CMBS Conduit Securities**" means Asset-Backed Securities (other than CMBS Credit Tenant Lease Securities and CMBS Large Loan Securities) (i) issued by a single-seller or multi-seller conduit under which the holders of such Asset-Backed Securities have recourse to a specified pool of assets (but not other assets held by the conduit that support payments on other series of securities) and (ii) that entitle the holders thereof to receive payments that depend on the cash flow from a pool of commercial mortgage loans; *provided* that such dependence may in addition be conditioned upon rights or additional assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities such as a financial guaranty insurance policy; *provided, further,* that upon original issuance of such Asset-Backed Securities no five commercial mortgage loans account for more than 20% of the aggregate principal balance of the entire pool of commercial mortgage loans supporting payments on such securities.

"**CMBS Large Loan Securities**" means Asset-Backed Securities (other than CMBS Conduit Securities and CMBS Credit Tenant Lease Securities) that entitle the holders thereof to receive payments that depend on the cash flow from a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties; *provided* that such dependence may in addition be conditioned upon rights or additional assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities such as a financial guaranty insurance policy; *provided, further,* that upon original issuance of such Asset-Backed Securities five or fewer commercial mortgage loans account for more than 20% of the aggregate principal balance of the entire pool of commercial mortgage loans supporting payments on such securities.

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

"**Equipment Leasing Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from leases and subleases of equipment to commercial and industrial customers, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the leases or subleases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, sublessee or third party of the underlying equipment; and (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of lease term for excess usage.

"**Equipment Trust Certificates**" means Asset-Backed Securities in the form of equipment trust certificates, including enhanced equipment trust certificates and pass-through equipment trust certificates, issued by, or supported by obligations of, issuers that are subject, or are wholly-owned subsidiaries of parent companies that are subject (in which case such parent companies have fully and unconditionally guaranteed such obligations on a subordinate or non-subordinate basis), to the informational requirements of the Exchange Act and, in accordance therewith, file reports and other information with the Securities and Exchange Commission.

"**Home Equity Loan Securities**" means Asset-Backed Securities (other than Residential A Mortgage Securities and Residential B/C Mortgage Securities) that entitle the holders thereof to receive payments that depend on the cash flow from balances (including revolving balances) outstanding under loans or lines of credit secured by (but not, upon origination, by a first priority lien on) one to four family residential real estate the proceeds of which loans or lines of credit are not used to purchase such real estate or to purchase or construct dwellings thereon (or to refinance indebtedness previously so used); *provided* that such dependence may in addition be conditioned upon

rights or additional assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities such as a financial guaranty insurance policy.

"**Residential A Mortgage Securities**" means Asset-Backed Securities (other than Residential B/C Mortgage Securities and Home Equity Loan Securities) that entitle the holders thereof to receive payments that depend on the cash flow from residential mortgage loans to prime borrowers secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by one to four 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 or to take out equity) and generally underwritten to the standards of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (without regard to the size of the loan); *provided* that such dependence may in addition be conditioned upon rights or additional assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities such as a financial guaranty insurance policy.

"**Residential B/C Mortgage Securities**" means Asset-Backed Securities (other than Residential A Mortgage Securities and Home Equity Loan Securities) that entitle the holders thereof to receive payments that depend on the cash flow from residential mortgage loans to subprime borrowers secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by one to four 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 or to take out equity); *provided* that such dependence may in addition be conditioned upon rights or additional assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities such as a financial guaranty insurance policy.

"**Residential Mortgage Related Asset-Backed Securities**" means Residential A Mortgage Securities, Residential B/C Mortgage Securities and Home Equity Loan Securities.

"**Small Business Loan Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend on the cash flow from general purpose loans made to "small business concerns" (generally within the meaning given to such term by regulations of the United States Small Business Administration), including those (i) made pursuant to Section 7(a) of the United States Small Business Act, as amended, and (ii) partially guaranteed by the United States Business Administration; *provided* that such dependence may in addition be conditioned upon rights or additional assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities such as a financial guaranty insurance policy.

"**Timeshare Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend on the cash flow from borrowers under fixed rate, fully amortizing loans that are secured by first mortgage liens on timeshare estates; *provided* that such dependence may in addition be conditioned upon rights or additional assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities such as a financial guaranty insurance policy.

Synthetic Securities

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

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

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

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

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

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

"**Reference Obligation**" means (a) any CDO Obligation, (b) any Other ABS or (c) a specified pool or index of financial assets, either static or revolving, that by their terms convert into cash within a finite time period, in each case in respect of which the Issuer has obtained a Synthetic Security and which, if purchased by the Issuer, would satisfy the definition of Eligibility Criteria.

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

"**Synthetic Security**" means any swap transaction, credit-linked note, credit derivative, structured bond investment or other investment purchased from, or entered into by the Issuer with, a Synthetic Security Counterparty which investment contains a probability of default, recovery upon default and expected loss characteristics closely correlated to a Reference Obligation (or expected loss characteristics corresponding to losses incurred above and/or below specified thresholds with respect to the Reference Obligation), but which may provide for a different maturity, interest rate or other non-credit characteristics than such Reference Obligation; *provided* that (a) such Synthetic Security will not provide for any payment by the Issuer after the date on which it is pledged to the Trustee unless such security is a Defeased Synthetic Security for which a deposit has been made into the Synthetic Security Issuer Account, (b) such Synthetic Security terminates upon the redemption or repayment in full of such Reference Obligation, (c) such Synthetic Security has a Rating, the Rating Condition (not including a written confirmation by Moody's or Fitch) has been satisfied, and the Trustee has been notified in writing of the Applicable Recovery Rate assigned by each Rating Agency and, in the case of Moody's, the Moody's Rating Factor assigned by Moody's, (d) the acquisition, ownership or disposition of such Synthetic Security will not cause the Issuer to be treated as engaged in a trade or business in the United States for U.S. federal income tax purposes or otherwise subject the Issuer to net income tax, (e) amounts receivable by the Issuer will not be subject to withholding tax in respect of the Synthetic Security or the Synthetic Security Counterparty or the Reference Obligor is required to make "gross-up" payments that cover the full amount of any such withholding tax, (f) the agreements relating to such Synthetic Security contain "non-petition" and "limited recourse" provisions with respect to the Issuer and (g) the agreement relating to such Synthetic Security provide for, on the first day of each payment period under such Synthetic Security, the full payment of all amounts owing for such period by the Synthetic Security Counterparty to the Issuer into the Synthetic Security Issuer Account.

"**Synthetic Security Counterparty**" means any entity that (i) is required to make payments on a Synthetic Security referenced to payments by one or more Reference Obligor(s) on a related Reference Obligation and (ii) on the date such Synthetic Security is acquired by the Issuer, is rated at least "AA" by Standard & Poor's or has a short-term issuer credit rating from Standard & Poor's of at least "A-1", has a long-term unsecured debt rating from Moody's of at least "Aa2" or has a short-term unsecured debt rating from Moody's, if rated by Moody's, of at least "P-1" and has a short-term issuer credit rating from Fitch of at least "F1" or, if there is no such short-term credit rating from Fitch, has a senior unsecured debt rating from Fitch of at least "AA", or the selection of such entity satisfies the Rating Condition.

Portfolio Characteristics

The portfolio of Collateral Debt Securities acquired by the Issuer on or prior to the Closing Date will have the following characteristics (the "**Portfolio Characteristics**"):

Aggregate Principal Balance	(1) the aggregate principal balance of the portfolio of Collateral Debt Securities (including principal collections on such Collateral Debt Securities deposited in the Principal Collection Account on the Closing Date) when added to the aggregate of all purchased accrued interest on such Collateral Debt Securities will be at least U.S.$ 300,000,000;
Collateral Debt Security	(2) each security will be a Collateral Debt Security;
Rating	(3) each security (A) will have a Moody's Rating, a Standard & Poor's Rating and a Fitch Rating and (B)(i) if such security has a publicly available rating from Moody's, such rating will be at least "Baa3" (and will not be "Baa3" on watch for possible downgrade), (ii) if such security has a public rating from Standard & Poor's, such rating will be at least "BBB–" (and will not be "BBB–" on watch for possible downgrade) and (iii) if such security has a publicly available rating from Fitch, such rating will be at least "BBB–" (and will not be "BBB–" on watch for possible downgrade);
No Defaulted Securities, Credit Risk Securities or Written Down Securities	(4) no security will be a Defaulted Security, a Credit Risk Security and Equity Security or a Written Down Security;
Not PIKing	(5) the portfolio of Collateral Debt Securities will not include any security that is currently deferring interest or has capitalized interest that has not been paid in full;
Limitation on Stated Final Maturity	(6) each security does not have a stated maturity that occurs later than the Stated Maturity of the Notes (except that the Issuer may acquire a Collateral Debt Security having a stated maturity later than the Stated Maturity of the Notes so long as (A) the aggregate principal balance of all such pledged Collateral Debt Securities will not exceed 5% of the Net Outstanding Portfolio Collateral Balance, (B) the aggregate principal balance of all pledged Collateral Debt Securities having a stated maturity occurring more than ten years after the Stated Maturity of the Notes will not exceed 3% of the Net Outstanding Portfolio Collateral Balance and (C) as of any date, the Average Life of any such security is not greater than 12 years; *provided* that if such security is a CMBS Conduit Security or a CMBS Large Loan Security, the stated maturity of such CMBS Conduit Security or CMBS Large Loan Security will be deemed to be the earlier of (i) the stated maturity of such CMBS Conduit Security or CMBS Large Loan Security as specified in the related Underlying Instruments and (ii) the date which is five years after the later of (x) the latest occurring balloon date with respect to any balloon loan securing such CMBS Conduit Security or CMBS Large Loan Security and (y) the last scheduled amortization date with respect to any other loans securing such CMBS Conduit Security or CMBS Large Loan Security;
Purchase Price	(7) the purchase price of each security is not less than 75% of the outstanding principal balance thereof;
Miscellaneous Limitations	(8) the portfolio of Collateral Debt Securities will not include (and,

with respect to subclause (C) below, any Equity Security acquired in connection with such security is not) (A) a security issued by an issuer located in a country that imposes foreign exchange controls that effectively limit the availability or use of Dollars to make when due the scheduled payments of principal of and interest on such security; (B) "margin stock" as defined under Regulation U issued by the Board of Governors of the Federal Reserve System; (C) a financing by a debtor-in-possession in any insolvency proceeding; (D) a security that by the terms of its Underlying Instruments provides for mandatory conversion or exchange into equity capital at any time prior to its maturity; or (E) a security that is the subject of an Offer (nor has it been called for redemption);

No Future Advances

(9) the portfolio of Collateral Debt Securities will not include any security, pursuant to which the Issuer is required by the Underlying Instruments related thereto to make any payment or advance to the issuer thereof or to the related Synthetic Security Counterparty (other than a Defeased Synthetic Security);

Fixed Rate Securities

(10) the aggregate principal balance of all fixed rate Collateral Debt Securities (including any Synthetic Security as to which the Reference Obligation is a fixed rate Collateral Debt Security) will be approximately 18% of the Net Outstanding Portfolio Collateral Balance;

Floating Rate Securities

(11) the aggregate principal balance of all floating rate Collateral Debt Securities (including any Synthetic Security as to which the Reference Obligation is a floating rate Collateral Debt Security) will be approximately 82% of the Net Outstanding Portfolio Collateral Balance;

Pure Private Collateral Debt Securities

(12) the aggregate principal balance of all Collateral Debt Securities (including any Synthetic Security) that were not (A) issued pursuant to an effective registration statement under the Securities Act or (B) privately placed securities that are eligible for resale under Rule 144A or Regulation S under the Securities Act, will not exceed 5% of the Net Outstanding Portfolio Collateral Balance;

Single Issue

(13) the aggregate principal balance of all Collateral Debt Securities that are part of the same Issue will not exceed 2% of the Net Outstanding Portfolio Collateral Balance;

Single Servicer

(14) with respect to each security being acquired, the aggregate principal balance of pledged Collateral Debt Securities serviced by such Servicer (together with the aggregate principal balance of any Synthetic Securities related thereto) will not exceed the greater of 7.5% of the Net Outstanding Portfolio Collateral Balance and U.S.$ 22,500,000; *provided, however,* that so long as the Servicer of the security being acquired is not the Collateral Manager: (A) if such Servicer has (1) a credit rating of "Aa3" or higher by Moody's or a servicer ranking of "SQ2" or higher by Moody's, (2) a servicer ranking of "Strong" by Standard & Poor's (or, if no servicer ranking has been assigned by Standard & Poor's, a credit rating of "AA" or higher by Standard & Poor's) and (3) a servicer rating of "S1" by Fitch (or, if no servicer rating has been assigned by Fitch, a credit rating of "AA-." or higher by Fitch), the aggregate principal balance of pledged Collateral Debt Securities serviced by such Servicer may equal up to the greater of 15% of the Net Outstanding Portfolio Collateral Balance and U.S.$ 45,000,000; or (B) if such Servicer does not meet the requirements of clause (A) of this

paragraph (14) and has (1) a credit rating of "A3" or higher by Moody's or a servicer ranking of "SQ2" or higher by Moody's, (2) a servicer ranking of "Above Average" or higher by Standard & Poor's (or if no servicer ranking has been assigned by Standard & Poor's, a credit rating of "A–" or higher by Standard & Poor's) and (3) a servicer rating of "S2" or higher by Fitch (or if no servicer rating has been assigned by Fitch, a credit rating of "A–" or higher by Fitch), the aggregate principal balance of pledged Collateral Debt Securities serviced by such Servicer may equal up to the greater of 10% of the Net Outstanding Portfolio Collateral Balance and U.S.$ 30,000,000;

PIK Bonds

(15) the aggregate principal balance of all Collateral Debt Securities that constitute PIK Bonds will not exceed 5% of the Net Outstanding Portfolio Collateral Balance;

CDO Obligations and Re-REMIC Securities

(16) the aggregate principal balance of all Collateral Debt Securities that are CDO Obligations will not exceed 7% of the Net Outstanding Portfolio Collateral Balance, (B) the aggregate principal balance of all Collateral Debt Securities that are CDO Obligations that entitle the holders thereof to receive payments that depend primarily on Asset-Backed Securities will not exceed 5% of the Net Outstanding Portfolio Collateral Balance, (C) the aggregate principal balance of all Collateral Debt Securities that are CDO Obligations that entitle the holders thereof to receive payments that depend primarily on CDO Obligations will not exceed 2.5% of the Net Outstanding Portfolio Collateral Balance and (D) the aggregate principal balance of (I) all Collateral Debt Securities that are CDO Obligations that entitle the holders thereof to receive payments that depend primarily on Asset-Backed Securities and (II) all Asset-Backed Securities the issuer of which is a REMIC (within the meaning given to such term in the Code) and whose holders are entitled to receive payments that depend primarily on the cash flow from one or more subordinated tranches of securities issued by other REMICs (a "**Re-REMIC**") will not exceed 2.5% of the Net Outstanding Portfolio Collateral Balance;

Interest Paid Less Frequently Than Quarterly

(17) the aggregate principal balance of all Collateral Debt Securities that provide for periodic payments of interest in cash less frequently than quarterly (together with the aggregate principal balance of any Synthetic Security the Reference Obligation of which are such securities) will not exceed 10% of the Net Outstanding Portfolio Collateral Balance;

Non-U.S. Obligors

(18) the aggregate principal balance of all Collateral Debt Securities that are obligations of obligors located outside the United States or any state thereof will not exceed 10% of the Net Outstanding Portfolio Collateral Balance;

Step-Down Bonds

(19) the aggregate principal balance of all Collateral Debt Securities that constitute Step-Down Bonds (including any Synthetic Security the Reference Obligation of which are Step-Down Bonds) will not exceed 5% of the Net Outstanding Portfolio Collateral Balance;

Backed by Obligations of Non-U.S. Obligors

(20) the Aggregate Attributable Amount of all Collateral Debt Securities related to (a) obligors located outside the United States of America will not exceed 10% of the Net Outstanding Portfolio Collateral Balance, (b) obligors located in the United Kingdom will not exceed 10% of the Net Outstanding Portfolio Collateral Balance, (c) obligors located in Canada will not exceed 10% of the Net Outstanding Portfolio

Collateral Balance, (d) Qualifying Foreign Obligors located in any other jurisdiction will not exceed 2.5% of the Net Outstanding Portfolio Collateral Balance, (e) obligors (other than Qualifying Foreign Obligors and obligors located in the United States) located in any other jurisdiction will not exceed 2.5% of the Net Outstanding Portfolio Collateral Balance and (f) Emerging Market Issuers will not exceed 2.5% of the Net Outstanding Portfolio Collateral Balance;

Collateral Quality Tests

(21) each of the Collateral Quality Tests will be satisfied;

Coverage Tests

(22) each of the Coverage Tests will be satisfied;

Synthetic Securities

(23) (A) each Synthetic Security is acquired from a Synthetic Security Counterparty, (B) the aggregate principal balance of all pledged Collateral Debt Securities constituting Synthetic Securities acquired from any single Synthetic Security Counterparty and its affiliates does not exceed 15% of the Net Outstanding Portfolio Collateral Balance, (C) if any Synthetic Security is a Defeased Synthetic Security, such security meets the definition of Defeased Synthetic Security, (D) the aggregate principal balance of all pledged Collateral Debt Securities constituting Synthetic Securities that are credit-linked notes does not exceed 15% of the Net Outstanding Portfolio Collateral Balance, (E) each Rating Agency has confirmed that the Rating Condition has been satisfied with respect to the acquisition of such Synthetic Security, (F) the aggregate principal balance of all pledged Collateral Debt Securities that are Synthetic Securities does not exceed 15% of the Net Outstanding Portfolio Collateral Balance, (G) the criteria used to determine whether to enter into any particular Synthetic Security is similar to the criteria used by any fixed-income portfolio manager to make investments in debt securities, and each Synthetic Security is selected with a view toward maximizing the Issuer's return with respect to that Synthetic Security, and not merely to achieve a diversified pool of independent risks, (H) at the time the Issuer enters into the Synthetic Security, either the Issuer has no expectation that the Reference Obligation or Obligations will default or, if the Issuer reasonably expects a default, the Issuer expects that the present value of any payments required to be made by the Issuer will be less than the present value of the payments received by the Issuer, (I) the Issuer does not enter into the Synthetic Security with a view towards finding another party to assume the Issuer risk (whether under the Synthetic Security or through another offsetting transaction), and does not enter into a transaction that reduces the Issuer's risk with respect to the Synthetic Security unless there has been a material change in circumstances relating to the Issuer, the Issuer's counterparty, the market, or one or more of the Reference Obligations which materially affects the value of the Synthetic Security or causes the Issuer to believe that the Synthetic Security is a less attractive position (whether absolutely or relative to other positions) than the Issuer believed at the time the Issuer originally entered into the position, in which case the Issuer may enter into an offsetting or other transaction as a means to effectively reduce or eliminate the Issuer's economic exposure under the Synthetic Security, (J) the Issuer enters into the Synthetic Security with a counterparty that is a broker-dealer, (K) none of the Issuer and any other person acting on behalf of the Issuer solicits, advertises or publishes the Issuer's ability to enter into Synthetic Security, and (L) the Synthetic Security is written on standard form ISDA documentation; and

Specified Type (24) each security that is an Asset-Backed Security is one of the Specified Types.

Related Definitions

"**Aggregate Attributable Amount**" means, with respect to any specified Collateral Debt Security and issuers incorporated or organized under the laws of any specified jurisdiction or jurisdictions, (a) the aggregate principal balance of such Collateral Debt Security *multiplied by* (b) the aggregate par amount of collateral securing such Collateral Debt Security issued by issuers so organized *divided by* (c) the aggregate par amount of all collateral securing such Collateral Debt Security. The Collateral Manager will determine the Aggregate Attributable Amount with respect to any specified Collateral Debt Security and issuer or issuers based upon information in the most recent servicing, trustee or other similar report delivered in accordance with the related Underlying Instruments and, if no such information is available after inquiry of the relevant issuer, Servicer, collateral manager or any other person or entity serving in a similar capacity, by estimating such Aggregate Attributable Amount in good faith based upon all relevant information otherwise available to the Collateral Manager.

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

"**Credit Risk Security**" means any Collateral Debt Security (other than an Equity Security) that has had its rating downgraded, qualified or withdrawn by any Rating Agency or has been put on "negative credit watch" or similar status for possible downgrading, qualification or withdrawal from the ratings that were in place as of the date the Issuer purchased such Collateral Debt Security (or, if a Disposition Option with respect to such Collateral Debt Security was previously exercisable, the ratings on such date).

"**Defaulted Security**" means any Collateral Debt Security:

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

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

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

(4) as to which the Trustee or the Collateral Manager has actual knowledge that any bankruptcy, insolvency or receivership proceeding has been initiated in connection with the issuer thereof, or there has been proposed or effected any distressed exchange or other debt restructuring pursuant to which the issuer thereof has offered the holders thereof a new security or package of securities that is intended solely to enable the relevant

obligor to avoid defaulting in the performance of its obligations under such Collateral Debt Security; *provided* that a Collateral Debt Security will not constitute a "Defaulted Security" under this clause (4) if such Collateral Debt Security was acquired in a distressed exchange or other debt restructuring and complies with the requirements of the definition of "Collateral Debt Security";

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

(6) that is rated "CC," "D" or "SD" by Standard & Poor's or the rating of which by Standard & Poor's is withdrawn after it has been rated "CC," "D" or "SD" by Standard & Poor's;

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

(8) that is a Defaulted Synthetic Security;

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

(10) that is a Deliverable Obligation that would not satisfy the definition of Eligibility Criteria at the time such Deliverable Obligation is delivered to the Issuer.

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

"**Defaulted Synthetic Security**" means (a) any Synthetic Security as to which, if the applicable Reference Obligation were a Collateral Debt Security, such Reference Obligation would constitute a "Defaulted Security" under the definition thereof (other than any of paragraphs (8), (9) or (10) of such definition) and (b) any Synthetic Security as to which a Deliverable Obligation has become deliverable to the Issuer by reason of the occurrence of one or more "credit events" or other similar circumstances.

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

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

"**Offer**" means, with respect to any security, (i) any offer by the issuer of such security or by any other person made to all of the holders of such security to purchase or otherwise acquire such security (other than pursuant

to any redemption in accordance with the terms of its Underlying Instruments) or to convert or exchange such security into or for cash, securities or any other type of consideration or (ii) any solicitation by the issuer of such security or any other person to amend, modify or waive any provision of such security or any of its Underlying Instruments.

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

"**Special Purpose Vehicle Jurisdiction**" means (a) the Cayman Islands, the Bahamas, Bermuda, the Netherlands Antilles, the Channel Islands and (b) any other jurisdiction that is commonly used as the place of organization of special or limited purpose vehicles that issue Asset-Backed Securities and with respect to the designation of which the Rating Condition is satisfied; *provided* that no jurisdiction will be a Special Purpose Vehicle Jurisdiction unless such jurisdiction generally imposes no nominal tax on the income of special purpose vehicles.

"**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 will not include any such security providing for payment of a constant rate of interest at all times after the date of acquisition by the Issuer. In calculating any Collateral Quality Test by reference to the spread (in the case of a floating rate Step-Down Bond) or coupon (in the case of a fixed rate Step-Down Bond) of a Step-Down Bond, the spread or coupon on any date will be deemed to be the lowest spread or coupon, respectively, scheduled to apply to such Step-Down Bond on or after such date.

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

No Collateral Debt Security may be acquired after the Closing Date.

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

The Collateral Quality Tests

The Collateral Quality Tests will be used solely to establish that the characteristics of the Issuer's portfolio on the Closing Date satisfy certain threshold levels. The "**Collateral Quality Tests**" will consist of the following tests:

- Diversity Test
- Moody's Maximum Weighted Average Rating Factor Test
- Fitch Weighted Average Rating Factor Test
- Moody's Minimum Weighted Average Recovery Rate Test
- Weighted Average Coupon Test
- Weighted Average Spread Test
- Weighted Average Life Test
- Standard & Poor's Minimum Recovery Rate Test

Measurement of the degree of compliance with the Collateral Quality Tests will be required only on the Closing Date.

Diversity Test

The "**Diversity Test**" will be satisfied on any Measurement Date if the Diversity Score on such Measurement Date (rounded to the nearest whole number) is equal to or greater than 15. The "**Diversity Score**" is a single number that indicates collateral concentration implied by types and ratings of the Asset-Backed Securities and is calculated as described in the following paragraphs. A higher Diversity Score reflects a more diverse portfolio.

The default risk of Asset-Backed Securities is assumed by the Rating Agencies to be more highly correlated with other Asset-Backed Securities when compared to the correlation of default risk among a pool of corporate bonds of unaffiliated issuers in many different industry groups. To analyze collateral assets from sectors with correlated default risk, Moody's has developed an alternative Diversity Score method. The derivation of the alternative Diversity Score is based on matching the mean and the standard deviation of the loss distribution associated with the actual portfolio. Moody's alternative Diversity Score method can be found in Credit Derivatives, Risk Books (1999). The formula used to calculate the Diversity Score under this alternative methodology is set forth below.

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

First, Moody's assumes that the actual portfolio consists of n bonds; bond i has a face value F, and a default probability p_i that is implied by the rating and maturity of the bond. The probability of survival for bond i is q_i, which equals 1-p_i. In addition, the correlation coefficient of default between bond i and j is ρ_{ij}. Consequently, the actual collateral pool can be replicated by D homogeneous securities with independent default risk.

$$Average\ Face\ Value = F = (\sum_{i=1}^{n} F_i) \ / \ D$$

$$Average\ Default\ Probability = p = (\sum_{i=1}^{n} p_i F_i) \ / \ (\sum_{i=1}^{n} F_i)$$

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

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

The par amount of any Collateral Debt Security that provides for payment of interest but not principal is deemed to be zero.

In addition, Moody's assumes that the default correlation is associated with the credit quality of the collateral. For example, the default correlation among investment-grade Asset-Backed Securities is lower than the default correlation among below investment-grade Asset-Backed Securities. Finally, the cross correlation of defaults among various types of Asset-Backed Securities plays an important role as well.

Moody's Maximum Weighted Average Rating Factor Test

The "**Moody's Maximum Weighted Average Rating Factor Test**" will be satisfied on any Measurement Date if the Moody's Weighted Average Rating Factor of the Collateral Debt Securities as of such Measurement Date is equal to or less than 345. The "**Moody's Weighted Average Rating Factor**" on any Measurement Date is the number determined by dividing (i) the summation of the series of products obtained for any Collateral Debt Security that is not a Defaulted Security, by multiplying (1) the principal balance on such Measurement Date of each such Collateral Debt Security by (2) its respective Moody's Rating Factor on such Measurement Date by (ii) the sum of (a) the aggregate principal balance on such Measurement Date of all Collateral Debt Securities that are not Defaulted Securities.

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

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

For purposes of the Moody's Maximum Weighted Average Rating Factor Test:

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

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

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

(ii) if such Collateral Debt Security is publicly rated by Moody's, the Moody's Rating will be such rating, or, if such Collateral Debt Security is not publicly rated by Moody's, but the Issuer has requested that Moody's assign a rating to such Collateral Debt Security, the Moody's Rating will be the rating so assigned by Moody's; and

(iii) with respect to any Asset-Backed Security, if such Asset-Backed Security is not rated by Moody's, then the Moody's Rating of such Asset-Backed Security may be determined using any one of the methods below:

(A) with respect to notched ratings on any type of Collateral Debt Security, the Moody's Rating will be determined in accordance with the notching conventions set forth in Schedule D hereto;

(B) with respect to any ABS REIT Debt Security not publicly rated by Moody's, if such Collateral Debt Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) one subcategory below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "BBB-" or above and (2) two rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is below "BBB-";

(C) with respect to any Residential A Mortgage Security not publicly rated by Moody's, if such Collateral Debt Security is publicly rated by Fitch but not Standard & Poor's, then the Moody's Rating thereof will be (1) two subcategories below the Moody's equivalent rating assigned by Fitch if the rating assigned by Fitch is "AAA" to "AA-"; (2) three rating subcategories below the Moody's equivalent rating assigned by Fitch if the rating assigned by

Fitch is "A+" to "BBB-"; and (3) four rating subcategories below the Moody's equivalent rating assigned by Fitch if the rating assigned by Fitch is below "BBB-"; and

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

provided that:

(w) the rating of any Rating Agency used to determine the Moody's Rating pursuant to any of clauses (A), (B), (C) or (D) above will be a public rating (and not an estimated rating) that addresses the obligation of the obligor (or guarantor, where applicable) to pay principal of and interest on the relevant Collateral Debt Security in full and is monitored on an ongoing basis by the relevant Rating Agency;

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

(y) with respect to any Synthetic Security, the Moody's Rating thereof will be determined as specified by Moody's at the time such Synthetic Security is acquired; and

(z) other than for the purposes of paragraph (5) of the Eligibility Criteria, (A) if a Collateral Debt Security is placed on a watch list for possible upgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security will be one rating subcategory above the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list (B) if a Collateral Debt Security (other than a CDO Obligation rated below "A3") is placed on a watch list for possible downgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security will be one rating subcategory below the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list and (C) if a CDO Obligation rated below "A3" is placed on a watch list for possible downgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security will be two rating subcategories below the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list.

A "**Qualifying Foreign Obligor**" is a corporation, partnership or other entity located in any of Australia, Canada, France, Germany, Ireland, New Zealand, Sweden, Switzerland or the United Kingdom, so long as the unguaranteed, unsecured and otherwise unsupported long-term U.S. Dollar sovereign debt obligations of such country are rated "Aa2" or better by Moody's and "AA" or better by Fitch and the Standard & Poor's foreign currency issues credit rating of such Country is "AA" or better.

Fitch Weighted Average Rating Factor Test

The "**Fitch Weighted Average Rating Factor Test**" will be satisfied on any Measurement Date if the Fitch Weighted Average Rating Factor of the Collateral Debt Securities does not exceed 4.25. The "**Fitch Weighted Average Rating Factor**" is the number determined by the Collateral Manager on behalf of the Issuer on any Measurement Date by dividing (i) the summation of the series of products obtained (a) for any pledged Collateral Debt Security that is not a Defaulted Security or Deferred Interest PIK Bond, by multiplying (1) the principal balance on such Measurement Date of each such pledged Collateral Debt Security by (2) its respective Fitch Rating Factor on such Measurement Date and (b) for any Defaulted Security or Deferred Interest PIK Bond, by multiplying (1) the Applicable Recovery Rate (determined for purposes of this definition pursuant to clause (c) of the definition of "Applicable Recovery Rate") for such Defaulted Security or Deferred Interest PIK Bond by (2) the

principal balance on such Measurement Date of each such Defaulted Security 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 Debt Securities that are not Defaulted Securities or Deferred Interest PIK Bonds *plus* (b) the summation of the series of products obtained by multiplying (1) the Applicable Recovery Rate (determined for purposes of this definition pursuant to clause (c) of the definition of "Applicable Recovery Rate") for each Defaulted Security or Deferred Interest PIK Bond by (2) the principal balance on such Measurement Date of such Defaulted Security or Deferred Interest PIK Bond, and rounding the result up to the second decimal place.

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

Fitch Rating	Fitch Rating Factor	Fitch Rating	Fitch Rating Factor
AAA	0.19	BB	13.53
AA+	0.57	BB–	18.46
AA	0.89	B+	22.84
AA–	1.15	B	27.67
A+	1.65	B–	34.98
A	1.85	CCC+	43.36
A-	2.44	CCC	48.52
BBB+	3.13	CC	77.00
BBB	3.74	C	95.00
BBB–	7.26	DDD-D	100.00
BB+	10.18		

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

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

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

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

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

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

Moody's Minimum Weighted Average Recovery Rate Test

The "**Moody's Minimum Weighted Average Recovery Rate Test**" will be satisfied as of any Measurement Date, if the Moody's Weighted Average Recovery Rate is greater than or equal to 29%.

The "**Moody's Weighted Average Recovery Rate**" is the number obtained by summing the products obtained by multiplying the principal balance of each Collateral Debt Security (excluding any Defaulted Security) by its "Applicable Recovery Rate" (determined for purposes of this definition pursuant to clause (a) of the definition of "Applicable Recovery Rate"), dividing such sum by the aggregate principal balance of all such Collateral Debt Securities, multiplying the result by 100 and rounding up to the first decimal place.

Weighted Average Coupon Test

The "**Weighted Average Coupon Test**" will be satisfied if the Weighted Average Coupon is equal to or greater than 5.22% on the Closing Date and on any Measurement Date thereafter.

The "**Weighted Average Coupon**" means, as of any Measurement Date, the sum (rounded up to the next 0.001%) of (a) the number obtained by summing the products obtained by multiplying (x) the current interest rate on each Collateral Debt Security that is a fixed rate security (other than a Defaulted Security, Written Down Security or Deferred Interest PIK Bond) by (y) the principal balance of each such Collateral Debt Security and dividing such sum by the aggregate principal balance of all Collateral Debt Securities that are fixed rate securities (excluding all Defaulted Securities, Written Down Securities, Deferred Interest PIK Bonds) plus (b) if the number obtained pursuant to clause (a) is less than 5.22%, the Spread Excess, if any, as of such Measurement Date. For purposes of this definition, (1) a PIK Bond will be deemed to be a Deferred Interest PIK Bond so long as any interest thereon has been deferred and capitalized for at least one payment date (until payment of interest on such PIK Bond has resumed and all capitalized and deferred interest has been paid in accordance with the terms of the Underlying Instruments) and (2) no contingent payment of interest will be included in such calculation.

The "**Spread Excess**" as of any Measurement Date will equal a fraction (expressed as a percentage), the numerator of which is equal to the product of (a) the greater of zero and the excess, if any, of the Weighted Average Spread for such Measurement Date over 2.15% and (b) the aggregate principal balance of all Collateral Debt Securities that are floating rate securities (excluding Defaulted Securities, Written Down Securities or Deferred Interest PIK Bonds) and the denominator of which is the aggregate principal balance of all Collateral Debt Securities that are fixed rate securities (excluding Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds).

Weighted Average Spread Test

The "**Weighted Average Spread Test**" will be satisfied if the Weighted Average Spread is equal to or greater than 2.15% on the Closing Date and on any Measurement Date thereafter.

The "**Weighted Average Spread**" is the sum (rounded up to the next 0.001%) of (a) a number obtained, as of any Measurement Date, by (i) summing the products obtained by multiplying (x) the stated spread above LIBOR at which interest accrues on each Collateral Debt Security that is a floating rate security (other than a Defaulted Security, a Written Down Security or a Deferred Interest PIK Bond) as of such date by (y) the principal balance of such Collateral Debt Security as of such date, and (ii) dividing such sum by the aggregate principal balance of all Collateral Debt Securities that are floating rate securities (excluding all Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) plus (b) if the number obtained pursuant to clause (a) is less than 2.15%, the Fixed Rate Excess, if any, as of such Measurement Date.

The "**Fixed Rate Excess**" as of any Measurement Date will equal a fraction (expressed as a percentage) the numerator of which is equal to the product of (a) the greater of zero and the excess, if any, of the Weighted Average Coupon for such Measurement Date over 5.22% and (b) the aggregate principal balance of all Collateral Debt Securities that are fixed rate securities (excluding Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds) and the denominator of which is the aggregate principal balance of all Collateral Debt Obligations that are floating rate securities (excluding Defaulted Securities, Written Down Securities and Deferred Interest PIK Bonds).

Weighted Average Life Test

The "**Weighted Average Life Test**" will be satisfied as of any Measurement Date if the Weighted Average Life of all Collateral Debt Securities as of such Measurement Date is less than or equal to 5.5 years.

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

Standard & Poor's Minimum Recovery Rate Test

"**Standard & Poor's Recovery Rate**" means, as of any Measurement Date, the number obtained by summing the products obtained by *multiplying* the Principal Balance of each Collateral Debt Security, other than a Defaulted Security, by its "Applicable Recovery Rate" (determined for purposes of this definition pursuant to clause (b) of the definition of "Applicable Recovery Rate"), *dividing* such sum by the aggregate principal balance of all such Collateral Debt Securities, *multiplying* the result by 100 and rounding up to the first decimal place. For purposes of the Standard & Poor's Recovery Rate, the Principal Balance of a Deferred Interest PIK Bond will be deemed to be equal to its Calculation Amount.

"**Standard & Poor's Minimum Recovery Rate Test**" means a test satisfied if the Standard & Poor's Recovery Rate is equal to or greater than (a) 32% as of any Measurement Date on which any Class A-1 Notes remain outstanding, (b) 32% as of any Measurement Date on which any Class A-2 Notes remain outstanding, (c) 37% as of any Measurement Date on which any Class B Notes remain outstanding, (d) 50% as of any Measurement Date on which any Class C Notes remain outstanding and (e) 55% as of any Measurement Date on which any Preference Shares remain outstanding and (f) 50% as of any Measurement Date on which any Series I Composite Securities remain outstanding.

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

(i) if Standard & Poor's has assigned a rating to such Collateral Debt Security either publicly or privately (in the case of a private rating, with the appropriate consents for the use of such private rating), the Standard & Poor's Rating will be the rating assigned thereto by Standard & Poor's (or in the case of an ABS REIT Debt Security, the issuer credit rating assigned by Standard & Poor's); *provided* that, solely for the purposes of determining compliance with the Standard & Poor's CDO Monitor Test, in respect of any Collateral Debt Security that is on watch for a possible upgrade or downgrade by Standard & Poor's, the Standard & Poor's Rating of such Collateral Debt Security will be one subcategory above or below, respectively, the Standard & Poor's rating otherwise assigned to such Collateral Debt Security;

(ii) if such Collateral Debt Security is not rated by Standard & Poor's but the Issuer on behalf of the Issuer has requested that Standard & Poor's assign a rating to such Collateral Debt Security, the Standard & Poor's Rating will be the rating so assigned by Standard & Poor's; *provided* that pending receipt from Standard & Poor's of such rating, (x) if such Collateral Debt Security is of a type listed on Schedule F or is not eligible for notching in accordance with Schedule E, such Collateral Debt Security will have a Standard & Poor's Rating of "CCC–" and (y) if such Collateral Debt Security is not of a type listed on Schedule F and is eligible for notching in accordance with Schedule E, the Standard & Poor's Rating of such Collateral Debt Security will be the rating assigned in accordance with Schedule E until such time as Standard & Poor's will have assigned a rating thereto; and

(iii) if such Collateral Debt Security is a Collateral Debt Security that has not been assigned a rating by Standard & Poor's pursuant to clause (i) or (ii) above, and is not of a type listed on Schedule F, the Standard & Poor's Rating of such Collateral Debt Security will be the rating determined in accordance with

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

Dispositions of Collateral Debt Securities

The Collateral Debt Securities may be retired prior to their respective final maturities due to, among other things, the existence and frequency of exercise of any optional or mandatory redemption features of such Collateral Debt Securities. The Issuer will not sell or otherwise dispose of any Collateral Debt Security (whether or not such security is performing), except that:

(1) the Collateral Manager will direct the Trustee to sell any equity security acquired by the Issuer as a result of the exercise or conversion of Collateral Debt Securities, in conjunction with the purchase of Collateral Debt Securities or in exchange for a Defaulted Security (any of the foregoing, an "**Equity Security**") on the first date such security may first be sold in accordance with its terms and applicable law;

(2) in the event of an Auction Call Redemption, Optional Redemption or Tax Redemption of the Notes or redemption of the Preference Shares, the Trustee will sell Collateral Debt Securities without regard to the foregoing limitations; *provided* that (i) the proceeds therefrom will be at least sufficient to pay certain expenses and other amounts and redeem in whole but not in part all Notes to be redeemed simultaneously; and (ii) such proceeds are used to make such a redemption. See "Description of the Notes—Auction Call Redemption" and "—Optional Redemption and Tax Redemption;" and

(3) so long as no Event of Default has occurred and is continuing, the Collateral Manager (or an assignee of such option) has the right, at its option (each, a "**Disposition Option**") to purchase any Credit Risk Security, Withholding Security, Written Down Security, Defaulted Security or Impaired RMBS from the Issuer during the Disposition Option Period; *provided* that, such Disposition Option may not be exercised for any Collateral Debt Security the Option Purchase Price of which is greater than the original issue price of such security; *provided* that, in the case of any security that bears interest at, or in relation to, a fixed rate, the original issue price of such security will be adjusted by a percentage equal to the security's original issue duration (in years) multiplied by a percentage equal to any change in the benchmark U.S. Treasury yield since the original issuance of such security, where the maturity of such benchmark is equal to the security's original issue weighted average life (such duration and weighted average life to be calculated by the Collateral Manager in a commercially reasonable manner). The purchase price for any such disposition of a Collateral Debt Security (the "**Option Purchase Price**") will equal the fair market value of such Collateral Debt Security and will be paid to the Trustee within ten Business Days of the exercise of the Disposition Option. The fair market value of any such Collateral Debt Security will be the highest bid, at least one of which is a firm bid, received by the Trustee from at least three nationally recognized independent market makers in such Collateral Debt Securities, which market makers are identified by the Collateral Manager, are independent from each other and from the Collateral Manager and are not affiliates of the Trustee, the Collateral Manager or the Co-Issuers. If the Trustee with the assistance of the Collateral Manager is unable to obtain at least three such bids, the Trustee will re-solicit bids at least three Business Days later. If the Trustee with the assistance of the Collateral Manager is still unable to obtain at least three such bids, but is able to obtain two such bids, the fair market value of such Collateral Debt Security will be the highest of the two bids. If the Trustee with the assistance of the Collateral Manager is unable to obtain two such bids, the Trustee will re-solicit such bids at least three Business Days later. If the Trustee with the assistance of the Collateral Manager is still unable to obtain two such bids, but the Trustee is able to obtain one such bid, the fair market value of such Collateral Debt Security will be such bid. The Trustee with the assistance of the Collateral Manager will redetermine the fair market value of such Collateral Debt Security if there has been a material change in circumstances or the Trustee of the Collateral Manager has received new information that has a material effect on value (or otherwise if the time since the last

valuation exceeds 30 days). The proceeds from any such sale of Collateral Debt Securities will be applied as Principal Proceeds on the next succeeding Distribution Date. Each Disposition Option is exercisable only during the 60-day period following the date on which a Collateral Debt Security becomes a Credit Risk Security, Withholding Security, Written Down Security, Impaired RMBS or a Defaulted Security (the "**Disposition Option Trigger Date**"), unless the Disposition Option Trigger Date occurs within 30 business Days of the end of a calendar quarter, in which case, such Disposition Option will be exercisable for the 60-day period following the first day of the next calendar quarter (the "**Disposition Option Period**"). Any such sale of Collateral Debt Securities will be without recourse to, or representation or warranty by, the Trustee, the Collateral Manager or the Co-Issuers.

A Collateral Debt Security will be a "**Withholding Security**" if the related trustee or paying agent informs the Issuer, Trustee or Collateral Manager that it intends to withhold, or actually does withhold from payment on such Collateral Debt Security, amounts in respect of withholding taxes.

A Collateral Debt Security will be a "**Written Down Security**" if it is a part of an issue as to which the aggregate par amount of the entire class of such Collateral Debt Security and all other securities secured by the same pool of collateral that rank senior in priority of payment to such class exceeds the aggregate par amount (including reserved interest or other amounts available for overcollateralization) of all collateral securing such issue (excluding defaulted collateral).

A Collateral Debt Security that is a Prime RMBS will be an "**Impaired RMBS**" (a) if and so long as, in the Collateral Manager's commercially reasonable business determination, 3% (by aggregate principal balance) of the mortgage loans underlying such RMBS are more than 90 days delinquent as to any monthly debt service payment (or balloon payment) or have been liquidated and (b) the Collateral Manager believes (as of the date of the Collateral Manager's determination based upon currently available information) such security has a risk of declining in credit quality and with lapse of time, becoming a Defaulted Security or a Written Down Security. A Collateral Debt Security that is a Subprime RMBS will be an "**Impaired RMBS**" (a) if and so long as, in the Collateral Manager's commercially reasonable business determination, 15% (by aggregate principal balance) of the mortgage loans underlying such RMBS are more than 90 days delinquent as to any monthly debt service payment (or balloon payment) or have been liquidated (b) the Collateral Manager believes (as of the date of the Collateral Manager's determination based upon currently available information) such security has a risk of declining in credit quality and with lapse of time, becoming a Defaulted Security or a Written Down Security. A Collateral Debt Security that is a High LTV RMBS will be an "**Impaired RMBS**" (a) if and so long as, in the Collateral Manager's commercially reasonable business determination, cumulative losses on the mortgage loans underlying such RMBS equal or exceed 7.5% of the aggregate principal balance of such mortgage loans and (b) the Collateral Manager believes (as of the date of the Collateral Manager's determination based upon currently available information) such security has a risk of declining in credit quality and with lapse of time, becoming a Defaulted Security or a Written Down Security. "**Prime RMBS**" are those RMBS in the Standard & Poor's Category "RMBS A" shown on Schedule C. "**Subprime RMBS**" are those RMBS in the Standard & Poor's Category "RMBS B&C, HELs and HELOCs" shown on Schedule C, except for any High LTV RMBS. "**High LTV RMBS**" are shown by footnote on Schedule C.

The Collateral Manager may elect to exercise any Disposition Option in its sole and absolute discretion and the Collateral Manager may elect not to exercise such Disposition Option or to cancel such Disposition Option at any time during the Disposition Option Period, in which case, such Disposition Option will not be exercisable. Subject to certain conditions specified in the Indenture, each Disposition Option is assignable to a third party by its holder, and upon such assignment, the third party assignee will have all the rights granted to the original holder of the Disposition Option; *provided* that if any assignee exercises the Disposition Option, that exercise will be irrevocable.

Any disposition of a Collateral Debt Security will be conducted on an "arm's-length basis" for fair market value and in accordance with the requirements of the Collateral Management Agreement. The Trustee will have no responsibility to oversee compliance with the above conditions by the other parties.

Notwithstanding anything to the contrary set forth in this section "Dispositions of Collateral Debt Securities" or above under "Portfolio Characteristics," the Issuer will have the right to effect any transaction that has been consented to by the Hedge Counterparty, holders of Notes evidencing 100% of the aggregate outstanding

principal amount of each Class of Notes and each Preference Shareholder, and of which each Rating Agency has been notified.

The Hedge Agreement

The Issuer will on the Closing Date enter into an interest rate protection agreement (such agreement, and any replacement therefor entered into in accordance with the Indenture, the "**Hedge Agreement**") with a counterparty with respect to which the Rating Condition has been satisfied (together with any permitted assignee or successor, the "**Hedge Counterparty**"). The initial Hedge Counterparty will be AIG Financial Products Corp. (the "**Initial Hedge Counterparty**"), located at 50 Danbury Road, Wilton, CT 06897-4444. The Hedge Agreement that will be in effect on the Closing Date will provide that the Hedge Counterparty pay an amount on the Closing Date to the Issuer (the "**Up Front Payment**"). As a result of this Up Front Payment, the amounts payable by the Issuer under the Hedge Agreement on each Distribution Date will be more than such payments would have been if the Up Front Payment had not been made. Moreover, in the event of an early termination of the Hedge Agreement, the Issuer is more likely to be required to make a termination payment to the Hedge Counterparty (and the amount of such termination payment is likely to be greater) as a result of the Up Front Payment. However, the initial cash balance in the Uninvested Proceeds Account will be greater on the Closing Date than it would have been if the Up Front Payment was not paid. Pursuant to the Priority of Payments, scheduled payments required to be made by the Issuer under the Hedge Agreement, together with any termination payments payable by the Issuer other than by reason of an event of default or termination event (other than "illegality" or "tax event") with respect to which the Hedge Counterparty is the defaulting or sole affected party, will be payable pursuant to paragraph (4) under "Priority of Payments—Interest Proceeds" and paragraph (1) under "Priority of Payments—Principal Proceeds." Termination payments owed by the Issuer by reason of an event of default or termination event (other than "illegality" or "tax event") with respect to which the Hedge Counterparty is the sole defaulting or sole affected party will pursuant to the Hedge Agreement be payable solely by the replacement hedge counterparty and not by the Issuer or pursuant to the priority of payments under the Indenture. Each Hedge Agreement will be governed by New York law.

Each Hedge Agreement will provide that, in respect of any Hedge Counterparty (other than the Initial Hedge Counterparty), if:

(i) (x)(i) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of its Hedge Rating Determining Party are rated below "A1" by Moody's (or rated "A1" by Moody's and on watch for possible downgrade) and (ii) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of its Hedge Rating Determining Party are rated below "P1" by Moody's and such rating is on watch for possible downgrade or (y) it its Hedge Determining Party does not have a short-term rating from Moody's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated below "Aa3" by Moody's or are rated "Aa3" by Moody's and such rating is on watch for possible downgrade, then the relevant Hedge Counterparty will, within 30 Business Days of such ratings downgrade, enter into an agreement with the Issuer providing for the posting of Collateral, which agreement satisfies the Rating Condition;

(ii) its Hedge Rating Determining Party (A) fails to satisfy the Ratings Threshold, then the Hedge Counterparty will either (x) assign its rights and obligations in and under the related Hedge Agreement (at its own expense) to another Hedge Counterparty that has ratings at least equal to the Hedge Counterparty Ratings Requirement and such assignment satisfies the Rating Condition or (y) if such Hedge Counterparty is unable to assign its rights and obligations within 30 days, enter into any other agreement with or arrangement for the benefit of the Issuer and the Trustee that is reasonably satisfactory to the Trustee on behalf of the Issuer and that satisfies the Rating Condition or (B) fails to maintain at least a long-term senior unsecured debt rating by Standard & Poor's of at least "BBB–", then as soon as practicable but in no event later than 10 Business Days following such failure, the Hedge Counterparty shall assign its obligations in and under the Hedge Agreement (at its own expense) to another Hedge Counterparty that has ratings at least equal to the Hedge Counterparty Ratings Requirement.

In respect of the Initial Hedge Counterparty, the related Hedge Agreement will provide that:

(i) if a Collateralization Event occurs, the Initial Hedge Counterparty and the Issuer will enter into an agreement, solely at the expense of the Initial Hedge Counterparty, in the form of the ISDA Credit Support Annex attached as Annex B to the Hedge Agreement; *provided* that, a Ratings Event will be deemed to have occurred if the Initial Hedge Counterparty has not, within 30 days following a Collateralization Event, (A) provided sufficient collateral as required under the Initial Hedge Agreement, (B) found another Hedge Counterparty in accordance with paragraph (ii) below, (C) obtained a guarantor (with such form of guarantee satisfying Standard & Poor's then-current published criteria for guarantees) for the obligations of the Initial Hedge Counterparty under the Hedge Agreement with a short-term rating from Standard & Poor's of not lower than "A-1" or, if no short-term rating from Standard & Poor's exists, with a long-term senior unsecured debt rating from Standard & Poor's of "A+" or higher and with a long-term 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 a long-term senior unsecured debt rating from Fitch of at least "A" or (D) taken such other steps as each Rating Agency that has downgraded the Hedge Rating Determining Party in respect of the Initial Hedge Counterparty may require to cause the obligations of the Initial Hedge Counterparty under the Hedge Agreement to be treated by such Rating Agency as if such obligations were owed by a counterparty (x) with a long-term unsecured debt rating of not lower than "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 watch for possible downgrade), (y) with a short-term rating from Standard & Poor's of not lower than "A-1" or, if no short-term rating from Standard & Poor's exists, with a long-term senior unsecured debt rating from Standard & Poor's of "A+" or higher and (z) with a short-term issuer credit rating from Fitch of at least "F1" or, if there is no such short-term issuer credit rating from Fitch, a long-term senior unsecured debt rating from Fitch of at least "A";

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

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

(iv) following the occurrence of a Ratings Event, the Issuer may terminate the Hedge Agreement unless the Initial Hedge Counterparty will assign its rights and obligations in and under the Hedge Agreement (at its own expense) to another Hedge Counterparty that has ratings at least equal to the Hedge Counterparty Ratings Requirement in accordance with the terms of the Hedge Agreement (x) in the case of a Ratings Event as a result of a downgrade, withdrawal or suspension by Moody's or Fitch, within 10 days following such Ratings Event or, if the Issuer does not select another Hedge Counterparty within 10 days following such Ratings Event, to a party selected by the Initial Hedge Counterparty within 20 days following the end of such 10 day period or (y) in the case of a Ratings Event as a result of a downgrade, withdrawal or suspension by Standard & Poor's, as soon as practicable but in no event later than 10 Business Days following such Ratings Event, or with the consent of the Initial Hedge Counterparty enter into any other agreement with or arrangement for the benefit of the Issuer and the Trustee that is reasonably satisfactory to the Trustee on behalf of the Issuer and that satisfies the Rating Condition.

"**Collateralization Event**" means in respect of the Initial Hedge Counterparty, the occurrence of any of the following: (i)(a) the long-term senior unsecured debt rating of such Hedge Rating Determining Party from Standard & Poor's falls below "A+" or no such long-term rating from Standard & Poor's exists and (b) the short-term rating of its Hedge Rating Determining Party from Standard & Poor's falls below "A-1" or no such short-term rating from Standard & Poor's exists; (ii) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to "Aa3" (and on credit watch for possible downgrade) or below "Aa3," if its Hedge Rating Determining Party has a long-term rating only; (iii) the long-term senior unsecured debt

rating of its Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to "A1" (and on credit watch for possible downgrade) or below "A1" or the short-term senior unsecured debt rating of the Initial Hedge Counterparty, or if no such rating is available, its Hedge Rating Determining Party or, if no such rating is available, a guaranteed affiliate thereof from Moody's, if so rated by Moody's, falls to "P-1" (and on credit watch for possible downgrade) or below "P-1"; (v) its Hedge Rating Determining Party's short-term issuer credit rating from Fitch is withdrawn, suspended or falls to "F2" or lower or (vi) if its Hedge Rating Determining Party has no short-term issuer credit rating from Fitch, the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Fitch is withdrawn, suspended or falls below "A."

"**Hedge Counterparty Ratings Requirement**" means, with respect to a Hedge Counterparty (other than the Initial Hedge Counterparty) or any permitted transferee thereof, (a) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of the related Hedge Rating Determining Party are rated at least "A-1" by Standard & Poor's, or (ii) if no short-term debt obligations of such Hedge Rating Determining Party are rated by Standard & Poor's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A+" by Standard & Poor's, (b)(i)(x) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Rating Determining Party are rated "P-1" by Moody's and such rating is not on watch for possible downgrade and (y) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated higher than "A1" by Moody's or are rated "A1" by Moody's and such rating is not on watch for possible downgrade or (ii) if there is no such Moody's short-term debt obligations rating, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated higher than "Aa3" by Moody's or are rated "Aa3" by Moody's and such rating is not on watch for possible downgrade and (c) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Rating Determining Party are rated at least "F1" by Fitch or (ii) if there is no such short-term debt rating by Fitch, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A" by Fitch.

"**Hedge Rating Determining Party**" means, with respect to any Hedge Counterparty, (a) unless clause (b) applies with respect to the related Hedge Agreement, the Hedge Counterparty or any transferee thereof or (b) any affiliate of the Hedge Counterparty or any transferee thereof that unconditionally and absolutely guarantees (with such form of guarantee satisfying Standard & Poor's then-published criteria with respect to guarantees) the obligations of such Hedge Counterparty or such transferee, as the case may be, under such Hedge Agreement. For the purpose of this definition, no direct or indirect recourse against one or more shareholders of the Hedge Counterparty or any such transferee (or against any Person in control of, or controlled by, or under common control with, any such shareholder) will be deemed to constitute a guarantee, security or support of the obligations of such Hedge Counterparty or any such transferee.

"**Ratings Event**" means, with respect to the Hedge Agreement entered into on the Closing Date between the Issuer and the Initial Hedge Counterparty, the occurrence of any of the following: (i) the long-term senior unsecured debt rating of the Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to or below "A2," if the Hedge Rating Determining Party has a long-term rating only; (ii) the long-term senior unsecured debt rating of the Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to or below "A3" or the short-term senior unsecured debt rating of the Initial Hedge Counterparty, or, if no such rating is available, the Hedge Rating Determining Party or, if no such rating is available, a guaranteed affiliate thereof from Moody's, if so rated by Moody's, falls to or below "P-2"; (iii) the long-term senior unsecured debt rating of the Hedge Rating Determining Party from Standard & Poor's is withdrawn, suspended or falls below "BBB–"; (iv) the short-term issuer credit rating of the Hedge Rating Determining Party from Fitch is withdrawn, suspended or falls below "F2" or, if no such rating is available, the long-term senior unsecured debt rating of the Hedge Rating Determining Party from Fitch is withdrawn, suspended or falls below "BBB+" or (v) the failure of the Initial Hedge Counterparty to provide, within 10 days following a Collateralization Event, sufficient collateral as required under this Indenture and the relevant Hedge Agreement.

"**Ratings Threshold**" means, with respect to a Hedge Counterparty (other than the Initial Hedge Counterparty), (a) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Counterparty (or any affiliate of such Hedge Counterparty that unconditionally and absolutely guarantees, with such form of guarantee satisfying Standard & Poor's then published criteria with respect to

guarantees, the obligations of such Hedge Counterparty under the Hedge Agreement to which it is a party) are rated at least "A-1" by Standard & Poor's or (ii) if the Hedge Counterparty (or any affiliate of a Hedge Counterparty that unconditionally and absolutely guarantees, with such form of guarantee satisfying Standard & Poor's then published criteria with respect to guarantees, the obligations of such Hedge Counterparty) does not have a short-term rating from Standard & Poor's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Counterparty (or any affiliate of a Hedge Counterparty that unconditionally and absolutely guarantees the obligations of such Hedge Counterparty) are rated at least "A+" by Standard & Poor's, (b) either (i) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Counterparty (or any affiliate of a Hedge Counterparty that unconditionally and absolutely guarantees the obligations of such Hedge Counterparty) are rated at least "A1" by Moody's (whether or not such rating is on watch for possible downgrade) and no short-term rating is available from Moody's, or (ii) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Counterparty (or any affiliate of a Hedge Counterparty that unconditionally and absolutely guarantees the obligations of such Hedge Counterparty) are rated at least "A2" by Moody's (whether or not such rating is on watch for possible downgrade) and the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Counterparty (or any affiliate of a Hedge Counterparty that unconditionally and absolutely guarantees the obligations of such Hedge Counterparty) are rated at least "P-1" by Moody's (whether or not such rating is on watch for possible downgrade) and (c) either (x) the short-term debt rating, issuer rating or counterparty rating of such Hedge Counterparty (or any affiliate of a Hedge Counterparty that unconditionally and absolutely guarantees the obligations of such Hedge Counterparty) is at least "F1" by Fitch or (y) if the Hedge Counterparty (or any affiliate of a Hedge Counterparty that unconditionally and absolutely guarantees the obligations of such Hedge Counterparty) does not have a short-term rating by Fitch, the long-term debt rating, issuer rating or counterparty rating of such Hedge Counterparty (or any affiliate of a Hedge Counterparty that unconditionally and absolutely guarantees the obligations of such Hedge Counterparty) is at least "A" by Fitch. For the purpose of this definition, no direct or indirect recourse against one or more shareholders of such Hedge Counterparty (or against any Person in control of, or controlled by, or under common control with, any such shareholder) will be deemed to constitute a guarantee, security or support of the obligations of such Hedge Counterparty.

The Trustee will deposit all collateral received from the Hedge Counterparty under the Hedge Agreement in one or more securities accounts in the name of the Trustee that will each be designated a "**Hedge Counterparty Collateral Account**," which accounts will be held in trust by the Trustee for the benefit of the Secured Parties.

Each Hedge Agreement will be subject to termination upon the earlier to occur of the following: (a) notice of liquidation of the Collateral following an Event of Default under the Indenture and (b) notice of any Auction Call Redemption, Optional Redemption or Tax Redemption, but only to the extent any such redemption has become irrevocable. If amounts are applied to a redemption of the Notes on any Distribution Date in accordance with the Priority of Payments by reason of a failure to satisfy any of the Coverage Tests, then, subject to the satisfaction of the Rating Condition, the Hedge Agreement will be subject to partial termination on such Distribution Date with respect to a portion of the notional amount thereof equal to the aggregate outstanding principal amount of Notes so redeemed on such Distribution Date. Upon any such termination or reduction of a notional amount, a termination payment with respect to the notional amount terminated or reduced may become payable by the Hedge Counterparty or the Issuer to the other party under the Hedge Agreement, with such termination payment being calculated as described below.

If at any time the Hedge Agreement becomes subject to early termination due to the occurrence of an "event of default" or a "termination event" (each as defined in the Hedge Agreement) attributable to the Hedge Counterparty thereto, the Issuer and the Trustee, in consultation with the Collateral Manager, will take such actions (following the expiration of any applicable grace period) to enforce the rights of the Issuer and the Trustee thereunder as may be permitted by the terms of the Hedge Agreement and consistent with the terms hereof, and will apply the proceeds of any such actions (including the proceeds of the liquidation of any collateral pledged by the Hedge Counterparty) to enter into a replacement Hedge Agreement on substantially identical terms or on such other terms satisfying the Rating Condition, and with a Hedge Counterparty with respect to which the Rating Condition will have been satisfied. In determining the amount payable under the terminated Hedge Agreement, the Issuer will seek quotations from reference market-makers that satisfy the Hedge Counterparty Ratings Requirement. In addition, the Issuer will use its best efforts to cause the termination of the Hedge Agreement to become effective simultaneously with the entry into a replacement Hedge Agreement described as aforesaid. Notwithstanding the

foregoing, if a Hedge Agreement becomes subject to early termination due to the occurrence of an "event of default" or a "termination event" (each as defined in the related Hedge Agreement) attributable to the Hedge Counterparty thereto, the Issuer agrees not to exercise its right to terminate the relevant Hedge Agreement unless no amounts would be owed by the Issuer to the Hedge Counterparty as a result of such termination (or the Issuer certifies to the Hedge Counterparty that the funds available on the next Distribution Date will be sufficient to pay such termination payment); *provided, however,* in such event, at the option of the Issuer, the Hedge Counterparty will be required to assign its rights and obligations under the relevant Hedge Agreement and all transactions thereunder at no cost to the Issuer (it being understood that the Hedge Counterparty will pay the Issuer's expenses in connection therewith, including legal fees) to a party selected by the Hedge Counterparty (with the assistance of the Issuer, which assistance will not be unreasonably withheld) (the "**Subordinated Termination Substitute Party**") (x) in the case of the occurrence of an "event of default" or a "termination event" (each as defined in the Hedge Agreement) attributable to the Hedge Counterparty other than a downgrade, withdrawal or suspension from Standard & Poor's within 30 days following the selection of a Subordinated Termination Substitute Party by the Hedge Counterparty or (y) in the case of the occurrence of an "event of default" or a "termination event" (each as defined in the Hedge Agreement) attributable to the Hedge Counterparty that is a downgrade, withdrawal or suspension from Standard & Poor's as soon as practicable but in no event later than 10 Business Days following such downgrade, withdrawal or suspension from Standard & Poor's; *provided* that such an assignment will not comply with this provision unless (A) as of the date of such transfer neither the Subordinated Termination Substitute Party nor the Issuer will be required to withhold or deduct on account of any tax from any payments under the Hedge Agreement in excess of what would have been required to be withheld or deducted in the absence of such transfer; (B) a "termination event" or "event of default" does not occur under the Hedge Agreement as a result of such assignment; (C) the Subordinated Termination Substitute Party satisfies the Hedge Counterparty Ratings Requirement; (D) such Subordinated Termination Substitute Party assumes the obligations of the Hedge Counterparty under the Hedge Agreement (through an assignment and assumption agreement in form and substance reasonably satisfactory to the Issuer) or replaces the outstanding transactions under the Hedge Agreement with transactions on substantially identical terms, except that the Hedge Counterparty will be replaced as counterparty; (E) such assignment satisfies the Rating Condition; (F) the Hedge Counterparty assumes payment of any cost associated with the transfer of the Hedge Agreement and all transactions thereunder to the Subordinated Termination Substitute Party; (G) the Subordinated Termination Substitute Party will be a dealer in notional principal contracts and (H) payment has been made to the Hedge Counterparty by the Subordinated Termination Substitute Party of an amount payable under the terminated Hedge Agreement based on quotations from reference market-makers, such payment in full satisfaction of all amounts owing by the Issuer in connection with such assignment (for the avoidance of doubt, other than unpaid amounts).

Amounts payable upon any such termination or reduction will be based upon standard replacement transaction valuation methodology set forth in the 1992 ISDA Master Agreement published by the International Swaps and Derivatives Association, Inc. If any amount is payable by the Issuer to the Hedge Counterparty in connection with the occurrence of any such partial termination or notional reduction, such amount, together with interest on such amount for the period from and including the date of termination to but excluding the date of payment, will be payable on such Distribution Date to the extent funds are available for such purpose in accordance with the Priority of Payments, and any amount not so paid on such Distribution Date will be payable on the first Distribution Date on which such amount may be paid in accordance with the Priority of Payments; *provided, however,* that any termination payment (and any accrued interest thereon) payable to a Hedge Counterparty by reasons of an event of default or termination event (other than "illegality" or "tax event") with respect to which such Hedge Counterparty is the defaulting or sole affected party will be payable solely by the replacement Hedge Counterparty pursuant to the Hedge Agreement.

The obligations of the Issuer under the Hedge Agreements are limited recourse obligations payable solely from the Collateral pursuant to the Priority of Payments; *provided, however,* that any termination payment (and any accrued interest thereon) payable to the Hedge Counterparty by reasons of an event of default or termination event (other than "illegality" or "tax event") with respect to which such Hedge Counterparty is the defaulting or sole affected party will be payable solely by the replacement Hedge Counterparty pursuant to the Hedge Agreement.

The Accounts

Collection Accounts

All distributions on the Collateral Debt Securities and any proceeds received from the disposition of any such Collateral Debt Securities, to the extent such distributions or proceeds constitute Interest Proceeds, and any amounts payable to the Issuer by the Hedge Counterparty under the Hedge Agreement will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the "**Interest Collection Account**") except that certain Interest Proceeds received during any Due Period with respect to any Semi-Annual Pay Security will be deposited in the Interest Equalization Account. All distributions on the Collateral Debt Securities and any proceeds received from the disposition of any such Collateral Debt Securities to the extent such distributions or proceeds constitute Principal Proceeds (unless simultaneously reinvested in Eligible Investments) will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the "**Principal Collection Account**" and, together with the Interest Collection Account, the "**Collection Accounts**"). The Collection Accounts will be maintained for the benefit of the Secured Parties and amounts on deposit therein will be available, together with reinvestment earnings thereon, for application in the order of priority set forth above under "Description of the Notes—Priority of Payments."

Amounts received in the Collection Accounts during a Due Period will be invested in Eligible Investments (as described below) with stated maturities no later than the Business Day immediately preceding the next Distribution Date. All such proceeds will be retained in the Collection Accounts or used as otherwise permitted under the Indenture.

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

(a) cash;

(b) direct registered obligations of, and registered obligations the timely payment of principal and interest on which is fully and expressly guaranteed by, the United States or any agency or instrumentality of the United States the obligations of which are expressly backed by the full faith and credit of the United States;

(c) demand and time deposits in, certificates of deposit of, bankers' acceptances payable within 183 days of issuance issued by, or Federal funds sold by any depository institution or trust company incorporated under the laws of the United States or any state thereof and subject to supervision and examination by Federal and/or state banking authorities so long as the commercial paper and/or the debt obligations of such depository institution or trust company (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have a credit rating of not less than "Aa2" by Moody's, "AA+" by Standard & Poor's and "AA+" by Fitch in the case of long-term debt obligations, or "P-1" by Moody's, "A-1+" by Standard & Poor's and "F1+" by Fitch in the case of commercial paper and short-term debt obligations; *provided* that (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's and "AA+" by Fitch, and (ii) in the case of commercial paper and short-term debt obligations with a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's and "AA+" by Fitch;

(d) unleveraged repurchase obligations (if treated as debt for tax purposes by the issuer) with respect to (i) any security described in clause (b) above or (ii) any other registered security issued or guaranteed by an agency or instrumentality of the United States (in each case without regard to the stated maturity of such security), in either case entered into with a U.S. Federal or state depository institution or trust company (acting as principal) described in clause (c) above or entered into with a corporation (acting as principal) whose long-term rating is not less than "Aa2" by Moody's, "AA+" by Standard & Poor's and "AA+" by Fitch or whose short-term credit rating is "P-1" by Moody's, "A-1+" by Standard & Poor's and "F1+" by Fitch at the time of such investment; *provided* that (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's and (ii) if such security has

a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's and "AA+" by Fitch;

(e) registered debt securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States or any state thereof that have a credit rating of not less than "Aa2" by Moody's, "AA+" by Standard & Poor's and "AA+" by Fitch;

(f) commercial paper or other short-term obligations with a maturity of not more than 183 days from the date of issuance and having at the time of such investment a credit rating of "P-1" by Moody's, "A-1+" by Standard & Poor's and "F1+" by Fitch; *provided* that (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's and "AA+" by Fitch, and (ii) if such security has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's and "AA+" by Fitch;

(g) reinvestment agreements issued by any bank (if treated as a deposit by such bank), or a registered reinvestment agreement issued by any insurance company or other corporation or entity organized under the laws of the United States or any state thereof (if treated as debt for tax purposes by the issuer), in each case, that has a credit rating of not less than "P-1" by Moody's, "A-1+" by Standard & Poor's and "F1+" by Fitch; *provided* that (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's and "AA+" by Fitch, and (ii) if such security has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's and "AA+" by Fitch; and

(h) any money market fund or similar investment vehicle having at the time of investment therein the highest credit rating assigned by each of the Rating Agencies; *provided* that the ownership of an interest in such fund or vehicle will not subject the Issuer to net income tax in any jurisdiction;

and, in each case (other than clause (a)), with a stated maturity (giving effect to any applicable grace period) no later than the Business Day immediately preceding the Distribution Date next following the Due Period in which the date of investment occurs; *provided* that Eligible Investments may not include (i) any security purchased at a price in excess of 100% of the par value thereof or any security whose repayment is subject to substantial non-credit related risk as determined in the reasonable business judgment of the Collateral Manager, (ii) any floating rate security whose interest rate is inversely or otherwise not proportionately related to an interest rate index or is calculated as other than the sum of an interest rate index *plus* a spread, (iii) any mortgage-backed securities, (iv) any security whose rating by Standard & Poor's includes the subscript "r," "t," "p," "pi" or "q," (v) any interest-only security or (vi) any security that is subject to an offer of exchange; *provided, further*, such Eligible Investments either will be treated as indebtedness for U.S. federal income tax purposes, or the Issuer has received written advice from Cadwalader, Wickersham & Taft LLP or an opinion of other nationally recognized U.S. tax counsel experienced in such matters to the effect that the ownership of such security will not cause the Issuer to be treated as engaged in a trade or business within the United States for U.S. federal income tax purposes or otherwise subject the Issuer to U.S. federal income tax on a net income tax basis, and such Eligible Investments will not be subject to deduction or withholding for or account of any withholding or similar tax, unless the payor is required to make "gross-up" payments that ensure that the net amount actually received by the Issuer (free and clear of taxes, whether assessed against such obligor or the Issuer) will equal the full amount that the Issuer would have received had no such deduction or withholding been required.

Interest Equalization Account

During any Due Period, the Trustee will deposit such amount of distributions received on any Semi-Annual Pay Security during any Due Period that the Collateral Manager reasonably determines necessary to equalize quarterly interest cash flows and to the extent such distributions or proceeds constitute Interest Proceeds. Such amounts will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the "**Interest Equalization Account**"). The Interest Equalization Account will be maintained for the benefit of the Noteholders, and amounts deposited therein in respect of any Due Period will be available, together with investment earnings thereon, for payment to the Interest Collection Account on the last day of the next succeeding Due Period (to be applied as Interest Proceeds). In addition, in connection with any redemption of the

Notes, the full amount on deposit in the Interest Equalization Account will be paid to the Interest Collection Account and available to pay the redemption price of the Notes as if such amount had originally been on deposit in the Interest Collection Account. Amounts on deposit in the Interest Equalization Account will be invested in Eligible Investments with stated maturities no later than the last day of the next succeeding Due Period.

As used herein, "**Semi-Annual Pay Security**" means any Collateral Debt Security that, pursuant to the terms of the related Underlying Instruments, pays interest no more frequently than semi-annually.

Payment Account

On or prior to the Business Day prior to each Distribution Date, the Trustee will deposit into a single, segregated account established and maintained by the Trustee under the Indenture (the "**Payment Account**") for the benefit of the Secured Parties all funds in the Collection Account (other than amounts received after the end of the Due Period with respect to such Distribution Date) required for payments to Noteholders and payments of fees and expenses in accordance with the priority described under "Description of the Notes—Priority of Payments." In addition, any Uninvested Proceeds on deposit in the Uninvested Proceeds Account on the Determination Date preceding the April 2005 Distribution Date will be transferred to the Payment Account and treated as Principal Proceeds on the April 2005 Distribution Date and distributed in accordance with the Priority of Payments.

Uninvested Proceeds Account

On the Closing Date, the Trustee will deposit the net proceeds (if any) from the issuance and sale of the Notes and Preference Shares that are not invested in Collateral Debt Securities on the Closing Date, not deposited in the Collection Accounts and not deposited in the Expense Account into a single, segregated account established and maintained by the Trustee under the Indenture (the "**Uninvested Proceeds Account**"). Investment earnings on Eligible Investments in the Uninvested Proceeds Account will be transferred to the Interest Collection Account and treated as Interest Proceeds on the April 2005 Distribution Date. In addition, any Uninvested Proceeds on deposit in the Uninvested Proceeds Account on the Determination Date preceding the April 2005 Distribution Date will be transferred to the Payment Account and treated as Principal Proceeds on the April 2005 Distribution Date and distributed in accordance with the Priority of Payments.

Expense Account

On the Closing Date, after payment of the organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchasers and the Collateral Manager) and the expenses of offering the Offered Securities, U.S.$ 75,000 from the proceeds of the offering of the Offered Securities will be deposited by the Trustee into a single, segregated account established and maintained by the Trustee under the Indenture (the "**Expense Account**"). All funds on deposit in the Expense Account will be invested in Eligible Investments. Amounts on deposit in the Expense Account may be withdrawn from time to time to pay accrued and unpaid expenses of the Co-Issuers (other than fees and expenses of the Trustee and the Collateral Administrator and the Collateral Manager Fee, but including other amounts payable by the Issuer to the Collateral Manager under the Collateral Management Agreement or the Indenture). All funds on deposit in the Expense Account at the time when substantially all of the Issuer's assets have been sold or otherwise disposed of (as determined by the Collateral Manager) will be deposited by the Trustee into the Payment Account for application as Interest Proceeds on the immediately succeeding Distribution Date. After the Closing Date, additional amounts may be credited to the Expense Account on any Distribution Date as described under "Description of the Notes—Priority of Payments."

Interest Reserve Account

On the Closing Date U.S.$ 200,000 from the proceeds of the offering of the Offered Securities will be deposited by the Trustee into a single account established and maintained by the Trustee under the Indenture (the "**Interest Reserve Account**"). All funds on deposit in the Interest Reserve Account will be invested in Eligible Investments at the direction of the Collateral Manager. The only permitted withdrawal from or application of funds on deposit in, or otherwise standing to the credit of, the Interest Reserve Account will be as follows: at least one Business Day prior to the first Distribution Date, the Trustee will transfer all funds on deposit in the Interest Reserve Account to the Payment Account for application as Interest Proceeds in accordance with the Priority of Payments.

Preference Share Payment Account

On each Distribution Date, the Trustee, in accordance with the Priority of Payments, will transfer to the Preference Share Paying Agent the amounts (if any) for deposit to a segregated account (the "**Preference Share Payment Account**") established and maintained by the Preference Share Paying Agent pursuant to the Preference Share Paying Agency Agreement. The Preference Share Payment Account and any sums standing to the credit thereof will not form part of the Collateral.

Synthetic Security Counterparty Accounts

For each Defeased Synthetic Security, the Trustee will establish a trust account (each such account, a "**Synthetic Security Counterparty Account**") that will be held in the name of the Trustee in trust for the benefit of the related Synthetic Security Counterparty and over which the Trustee will have exclusive control and the sole right of withdrawal in accordance with the applicable Synthetic Security and the Indenture. The Trustee and the Issuer will, in connection with the establishment of a Synthetic Security Counterparty Account, enter into a separate account control and security agreement with the Synthetic Security Counterparty setting forth the rights and obligations of the Issuer, the Trustee and the Synthetic Security Counterparty with respect to such account and pursuant to which the Issuer will grant the Trustee a first priority security interest in such Synthetic Security Counterparty Account for the benefit of the Synthetic Security Counterparty. As directed by Issuer Order executed by the Collateral Manager, the Trustee will withdraw from the Uninvested Proceeds Account and deposit into each Synthetic Security Counterparty Account the amount required to secure the obligations of the Issuer in accordance with the terms of the related Defeased Synthetic Security to the extent that the relevant amount has not been deposited in the Synthetic Security Counterparty Account from the net proceeds received by the Issuer from the issuance of the Notes and the Preference Shares, which amount will be at least equal to the amount referred to in paragraph (a) of the definition of Defeased Synthetic Security.

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

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

Each Synthetic Security Counterparty Account will remain at all times with a financial institution organized and doing business under the laws of the United States or any State thereof, authorized under such laws to exercise corporate trust powers and having a long-term debt rating of at least "Baa1" by Moody's (and, if rated "Baa1," not be on watch for possible downgrade by Moody's) and at least "BBB+" by Standard & Poor's and a combined capital and surplus in excess of U.S.$ 250,000,000.

Synthetic Security Issuer Accounts

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

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

Funds and other property standing to the credit of any Synthetic Security Issuer Account will not be considered to be an asset of the Issuer for purposes of any of the Collateral Quality Tests or the Coverage Tests; however, the Synthetic Security that relates to such Synthetic Security Issuer Account will be considered an asset of the Issuer for such purposes.

In accordance with the terms of the applicable Synthetic Security, funds and other property standing to the credit of the related Synthetic Security Issuer Account will, as directed by the Collateral Manager by Issuer Order, be withdrawn by the Trustee and applied to the payment of any amount owing by the related Synthetic Security Counterparty to the Issuer. After payment of all amounts owing by the Synthetic Security Counterparty to the Issuer in accordance with the terms of the related Synthetic Security, all funds and other property standing to the credit of the related Synthetic Security Issuer Account will be withdrawn from such Synthetic Security Issuer Account and paid or transferred to the related Synthetic Security Counterparty in accordance with the applicable Synthetic Security.

Each Synthetic Security Issuer Account will remain at all times with a financial institution organized and doing business under the laws of the United States or any State thereof, authorized under such laws to exercise corporate trust powers and having a long-term debt rating of at least "Baa1" by Moody's (and, if rated "Baa1," not be on watch for possible downgrade by Moody's) and at least "BBB+" by Standard & Poor's and a combined capital and surplus in excess of U.S.$ 250,000,000.

THE COLLATERAL MANAGER

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

General

Certain servicing, administrative and advisory functions with respect to the Collateral will be performed by the Collateral Manager under the Collateral Management Agreement to be entered into between the Issuer and the Collateral Manager (the "**Collateral Management Agreement**"). The Collateral Manager will, pursuant to the terms of the Collateral Management Agreement and the Indenture, select, monitor and provide the Issuer with certain information relating to, the portfolio of Collateral Debt Securities and Eligible Investments, and instruct the Trustee with respect to the disposition of Collateral Debt Securities and Eligible Investments in the event of a Tax Redemption, Auction Call Redemption or redemption of the Preference Shares. In addition, pursuant to the terms of the Collateral Administration Agreement (the "**Collateral Administration Agreement**") among the Issuer, the Collateral Manager and Wells Fargo Bank, National Association, as collateral administrator (in such capacity, the "**Collateral Administrator**"), the Issuer will retain the Collateral Administrator to prepare certain reports with respect to the Collateral Debt Securities. The compensation paid to the Collateral Administrator by the Issuer for such services will be in addition to the fees paid to the Collateral Manager and to the Trustee in its capacity as Trustee under the Indenture, and will be treated as an expense of the Issuer under the Indenture and will be subject to the priorities set forth under "Description of the Notes—Priority of Payments."

The Collateral Manager is not permitted under the terms of the Indenture to sell any Collateral Debt Securities other than (a) Equity Securities, (b) in connection with a Disposition Option, Credit Risk Securities, Withholding Securities, Written Down Securities, Defaulted Securities or Impaired RMBS or (c) in the event of (i) an Optional Redemption, (ii) a Tax Redemption, (iii) an Auction Call Redemption or (iv) a redemption of the Preference Shares. Accordingly, during certain periods or in certain specified circumstances, the Issuer will not be able to buy and may be unable to sell Collateral Debt Securities or to take other actions which the Collateral Manager might consider in the best interests of the Issuer and the Noteholders. See "Security for the Notes—Dispositions of Collateral Debt Securities."

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

All of the Asset-Backed Securities purchased by the Issuer on the Closing Date will have been purchased from a portfolio of Asset-Backed Securities originally held by the Collateral Manager. The Issuer will purchase Asset-Backed Securities from the Collateral Manager only to the extent the Collateral Manager determines that such purchases are consistent with the investment guidelines and objectives of the Issuer, the restrictions contained in the Indenture and applicable law. In any event, such purchases of such Asset-Backed Securities will be on an "arm's-length basis." See "Risk Factors—Certain Conflicts of Interest."

The Preference Share Affiliate of the Collateral Manager will acquire 5,000 of the Non-Composite Preference Shares on the Closing Date. In addition, the Collateral Manager, its Affiliates and accounts for which the

Collateral Manager or any Affiliate thereof acts as investment adviser may at times own Notes of one or more Classes. At any given time, the Collateral Manager and its Affiliates will not be entitled to vote the Offered Securities held by any of such Collateral Manager, its Affiliates and accounts for which such Collateral Manager or any Affiliate thereof acts as investment adviser (and for which such Collateral Manager or such Affiliate has discretionary authority) with respect to any assignment or termination of, any of the express rights or obligations of the Collateral Manager under the Collateral Management Agreement or the Indenture (including the exercise of any rights to remove such Collateral Manager or terminate the Collateral Management Agreement or approve or object to a Replacement Officer), or any amendment or other modification of the Collateral Management Agreement or the Indenture increasing the rights or decreasing the obligations of the Collateral Manager. See "Risk Factors—Certain Conflicts of Interest."

E*TRADE Global Asset Management, Inc.

E*TRADE Global Asset Management, Inc. ("**ETGAM**"), 671 North Glebe Road, Arlington, VA 22203, is an indirect, wholly-owned subsidiary of E*TRADE Financial Corp., Inc., a publicly traded, diversified, financial services company listed on the New York Stock Exchange. ETGAM is a registered broker-dealer and manages approximately U.S.$ 24.2 billion in mortgages, consumer loans, asset-backed and mortgage-backed securities, and corporate debt obligations and other assets on behalf of E*TRADE Bank. ETGAM's principal offices are located at 671 North Glebe Road, Arlington, Virginia 22203.

Investment Strategy

ETGAM strives to achieve superior risk-adjusted returns utilizing a value-oriented investment approach with an emphasis on sector selection and on credits that possess stable cash flows and sound credit fundamentals. Portfolio purchases are subjected to rigorous analysis and due diligence and must comply with current ETGAM guidelines for investing in asset-backed securities in addition to satisfying the Portfolio Characteristics. Each investment is reviewed by ETGAM's investment committee to determine the suitability of such security for the investment portfolio. ETGAM seeks to minimize risk through portfolio diversification across both issuer and sector, asset selection, regular monitoring of the performance of the collateral, and periodic assessment of the overall credit environment across different sectors and issues.

The Manager's collateral analysis and review process rely on the same credit discipline as the one applied by its loan underwriters. The analysis will focus on the composition of the underlying pool, a comparison of the subject pool to other transactions within the relevant sector, and historical performance. ETGAM evaluates the originator and the servicer of the underlying assets, with particular emphasis on the level of experience, the quality of the origination and servicing platform, and the financial condition and liquidity of the servicer. A structural analysis is also performed, including an assessment of default risk and recovery expectations under both a base case scenario and under various stressed economic scenarios. The transaction structure is tested under varying default, recovery, interest rate and prepayment scenarios to evaluate the integrity of the structure and the adequacy of credit enhancement. Each potential purchase or disposition of a Collateral Debt Security is presented to ETGAM's investment committee for approval.

Ongoing surveillance is performed on each security on a monthly basis in order to monitor performance and detect trends. Surveillance includes, among other things, a review of monthly remittance reports for each transaction, monitoring the performance of the underlying pool, available credit enhancement and performance tests, and servicer stability. In addition, credit review is undertaken on an ongoing basis through periodic contact with servicers, rating agencies, trustees and industry analysts, and by utilizing external research.

Biographies

Set forth below are the professional experiences of certain officers and employees of the Collateral Manager. Such persons may not necessarily continue to be so employed during the entire term of the Collateral Management Agreement or may not continue to perform services for the Collateral Manager under the Collateral Management Agreement.

Dennis E. Webb, CFA, CPA, *Chief Executive Officer of ETGAM*: Dennis is a member of E*TRADE Financial 's Operating Team and is responsible for all investment management activities of ETGAM. These

activities include portfolio management for E*TRADE Bank, secondary marketing for E*TRADE Mortgage, funds management for certain E*TRADE mutual funds, and ETGAM's CDO business. Mr. Webb was Chairman of E*TRADE Bank's Asset and Liability Committee (ALCO) and was responsible for the Bank's U.S.$ 15 billion derivative portfolio until he joined ETGAM in June 2001. Prior to joining E*TRADE in 2000, Mr. Webb was the Senior Vice President of Asset/Liability Management of Allfirst Bank, an U.S.$ 18 Billion regional bank based in Baltimore, Maryland. Mr. Webb has nearly 18 years experience in banking and portfolio management. Mr. Webb has a MBA-Finance degree from Johns Hopkins University and a BS in Accounting Information Systems from Virginia Polytechnic Institute and State University. Mr. Webb is a Chartered Financial Analyst and a Certified Public Accountant.

Lance C.A. Ullom, *Vice President and Head of Trading for ETGAM*: Lance is responsible for all investments in ABS, Corporates, Municipals and Preferred securities as well as ETGAM's CDO Business. Mr. Ullom has held several senior positions in ETGAM during his eight year tenure including Senior Whole Loan Trader and Sr. MBS Portfolio Manager. Prior to joining E*TRADE, Mr. Ullom worked for two years at Arbor Capital, a licensed broker dealer / mortgage hedge fund based in NYC, where he was responsible for trading structured bonds and whole loans. Mr. Ullom worked at Barclay Investments for six years in various capacities from institutional sales to Co-Head of Trading for all mortgage product. Mr. Ullom has over 13 years experience in the structured product market. Mr. Ullom received a Bachelors Degree from Franklin Pierce College, majoring in Finance and Business Management.

Sunil Malik, *Senior Vice President and Head of Trading for ETGAM MBS and Mortgage Loan Investment Portfolio*: Sunil is responsible for all investments in Agency MBS, Private-label MBS, Whole Loan Mortgage Conduit, and Secondary Marketing as well as Securitization. Prior to joining the organization, Mr. Malik was Vice President of Treasury and Director of Risk Management of Capital Markets for Ocwen Financial Corporation. Mr. Malik has over 23 years investment experience, 14 years of which were as a portfolio manager for Fannie Mae where he oversaw U.S.$ 25 billion of various fixed income investments. Mr. Malik received his MBA in Finance from Pune University in India, and a BS in Accounting from Delhi University.

J. Laurie Webster, CFA, *Vice President and Senior Portfolio Manager for ETGAM*: Laurie is responsible for the management of the E*TRADE Proprietary Mutual Funds. She and her team directly manage E*TRADE Bond Fund, and E*TRADE Money Market Funds and perform sub advisor oversight for the externally managed equity funds. Total assets under management currently top U.S.$ 4 Billion. Prior to joining E*TRADE, Ms. Webster managed several billion dollars in institutional money market Mutual Funds accounts, most recently for the Calvert Group where her efforts were rewarded by being awarded "top grossing fund" for 1999 within her category. She has over 19 years combined portfolio management experience. Ms. Webster received her Chartered Financial Analyst designation in 1992 and is a member of both the Washington Financial Analyst Society and AIMR. She received her Bachelors Degree from University of Colorado, majoring in Finance and Accounting.

Kris (Krishnan) Harihara, FCCA, *Director of Credit for ETGAM*: Kris is responsible for directing activities surrounding credit administration within E*TRADE Global Asset Management, including determination and implementation of credit policies and procedures, approving and monitoring various credits, industries and sectors and performing regulatory reporting. Prior to E*TRADE Kris was a Vice President at GE Asset Management and was the team leader for Structured Products' Research. He was a Managing Director at Structured Finance Advisors prior to that. In that capacity he was managing CDO portfolios as well as insurance company investments. He worked at MBIA in ABS surveillance prior to joining SFA. Prior to that he had roles in Public Accounting with KPMG Peat Marwick especially in investments audit. Kris has an MBA from Pace University. He is a Fellow of the Chartered Association of Certified Accountants, UK.

Eric Seasholtz, *Director and Portfolio Manager for ETGAM*: Eric is responsible for managing E*TRADE Bank's U.S.$ 8.0 billion mortgage securities portfolio. Prior to joining the organization in August 2001, Mr. Seasholtz spent two years as Director of Whole Loan Trading for GMAC/RFC. Prior to that, he worked as a Director in the Capital Market Group of Ocwen Financial Corporation for six years where he was responsible for executing trades, hedging positions, as well as modeling and monitoring a number of the Banks portfolios. Mr. Seasholtz has significant experience in various mortgage products including, residential mortgage derivatives, whole loans, commercial IO, and residual cash flows. Mr. Seasholtz has 13 years of financial markets experience with 10+ years focusing on mortgage products. He holds a BA in Business Economics from Brown University and holds the Series 7 and 63 licenses.

Kulwant Sharma, CFA, *Portfolio Manager for ETGAM Residential ABS portfolio*: Kulwant is responsible for analyzing the structure and collateral characteristics of asset-backed and mortgage-backed securities for ETGAM. Prior to joining ETGAM, Mr. Sharma was with Penn Capital Management, a High Yield/Small Cap money manager, where he was responsible for equity and fixed income analysis, trading, and modeling for Equus Capital Funding, a cash flow CDO. Previously, Mr. Sharma was with the Vanguard Group where he was directly responsible for the planning and analysis of a U.S.$ 118MM divisional budget within the Vanguard Individual Investor Processing Group. Mr. Sharma holds an MBA (Finance) from Temple University, a BS in Mechanical Engineering, and a Master's degree in Industrial Engineering from Thapar University in India. Mr. Sharma is a Chartered Financial Analyst and a member of AIMR and NYSSA.

Kenneth Elder, CFA, *Portfolio Manager for ETGAM*: Ken is responsible for managing E*TRADE Bank's U.S.$ 5.6 billion consumer assets portfolio. Mr. Elder previously managed the Bank's CMBS and ABS investments. Prior to joining E*TRADE in July 2003, Mr. Elder spent 10 years at Credit Suisse First Boston, most recently as a Vice President in CMBS research. Mr. Elder also worked in structured products sales at CSFB, covering institutional clients in the Boston area. Mr. Elder holds a BSBA from Washington University in St. Louis and received the CFA designation in 1998.

Brian Hansen, CFA, *Portfolio Manager for ETGAM*: Brian is responsible for managing ETGAM's corporate bond and structured finance portfolios. Prior to ETGAM, Mr. Hansen spent 6 years with Prudential Global Asset Management as a Senior Investment Analyst with primary duties including corporate credit analysis and underwriting for private placement debt investments, along with assisting in the ongoing management of a private placement corporate portfolio of U.S.$ 2 billion. Former duties also involved the establishment and management of a U.S.$ 1.5 billion mortgage REIT. Mr. Hansen holds a BS in Finance from Georgetown University and is a Chartered Financial Analyst.

Samuel Crow, *Senior Manager for Commercial Lending for ETGAM*: Sam is responsible for all operations including originating, underwriting and managing the portfolio of commercial loans. Mr. Crow has fourteen years of experience in commercial lending including nine years at Fleet Capital and five years at Guaranty Business Credit. Mr. Crow has a BA in Accounting from Wake Forest University.

Hayden McMillian, *Director of Business Development for ETGAM*: Hayden is responsible for strategic initiatives and asset diversification strategies for ETGAM and its affiliates. Prior to joining ETGAM, he was Chief Operating Officer and Chief Financial Officer of Dominion Capital, a company he built and grew to approximately U.S.$ 10 billion in assets under management. Prior to Dominion Capital, he served in various investment banking and legal positions focused on mergers and acquisitions, debt and equity private placements, interest rate derivatives, risk arbitrage and anti-takeover defense. He has an MBA from the University of Virginia and a law degree from the University of Utah.

Michael Pizzi, CFA, FRM, *Head of Derivative Trading for ETGAM*: Michael is responsible for management of the Firm's interest rate risk position, hedge structuring, and balance sheet strategy. Prior to joining E*TRADE Mr. Pizzi worked in the Global ALM department at Lehman Brothers focusing on funding and liquidity strategy, balance sheet strategy, portfolio optimization, and risk positioning. Prior to this, Mr. Pizzi was the head of Quantitative Analysis for Allied Irish Banks and was a Research Assistant to the Federal Reserve Board. Mr. Pizzi received a BA from Ursinus College. Mr. Pizzi is a Chartered Financial Analyst (CFA) as well as a certified Financial Risk Manager (FRM).

Robert Wyle, CFA, *Director of Asset/Liability Management for ETGAM*: Before joining ETRADE, Rob was the global ALM Solutions Product Manager for the BancWare division of SunGard Trading and Risk Systems. Prior to joining SunGard, Rob worked for The Dime Savings Bank of New York as a VP level Risk Manager. Mr. Wyle has also held positions at the Federal Home Loan Bank of New York, Manhattan Equities, and Winged Keel Group. Rob received both a Bachelor of Science (1989) and an M.B.A. (1996) in Finance from the Leonard N. Stern School of Business at New York University. Mr. Wyle was also awarded the CFA charter in September 2001.

Phillip Millman, *Senior Manager of ABS Credit for ETGAM*: Phillip has recently joined E*TRADE Global Asset Management. He is responsible for analyzing, monitoring, and overseeing the credit responsibilities for ETGAM's ABS portfolio and the CDO program. Mr. Millman has spent the past 13 years working at various

investment houses working in different capacities. Most recently Mr. Millman worked at Fannie Mae and UBS where he worked in research. Mr. Millman has a BA in Economics from the University of Chicago.

J. Matthew Elliott, *Senior Manager of Unsecured Credit for ETGAM*: Matt is responsible for all credit-related issues involving the money market funds, as well as assessing counter-party risk. Matt also acts as the Assistant Portfolio Manager for the municipal money market funds. Matt joined E*TRADE with prior experience at Prudential Financial and Moody's Investors Service. Mr. Elliott was the lead analyst responsible for all synthetic floaters at Prudential and covered structured credits, general obligation notes and revenue supported securities. Matt has over five years of rating agency experience as an Assistant Vice President in Moody's structured finance department and was responsible for all credit supported structures, as well as mortgage-backed securities and student loan collateralized bonds. Mr. Elliott has ten years of experience as a credit analyst, is a member of the National Federation for Municipal Analysts, and has a BA in Economics from Rutgers University.

Larry (Huiyan) Zhang, Ph. D., *Quantitative Analyst For Risk Management at ETGAM*: Larry is responsible for providing quantitative support for functional areas of the risk management group including interest rate risk management, funds transfer pricing/capital allocation, and financial planning and analysis. His previous risk management experience within ETGAM includes the prepayment analysis of RV and Marine loans, HELOC loans, and valuation of the E*TRADE Bank's non-maturing deposits. Prior to joining E*TRADE, Mr. Zhang worked as an economist in the International Monetary Fund and did research about monetary policy and interests rate movement. Mr. Zhang has a Ph.D. in economics from the Johns Hopkins University. He recently passed Level I of the CFA exam and is currently enrolled as Level II candidate.

THE COLLATERAL MANAGEMENT AGREEMENT

As compensation for the performance of its obligations as Collateral Manager under the Collateral Management Agreement, the Collateral Manager will receive a senior collateral manager fee (the "**Senior Collateral Manager Fee**") and a subordinate collateral manager fee (the "**Subordinate Collateral Manager Fee**" and, together with the Senior Collateral Manager Fee, the "**Collateral Manager Fee**"), to the extent of the funds available for such purpose in accordance with the Priority of Payments. The Senior Collateral Manager Fee will accrue from the Closing Date at a rate per annum of 0.25% on the Quarterly Asset Amount (calculated with respect to each Interest Period on the basis of a year of 360 days and twelve 30-day months), payable in arrears on each Distribution Date. The Subordinate Collateral Manager Fee will accrue from the Closing Date at a rate per annum of 0.20% on the Quarterly Asset Amount (calculated with respect to each Interest Period on the basis of a year of 360 days and twelve 30-day months), payable in arrears on each Distribution Date. Any Collateral Manager Fee accrued prior to the resignation or removal of the Collateral Manager will continue to be payable to the Collateral Manager on the Distribution Date immediately following the effectiveness of such resignation or removal, subject to the availability of funds in accordance with the Priority of Payments.

To the extent not paid on any Distribution Date when due, any accrued Collateral Manager Fee will be deferred and will be payable on the next subsequent Distribution Date on which funds are available for the payment thereof in accordance with the Priority of Payments. Any unpaid Collateral Manager Fee that is deferred due to the operation of the Priority of Payments will not accrue interest.

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

The Collateral Manager will not be liable to the Co-Issuers, the Trustee, the Noteholders, the holders of the Composite Securities, any Hedge Counterparty or any of their respective affiliates, partners, shareholders, officers, directors, employees, agents, accountants and attorneys for any loss incurred as a result of the actions taken or recommended by the Collateral Manager under the Collateral Management Agreement or the Indenture, except by reason of acts constituting bad faith, willful misconduct, gross negligence or reckless disregard of its duties and obligations thereunder. The Collateral Manager and its Affiliates and each of their respective partners, shareholders, members, officers, directors, managers, employees, agents, accountants and attorneys will be entitled to indemnification by the Issuer under certain circumstances (as specified in the Collateral Management Agreement), which will be paid in accordance with the Priority of Payments.

The Collateral Management Agreement provides that the Collateral Manager will not cause the Issuer to enter into a transaction with the Collateral Manager or any of its affiliates as principal unless (i) the Issuer has received from the Collateral Manager such information relating to such transaction as the Issuer will reasonably request, (ii) such transaction will be conducted on an arm's-length basis with the Issuer and (iii) the Issuer has approved in writing such transaction.

The Collateral Manager may not assign its rights or responsibilities under the Collateral Management Agreement without the consent of the Issuer and the holders of a majority in aggregate principal amount of Notes of the Controlling Class and upon satisfaction of the Rating Condition, except that pursuant to the Collateral Management Agreement the Collateral Manager may assign all of its rights and responsibilities thereunder (without thereby being relieved of any of its duties or obligations) to an Affiliate without the consent of the Issuer, the Trustee or any Noteholder. In addition, the Collateral Manager may, pursuant to the Collateral Management Agreement, enter into arrangements pursuant to which its Affiliates or third parties may perform certain services on

behalf of the Collateral Manager, but such arrangements will not relieve the Collateral Manager from any of its duties or obligations thereunder.

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

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

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

(i) the Collateral Manager willfully breaches, or willfully violates, any provision of the Collateral Management Agreement or any term of the Indenture applicable to it;

(ii) except as provided in clause (i), the Collateral Manager breaches or violates in any respect any material provision of the Collateral Management Agreement or any material term of the Indenture applicable to it and, if such violation or breach can be cured, fails to cure such breach within 30 days of the earlier of becoming aware of, or receiving notice from the Trustee of, such breach;

(iii) the Collateral Manager (A) ceases to be able to, or admits in writing its inability to, pay its debts when and as they become due, (B) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or takes advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (C) makes an assignment for the benefit of its creditors, (D) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or (E) is adjudicated as insolvent or to be liquidated;

(iv) the occurrence of an act by the Collateral Manager or any of its Affiliates that constitutes fraud or criminal activity in the performance of its obligations under the Collateral Management Agreement or in the performance of its investment advisory services comparable to those under the Collateral Management Agreement, or the Collateral Manager or any of its Affiliates, or any senior officer of the Collateral Manager or any of its Affiliates having supervisory authority over the servicing of the Collateral being indicted for a criminal offense materially related to its business providing investment advisory services;

(v) an Event of Default under the Indenture (other than an Event of Default referred to in clause (iv) of the definition thereof);

(vi) either of the Co-Issuers or the pool of Collateral becomes an investment company required to be registered under the Investment Company Act resulting from actions taken or recommended by the Collateral Manager and such requirement has not been eliminated after a period of 45 days; or

(vii) the failure of any representation, warranty, certification or statement made or delivered by the Collateral Manager in or pursuant to the Collateral Management Agreement or the Indenture to be correct in any material respect when made and such failure (x) has (or could reasonably be expected to have) a material adverse effect on the Noteholders or the Preference Shareholders and (y) if such failure can be cured, no correction is made for a period of 45 days after the Collateral Manager becomes aware of or receives notice from the Trustee of such violation.

No removal, termination or resignation of the Collateral Manager or termination of the Collateral Management Agreement will be effective unless (a) a successor Collateral Manager (the "**Replacement Collateral Manager**") has agreed in writing to assume all of the Collateral Manager's duties and obligations pursuant to the Collateral Management Agreement (b) the Replacement Collateral Manager is not objected to by holders of at least 75% in aggregate outstanding principal amount of the Controlling Class of Notes or a Majority-in-Interest of Preference Shareholders (excluding any Notes or Preference Shares held by one or more of the Collateral Manager, any of its Affiliates and any account as to which the Collateral Manager or any of its Affiliates has discretionary investment authority) within 30 days after notice and (c) the Rating Condition has been satisfied with respect to such assumption by a Replacement Collateral Manager. In addition, no removal or resignation of the Collateral Manager while any Note or Preference Share is outstanding will be effective until the appointment by the Issuer of a Replacement Collateral Manager (x) that is an established institution which (1) is legally qualified and has the capacity to act as Collateral Manager under the Collateral Management Agreement as successor to the Collateral Manager thereunder in the assumption of all of the responsibilities, duties and obligations of the Collateral Manager thereunder and under the applicable terms of the Indenture and (2) will not cause the Issuer or the Co-Issuer or the pool of Collateral to become required to register under the provisions of the Investment Company Act and (y) with respect to the appointment of which the Rating Condition has been satisfied.

For so long as ETGAM is the Collateral Manager, if both (x) Lance Ullom and (y) Dennis Webb, (i) cease to be, for any reason, employees of the Collateral Manager who are actively involved in the management of Collateral Debt Securities or (ii) are not responsible for supervising a management-level employee of the Collateral Manager who is responsible for the day-to-day management of the Collateral Debt Securities, ETGAM (or any successor) will, not later than 60 days after the earlier of any such termination or resignation or of its receipt of notice of any such resignation that would result in the foregoing, propose (by notice to the Issuer and the Trustee) a replacement officer or officers to assume the duties described in clause (i) or (ii) (each, a "**Replacement Officer**"), with respect to the appointment of whom the Rating Condition has been satisfied. The holders of at least 75% of the sum of the aggregate outstanding principal amount of all of the Notes and the Aggregate Liquidation Preference of the Preference Shares may within 30 days after notice of a proposed Replacement Officer with respect to the Collateral Manager is delivered to the Issuer and to the Trustee (the "**First Period**"), reject any such proposed Replacement Officer. In the event that the Replacement Officer or Replacement Officers are rejected within the First Period, the holders of at least 75% of the sum of the aggregate outstanding principal amount of all of the Notes and the Aggregate Liquidation Preference of the Preference Shares may appoint and approve a successor Collateral Manager within 60 days after the termination of the First Period (the "**Second Period**"), in accordance with voting procedures set forth in the Indenture. In the event that holders of at least 75% of the sum of the aggregate outstanding principal amount of all the Notes and the Aggregate Liquidation Preference of the Preference Shares fail to reject any proposed Replacement Officer within the First Period, such proposed Replacement Officer will be deemed approved. In the event that a successor Collateral Manager is not approved before the conclusion of the Second Period, ETGAM (or any successor) may appoint a successor Collateral Manager. No such appointment of a successor Collateral Manager will be effective unless such successor Collateral Manager will have agreed in writing to assume all of the Collateral Manager's duties and obligations under the Collateral Management Agreement and will meet the other requirements of a Replacement Collateral Manager set forth in the preceding paragraph.

Pursuant to the Indenture, the Trustee is entitled to exercise the rights and remedies of the Issuer under the Collateral Management Agreement (a) upon the occurrence of an Event of Default until such time, if any, as such Event of Default is cured or waived, (b) the termination of the Collateral Manager in accordance with the Collateral Management Agreement or (c) upon a material default in the performance, or breach, of any covenant,

representation, warranty or other agreement of the Issuer under the Indenture or in any certificate or writing delivered pursuant thereto or made in connection therewith which proves to be incorrect in any material respect when made if (i) holders of at least 25% in aggregate outstanding principal amount of the Notes of any Class, Preference Shareholders whose aggregate Voting Percentages are at least 25% of all Preference Shareholders' Voting Percentages or any Hedge Counterparty give notice of such default or breach to the Trustee and the Collateral Manager or (ii) the Collateral Manager, Issuer or Co-Issuer has actual knowledge of such default or breach, and in either case, such default or breach (if remediable) continues for a period of 30 days.

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

THE CO-ISSUERS

General

The Issuer was incorporated as an exempted company and registered on November 30, 2004 in the Cayman Islands pursuant to the Issuer Charter, has a registered number of CR-WK-142403 and is in good standing under the laws of the Cayman Islands. The registered office of the Issuer is at the offices of Walkers SPV Limited, P.O. Box 908GT, Walker House, Mary Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The Issuer has no prior operating experience other than in connection with the acquisition of certain Collateral Debt Securities prior to the issuance of the Offered Securities and the engagement of the Collateral Manager and the entering into of arrangements with respect thereto, and the Issuer will not have any substantial assets other than the Collateral pledged to secure the Notes and the Issuer's obligations to the Trustee. The entire authorized share capital of the Issuer will consist of (a) 1,000 ordinary shares, par value U.S.$ 1.00 per share (which will be held in trust for charitable purposes by Walkers SPV Limited, a licensed trust company incorporated in the Cayman Islands (in such capacity, the "**Share Trustee**") under the terms of a declaration of trust) and (b) 12,900 Preference Shares, par value U.S.$ 0.01 per share and having a liquidation preference of U.S.$ 1,000 per share, consisting of (i) 7,900 Composite Preference Shares, par value U.S.$ 0.01 per share having a liquidation preference of U.S.$ 1,000 per share, and (ii) 5,000 Non-Composite Preference Shares, par value U.S.$ 0.01 per share and having a liquidation preference of U.S.$ 1,000 per share.

The Issuer Charter provides that the Issuer will be liquidated at any time on or after January 10, 2040 upon the passing of a Special Resolution to dissolve the Issuer, unless earlier dissolved and terminated in accordance with the terms of the Issuer Charter. See "Description of the Preference Shares—Issuer Charter— Dissolution; Liquidating Distributions."

The Co-Issuer was formed on December 1, 2004 in the State of Delaware pursuant to a Certificate of Formation and a limited liability company agreement. The registered number of the Co-Issuer is 3889241 and the registered office of the Co-Issuer is c/o Donald J. Puglisi, 850 Library Avenue, Suite 204, Newark, Delaware 19711. The special member and director of the Co-Issuer is Donald J. Puglisi. Mr. Puglisi is also the President, Vice President, Secretary and Treasurer of the Co-Issuer. Mr. Puglisi is the MBNA America Professor of Business Emeritus at the University of Delaware. The Co-Issuer has no prior operating experience. It will be capitalized to the extent of the contribution of U.S.$ 100 by its member, will have no other assets other than such contribution, will have no debt other than as the Co-Issuer of the Notes and will not pledge any assets to secure the Notes. The Co-Issuer will not have any interest in the Collateral Debt Securities or other assets held by the Issuer.

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

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

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

Capitalization

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

Class A-1 Notes	U.S.$ 201,000,000
Class A-2 Notes	U.S.$ 37,750,000
Class B Notes	U.S.$ 37,900,000
Class C Notes*	U.S.$ 13,250,000
Total Debt	U.S.$ 289,900,000
Ordinary Shares	U.S.$ 1,000
Composite Preference Shares**	U.S.$ 7,900,000
Non-Composite Preference Shares	U.S.$ 5,000,000
Total Equity	U.S.$ 12,900,000
Total Capitalization	U.S.$ 302,801,000

*Includes the Class C Component of the Composite Securities, which component comprises (x) in the case of the Series I Composite Securities, U.S.$ 8,700,000 (by initial principal amount) of the Composite Securities and represents an initial principal amount of Class C Notes equal to U.S.$ 8,700,000 and (y) in the case of the Series II Composite Securities, U.S.$ 3,000,000 (by initial principal amount) of the Composite Securities and represents an initial principal amount of Class C Notes equal to U.S.$ 3,000,000.

**Constitutes the Preference Share Component of the Composite Securities, which component comprises (x) in the case of the Series I Composite Securities, U.S.$ 5,900,000 (by initial principal amount) of the Composite Securities and represents 5,900 Composite Preference Shares and (y) in the case of the Series II Composite Securities, U.S.$ 2,000,000 (by initial principal amount) of the Composite Securities and represents 2,000 Composite Preference Shares.

The Issuer will not have any material assets other than the Collateral. The Co-Issuer will be capitalized to the extent of the contribution of U.S.$ 100 by its member, will have no other assets other than such contribution, will have no debt other than as Co-Issuer of the Notes and will not pledge any assets to secure the Notes.

Business

Article 3 of the Issuer Charter sets out the objectives of the Issuer in connection with the issuance of the Offered Securities. The Indenture and the Issuer Charter provide that the activities of the Issuer are limited to (1) acquiring, holding and, in limited circumstances, disposing of the Collateral, (2) the entering into of, and the performance of its obligations under, the Indenture, the Hedge Agreements, the Collateral Management Agreement, the Collateral Administration Agreement, the Purchase Agreement, the Subscription Agreements, the Account Control Agreement and the Preference Share Paying Agency Agreement, (3) the issuance and sale of the Offered Securities, (4) the pledge of the Collateral as security for its obligations in respect of the Notes and otherwise for the benefit of the Secured Parties and (5) other activities incidental to the foregoing and permitted by the Indenture, without limitation, entering into any and all documentation necessary to give effect to the foregoing. Article 1.05 of the Co-Issuer's limited liability company agreement sets out the objectives of the Co-Issuer, which include the business to be carried out by the Co-Issuer in connection with the issuance of the Notes. The Co-Issuer will not undertake any business other than the co-issuance and sale of the Notes. The Co-Issuer will not pledge any assets to secure the Notes and will not have any interest in the Collateral held by the Issuer.

The Issuer is not required under the laws of the Cayman Islands, and the Co-Issuer is not required under the laws of the State of Delaware, to publish annual reports and accounts. The Indenture, however, requires the Issuer to provide the Trustee with written confirmation, on an annual basis, that to its best knowledge following a review of the activities of the prior year, no Event of Default or other matter required to be brought to the Trustee's attention

has occurred or, if one has occurred, specifying the nature and status thereof, including actions undertaken to remedy the same.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

General

The following discussion summarizes certain of the U.S. federal income tax consequences of the purchase, ownership and disposition of Offered Securities. Except as provided below under **U.S. Federal Tax Treatment of Non-U.S. Holders of Notes** and **U.S. Federal Tax Treatment of Non-U.S. Holders of Preference Shares,** this summary deals only with a beneficial owner of the Offered Securities that is (i) a citizen or resident of the United States, (ii) a corporation (or other entity that is treated as a corporation for U.S. federal tax purposes) that is created or organized in or under the laws of the United States or any State or political subdivision thereof (including the District of Columbia), (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions (each, a "**U.S. Holder**"). If a partnership (including any entity that is treated as a partnership for U.S. federal tax purposes) is a beneficial owner of Offered Securities, the treatment of a partner in the partnership will generally depend upon the status of the partner and upon the activities of the partnership. A beneficial owner of Offered Securities that is a partnership, and partners in such a partnership, should consult their tax advisors about the U.S. federal income tax consequences of holding and disposing of the Notes.

This discussion is based on interpretations of the Internal Revenue Code of 1986, as amended (the "**Code**"), regulations issued thereunder, and rulings and decisions currently in effect (or in some cases proposed), all of which are subject to change. Any such change may be applied retroactively and may adversely affect the federal income tax consequences described herein. This summary addresses only U.S. Holders that purchase Offered Securities at initial issuance and beneficially own such Offered Securities as capital assets and not as part of a "straddle," "hedge," "synthetic security" or a "conversion transaction" for federal income tax purposes, or as part of some other integrated investment. This summary does not discuss all of the tax consequences that may be relevant to particular investors or to investors subject to special treatment under the federal income tax laws (such as banks, thrifts, insurance companies, retirement plans, real estate investment trusts, regulated investment companies, securities dealers or investors whose functional currency is not the U.S. Dollar or tax-exempt investors that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, qualified group legal services plans or parent title-holding corporations). Accordingly, prospective investors are urged to consult their tax advisors with respect to the federal, state and local tax consequences of investing in the Offered Securities, as well as any consequences arising under the laws of any other taxing jurisdiction to which they may be subject.

U.S. Federal Tax Treatment of the Issuer

The Code provides a specific exemption from U.S. federal income tax on a net income basis for foreign corporations which restrict their activities in the United States to trading in stocks and securities (and any other activity closely related thereto) for their own account, whether such trading (or such other activity) is conducted by the corporation or its employees or through a resident broker, commission agent, custodian or other agent. This particular exemption does not apply to foreign corporations that are engaged in activities in the United States other than trading in stocks and securities (and any other activity closely related thereto) for their own account or that are dealers in stocks and securities.

The Issuer intends to rely on the above exemption and does not intend to operate so as to be subject to U.S. federal income taxes on its net income. However, if it were determined that the Issuer were engaged in a trade or business in the United States for federal income tax purposes, and the Issuer had taxable income that was effectively connected with such U.S. trade or business, the Issuer would be subject under the Code to the regular U.S. corporate income tax on such effectively connected taxable income (and possibly to a 30% branch profits tax as well). The balance of this summary assumes that the Issuer is not subject to U.S. federal income tax on its net income. The imposition of such a tax liability would materially affect the Issuer's financial ability to repay the Offered Securities.

U.S. Federal Tax Characterization of the Class A Notes, the Class B Notes and the Class C Notes

The Class A Notes, the Class B Notes and the Class C Notes will be treated as indebtedness for U.S. federal income tax purposes. The Indenture requires the Holders to agree to take the position that the Notes constitute indebtedness for U.S. federal, state and local income and franchise tax purposes. The Issuer's characterizations will be binding on U.S. Holders. Nevertheless, the IRS could assert, and a court could ultimately hold, that one or more Classes of Notes are equity in the Issuer. If any Notes are treated as equity in, rather than debt of, the Issuer for U.S. federal income tax purposes, there may be adverse tax consequences to any U.S. Holder of such Notes. Except as otherwise indicated, the balance of this summary assumes that all of the Notes are treated as debt of the Issuer for U.S. federal, state and local income and franchise tax purposes. In the event such Notes are treated as equity in the Issuer, prospective investors in the Notes should consult their tax advisors regarding the U.S. federal, state and local income and franchise tax consequences to the Notes and the Issuer.

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

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

Stated Interest. U.S. Holders of the Class A Notes and the Class B Notes will include in gross income payments of stated interest accrued or received on the Class A Notes and the Class B Notes, in accordance with their usual method of tax accounting, as ordinary interest income from sources outside the United States.

Sale, Exchange and Retirement 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 Note equal to the cost of such Note reduced by payments of principal on such Note. Upon a sale, exchange, or retirement 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 retirement (less any accrued and unpaid interest, which will be taxable as such) and the holder's tax basis in such Note. Such gain or loss 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.

Gain or loss recognized by a U.S. Holder on the sale, exchange or retirement of a Class A Note or a Class B Note generally will be treated as U.S.-source gain or loss.

U.S. Federal Tax Treatment of U.S. Holders of the Class C Notes

Original Issue Discount. The Issuer will treat the Class C Notes as issued with original issue discount ("**OID**") for U.S. federal income tax purposes. The total amount of such discount with respect to a Class C Note will equal the sum of all payments to be received under such Note less its issue price (the first price at which a substantial amount of the Class C Notes were sold to investors). A U.S. Holder of a Class C Note will be required to include OID in income as it accrues. The amount of OID accruing in any accrual period will generally equal the stated interest accruing in that period (whether or not currently due) plus any additional amount representing the accrual under a constant yield method of any additional OID represented by the excess of the principal amount of the Class C Notes over their issue price. Accruals of any such additional OID will be based on the weighted average life of the Class C Notes rather than their stated maturity. It is possible the IRS could assert and a court could ultimately hold that some other method of accruing OID on the Class C Notes should apply. U.S. Holders of the Class C Notes may be required to include OID in advance of the receipt of cash attributable to such income.

Sale and Retirement of the Class C Notes. In general, a U.S. Holder of a Class C Note will have a basis in such Note equal to the cost of such Note (i) increased by any amount includible in income by such U.S. Holder as OID, and (ii) reduced by any payments received on such Note. Upon a sale, exchange, or retirement of a Class C Note, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange, or retirement and the U.S. Holder's tax basis in such Note. Such gain or loss 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.

Gain or loss recognized by a U.S. Holder on the sale, exchange or retirement of a Class C Note generally will be treated as U.S.-source gain or loss.

Alternate Characterizations. It is possible that the Class C Notes could be treated as "contingent payment debt instruments" for federal income tax purposes. In this event, the timing of a U.S. Holder's OID inclusions could differ from that described above and any gain recognized on the sale, exchange, or retirement of such Notes would be treated as ordinary income and not capital gain.

U.S. Federal Tax Treatment of Tax-Exempt U.S. Holders of Notes

U.S. Holders that are tax-exempt entities should not be subject to the tax on unrelated business taxable income in respect of the Notes unless (i) the Notes constitute "debt financed property" (as defined in the Code) of that entity or (ii) in the case of any Notes that are treated as indebtedness for federal income tax purposes, such entity also owns more than 50 percent of the Preference Shares (including the Preference Share Component of the Composite Securities) and any Notes that are treated as equity in the Issuer for U.S. federal income tax purposes.

U.S. Federal Tax Treatment of Non-U.S. Holders of Notes

In general, payments on the Notes to a Non-U.S. Holder and gain realized on the sale, exchange or retirement of the Notes by a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax, unless (i) such income is effectively connected with a trade or business conducted by such Non-U.S. Holder in the United States, or (ii) in the case of gain, such Non-U.S. Holder is a nonresident alien individual who holds the Notes as a capital asset and is present in the United States for more than 182 days in the taxable year of the sale and certain other conditions are satisfied. For this purpose, a "**Non-U.S. Holder"** is any Holder that is not a U.S. Holder.

U.S. Federal Tax Treatment of U.S. Holders of Preference Shares

The Issuer intends to take the position that the Preference Shares constitute equity interests in the Issuer for U.S. federal, state and local income and franchise tax purposes, and the balance of this summary assumes that the Preference Shares are so treated.

Investment in a Passive Foreign Investment Company. The Issuer will constitute a "passive foreign investment company" (a "**PFIC**") for federal income tax purposes, and U.S. Holders of the Preference Shares (other than certain U.S. Holders that are subject to the rules pertaining to a "controlled foreign corporation," described below) will be considered shareholders in a PFIC. U.S. Holders may desire to make an election to treat the Issuer as a "qualified electing fund" (a "**QEF**") with respect to such U.S. Holder. Generally, a U.S. Holder makes a QEF on IRS Form 8621, attaching a copy of such form to its U.S. federal income tax return for the first taxable year for which it held its Preference Shares. If a U.S. Holder makes a timely QEF election with respect to the Issuer, the electing U.S. Holder will be required in each taxable year to include in gross income (i) as ordinary income, such U.S. Holder's *pro rata* share of the Issuer's ordinary earnings and (ii) as long term capital gain, such U.S. Holder's *pro rata* share of the Issuer's net capital gain, whether or not distributed. A U.S. Holder will not be eligible for the dividends received deduction in respect of such income or gain. In addition, any losses of the Issuer in a taxable year will not be available to such U.S. Holder and may not be carried back or forward in computing the Issuer's ordinary earnings and net capital gain in other taxable years. If applicable, the rules pertaining to a "controlled foreign corporation" or a "foreign personal holding company," discussed below, generally override those pertaining to a PFIC with respect to which a QEF election is in effect.

In certain cases in which a QEF does not distribute all of its earnings in a taxable year, the electing U.S. Holder may also be permitted to elect to defer payment of some or all of the taxes on the QEF's income, subject to a non-deductible interest charge on the deferred amount. In this respect, prospective purchasers of Preference Shares should be aware that it is expected that the Collateral Debt Securities will include high yield debt obligations and such instruments may have substantial OID, the cash payment of which may be deferred, perhaps for a substantial period of time. In addition, the Issuer may use proceeds from the sale of Collateral Debt Securities to retire other classes of Notes. As a result, in any given year, the Issuer may have substantial amounts of earnings for U.S. federal income tax purposes that are not distributed on the Preference Shares. Thus, absent an election to defer payment of taxes, U.S. Holders that make a QEF election with respect to the Issuer may owe tax on significant "phantom" income.

The Issuer will provide, upon request, all information and documentation that a U.S. Holder making a QEF election is required to obtain for U.S. federal income tax purposes.

A U.S. Holder of a Preference Share (other than certain U.S. Holders that are subject to the rules pertaining to a "controlled foreign corporation," described below) that does not make a timely QEF election will be required to report any gain on the disposition of any Preference Shares as ordinary income, rather than capital gain, and to compute the tax liability on such gain and any "Excess Distribution" (as defined below) received in respect of the Preference Shares as if such items had been earned ratably over each day in the U.S. Holder's holding period (or a certain portion thereof) for the Preference Shares. An "**Excess Distribution**" is the amount by which distributions during a taxable year in respect of a Preference Share exceed 125% of the average amount of distributions in respect thereof during the three preceding taxable years (or, if shorter, the U.S. Holder's holding period for the Preference Share). The U.S. Holder will be subject to tax on such items at the highest ordinary income tax rate for each taxable year, other than the current year, in which the items were treated as having been earned, regardless of the rate otherwise applicable to the U.S. Holder. Further, such U.S. Holder will also be liable for a non-deductible interest charge as if such income tax liabilities had been due with respect to each such prior year. For purposes of these rules, gifts, exchanges pursuant to corporate reorganizations and use of the Preference Shares as security for a loan may be treated as a taxable disposition of such Preference Shares. In addition, a stepped-up basis in the Preference Shares will not be available upon the death of an individual U.S. Holder.

In many cases, the U.S. federal income tax on any gain on disposition or receipt of Excess Distributions is likely to be substantially greater than the tax if a timely QEF election is made. **A U.S. HOLDER OF A PREFERENCE SHARE SHOULD CONSIDER CAREFULLY WHETHER TO MAKE A QEF ELECTION WITH RESPECT TO SUCH PREFERENCE SHARE.**

Investment in a Controlled Foreign Corporation. The Issuer will constitute a "controlled foreign corporation" ("**CFC**") if more than 50% of the equity interests in the Issuer, measured by reference to combined voting power or value, is owned directly, indirectly, or constructively by "United States shareholders." For this purpose, a United States shareholder is any United States person that possesses directly, indirectly, or constructively 10% or more of the combined voting power of all classes of equity in the Issuer. It is likely that the Preference Share will be treated as voting securities. In this case, a U.S. Holder of Preference Shares possessing directly, indirectly, or constructively 10% or more of the sum of the aggregate outstanding principal amount of the voting Preference Shares of the Issuer (including the Preference Share Component of the Composite Securities) would be treated as a United States shareholder. If more than 50% of the Preference Shares of the Issuer (including the Preference Share Component of the Composite Securities), determined with respect to aggregate value or aggregate outstanding principal amount, are owned directly, indirectly, or constructively by such United States shareholders, the Issuer would be treated as a CFC.

If, for any given taxable year, the Issuer is treated as a CFC, a United States shareholder of the Issuer would be required to include as ordinary income an amount equal to that person's *pro rata* share of the Issuer's "subpart F income" at the end of such taxable year. Among other items, and subject to certain exceptions, "subpart F income" includes dividends, interest, annuities, gains from the sale of shares and securities, certain gains from commodities transactions, certain types of insurance income and income from certain transactions with related parties. It is likely that, if the Issuer were to constitute a CFC, all or most of its income would be subpart F income.

If the Issuer is treated as a CFC and a U.S. Holder is treated as a United States shareholder of the Issuer, the Issuer would not be treated as a PFIC with respect to such U.S. Holder for the period during which the Issuer remains a CFC and such U.S. Holder remains a United States shareholder of the Issuer (the "**qualified portion**" of the U.S. Holder's holding period for the Preference Shares). As a result, to the extent the Issuer's subpart F income includes net capital gains, such gains would be treated as ordinary income to the United States shareholder under the CFC rules, notwithstanding the fact that the character of such gains generally would otherwise be preserved under the QEF rules. If the qualified portion of such U.S. Holder's holding period for the Preference Shares subsequently ceases (either because the Issuer ceases to be a CFC or the U.S. Holder ceases to be a United States shareholder), then solely for purposes of the PFIC rules, such U.S. Holder's holding period for the Preference Shares would be treated as beginning on the first day following the end of such qualified portion, unless the U.S. Holder had owned any Preference Shares for any period of time prior to such qualified portion and had not made a QEF election with respect to the Issuer. In that case, the Issuer would again be treated as a PFIC which is not a QEF with respect to such U.S. Holder and the beginning of such U.S. Holder's holding period for the Preference Shares would continue

to be the date upon which such U.S. Holder acquired the Preference Shares, unless the U.S. Holder makes an election to recognize gain with respect to the Preference Shares and a QEF election with respect to the Issuer.

Investment in a Foreign Personal Holding Company. The Issuer will constitute a "foreign personal holding company" ("**FPHC**") if more than 50% of the equity interests in the Issuer, measured by reference to voting power or value of the corporation is owned directly, indirectly, or constructively by five or fewer individuals who are U.S. citizens or residents and more than 60% (50% in any year after the corporation qualifies as a FPHC) of the foreign corporation's income is passive income. It is expected that substantially all of the Issuer's income will be passive income for this purpose. As a result, if more than 50% of the aggregate outstanding balance or value of the sum of the equity interests of the Issuer (including the Preference Share Component of the Composite Securities) are owned directly, indirectly, or constructively by five or fewer individuals who are U.S. citizens or residents, it is possible that the IRS would assert that the Issuer is a FPHC.

If during the Issuer's 2004 taxable year the Issuer is treated as a FPHC, all U.S. Holders of equity in the Issuer would be treated as receiving a dividend in an amount equal to such U.S. Holder's *pro rata* share of the Issuer's undistributed "foreign personal holding company income" ("**FPHCI**") (very generally, all of the Issuer's taxable income less a dividends paid deduction) at the end of such taxable year. The FPHC provisions have been repealed for taxable years of foreign corporations beginning in 2005.

In the event the Issuer is treated as both a CFC and a FPHC, the Issuer's FPHCI would be reduced by the amount of subpart F income deemed distributed under the CFC rules. In the event the Issuer is treated as both a FPHC and a PFIC with respect to which a QEF election is in effect, the FPHC rules would apply first. As a result, to the extent FPHCI of the Issuer included net capital gains, such gains would be treated as ordinary income to a U.S. Holder of equity in the Issuer under the FPHC rules, notwithstanding the fact that the character of such gains generally would otherwise be preserved (subject to the CFC rules discussed above) under the PFIC rules if a QEF election is in effect.

Distributions on Preference Shares. The treatment of actual distributions of cash on the Preference Shares, in very general terms, will vary depending on whether a U.S. Holder has made a timely QEF election (as described above). See "—Investment in a Passive Foreign Investment Company." If a timely QEF election has been made, distributions should be allocated first to amounts previously taxed pursuant to the QEF election (or pursuant to the CFC or FPHC rules, if applicable) and to this extent will not be taxable to U.S. Holders. Distributions in excess of such previously taxed amounts will be taxable to U.S. Holders as ordinary income upon receipt, to the extent of any remaining amounts of untaxed current and accumulated earnings and profits of the Issuer. Distributions in excess of previously taxed amounts and any remaining current and accumulated earnings and profits of the Issuer will be treated first as a nontaxable return of capital and then as capital gain.

In the event that a U.S. Holder does not make a timely QEF election then, except to the extent that distributions may be attributable to amounts previously taxed pursuant to the CFC or FPHC rules, some or all of any distributions with respect to the Preference Shares may constitute Excess Distributions, taxable as previously described. See "—Investment in a Passive Foreign Investment Company."

Sale, Redemption, or other Disposition of Preference Shares. In general, a U.S. Holder of a Preference Share will recognize gain or loss upon the sale, redemption, or other disposition of a Preference Share equal to the difference between the amount realized and such U.S. Holder's adjusted tax basis in the Preference Share. Initially, a U.S. Holder's tax basis for a Preference Share will equal the amount paid for the Preference Share. Such basis will be increased by amounts taxable to such U.S. Holder by reason of a QEF election, or by reason of the CFC or FPHC rules, as applicable, and decreased by actual distributions from the Issuer that are deemed to consist of such previously taxed amounts or are treated as a nontaxable reduction to the U.S. Holder's tax basis for the Preference Share (as described above). Except as discussed below, such gain or loss will be long-term capital gain or loss if the U.S. Holder held the Preference Share for more than one year at the time of the disposition. In certain circumstances, U.S. Holders who are individuals (or whose income is taxable to U.S. 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.

If a U.S. Holder does not make a timely QEF election as described above, any gain realized on the sale, redemption, or other disposition of a Preference Share (or any gain deemed to accrue prior to the time a non-timely

QEF election is made) will be taxed as ordinary income and subject to an additional tax reflecting a deemed interest charge under the special tax rules described above. See "—Investment in a Passive Foreign Investment Company."

If the Issuer is treated as a CFC and a U.S. Holder is treated as a "United States shareholder" therein, then any gain realized by such U.S. Holder upon the disposition of a Preference Share, other than gain subject to the PFIC rules, if applicable, would be treated as ordinary income to the extent of the U.S. Holder's pro-rata share of the Issuer's current and accumulated earnings and profits. In this regard, earnings and profits would not include any amounts previously taxed pursuant to a timely QEF election or pursuant to the CFC or FPHC rules.

Transfer Reporting Requirements. A U.S. Holder (including a tax exempt entity) that purchases the Preference Shares for cash would be required to file an IRS Form 926 or similar form with the IRS, if (i) such person is treated as owning, directly or by attribution, immediately after the transfer at least 10% by vote or value of the Issuer or (ii) if the amount of cash transferred by such person (or any related person) to the Issuer during the 12-month period ending on the date of such transfer, exceeds $100,000. U.S. Holders should consult their tax advisors with respect to this or any other reporting requirement which may apply with respect to their acquisition of the Preference Shares.

U.S. Federal Tax Treatment of Tax-Exempt U.S. Holders of Preference Shares

U.S. Holders that are tax-exempt entities should not be subject to the tax on unrelated business taxable income in respect of the Preference Shares unless the Preference Shares constitute "debt financed property" (as defined in the Code) of that entity. Nevertheless, it is possible that a portion of any income in respect of the Preference Shares could be treated as "unrelated debt financed income" and subject to the tax on unrelated business taxable income.

U.S. Federal Tax Treatment of Non-U.S. Holders of Preference Shares

In general, payments on the Preference Shares to a Non-U.S. Holder and gain realized on the sale, exchange or retirement of the Preference Shares by a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax, unless (i) such income is effectively connected with a trade or business conducted by such Non-U.S. Holder in the United States, or (ii) in the case of gain, such Non-U.S. Holder is a nonresident alien individual who holds the Preference Shares as a capital asset and is present in the United States for more than 182 days in the taxable year of the sale and certain other conditions are satisfied.

Tax Treatment of Composite Securities

For U.S. federal income tax purposes, each holder of a Composite Security should be treated as if it directly owned the different Classes of the Notes or Preference Shares corresponding to the Components of such Composite Security. A holder of a Composite Security should review the applicable discussion above to determine the tax consequences of holding such Securities. In calculating its basis in each of the Components, a holder will be required to allocate the purchase price paid for its Composite Security among the Components in proportion to their relative fair market values at the time of purchase. A similar principle would apply in determining the amount allocable to each Component upon a sale. The exchange of a Composite Security for the separate Notes or Preference Shares corresponding to each Component will not be a taxable event.

Information Reporting and Backup Withholding

Under certain circumstances, the Code requires "information reporting" annually to the IRS and to each holder, and "backup withholding" with respect to certain payments made on or with respect to the Offered Securities. Backup withholding generally does not apply with respect to certain holders, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. Backup withholding will apply to a U.S. Holder or a partnership formed under the laws of the United States (including an entity treated as a partnership for U.S. federal tax purposes), any State thereof or the District of Columbia (a "**U.S. Partnership**") only if the U.S. Holder or U.S. Partnership (i) fails to furnish its Taxpayer Identification Number ("**TIN**") which, for an individual would be his or her Social Security Number, (ii) furnishes an incorrect TIN, (iii) is notified by the IRS that it has failed to properly report payments of interest and dividends, or (iv) under

certain circumstances, fails to certify, under penalty of perjury, that it has furnished a correct TIN and has not been notified by the IRS that it is subject to backup withholding for failure to report interest and dividend payments. The application for exemption is available by providing a properly completed IRS Form W-9.

A Non-U.S. Holder that provides the applicable IRS Form W-8BEN or Form W-8IMY, together with all appropriate attachments, signed under penalties of perjury, identifying the Non-U.S. Holder and stating that the Non-U.S. Holder is not a United States person will not be subject to IRS reporting requirements and U.S. backup withholding. In addition, IRS Forms W-8BEN will be required from the beneficial owners of interests in a Non-U.S. Holder that is treated as a partnership for U.S. federal income tax purposes.

The payment of the proceeds on the disposition of a Note or Preference Share by a holder to or through the U.S. office of a broker generally will be subject to information reporting and backup withholding unless the holder either certifies its status as a Non-U.S. Holder under penalties of perjury on the applicable IRS Form W-8BEN or Form W-8IMY (as described above) or otherwise establishes an exemption. The payment of the proceeds on the disposition of a Note or Preference Share by a Non-U.S. Holder to or through a non-U.S. office of a non-U.S. broker will not be subject to backup withholding or information reporting unless the non-U.S. broker is a "U.S. Related Person" (as defined below). The payment of proceeds on the disposition of a Note or Preference Share by a Non-U.S. Holder to or through a Non-U.S. office of a U.S. broker or a U.S. Related Person generally will not be subject to backup withholding but will be subject to information reporting unless the holder certifies its status as a Non-U.S. Holder under penalties of perjury or the broker has certain documentary evidence in its files as to the Non-U.S. Holder's foreign status and the broker has no actual knowledge to the contrary.

For this purpose, a "**U.S. Related Person**" is (i) a "controlled foreign corporation" for U.S. federal income tax purposes, (ii) a foreign person 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment (or for such part of the period that the broker has been in existence) is derived from activities that are effectively connected with the conduct of a U.S. trade or business, or (iii) a foreign partnership if at any time during its tax year one or more of its partners are United States persons who, in the aggregate, hold more than 50% of the income or capital interest of the partnership or if, at any time during its taxable year, the partnership is engaged in the conduct of a U.S. trade or business.

Backup withholding is not an additional tax and may be refunded (or credited against the holder's U.S. federal income tax liability, if any), provided that certain required information is furnished. The information reporting requirements may apply regardless of whether withholding is required. Copies of the information returns reporting such interest and withholding also may be made available to the tax authorities in the country in which a Non-U.S. Holder is a resident under the provisions of an applicable income tax treaty or agreement.

Disclosure Requirements for U.S. Holders Recognizing Significant Losses or Experiencing Significant Book-Tax Differences, and for Certain Preference Shareholders

Any U.S. Holder of Preference Shares that claims significant losses in respect of such Preference Shares (generally U.S.$ 10 million or more for corporations) or any U.S. Holder of any Offered Security that reports any item or items of income, gain, expense, or loss in respect of the Offered Security for tax purposes in an amount that differs from the amount reported for book purposes by more than U.S.$ 10 million, on a gross basis, in any taxable year may be subject to certain disclosure requirements for "reportable transactions." In addition, a U.S. Holder of 10% of the Preference Shares (or any U.S. Holder of the Preference Shares if the Issuer is FPHC) could be subject to these disclosure requirements if the Issuer recognizes losses of U.S.$ 10 million or more with respect to a transaction, enters into a transaction that is offered under conditions of confidentiality, or experiences certain book-tax differences in excess of U.S.$ 10 million in any taxable year. Prospective investors should consult their tax advisers concerning any possible disclosure obligation with respect to the Offered Securities.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN OF THE TAX IMPLICATIONS OF AN INVESTMENT IN THE OFFERED SECURITIES. PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS PRIOR TO INVESTING TO DETERMINE THE TAX IMPLICATIONS OF SUCH INVESTMENT IN LIGHT OF EACH SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

CERTAIN CAYMAN ISLANDS TAX CONSIDERATIONS

Under existing Cayman Islands Laws:

(i) payments of principal and interest in respect of the Notes and any dividends or other distributions on the Preference Shares will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any holder of a Note 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;

(ii) no holder of any Preference Share is liable for stamp duty in respect of the issue or the transfer of any Preference Shares; however, any agreement to transfer any Preference Shares if executed in the Cayman Islands or brought into the Cayman Islands after execution outside the Cayman Islands is subject to nominal Cayman Islands stamp duty; and

(iii) 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 in respect of such Note.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, received an undertaking from the Governor-in-Council 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-Council undertakes with:

E*TRADE ABS CDO III, Ltd. (the "**Issuer**")

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

(b) 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 will be payable

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

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

These concessions will be for a period of TWENTY years from the 14th day of December, 2004.

"Governor In Council"

The Cayman Islands do not have an income tax treaty arrangement with the U.S. or any other country.

CERTAIN ERISA CONSIDERATIONS

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

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

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

Each of the Issuer, the Co-Issuer, the Initial Purchasers and the Collateral Manager as a result of their own activities or because of the activities of an affiliate, may be considered a Party-In-Interest or a Disqualified Person with respect to Plans. Accordingly, prohibited transactions within the meaning of Section 406 of ERISA and Section 4975 of the Code may arise if Notes or Preference Shares are acquired by a Plan with respect to which any of the Issuer, the Co-Issuer, the Initial Purchasers, the Collateral Manager, the obligors on the Collateral Debt Securities or any of their respective affiliates is a Party-In-Interest or Disqualified Person. In addition, if a Party-In-Interest or Disqualified Person with respect to a Plan owns or acquires a beneficial interest in the Issuer or the Co-Issuer, the acquisition or holding of Notes or Preference Shares by or on behalf of the Plan could be considered to constitute an indirect prohibited transaction. Moreover, the acquisition or holding of Notes or other indebtedness issued by the Issuer or the Co-Issuer by or on behalf of a Party-In-Interest or Disqualified Person with respect to a Plan that owns or acquires a beneficial interest in the Issuer or the Co-Issuer, as the case may be, also could give rise to an indirect prohibited transaction. Certain exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of Plan fiduciary making the decision to acquire a Note or Preference Share and the circumstances under which such decision is made. Included among these exemptions are PTE 90-1, regarding investments by insurance company pooled separate accounts; PTE 91-38, regarding investments by bank collective investment funds; PTE 84-14, regarding transactions effected by a "qualified professional asset manager"; PTE 96-23, regarding investments by certain in-house asset managers; and PTE 95-60, regarding investments by insurance company general accounts. Even if the conditions specified in one or more of

these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. If a purchase of Notes were to be a non-exempt prohibited transaction, the purchase might have to be rescinded.

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

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

There is little pertinent authority in this area and securities may change character over time and with changing circumstances from debt, to equity. Persons considering the purchase of Notes for a Plan should consult their counsel. However, it is anticipated that the Class A Notes and the Class B Notes will not constitute "equity interests" in the Co-Issuers. Although it is less clear, based primarily on the investment-grade rating of the Class C Notes**,** the unconditional obligation of the Co-Issuers to pay interest and to repay principal by a fixed maturity date and the creditors' remedies available to holders of the Class C Notes, it is anticipated that the Class C Notes will not constitute "equity interests" in the Co-Issuers, despite their subordinated position in the capital structure of the Co-Issuers. No measures (such as those described below with respect to the Preference Shares and Composite Securities) will be taken to restrict investment in the Class A Notes, the Class B Notes or the Class C Notes.

It is intended that the ownership interests in the Preference Shares and Composite Securities, to the extent of the component of Composite Securities that corresponds to Preference Shares, that are held by Benefit Plan Investors will be maintained at a level below the 25% Threshold (excluding Preference Shares and Composite Securities held by Controlling Persons) by limiting the aggregate amount of Preference Shares and Composite Securities, to the extent of the component of Composite Securities that corresponds to Preference Shares, that may be held by Benefit Plan Investors to below the 25% Threshold. In this regard, each original purchaser of Restricted Preference Shares and Composite Securities will be required to provide information as to what portion, if any, of the funds it is using to purchase and hold Preference Shares and Composite Securities is comprised of assets of a Benefit Plan Investor and whether or not it is a Controlling Person. Any subsequent transferee that acquires Restricted Preference Shares or Composite Securities will be required to represent that, except as provided in the applicable transfer certificate, it is not (and for so long as it holds such Preference Share or Composite Security will not be) and is not acting on behalf of a Benefit Plan Investor or Controlling Person. The Preference Share Registrar will not effect any such transfer if it has reason to believe such transfer or Preference Shares is to a Benefit Plan Investor or Controlling Person. The Note Registrar will not effect any such transfer if it has reason to believe that such transfer of Composite Securities is to a Benefit Plan Investor or Controlling Person. In addition, each purchaser or transferee of Global Preference Shares will be required, or deemed, to represent and warrant that (i) it is not, and is not acting on behalf of, a Benefit Plan Investor or a Controlling Person and (ii) it, and any fiduciary of it causing it to acquire Global Preference Shares, agrees to indemnify and hold harmless the Co-Issuers from any cost, damage or loss incurred by them as a result of it being or being deemed to be a Benefit Plan Investor. There can be no assurance,

however, that ownership of the Preference Shares and Composite Securities, to the extent of the component of Composite Securities that corresponds to Preference Shares, by Benefit Plan Investors will always remain below the 25% Threshold. In particular, each owner of a Restricted Preference Share will be required to execute and deliver to the Issuer and the Preference Share Registrar a letter in the form attached as an exhibit to the Preference Share Paying Agency Agreement to the effect that such owner will not transfer such interest except in compliance with the transfer restrictions set forth in the Preference Share Paying Agency Agreement (including the requirement that any subsequent transferee execute and deliver such letter as a condition to any subsequent transfer). Owners of Composite Securities will be required to execute and deliver a similar letter. Owners of any interest in Global Preference Shares will be deemed to make similar representations. The Preference Share Registrar and the Note Registrar will not effect any such transfer to a Benefit Plan Investor or Controlling Person. Although each such owner will be required to indemnify the Issuer for the consequences of any breach of such obligations, there is no assurance that an owner will not breach such obligations or that, if such breach occurs, such owner will have the financial capacity, willingness or legal ability to indemnify the Issuer for any losses that the Issuer may suffer, including by reason of non compliance with the 25% Threshold.

If for any reason the assets of the Issuer are deemed to be "plan assets" of a Plan subject to Title I of ERISA or Section 4975 of the Code, certain transactions that either of the Co-Issuers might enter into, or may have entered into, in the ordinary course of its business might constitute non-exempt "prohibited transactions" under Section 406 of ERISA or Section 4975 of the Code and might have to be rescinded. In addition, if the assets of the Issuer are deemed to be "plan assets" of a Plan subject to Title I of ERISA or Section 4975 of the Code, the payment of certain of the fees payable to the Collateral Manager might be considered to be a non-exempt "prohibited transaction" under Section 406 of ERISA or Section 4975 of the Code. Moreover, if the underlying assets of the Issuer were deemed to be assets constituting "plan assets," there are several provisions of ERISA that could be implicated if an ERISA Plan were to acquire and hold Preference Shares either directly or by investing in an entity whose underlying assets are deemed to be assets of the ERISA Plan. It is not clear that Section 403(a) of ERISA, which generally requires that all of the assets of an ERISA Plan be held in trust and limits delegation of investment management responsibilities by fiduciaries of ERISA Plans, would be satisfied. It is also not clear whether Section 404(b) of ERISA, which generally provides that no fiduciary may maintain the indicia of ownership of any assets of a plan outside the jurisdiction of the district courts of the United States, would be satisfied or any of the exceptions to this requirement set forth in 29 C.F.R. Section 2550.404b-1 would be available.

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

EACH INITIAL PURCHASER OF A NOTE (OTHER THAN A COMPOSITE SECURITY) WILL BE DEEMED TO REPRESENT AND WARRANT (OR IN CERTAIN CIRCUMSTANCES REQUIRED TO CERTIFY) AND EACH TRANSFEREE OF A NOTE WILL BE DEEMED TO REPRESENT AND WARRANT EITHER THAT (A) IT IS NOT, AND IS NOT INVESTING THE ASSETS OF, A PLAN THAT IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE OR A FOREIGN, GOVERNMENTAL OR CHURCH PLAN THAT IS SUBJECT TO ANY SIMILAR LAW OR (B) ITS PURCHASE AND OWNERSHIP OF SUCH NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR THE CODE (OR, IN THE CASE OF A FOREIGN, GOVERNMENTAL OR CHURCH PLAN, A VIOLATION OF ANY SIMILAR LAW).

EACH ORIGINAL PURCHASER OF A RESTRICTED PREFERENCE SHARE OR COMPOSITE SECURITY WILL BE REQUIRED TO CERTIFY WHETHER OR NOT IT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON, AND EACH SUCH PURCHASER THAT IS A BENEFIT PLAN INVESTOR SUBJECT TO SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR ANY MATERIALLY SIMILAR LAW WILL BE REQUIRED TO CERTIFY THAT ITS INVESTMENT IN PREFERENCE SHARES OR COMPOSITE SECURITIES WILL NOT RESULT IN A NONEXEMPT PROHIBITED TRANSACTION UNDER THE FOREGOING PROVISIONS OF ERISA AND THE CODE OR A VIOLATION OF ANY SIMILAR LAW. NO TRANSFER OF PREFERENCE SHARES OR COMPOSITE SECURITIES WILL BE EFFECTIVE AND THE ISSUER, THE PREFERENCE SHARE REGISTRAR, THE PREFERENCE SHARE PAYING AGENT, THE TRUSTEE AND THE NOTE REGISTRAR WILL NOT RECOGNIZE ANY SUCH TRANSFER IF THE

TRANSFEREE OF A PREFERENCE SHARE IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON.

EACH PURCHASER AND TRANSFEREE OF GLOBAL PREFERENCE SHARES OR DEFINITIVE PREFERENCE SHARES WILL BE REQUIRED OR DEEMED TO CERTIFY THAT (I) IT IS NOT, AND IS NOT ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND (II) IT, AND ANY FIDUCIARY OF IT CAUSING IT TO ACQUIRE GLOBAL PREFERENCE SHARES, AGREES TO INDEMNIFY AND HOLD HARMLESS THE CO-ISSUERS FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF IT BEING OR BEING DEEMED TO BE A BENEFIT PLAN INVESTOR.

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

It should be noted that an insurance company's general account may be deemed to include assets of ERISA Plans under certain circumstances, *e.g.,* where an ERISA Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court in *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993). An insurance company considering the purchase of Notes with assets of its general account should consider such purchase and the insurance company's ability to make the representations described above in light of *Harris Trust,* Section 401(c) of ERISA and 29 C.F.R. §2550.401c-1. As indicated above, an insurance company general account deemed under the reasoning of *Harris Trust* to contain assets of a Benefit Plan may not invest in the Preference Shares.

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

PLAN OF DISTRIBUTION

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

The Co-Issuers have been advised by the Initial Purchasers that it proposes to sell the Securities in negotiated transactions at varying prices to be determined in each case at the time of sale and (i)(a) in the case of a sale in the United States in reliance upon Rule 144A or other exemption from the registration requirements of the Securities Act, to a Qualified Institutional Buyer or an Accredited Investor and (b) a Qualified Purchaser that can make all of the representations applicable to a Holder that is a U.S. Person or (ii) to a non-U.S. Person in offshore transactions in reliance on Regulation S under the Securities Act.

CERTAIN SELLING RESTRICTIONS

United States

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

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

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

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

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

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

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

The Initial Purchasers will also represent and agree as follows:

United Kingdom

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

(2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any

Securities in circumstances in which Section 21(1) of said Act would not, if each of the Co-Issuers were not an authorized person, apply to the Co-Issuers; and

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

Cayman Islands

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

General

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

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

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

An Initial Purchaser and its Affiliates may have had in the past and may in the future have business relationships and dealings with one or more issuers of the Collateral Debt Securities and their Affiliates and may own equity or debt securities issued by such issuers or their Affiliates. An Initial Purchaser or its Affiliates may have provided and may in the future provide investment banking services to an issuer of Collateral Debt Securities or its Affiliates and may have received or may receive compensation for such services.

The Securities will constitute new classes of securities with no established trading market. Such a market may or may not develop, but the Initial Purchasers are not under any obligation to make such a market, and if it makes such a market it may discontinue any market-making activities with respect to the Securities at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, no assurances can be made as to the liquidity of or the trading market for the Notes.

TRANSFER RESTRICTIONS

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

Investor Representations on Initial Purchase. Each purchaser or transferee of Offered Securities (or any beneficial interest therein) will be required (or, in certain circumstances, will be deemed) to acknowledge, represent to and agree with the Issuer and the Initial Purchasers as follows:

(1) *No Governmental Approval*. The purchaser understands that the Offered Securities have not been approved or disapproved by the SEC or any other governmental authority or agency of any jurisdiction, nor has the SEC or any other governmental authority or agency passed upon the accuracy or adequacy of this Offering Circular. The purchaser further understands that any representation to the contrary is a criminal offense.

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

(3) *Minimum Denominations; Form of Preference Shares and Composite Securities*. The purchaser agrees that no Offered Security (or any interest therein) may be sold, pledged or otherwise transferred in a denomination of less than the applicable minimum denomination set forth in the Indenture (in the case of the Notes or the Composite Securities) or the minimum required number set forth in the Issuer Charter (in the case of the Preference Shares). In addition, each purchaser of Restricted Preference Shares or Restricted Composite Securities understands that the Restricted Preference Shares or Restricted Composite Securities, as applicable, will be issued in fully registered, definitive form, without interest coupons, and will be transferable only by delivery thereof.

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

(5) *Qualified Institutional Buyer, Accredited Investor or Non-U.S. Person Status; Investment Intent*. In the case of a purchaser who takes delivery of the Offered Securities in the form of a Restricted Global Note (or interest therein), a Restricted Preference Share or a Restricted Composite Security, it is a Qualified Institutional Buyer or an Accredited Investor (in the case of the Notes, only with respect to purchasers purchasing directly from an Initial Purchaser) and is acquiring the Offered Securities, for its own account for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A or, in the case of Preference Shares, pursuant to another available exemption from the registration requirements of the Securities Act). In the case of a purchaser who takes delivery of Regulation S Notes, Regulation S Preference Shares or Regulation S Composite Securities, (i) it is neither a U.S. Person nor a U.S. Resident and is purchasing such

Note, Preference Share or Composite Security, as applicable, for its own account and not for the account or benefit of a U.S. Person a U.S. Resident and (ii) it understands that (A) in the case of a Regulation S Note, a Global Preference Share or a Global Composite Security, interests in a Regulation S Global Note, a Global Preference Share or a Global Composite Security, as applicable, may only be held through Euroclear or Clearstream, Luxembourg and (B) in the case of a Global Preference Share, delivery may be made only in accordance with the certification requirements set forth in the Issuer Charter and the Preference Share Paying Agency Agreement.

(6) *Purchaser Sophistication; Non-Reliance; Suitability; Access to Information.* The purchaser (a) has such knowledge and experience in financial and business matters that the purchaser is capable of evaluating the merits and risks (including for tax, legal, regulatory, accounting and other financial purposes) of its prospective investment in Offered Securities, (b) is financially able to bear such risk, (c) in making such investment is not relying on the advice or recommendations of an Initial Purchaser, the Issuer, the Co-Issuer or any of their respective affiliates (or any representative of any of the foregoing) and (d) has determined that an investment in Offered Securities is suitable and appropriate for it. The purchaser has received, and has had an adequate opportunity to review the contents of, the final Offering Circular. The purchaser has had access to such financial and other information concerning the Issuer and the Offered Securities as it has deemed necessary to make its own independent decision to purchase Offered Securities, including the opportunity, at a reasonable time prior to its purchase of Offered Securities, to ask questions and receive answers concerning the Issuer and the terms and conditions of the offering of the Offered Securities.

(7) *Certain Resale Limitations; Rule 144A*. The purchaser is aware that no Offered Securities (or any interest therein) may be offered, sold, pledged or otherwise transferred to (a) a transferee acquiring a Restricted Global Note (or interest therein), a Restricted Preference Share or a Restricted Composite Security except (i)(A) to a transferee (x) whom the seller reasonably believes is a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (y) that is a Qualified Purchaser or (B) solely in the case of a Restricted Preference Share or a Restricted Composite Security, to a transferee (x) in accordance with another applicable exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (y) that is a Qualified Purchaser, (ii) to a transferee that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (iii) in compliance with the certification (if any) and other requirements set forth in the Indenture, the Issuer Charter or the Preference Share Paying Agency Agreement and (iv) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction or (b) a transferee acquiring an interest in a Regulation S Note, a Regulation S Preference Share or a Regulation S Composite Security except (i) to a transferee that is acquiring such interest in an "offshore transaction" within the meaning of Rule 903 or Rule 904 of Regulation S, (ii) to a transferee that is neither a U.S. Person nor a U.S. Resident, (iii) in the case of any transfer of a Preference Share or Composite Security to a transferee that is neither a Benefit Plan Investor nor a Controlling Person, (iv) to a transferee that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (v) in compliance with the certification (if any) and other requirements set forth in the Indenture, the Issuer Charter or the Preference Share Paying Agency Agreement, as applicable, and (vi) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. Without limiting the foregoing, each holder of an interest in a Global Preference Share will be required to execute and deliver to the Issuer and the Preference Share Paying Agent a letter in the form attached as an exhibit to the Preference Share Paying Agency Agreement, to the effect that such holder will not transfer such interest except in compliance with the transfer restrictions set forth in the Preference Share Paying Agency Agreement (including the requirement that any subsequent transferee execute and deliver such letter).

(8) *Limited Liquidity*. The purchaser understands that there is no market for any Class of Offered Securities and that no assurance can be given as to the liquidity of any trading market for such Class of Offered Securities or that a trading market for such Class of Offered Securities will develop. It further understands that, although the Initial Purchasers may from time to time make a market in a Class of Offered Securities, the Initial Purchasers are under no obligation to do so and, following the commencement of any market-making, may

discontinue the same at any time. Accordingly, the purchaser must be prepared to hold such Offered Securities for an indefinite period of time or until their maturity.

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

(10) *Withholding Certification*. The purchaser understands that the Issuer, the Co-Issuer or any Paying Agent will require certification acceptable to it (i) as a condition to the payment of principal of and interest on any Note without, or at a reduced rate of, U.S. withholding or backup withholding tax, and (ii) to enable the Co-Issuers, the Trustee and any Paying Agent to determine their duties and liabilities with respect to any taxes or other charges that they may be required to pay, deduct or withhold from payments in respect of such Note or the holder of such Note under any present or future law or regulation of the Cayman Islands or the United States or any present or future law or regulation of any political subdivision thereof or taxing authority therein or to comply with any reporting or other requirements under any such law or regulation. Such certification may include U.S. federal income tax forms (such as IRS Form W-8BEN (Certification of Foreign Status of Beneficial Owner), Form W-8IMY (Certification of Foreign Intermediary Status), IRS Form W-9 (Request for Taxpayer Identification Number and Certification), or IRS Form W-8ECI (Certification of Foreign Person's Claim for Exemption from Withholding on Income Effectively Connected with Conduct of a U.S. Trade or Business) or any successors to such IRS forms). In addition, the Issuer, the Co-Issuer or any Paying Agent may require certification acceptable to it to enable the Issuer to qualify for a reduced rate of withholding in any jurisdiction from or through which the Issuer receives payments on its assets. Each purchaser agrees to provide any certification requested pursuant to this paragraph and to update or replace such form or certification in accordance with its terms or its subsequent amendments.

(11) *Tax Treatment*. Each purchaser hereby agrees that, for purposes of U.S. federal, state and local income and franchise tax and any other income taxes, (i) the Issuer will be treated as a corporation, (ii) the Class A Notes, the Class B Notes and the Class C Notes (including the Class C Component of the Composite Securities) will be treated as indebtedness of the Issuer, and (iii) the Preference Shares (including the Preference Share Component of the Composite Securities) will be treated as equity in the Issuer; the purchaser agrees to such treatment and agrees to take no action inconsistent with such treatment, unless required by law.

(12) *ERISA*. In the case of a purchaser of a Note (other than a Composite Security), either (a) it is not (and for so long as it holds any Note or any interest therein will not be), and is not (and for so long as it holds any Note or interest therein will not be) acting on behalf of, an employee benefit plan (within the meaning of Section 3(3) of ERISA) that is subject to Title I of ERISA, a plan (within the meaning of Section 4975(e)(1) of the Code) that is subject to Section 4975 of the Code or a governmental or church plan that is subject to any federal, state or local law that is similar to the foregoing provisions of ERISA or the Code (a "**Similar Law**") or (b) its purchase and ownership of such Note will be covered by a prohibited transaction class exemption issued by the United States Department of Labor (or, in the case of a governmental or church plan, will not result in a violation of any Similar Law).

In the case of a purchaser of a Preference Share or a Composite Security, except as otherwise disclosed, with respect to Restricted Preference Shares and Composite Securities, the purchaser is not (i) a "benefit plan

investor," as defined in United States Department of Labor Regulations at 29 C.F.R. § 2510.3-101(f) (a "**Benefit Plan Investor**") or (ii) a person other than a Benefit Plan Investor who has discretionary authority or control over the assets of the Issuer or provides investment advice to the Issuer for a fee, direct or indirect, or is an affiliate of any such person (a "**Controlling Person**"). If a purchaser of a Restricted Preference Share or a Composite Security is a Benefit Plan Investor that is subject to Title I of ERISA, Section 4975 of the Code or any Similar Law, it represents and warrants that its purchase and ownership of Preference Shares or Composite Securities will not result in a non-exempt "prohibited transaction" under the foregoing provisions of ERISA and the Code or a violation of any Similar Law. Each purchaser of a Preference Share or a Composite Security understands and agrees that no sale, pledge or other transfer of a Preference Share or a Composite Security (or any interest therein) may be made to Benefit Plan Investors or Controlling Persons.

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

(13) *Limitations on Flow-Through Status*. It is either (a) not a Flow-Through Investment Vehicle or (b) a Qualifying Investment Vehicle. A purchaser is a "**Flow-Through Investment Vehicle**" if: (i) a purchaser that would be an investment company but for the exception in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, the amount of the purchaser's investment in the Offered Securities (including its investment in all Classes of Notes, Preference Shares and Composite Securities) exceeds 40% of the total assets (determined on a consolidated basis with its subsidiaries) of the purchaser; (ii) any person owning any equity or similar interest in the purchaser has the ability to control any investment decision of such purchaser to determine, on an investment-by-investment basis, the amount of such person's contribution to any investment made by the purchaser; (iii) the purchaser was organized or reorganized for the specific purpose of acquiring Offered Securities; or (iv) additional capital or similar contributions were specifically solicited from any person owning an equity or similar interest in the purchaser for the purpose of enabling the purchaser to purchase Offered Securities. A "**Qualifying Investment Vehicle**" is an entity (i) as to which all of the beneficial owners of any securities issued by such entity have made or have been deemed to make, and as to which (in accordance with the document pursuant to which such entity was organized or the agreement or other document governing such securities) each such beneficial owner must require any transferee of any such security to make or be deemed to make, to the Issuer or the Co-Issuers, as the case may be, and the Note Registrar (in the case of the Notes), the Preference Share Registrar (in the case of the Preference Shares) or the Composite Security Registrar (in the case of the Composite Securities) each of the representations set forth herein, the Indenture and the Issuer Charter required to be made upon transfer of any of the relevant Class of Notes, Preference Shares or Composite Securities (with modifications to such representations satisfactory to the Collateral Manager and the Issuer to reflect the indirect nature of the interests of such beneficial owners in such Notes, Preference Shares or Composite Securities, including any modification permitting an initial beneficial owner of securities issued by such entity to represent that it is an Accredited Investor in lieu of being a Qualified Institutional Buyer).

If the purchaser is a U.S. Person that is a Qualifying Investment Vehicle, (a) either (i) none of the beneficial owners of its securities is a U.S. Person or (ii) some or all of the beneficial owners of its securities are U.S. Persons and each such beneficial owner has certified to the purchaser that it is a Qualified Purchaser and (b) the purchaser has only one class of securities outstanding (other than any nominal share capital the distributions in respect of which are not correlated to or dependent upon distributions on, or the performance of, the Offered Securities).

(14) *Certain Transfers Void*. The purchaser agrees that (a) any sale, pledge or other transfer of an Offered Security (or any interest therein) made in violation of the transfer restrictions contained in this Offering Circular and in the Indenture, the Issuer Charter or the Preference Share Paying Agency Agreement, or made based upon any false or inaccurate representation made by the purchaser or a transferee to the Issuer, will be void and of no force or effect and (b) none of the Issuer, the Trustee, the Note Registrar (in the case of the Notes), the Preference Share Paying Agent and Preference Share Registrar (in the case of the Preference Shares) and the

Composite Security Registrar (in the case of Composite Securities) has any obligation to recognize any sale, pledge or other transfer of an Offered Security (or any interest therein) made in violation of any such transfer restriction or made based upon any such false or inaccurate representation.

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers determines that any beneficial owner of a Restricted Note (or any interest therein) (A) was not at the time of purchase both a Qualified Institutional Buyer (unless such beneficial owner is an Accredited Investor that purchased such Restricted Note or interest therein directly from an Initial Purchaser) and a Qualified Purchaser or (B) any beneficial owner of a Regulation S Note (or any interest therein) is at any time either a U.S. Person or a U.S. Resident, then either of the Co-Issuers may require, by notice to such holder, that such holder sell all of its right, title and interest to such Restricted Note (or interest therein) or Regulation S Note (or interest therein), as applicable, to a person (x) if such person is taking delivery in the form of an interest in a Restricted Note, that is both a Qualified Institutional Buyer and a Qualified Purchaser or (y) if such person is taking delivery in the form of an interest in a Regulation S Note, that is neither a U.S. Person nor a U.S. Resident, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (i) upon direction from the Collateral Manager or the Issuer, the Trustee, on behalf of and at the expense of the Issuer, will cause such beneficial owner's interest in such Note to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Trustee, the Co-Issuers and the Collateral Manager, in connection with such transfer, that such person is both a Qualified Institutional Buyer and a Qualified Purchaser or (y) if such person is taking delivery in the form of an interest in a Regulation S Note, such person is neither a U.S. Person nor a U.S. Resident, and (ii) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner.

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any owner of a Restricted Composite Security (or any interest therein) (A) was not at the time of purchase both (i) a Qualified Institutional Buyer or otherwise entitled to purchase such Restricted Composite Security pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser or (B) any beneficial owner of a Regulation S Composite Security (or any interest therein) is at any time either a U.S. Person or a U.S. Resident, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Restricted Composite Security (or interest therein) or Regulation S Composite Security (or interest therein), as applicable, to a person (x) if such person is taking delivery in the form of an interest in a Restricted Composite Security, that is both (i) a Qualified Institutional Buyer or otherwise entitled to take delivery of such Restricted Composite Security pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser or (y) if such person is taking delivery in the form of an interest in a Regulation S Composite Security, that is neither a U.S. Person nor a U.S. Resident, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (i) upon direction from the Collateral Manager or the Issuer, the Trustee, on behalf of and at the expense of the Issuer, will cause such beneficial owner's interest in such Composite Security to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Trustee, the Issuers and the Collateral Manager, in connection with such transfer, that such person is both (i) a Qualified Institutional Buyer or otherwise entitled to take delivery of such Restricted Composite Security pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made

pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser or (y) if such person is taking delivery in the form of an interest in a Regulation S Composite Security, such person is neither a U.S. Person nor a U.S. Resident, and (ii) pending such transfer, no further payments will be made in respect of such Composite Security held by such owner or beneficial owner.

The Preference Share Paying Agency Agreement provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that (A) any beneficial owner of Restricted Preference Shares was not at the time of purchase both (i) a Qualified Institutional Buyer or otherwise entitled to purchase such Restricted Preference Shares pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser or (B) any beneficial owner of a Regulation S Preference Share (or any interest therein) is at any time either a U.S. Person or a U.S. Resident, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Restricted Preference Shares or Regulation S Preference Share (or interest therein), as applicable, to a person (x) if such person is taking delivery in the form of a Restricted Preference Share, that is both (i) a Qualified Institutional Buyer or otherwise entitled to take delivery of such Restricted Preference Share pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser or (y) if such person is taking delivery in the form of an interest in a Regulation S Preference Share, that is neither a U.S. Person nor a U.S. Resident, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (a) upon direction from the Collateral Manager or the Issuer, the Preference Share Paying Agent, on behalf of and at the expense of the Issuer, will cause such beneficial owner's interest in such Preference Share (or the Composite Securities comprised of such Preference Shares) to be transferred in a commercially reasonable sale (conducted by the Administrator in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Preference Share Paying Agent, the Preference Share Registrar, the Issuer and the Collateral Manager, in connection with such transfer, that (x) if such person is taking delivery in the form of a Restricted Preference Share, such person is both (i) a Qualified Institutional Buyer or otherwise entitled to take delivery of such Restricted Preference Share pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) a Qualified Purchaser or (y) if such person is taking delivery in the form of an interest in a Regulation S Preference Share, such person is neither a U.S. Person nor a U.S. Resident, and (b) pending such transfer, no further payments will be made in respect of such Preference Share held by such beneficial owner.

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

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

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**"), PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION

PROVIDED BY RULE 144A OR (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**"), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. NONE OF THE ISSUER, THE CO-ISSUER OR THE POOL OF COLLATERAL IS OR HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"). NO TRANSFER OF A NOTE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE TRUSTEE NOR THE NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO IS A U.S. RESIDENT (WITHIN THE MEANING OF THE INVESTMENT COMPANY ACT) THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN THE INVESTMENT COMPANY ACT, (II) A "KNOWLEDGEABLE EMPLOYEE" WITH RESPECT TO THE ISSUER WITHIN THE MEANING OF RULE 3c-5 UNDER THE INVESTMENT COMPANY ACT OR (III) A COMPANY BENEFICIALLY OWNED EXCLUSIVELY BY ONE OR MORE "QUALIFIED PURCHASERS" AND/OR "KNOWLEDGEABLE EMPLOYEES" WITH RESPECT TO THE ISSUER, (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING EITHER OF THE CO-ISSUERS OR THE POOL OF COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT (C) SUCH TRANSFER WOULD BE MADE TO A U.S. RESIDENT THAT IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE INDENTURE) OR (D) SUCH TRANSFER WOULD BE MADE TO A PERSON WHO IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE (IF ANY) ATTACHED AS AN EXHIBIT TO THE INDENTURE REFERRED TO BELOW.

EACH INITIAL PURCHASER OF A NOTE WILL BE REQUIRED TO CERTIFY (OR IN CERTAIN CIRCUMSTANCES DEEMED TO REPRESENT AND WARRANT) AND EACH TRANSFEREE OF A NOTE WILL BE DEEMED TO REPRESENT AND WARRANT EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF, A PLAN SUBJECT TO TITLE I OF ERISA, SECTION 4975 OF THE CODE OR A FOREIGN, GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY FOREIGN, FEDERAL, STATE OR LOCAL LAW THAT IS MATERIALLY SIMILAR TO THE FOREGOING PROVISIONS OF ERISA OR THE CODE OR (B) ITS PURCHASE AND OWNERSHIP OF NOTES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A FOREIGN, GOVERNMENTAL OR CHURCH PLAN, A VIOLATION OF ANY MATERIALLY SIMILAR FOREIGN, FEDERAL, STATE OR LOCAL LAW).

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

IN ADDITION, NO TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) MAY BE MADE (AND NEITHER THE TRUSTEE NOR THE NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS (A) A DEALER DESCRIBED IN PARAGRAPH (A)(1)(ii) OF RULE 144A WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$ 25,000,000 IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER OR (B) A PLAN REFERRED TO IN PARAGRAPH (a)(1)(I)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, UNLESS INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN. THE TRANSFEREE, AND EACH ACCOUNT FOR WHICH IT IS PURCHASING, IS REQUIRED TO HOLD AND TRANSFER AT LEAST THE MINIMUM DENOMINATIONS OF THE NOTES. THE NOTES OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED TO A PERSON WHO ACQUIRES A BENEFICIAL INTEREST IN A REGULATION S NOTE UPON RECEIPT BY THE TRUSTEE OF A TRANSFER CERTIFICATE

FROM THE TRANSFEROR SUBSTANTIALLY IN THE FORM SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

IF, NOTWITHSTANDING THE RESTRICTIONS ON TRANSFER CONTAINED IN THE INDENTURE, THE ISSUER DETERMINES THAT ANY BENEFICIAL OWNER OF A NOTE (OR ANY INTEREST THEREIN) (A) IS A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) OR U.S. RESIDENT AND (B) IS NOT BOTH (I) A QUALIFIED INSTITUTIONAL BUYER (UNLESS SUCH BENEFICIAL OWNER IS AN ACCREDITED INVESTOR THAT PURCHASED SUCH NOTE DIRECTLY FROM AN INITIAL PURCHASER) AND (II) A QUALIFIED PURCHASER, THEN THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER, THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO SUCH NOTE (OR INTEREST THEREIN) TO A PERSON THAT IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH OWNER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAYS PERIOD, (1) UPON DIRECTION FROM THE COLLATERAL MANAGER OR THE ISSUER, THE TRUSTEE, ON BEHALF OF AND AT THE EXPENSE OF THE ISSUER, WILL CAUSE SUCH OWNER'S INTEREST IN SUCH NOTE TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-504(3) OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT MAY DECLINE SPEEDILY IN VALUE) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE CO-ISSUERS AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (I) A QUALIFIED INSTITUTIONAL BUYER AND (II) A QUALIFIED PURCHASER AND (2) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT TO SUCH NOTE HELD BY SUCH OWNER. EACH TRANSFEREE IS REQUIRED TO PROVIDE WRITTEN NOTICE OF THE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREES.

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

THE PREFERENCE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**"), PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") OR (3) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (SUBJECT TO THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE ISSUER CHARTER AND THE PREFERENCE SHARE PAYING AGENCY AGREEMENT REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. NONE OF THE ISSUER, THE CO-ISSUER OR THE POOL OF COLLATERAL IS OR HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"). NO TRANSFER OF A PREFERENCE SHARE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE ISSUER NOR THE PREFERENCE

SHARE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO IS A U.S. RESIDENT (WITHIN THE MEANING OF THE INVESTMENT COMPANY ACT) THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT AND RELATED RULES, (II) A "KNOWLEDGEABLE EMPLOYEE" WITH RESPECT TO THE ISSUER WITHIN THE MEANING OF RULE 3c-5 UNDER THE INVESTMENT COMPANY ACT OR (III) A COMPANY BENEFICIALLY OWNED EXCLUSIVELY BY ONE OR MORE "QUALIFIED PURCHASERS" AND/OR "KNOWLEDGEABLE EMPLOYEES" WITH RESPECT TO THE ISSUER, (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING THE ISSUER OR THE POOL OF COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) AFTER GIVING EFFECT TO SUCH TRANSFER, 25% OR MORE, AS DETERMINED UNDER THE PLAN ASSET REGULATION OF THE U.S. DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3-101(f), OF THE PREFERENCE SHARES WOULD BE HELD BY BENEFIT PLAN INVESTORS (DISREGARDING PREFERENCE SHARES HELD BY CONTROLLING PERSONS) OR (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. RESIDENT WHICH IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE. ACCORDINGLY, AN INVESTOR IN THE PREFERENCE SHARES MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

IN ADDITION, NO TRANSFER OF THE PREFERENCE SHARES REPRESENTED HEREBY (OR ANY INTEREST HEREIN) MAY BE MADE (AND THE PREFERENCE SHARE PAYING AGENT, THE PREFERENCE SHARE REGISTRAR AND THE ISSUER WILL NOT RECOGNIZE ANY SUCH TRANSFER) IF SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS (A) A DEALER DESCRIBED IN PARAGRAPH (a)(1)(ii) OF RULE 144A WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$ 25,000,000 IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER OR (B) A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, UNLESS INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN.

THE PREFERENCE SHARES REPRESENTED HEREBY OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED IN THE UNITED STATES OR TO U.S. PERSONS ONLY IF THE PURCHASER IS (A)(1) A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR AND (2) A QUALIFIED PURCHASER AND (B) ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT, AND IN TRADING LOTS OF NOT LESS THAN 250 PREFERENCE SHARES. THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED TO A PERSON WHO ACQUIRES A BENEFICIAL INTEREST IN A REGULATION S PREFERENCE SHARE CERTIFICATE UPON RECEIPT BY THE PREFERENCE SHARE PAYING AGENT OF A TRANSFER CERTIFICATE FROM THE TRANSFEROR SUBSTANTIALLY IN THE FORM SPECIFIED IN THE PREFERENCE SHARE PAYING AGENCY AGREEMENT.

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

TRANSFERRED IN A COMMERCIALLY REASONABLE SALE ARRANGED BY THE COLLATERAL MANAGER (CONDUCTED BY THE PREFERENCE SHARE PAYING AGENT IN ACCORDANCE WITH SECTION 9-504(3) OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT MAY DECLINE SPEEDILY IN VALUE) TO A PERSON THAT CERTIFIES TO THE PREFERENCE SHARE PAYING AGENT, THE ISSUER AND THE COLLATERAL MANAGER IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS WITH (A)(1) A QUALIFIED INSTITUTIONAL BUYER OR (2) AN ACCREDITED INVESTOR AND (B) A QUALIFIED PURCHASER, AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURITY HELD BY SUCH HOLDER AND THE INTEREST IN THIS SECURITY WILL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE PREFERENCE SHARES. EACH PURCHASER OF A PREFERENCE SHARE ACKNOWLEDGES THAT SUCH PREFERENCE SHARE MAY NOT BE TRANSFERRED TO A BENEFIT PLAN INVESTOR OR CONTROLLING PERSON

In addition, the legend set forth on any Restricted Preference Share will also have the following:

EACH ORIGINAL PURCHASER OF RESTRICTED PREFERENCE SHARES WILL BE REQUIRED TO REPRESENT AND WARRANT (i) WHETHER IT IS, OR IS ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND (ii) WHETHER IT IS, OR IS ACTING ON BEHALF OF, AN INSURANCE COMPANY GENERAL ACCOUNT OR IS INVESTING FUNDS ATTRIBUTABLE TO AN INSURANCE COMPANY GENERAL ACCOUNT. IF THE PURCHASER IS, OR IS ACTING ON BEHALF OF, AN INSURANCE COMPANY GENERAL ACCOUNT OR IS INVESTING FUNDS ATTRIBUTABLE TO AN INSURANCE COMPANY GENERAL ACCOUNT, THE PURCHASER WILL ALSO BE REQUIRED TO REPRESENT AND WARRANT THE MAXIMUM PERCENTAGE OF SUCH PURCHASE THAT MAY BE DEEMED TO CONSTITUTE (AND MAY BE DEEMED TO CONSTITUTE SO LONG AS IT OWNS ANY RESTRICTED PREFERENCE SHARES) AN INVESTMENT BY A BENEFIT PLAN INVESTOR OR AN INVESTMENT BY A CONTROLLING PERSON. EACH PURCHASER THAT IS, OR IS ACTING ON BEHALF OF OR WITH THE ASSETS OF, A PLAN SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE OR A FOREIGN, GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY FOREIGN, FEDERAL, STATE OR LOCAL LAW THAT IS MATERIALLY SIMILAR TO THE FOREGOING PROVISIONS OF ERISA OR THE CODE WILL BE REQUIRED TO REPRESENT THAT ITS PURCHASE AND OWNERSHIP OF PREFERENCE SHARES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A FOREIGN, GOVERNMENTAL OR CHURCH PLAN, A VIOLATION OF ANY MATERIALLY SIMILAR FOREIGN, FEDERAL, STATE OR LOCAL LAW). EACH PURCHASER OF A PREFERENCE SHARE ACKNOWLEDGES THAT SUCH PREFERENCE SHARE MAY NOT BE TRANSFERRED TO A BENEFIT PLAN INVESTOR OR CONTROLLING PERSON.

In addition, the legend set forth on any Composite Security will also have the following:

EACH ORIGINAL PURCHASER OF COMPOSITE SECURITIES WILL BE REQUIRED TO REPRESENT AND WARRANT (i) WHETHER IT IS, OR IS ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND (ii) WHETHER IT IS, OR IS ACTING ON BEHALF OF, AN INSURANCE COMPANY GENERAL ACCOUNT OR IS INVESTING FUNDS ATTRIBUTABLE TO AN INSURANCE COMPANY GENERAL ACCOUNT. IF THE PURCHASER IS, OR IS ACTING ON BEHALF OF, AN INSURANCE COMPANY GENERAL ACCOUNT OR IS INVESTING FUNDS ATTRIBUTABLE TO AN INSURANCE COMPANY GENERAL ACCOUNT, THE PURCHASER WILL ALSO BE REQUIRED TO REPRESENT AND WARRANT THE MAXIMUM PERCENTAGE OF SUCH PURCHASE THAT MAY BE DEEMED TO CONSTITUTE (AND MAY BE DEEMED TO CONSTITUTE SO LONG AS IT OWNS ANY COMPOSITE SECURITIES) AN INVESTMENT BY A BENEFIT PLAN INVESTOR OR AN INVESTMENT BY A CONTROLLING PERSON. EACH PURCHASER THAT IS, OR IS ACTING ON BEHALF OF OR WITH THE ASSETS OF, A PLAN SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE OR A FOREIGN, GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY

FOREIGN, FEDERAL, STATE OR LOCAL LAW THAT IS MATERIALLY SIMILAR TO THE FOREGOING PROVISIONS OF ERISA OR THE CODE WILL BE REQUIRED TO REPRESENT THAT ITS PURCHASE AND OWNERSHIP OF COMPOSITE SECURITIES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A FOREIGN, GOVERNMENTAL OR CHURCH PLAN, A VIOLATION OF ANY MATERIALLY SIMILAR FOREIGN, FEDERAL, STATE OR LOCAL LAW). EACH PURCHASER OF A COMPOSITE SECURITY ACKNOWLEDGES THAT SUCH COMPOSITE SECURITY MAY NOT BE TRANSFERRED TO A BENEFIT PLAN INVESTOR OR CONTROLLING PERSON.

In addition, the legend set forth on any Global Preference Share or Definitive Preference Share will include the following:

EACH PURCHASER OF A GLOBAL PREFERENCE SHARE OR DEFINITIVE PREFERENCE SHARE ACKNOWLEDGES THAT SUCH PREFERENCE SHARE MAY NOT BE HELD BY OR ON BEHALF OF, OR TRANSFERRED TO A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. EACH INITIAL PURCHASER OF A GLOBAL PREFERENCE SHARE WILL BE REQUIRED TO REPRESENT AND WARRANT IN THE RELATED INVESTOR REPRESENTATION LETTER (AND EACH TRANSFEREE OF A GLOBAL PREFERENCE SHARE WILL BE DEEMED TO REPRESENT AND WARRANT) THAT (I) IT IS NOT, AND IS NOT ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND (II) IT, AND ANY FIDUCIARY OF IT CAUSING IT TO ACQUIRE SUCH PREFERENCE SHARE, AGREES TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE CO-ISSUER, THE PLACEMENT AGENTS AND THE COLLATERAL MANAGER 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, the following will be inserted in the case of Global Notes or Global Preference Shares:

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

(18) *Legend for Composite Securities*. The purchaser understands and agrees that a legend in substantially the following form will be placed on each Composite Security:

THE COMPOSITE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**"), PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") OR (3) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (SUBJECT TO THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE

TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE ISSUER CHARTER AND THE INDENTURE REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. THE ISSUER IS NOT AND HAS NOT BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"). NO TRANSFER OF A COMPOSITE SECURITY (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE ISSUER NOR THE COMPOSITE SECURITY REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO IS A U.S. RESIDENT (WITHIN THE MEANING OF THE INVESTMENT COMPANY ACT) THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT AND RELATED RULES, (II) A "KNOWLEDGEABLE EMPLOYEE" WITH RESPECT TO THE ISSUER WITHIN THE MEANING OF RULE 3c-5 UNDER THE INVESTMENT COMPANY ACT OR (III) A COMPANY BENEFICIALLY OWNED EXCLUSIVELY BY ONE OR MORE "QUALIFIED PURCHASERS" AND/OR "KNOWLEDGEABLE EMPLOYEES" WITH RESPECT TO THE ISSUER, (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING THE ISSUER OR THE POOL OF COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, OR (C) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. RESIDENT WHICH IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE.

IN ADDITION, NO TRANSFER OF THE COMPOSITE SECURITIES REPRESENTED HEREBY (OR ANY INTEREST HEREIN) MAY BE MADE (AND THE TRUSTEE, THE COMPOSITE SECURITY REGISTRAR AND THE ISSUER WILL NOT RECOGNIZE ANY SUCH TRANSFER) IF SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS (A) A DEALER DESCRIBED IN PARAGRAPH (a)(1)(ii) OF RULE 144A WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$ 25,000,000 IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER OR (B) A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, UNLESS INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN.

THE COMPOSITE SECURITIES REPRESENTED HEREBY OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED IN THE UNITED STATES OR TO U.S. PERSONS ONLY IF THE PURCHASER IS (A)(1) A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR AND (2) A QUALIFIED PURCHASER AND (B) ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT, AND IN MINIMUM DENOMINATION OF U.S.$ 250,000. THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED TO A PERSON WHO ACQUIRES A BENEFICIAL INTEREST IN A REGULATION S GLOBAL COMPOSITE SECURITY CERTIFICATE UPON RECEIPT BY THE COMPOSITE SECURITY REGISTRAR OF A TRANSFER CERTIFICATE FROM THE TRANSFEROR SUBSTANTIALLY IN THE FORM SPECIFIED IN THE INDENTURE.

IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE INDENTURE, THE ISSUER DETERMINES THAT ANY HOLDER OF THIS SECURITY OR AN INTEREST HEREIN (I) IS A U.S. PERSON OR U.S. RESIDENT AND (II) IS NOT BOTH (A) AN ACCREDITED INVESTOR AND (B) A QUALIFIED PURCHASER, THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO THIS SECURITY (OR INTEREST HEREIN) TO A

PERSON THAT IS BOTH (A)(1) A QUALIFIED INSTITUTIONAL BUYER OR (2) AN ACCREDITED INVESTOR AND (B) A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE COLLATERAL MANAGER OR THE ISSUER, THE COMPOSITE SECURITY REGISTRAR WILL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO CAUSE ITS INTEREST IN THIS SECURITY TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE DISPOSITION ARRANGED BY THE COLLATERAL MANAGER (CONDUCTED BY THE COMPOSITE SECURITY REGISTRAR IN ACCORDANCE WITH SECTIONS 9-610 AND 9-611 OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET) TO A PERSON THAT CERTIFIES TO THE COMPOSITE SECURITY REGISTRAR, THE PREFERENCE SHARE PAYING AGENT, THE ISSUER AND THE COLLATERAL MANAGER IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (A) AN ACCREDITED INVESTOR AND (B) A QUALIFIED PURCHASER, AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURITY HELD BY SUCH HOLDER AND THE INTEREST IN THIS SECURITY WILL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE COMPOSITE SECURITIES. EACH PURCHASER OF A COMPOSITE SECURITY ACKNOWLEDGES THAT SUCH COMPOSITE SECURITY MAY NOT BE TRANSFERRED TO A BENEFIT PLAN INVESTOR OR CONTROLLING PERSON.

In addition, the following will be inserted in the case of Global Composite Securities:

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

(19) *Reliance on Representations, etc*. The purchaser acknowledges that the Issuer, the Initial Purchasers, the Trustee and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties made or deemed to have been made by it in connection with its purchase of the Offered Securities are no longer accurate, the purchaser will promptly notify the Issuer and the Initial Purchasers.

Investor Representations on Resale. Except as provided below, each transferee of an Offered Security will be required to deliver to the Issuer and the Note Registrar (in the case of the Notes), the Preference Share Paying Agent (in the case of the Preference Shares) or the Composite Security Registrar (in the case of the Composite Securities), as the case may be, a duly executed transferee certificate in the form of the relevant exhibit attached to the Indenture (in the case of the Notes or the Composite Securities) or the Preference Share Paying Agency Agreement (in the case of the Preference Shares), as the case may be, and such other certificates and other information as the Issuer, the Co-Issuer, the Trustee or the Preference Share Paying Agent may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in this Offering Circular. An owner of a beneficial interest in a Regulation S Global Note, a Global Preference Share or a Global Composite Security may transfer such interest in the form of a beneficial interest in such Regulation S Global Note, Global Preference Share or Global Composite Security without the provision of written certification; *provided* that, such transfer is not made to a U.S. Person or a U.S. Resident or for the account or benefit of a U.S. Person or a U.S. Resident and such transfer is effected through Euroclear or Clearstream, Luxembourg in an offshore transaction as

required by Regulation S and only in accordance with the Applicable Procedures. An owner of a beneficial interest in a Restricted Global Note may transfer such interest in the form of a beneficial interest in such Restricted Global Note without the provision of written certification. Each transferee of a beneficial interest in a Regulation S Global Note or Restricted Global Note will be deemed to make the same representations and warranties at the time of purchase that a transferee of a Note subject to equivalent transfer restrictions that is required to deliver a transfer certificate would be required to make pursuant to such transferee certificate. No Restricted Preference Share may be transferred to a transferee acquiring an interest in a Global Preference Share or Definitive Preference Share unless the transferee executed and delivers to the Issuer and the Preference Share Paying Agent a letter in the form attached as an exhibit to the Preference Share Paying Agency Agreement to the effect that such purchaser will not transfer such interest except in compliance with the transfer restrictions set forth in the Preference Share Paying Agency Agreement (including the requirement that any subsequent transferee execute and deliver such letter).

Each transferee of an Offered Security that is required to deliver a transfer certificate will be required, pursuant to such transferee certificate, and each transferee who is not required to deliver a certificate will be deemed (a) to acknowledge, represent to and agree with the Issuer and the Trustee as to the matters set forth in each of paragraphs (1) through (19) above (other than paragraph (5) above) as if each reference therein to "the purchaser" were instead a reference to the transferee and (b) to further represent to and agree with the Issuer and the Trustee (in the case of a Note) or the Preference Share Paying Agent (in the case of a Preference Share) as follows:

(20) In the case of a transferee who takes delivery of a beneficial interest in a Restricted Global Note, it (i) is a Qualified Institutional Buyer and also a Qualified Purchaser; (ii) is not a dealer described in paragraph (a)(1)(ii) of Rule 144A unless such purchaser owns and invests on a discretionary basis at least U.S.$ 25,000,000 in securities of issuers that are not affiliated persons of the dealer; (iii) is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan; (iv) it will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any transferee; (v) is aware that the sale to it is being made in reliance on Rule 144A; and (vi) is acquiring such Offered Securities for its own account. In the case of a transferee who takes delivery of a Restricted Note that is a Definitive Note, who takes delivery of a Restricted Preference Share or who takes delivery of a Restricted Composite Security, unless, with respect to a Restricted Preference Share or Restricted Composite Security only, such transfer is effected to a transferee who is a Qualified Purchaser and entitled to purchase such Restricted Preference Share or Restricted Composite Security in accordance with another exemption from the registration requirements of the Securities Act (and such certifications, legal opinions or other information as the Issuer has reasonably required to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act have been delivered), it is a Qualified Institutional Buyer and a Qualified Purchaser purchasing for its own account. In the case of a transferee who takes delivery of Regulation S Notes, Regulation S Preference Shares or Regulation S Composite Securities, it (i) is acquiring such Notes, Preference Shares or Composite Securities, as applicable, in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S, (ii) is acquiring such Notes, Preference Shares or Composite Securities, as applicable, for its own account, (iii) is not acquiring, and has not entered into any discussions regarding its acquisition of, such Notes, Preference Shares or Composite Securities, as applicable, while it is in the United States or any of its territories or possessions, (iv) understands that such Notes, Preference Shares or Composite Securities, as applicable, are being sold without registration under the Securities Act by reason of an exemption that depends, in part, on the accuracy of these representations, (v) understands that such Notes, Preference Shares or Composite Securities, as applicable, may not, absent an applicable exemption, be transferred without registration and/or qualification under the Securities Act and applicable state securities laws and the laws of any other applicable jurisdiction and (vi) in the case of a transferee of a Regulation S Global Note, a Global Preference Share or a Global Composite Security, understands that interests in a Regulation S Global Note, a Global Preference Share or a Global Composite Security, as applicable, may only be held through Euroclear or Clearstream, Luxembourg.

(21) It acknowledges that the foregoing acknowledgements, representations and agreements will be relied upon by the Issuer and the Trustee (in the case of a Note or a Composite Security) or the Preference Share Paying Agent and Preference Share Registrar (in the case of a Preference Share) for the purpose of determining its eligibility to purchase Offered Securities. It agrees to provide, if requested, any additional information that

may be required to substantiate its status as a Qualified Institutional Buyer or (in the case of a Preference Share or in the case of an Accredited Investor that acquired an interest in a Restricted Note directly from an Initial Purchaser) an Accredited Investor or under the exception provided pursuant to Section 3(c)(7) of the Investment Company Act, to determine compliance with ERISA and/or Section 4975 of the Code or to otherwise determine its eligibility to purchase Offered Securities.

LISTING AND GENERAL INFORMATION

1. Application will be made to admit the Class A Notes, the Class B Notes, the Class C Notes, the Series I Composite Securities and the Series II Composite Securities to the Daily Official List of the Irish Stock Exchange. There can be no assurances that such listing will be granted. No application will be made to list the Class A Notes, the Class B Notes, the Class C Notes, the Series I Composite Securities or the Series II Composite Securities on any other stock exchange or to list the Preference Shares on any stock exchange. In connection with the listing of the Notes and the Composite Securities on the Irish Stock Exchange, this Offering Circular will be filed with the Registrar of Companies of Ireland pursuant to Regulation 13 of the European Communities (Stock Exchange) Regulations, 1984 of Ireland.

2. For fourteen days following the date of the final Offering Circular, copies of the Issuer Charter, the Certificate of Formation and limited liability company agreement of the Co-Issuer, the Administration Agreement, the Indenture, the Collateral Management Agreement, the Preference Share Paying Agency Agreement, the confirmations to each transaction under the Hedge Agreement and copies of the transfer certificates will be available for inspection at the registered office of the Issuer. The Issuer is not required by Cayman Islands law and the Issuer does not intend, to publish annual reports and accounts. The Co-Issuer is not required by Delaware state law, and the Co-Issuer does not intend, to publish annual reports and accounts. The Indenture, however will require the Issuer to provide the Trustee with a written certificate, on an annual basis, that to the best of its knowledge following review of the activities of the prior year, no Event of Default has occurred or if there has been an Event of Default, the certificate will set forth the nature and status thereof, including actions undertaken to remedy the same.

3. So long as any Offered Security is listed on the Irish Stock Exchange, copies of the Issuer Charter, the Certificate of Formation and limited liability company agreement of the Co-Issuer, the Administration Agreement, the resolutions of the Board of Directors of the Issuer authorizing the issuance of the Notes and the Composite Securities, and the execution of the Indenture, the Collateral Management Agreement, the Preference Share Paying Agent Agreement, each Hedge Agreement and the resolutions of the Board of Directors of the Co-Issuer authorizing the issuance of the Notes and the Indenture will be available for inspection during the term of the Notes and the Composite Securities in the city of Columbia, Maryland at the office of the Trustee and at the office of the Paying Agent located in Dublin, Ireland.

4. So long as any Offered Security is listed on the Irish Stock Exchange, copies of the monthly reports and quarterly note valuation reports with respect to the Notes, the Composite Securities and the Collateral Debt Securities will be prepared by the Issuer in accordance with the Indenture and will be obtainable free of charge upon request in Ireland at the offices of the Paying Agent located in Dublin, Ireland. The monthly reports will be prepared each month (excluding any month in which a quarterly noteholder report is prepared), beginning with the monthly report for October 2003, and the quarterly note valuation reports will be prepared February, May, August and November, beginning in November, 2003.

5. For so long as the Trustee is the Collateral Administrator, it will also make these monthly reports and quarterly note valuation reports available to Noteholders via the Trustee's internet website. The Trustee's internet website will initially be located at www.cdolink.com. This website does not form part of the Listing Particulars. Assistance in using the website can be obtained by calling the Trustee's customer service desk at (301) 815-6600.

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

7. Neither of the Co-Issuers is involved, or has been since incorporation, in any litigation or arbitration proceedings relating to claims on amounts which are material in the context of the issue of the Offered Securities, nor, so far as either of the Co-Issuers is aware, is any such litigation or arbitration involving it pending or threatened.

8. The issuance of the Offered Securities will be authorized by the Board of Directors of the Issuer on December 21, 2004. The issuance of the Notes will be authorized by the Board of Directors of the Co-Issuer on December 21, 2004. Since incorporation, neither the Issuer nor the Co-Issuer has commenced trading, established any accounts or declared any dividends, except for the transactions described herein relating to the issue of the Offered Securities.

9. Notes, Composite Securities and Preference Shares sold in offshore transactions in reliance on Regulation S and represented by Regulation S Global Notes, Global Composite Securities or Global Preference Shares, as applicable, have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The table below lists the CUSIP Numbers, the German Code Numbers and the International Securities Identification Numbers (ISIN) for Notes represented either by Regulation S Global Notes or Restricted Global Notes, for Composite Securities represented either by Restricted Composite Securities or Global Composite Securities and for Preference Shares represented by Restricted Preference Shares or Global Preference Shares:

	Regulation S Common Codes	**Restricted Common Codes**	**Regulation S CUSIP Codes**	**Restricted CUSIP Codes**
Class A-1 Notes	020881208	020881283	G3139T AA 5	26925J AA 3
Class A-2 Notes	020881348	020881445	G3139T AB 3	26925J AB 1
Class B Notes	020881917	020881950	G3139T AC 1	26925 J AC 9
Class C Notes (other than the Class C Component)	020882093	020882247	G3139T AD 9	26925J AD 7
Series I Composite Securities	020895373	—	G3139R AA 9	26925H AA 7
Series II Composite Securities	020895381	—	G3139R AB 7	26925H AB 5
Non-Composite Preference Shares	020895365	—	G3139R 10 1	26925H 20 8

	Regulation S ISIN Codes	**Restricted ISIN Codes**		
Class A-1 Notes	USG3139TAA54	US26925JAA34	—	—
Class A-2 Notes	USG3139TAB38	US26925JAB17	—	—
Class B Notes	USG3139RAC11	US26925JAC99	—	—
Class C Notes (other than the Class C Component)	USG3139RAD93	US26925JAD72	—	—
Series I Composite Securities	USG3139RAA98	US26925HAA77	—	—
Series II Composite Securities	USG3139RAB71	US26925HAB50	—	—
Non-Composite Preference Shares	KYG3139R1011	US26925H2085	—	—

LEGAL MATTERS

Certain legal matters with respect to the Offered Securities will be passed upon for the Initial Purchasers and the Co-Issuers by Cadwalader, Wickersham & Taft LLP, New York, New York. Certain matters with respect to Cayman Islands corporate law and tax law will be passed upon for the Issuer by Walkers. Certain legal matters with respect to the Collateral Manager will be passed upon by Cadwalader, Wickersham & Taft LLP. Certain legal matters with respect to the Trustee will be passed upon by Hunton & Williams LLP.

INDEX OF DEFINED TERMS

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

SCHEDULE A

Part I

Moody's Recovery Rate Matrix

(see definition of "Applicable Recovery Rate")

A. ABS Type Diversified Securities

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

B. ABS Type Residential Securities

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

[1] The rating assigned by Moody's on the date of original issuance of such Collateral Debt Security.

[1] The rating assigned by Moody's on the date of original issuance of such Collateral Debt Security.

C. ABS Type Undiversified Securities

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

D. Low-Diversity CBO/CLO Securities

Percentage of Total Capitalization	Moody's Rating[1]					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	80%	75%	60%	50%	45%	30%
Less than or equal to 70%, but greater than 10%	70%	60%	55%	45%	35%	25%
Less than or equal to 10%, but greater than 5%	60%	50%	45%	35%	25%	15%
Less than or equal to 5%, but greater than 2%	50%	40%	35%	30%	20%	10%
Less than or equal to 2%	30%	25%	20%	15%	7%	4%

[1] The rating assigned by Moody's on the date of original issuance of such Collateral Debt Security.

[1] The rating assigned by Moody's on the date of original issuance of such Collateral Debt Security.

E. High-Diversity CBO/CLO Securities

Percentage of Total Capitalization	Moody's Rating[1]					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	65%	55%	45%	30%
Less than or equal to 70%, but greater than 10%	75%	70%	60%	50%	40%	25%
Less than or equal to 10%, but greater than 5%	65%	55%	50%	40%	30%	20%
Less than or equal to 5%, but greater than 2%	55%	35%	40%	35%	25%	10%
Less than or equal to 2%	45%	35%	30%	25%	10%	5%

[1] The rating assigned by Moody's on the date of original issuance of such Collateral Debt Security.

Part II

Standard & Poor's Recovery Rate Matrix

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

Standard & Poor's Rating of Collateral Debt Security	Recovery Rate by Rating of Notes						
	AAA	AA	A	BBB	BB	B	CCC
"AAA"	80.0%	85.0%	90.0%	90.0%	90.0%	90.0%	90.0%
"AA–", "AA" or "AA+"	70.0%	75.0%	85.0%	90.0%	90.0%	90.0%	90.0%
"A–", "A" or "A+"	60.0%	65.0%	75.0%	85.0%	90.0%	90.0%	90.0%
"BBB–", "BBB" or "BBB+"	50.0%	55.0%	65.0%	75.0%	85.0%	85.0%	85.0%

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

Standard & Poor's Rating of Collateral Debt Security	Recovery Rate by Ratings of Notes						
	AAA	AA	A	BBB	BB	B	CCC
"AAA"	65.0%	70.0%	80.0%	85.0%	85.0%	85.0%	85.0%
"AA–", "AA" or "AA+"	55.0%	65.0%	75.0%	80.0%	80.0%	80.0%	80.0%
"A–", "A" or "A+"	40.0%	45.0%	55.0%	65.0%	80.0%	80.0%	80.0%
"BBB–", "BBB" or "BBB+"	30.0%	35.0%	40.0%	45.0%	50.0%	60.0%	70.0%
"BB–", "BB" or "BB+"	10.0%	10.0%	10.0%	25.0%	35.0%	40.0%	50.0%
"B–", "B" or "B+"	2.5%	5.0%	5.0%	10.0%	10.0%	20.0%	25.0%
"CCC+" and below	0.0%	0.0%	0.0%	0.0%	2.5%	5.0%	5.0%

C. **If the Collateral Debt Security (other than an ABS REIT Debt Security or a Corporate Debt Security) is a Synthetic Security, the recovery rate will be assigned by Standard & Poor's upon the acquisition of such Collateral Debt Security by the Issuer.**

D. **If the Collateral Debt Security (other than a Corporate Debt Security) is an ABS REIT Debt Security, the recovery rate of such Collateral Debt Security will be 40%.**

E. **If the Collateral Debt Security has its payment obligations guaranteed by a monoline insurer, the recovery rate will be 37%.**

F. **If the Collateral Debt Security is a Corporate Debt Security, ABS CDO Security, Cash Flow CDO, Market Value CDO, CDO of CDO or any other type of security not listed in paragraphs A through E (inclusive) above, the recovery rate will be assigned by Standard & Poor's on a case-by-case basis.**

Part III

Fitch Recovery Rate Matrix

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

SCHEDULE B

FITCH SECTOR AND SUBSECTOR CLASSIFICATIONS[1]

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

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

CMBS
Large Loan
Conduit
Credit Tenant Leases

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

REIT
Apartments
Diversified
Industrial/Office
Healthcare
Hotels
Retail

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

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

RMBS
Prime
Subprime
MFH

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

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

SCHEDULE C

List of Collateral Debt Securities

E*TRADE III ABS CDO **Schedule C**

	Name	CUSIP	Hedge Adj Price	Original	Cur Face	Moodys	S&P	Fitch	Classified Type	Mat Dt
1	CITEC 2003-EF1 C	125564BT0	97.87	3,000,000.00	3,000,000	A3	A+	A	SBL	2/20/2009
2	CNL 2002-1A B	12614MAL8	100.38	3,000,000.00	2,282,294	A2	A		SBL	10/25/2028
3	JPMCC 2002-FL1A F	46625MJG5	99.16	5,399,000.00	1,752,417		BBB	BBB	CMBS Conduit	2/14/2015
4	CSFB 2003-TF2A K	22541QE57	100.00	1,500,000.00	1,500,000	Baa3	BBB-		CMBS Conduit	11/15/2014
5	AABST 2003-2 M2	00764MAJ6	100.16	3,260,000.00	3,260,000	A2	A	A	Resi B&C	11/25/2033
6	ACE 2003-HE1 M6	004421DF7	96.75	1,000,000.00	1,000,000	Baa3	BBB-	BBB-	Resi B&C	11/25/2033
7	AMSI 2003-10 M3	03072SKT1	100.10	4,000,000.00	4,000,000	A3	A-	A-	Resi B&C	12/25/2033
8	CDCMC 2003-HE4 B2	12506YCE7	100.00	2,000,000.00	1,999,963	Baa2	BBB	BBB	Resi B&C	3/25/2034
9	FMIC 2003-1 M4	31659TAH8	100.10	2,503,000.00	2,503,000	Baa1	A-	BBB+	Resi B&C	11/25/2033
10	NHEL 2003-3 B1	66987XCY9	100.07	5,000,000.00	5,000,000	Baa1	BBB+	BBB+	Resi B&C	12/25/2033
11	RAMP 2003-RS8 MII3	760985ZQ7	100.63	4,650,000.00	4,650,000	A3	A-		Resi B&C	9/25/2033
12	SAIL 2003-BC10 M3	86359A2K8	100.25	5,000,000.00	5,000,000		A-	A-	Resi B&C	10/25/2033
13	HEMT 2003-5 M2	22541QTF9	100.38	4,000,000.00	4,000,000	A2	A	A	HEL	1/25/2034
14	HEMT 2003-6 M2	22541QG97	100.16	4,000,000.00	4,000,000	A2	A	A	HEL	3/25/2034
15	VERT 2003-1A C2	92533VAD6	99.50	5,000,000.00	5,000,000	Aa3			ABS CDO	3/3/2040
16	PACIF 1A B2	694811AH3	94.87	3,000,000.00	3,000,000	Aa1	AA	AA	ABS CDO	7/3/2037
17	PACCT 2002-1A A3FL	702702AC5	100.22	5,000,000.00	626,638	A2	A-		CC	6/18/2012
18	NHEL 2003-4 B1	66987XDN2	100.63	1,500,000.00	1,500,000	Baa1	BBB+		Resi B&C	2/25/2034
19	FHLT 2003-B M3	35729PCC2	100.75	4,000,000.00	4,000,000	A3	A-	A-	Resi B&C	12/25/2033
20	IRWHE 2003-D B1	464187BN2	100.25	2,000,000.00	2,000,000	Baa2	BBB		HEL	11/25/2028
21	MLMI 2003-OPT1 B2	5899295P9	100.00	2,000,000.00	2,000,000	Baa2	BBB	BBB+	Resi B&C	7/25/2034
22	SVOVM 2003-AA C	78487QAC4	97.08	5,000,000.00	3,473,760	A2	A		Entertainment	2/20/2019
23	TMTS 2003-6HE M5	881561CM4	100.38	1,350,000.00	1,350,000	Baa2	BBB+	BBB	Resi B&C	11/25/2033
24	COMM 2003-FL9 J	126177AQ7	100.00	1,000,000.00	952,676	Baa2	BBB		CMBS Conduit	11/15/2015
25	COMM 2003-FL9 K	126177AR5	100.00	1,000,000.00	952,673	Baa3	BBB-		CMBS Conduit	11/15/2015
26	COMM 2003-FL9 NGM	126177AU8	100.00	3,000,000.00	3,000,000	Baa2	BBB		CMBS Conduit	11/15/2015
27	ACABS 2003-1A C	00081AAE9	98.11	5,000,000.00	5,000,000	A1	A+	A+	ABS CDO	6/10/2038
28	CWL 2003-SC1 M3	126671U95	100.10	1,000,000.00	1,000,000	A3	A		HEL	3/25/2023
29	CWL 2003-SC1 M4	126671V29	100.16	1,000,000.00	1,000,000	Baa1	A-		HEL	2/25/2023
30	CWL 2003-SC1 M5	126671V37	100.25	864,000.00	864,000	Baa2	BBB		HEL	12/25/2022
31	CAPS 2003-2A C	140553AY4	100.13	5,000,000.00	3,315,490	A2	A	A	SBL	9/20/2013
32	SRFC 2003-2A D	82650YAD8	98.87	2,000,000.00	1,059,403	Baa1	BBB+	BBB+	Entertainment	12/15/2015
33	SAIL 2003-BC13 M4	86358EFE1	100.13	5,000,000.00	5,000,000		BBB+	BBB+	Resi B&C	11/25/2033
34	RAMC 2003-4 M4	759950BX5	100.16	2,700,000.00	2,700,000	Baa1	BBB+	BBB+	Resi B&C	3/25/2034
35	ABSHE 2004-HE1 M3	04541GHN5	100.07	6,000,000.00	6,000,000	A3	A-	A-	Resi B&C	1/15/2034
36	ARSI 2003-W10 M4	040104EU1	100.07	5,000,000.00	5,000,000	Baa1	BBB+	BBB+	Resi B&C	1/25/2034
37	ACAS 2003-2A C	00080AAY6	100.11	4,846,000.00	4,846,000	A1	A	A+	SBL	2/20/2015
38	MSWFT 2003-MSA NOTE	560363AA1	100.25	4,000,000.00	4,000,000	Baa2	BBB		Resi B&C	10/25/2006
39	BALTA 2004-6 B2	07386HKH3	93.67	5,500,000.00	5,500,000	Baa3	BBB		Resi A	7/25/2034
40	FFML 2004-FFB B	22541SRE0	98.73	6,000,000.00	6,000,000	Baa2	BBB		HEL	6/25/2024

41	MARM 2004-6 B3	576433PK6	96.17	2,867,000.00	2,860,702	Baa3	BBB+		Resi A	7/25/2034
42	CWALT 2004-17CB B2	12667FPD1	98.88	6,000,000.00	5,999,939	Baa2	BBB		Resi A	9/25/2034
43	OOMLT 2004-3 M7	68389FFZ2	100.00	3,000,000.00	3,000,000	Baa1	A	A-	Resi B&C	11/25/2034
44	RAMP 2004-RS9 MII4	76112BCQ1	100.00	4,000,000.00	4,000,000	Baa1	BBB+		Resi B&C	9/25/2034
45	RALI 2004-QA3 M1	76110HXU8	100.58	5,200,000.00	5,189,960	Aa2	AA	AA	Resi A	8/25/2034
46	SASC 2004-S3 M7	86359BC41	99.00	3,000,000.00	3,000,000	Baa3	BBB		HEL	11/25/2034
47	ARC 2004-1 M7	031733AM0	100.00	3,050,000.00	3,050,000	Baa2	BBB+	BBB+	Resi B&C	10/25/2034
48	MLMI 2004-SL2 B1	59020UKH7	100.00	2,660,000.00	2,660,000	Baa1	BBB+		HEL	6/25/2035
49	BSABS 2004-AC5 B1	073879GT9	100.00	2,252,000.00	2,166,281	Baa1	A-		Resi A	10/25/2034
50	MSAC 2004-HE8 B1	61744CHG4	100.00	2,500,000.00	2,500,000	Baa1	BBB+	BBB+	Resi B&C	9/25/2034
51	SACO 2004-2 B1	785778CZ2	100.00	2,000,000.00	2,000,000	Baa2	BBB		HEL	10/25/2034
52	BALTA 2004-11 1B1	07386HMT5	100.00	2,500,000.00	2,500,000	Baa2	BBB+		Resi A	11/25/2034
53	MABS 2004-OPT2 M8	57643LFD3	100.00	4,000,000.00	4,000,000	Baa1	A		Resi B&C	9/25/2034
54	CWHL 2004-14 B2	12669FT94	95.55	1,882,000.00	1,876,561	Baa3	BBB		Resi A	8/25/2034
55	MARM 2004-4 B3	576433MP8	98.11	2,292,000.00	2,286,180	Baa3	BBB		Resi A	5/25/2034
56	MARM 2004-7 B3	576433QJ8	94.96	1,881,000.00	1,878,472	Baa3	A-		Resi A	8/25/2034
57	CWHL 2004-HYB6 B2	12669F6Q1	99.49	5,757,000.00	5,753,652	Baa2	BBB		Resi A	11/20/2034
58	HEMT 2004-5 B1	22541SK31	99.94	1,575,000.00	1,575,000	Baa1	BBB+		HEL	2/25/2035
59	SASC 2004-S3 M4	86359BB91	100.25	2,500,000.00	2,500,000	A3	A		HEL	11/25/2034
60	LBUBS 2004-C7 K	52108HQ98	96.64	2,000,000.00	2,000,000	Baa3	BBB-		CMBS Conduit	10/15/2036
61	RASC 2004-KS10 M6	76110WG83	100.00	2,500,000.00	2,500,000	Baa3	BBB		Resi B&C	11/25/2034
62	CREST 2004-1A E1	22608WAN9	100.00	5,000,000.00	5,000,000	Baa2	BBB+	BBB+	CMBS Conduit	1/28/2040
63	CAPS 2004-2A D	140553BV9	100.00	2,000,000.00	1,871,447	Baa2	BBB	BBB	SBL	8/20/2013
64	MLMI 2004-WMC5 B1	59020UMM4	100.00	1,000,000.00	1,000,000	Baa1	AA-		Resi B&C	7/25/2035
65	MLMI 2004-WMC5 B2	59020UMN2	100.00	3,500,000.00	3,500,000	Baa2	A+		Resi B&C	7/25/2035
66	SARM 2004-16 B5	863579FH6	97.93	4,702,000.00	4,701,123	Baa2	A-		Resi A	11/25/2034
67	ABSHE 2004-HE9 M5	04541GNE8	100.00	2,000,000.00	2,000,000	Baa2	BBB		Resi B&C	12/25/2034
68	ABSHE 2004-HE9 M6	04541GNF5	100.00	1,000,000.00	1,000,000	Baa3	BBB-		Resi B&C	12/25/2034
69	BSABS 2004-AC6 B3	073879LW6	100.00	1,000,000.00	988,456	Baa3	BBB+		Resi A	11/25/2034
70	NHEL 2004-4 B3	66987WCB1	100.00	1,500,000.00	1,500,000	Baa3	BBB	BBB	Resi B&C	3/25/2035
71	MSAC 2004-OP1 B2	61744CJL1	100.00	3,000,000.00	3,000,000	Baa2	BBB	BBB	Resi B&C	11/25/2034
72	MSAC 2004-OP1 B3	61744CJM9	100.00	2,733,000.00	2,733,000	Baa3	BBB-	BBB-	Resi B&C	11/25/2034
73	ALEXP 2004-1A C	014684AD6	101.30	4,500,000.00	4,500,000	A2	A		ABS CDO	6/15/2039
74	BALTA 2004-12 1B2	07386HNX5	95.64	1,200,000.00	1,200,000	Baa2	BBB-		Resi A	1/25/2035
75	HMAC 2004-6 M7	437690CR9	100.00	3,327,000.00	3,327,000	Baa2	BBB		Resi B&C	1/25/2035
76	HMAC 2004-6 M8	437690CS7	100.00	1,173,000.00	1,173,000	Baa3	BBB-		Resi B&C	1/25/2035
77	FMIC 2004-5 M4	31659TCS2	100.00	2,750,000.00	2,750,000	Baa1	A-		Resi B&C	2/25/2035
78	FMIC 2004-5 M5	31659TCT0	100.00	1,750,000.00	1,750,000	Baa2	BBB+		Resi B&C	2/25/2035
79	POPLR 2004-5 B1	73316PBE9	100.00	1,500,000.00	1,500,000	Baa2	BBB	BBB	Resi B&C	12/25/2034
80	POPLR 2004-5 B2	73316PBF6	100.00	1,500,000.00	1,500,000	Baa3	BBB-	BBB-	Resi B&C	12/25/2034
81	MSAC 2004-HE9 B1	61744CJZ0	100.00	3,000,000.00	3,000,000	Baa1	BBB+	BBB+	Resi B&C	11/25/2034
82	MSAC 2004-HE9 B3	61744CKB1	100.00	1,500,000.00	1,500,000	Baa3	BBB-	BBB-	Resi B&C	11/25/2034
83	ACCR 2004-4 M5	004375CL3	100.00	2,000,000.00	2,000,000	Baa2	BBB+		Resi B&C	1/25/2035
84	RASC 2004-KS11 M4	76110WJ64	100.00	2,800,000.00	2,800,000	Baa1	A-	BBB+	Resi B&C	12/25/2034
85	RASC 2004-KS11 M6	76110WJ80	100.00	1,500,000.00	1,500,000	Baa3	BBB		Resi B&C	12/25/2034

								BBB-		
86	CWL 2004-12 MV7	126673NZ1	100.00	2,000,000.00	2,000,000	Baa1	BBB+		Resi B&C	1/25/2035
87	CWL 2004-12 BV	126673PB2	99.78	1,500,000.00	1,500,000	Baa3	BBB-		Resi B&C	10/25/2034
88	EMLT 2004-3 M8	29445FCE6	100.00	281,000.00	281,000	Baa1	BBB	BBB	Resi B&C	12/25/2034
89	EMLT 2004-3 M9	29445FCF3	100.00	719,000.00	719,000	Baa2	BBB-	BBB	Resi B&C	12/25/2034
90	MVCOT 2004-2A D	57164RAM4	99.97	1,000,000.00	942,789	Baa2	BBB		Entertainment	10/20/2026
91	BSABS 2003-2 B	07384YJW7	99.50	4,500,000.00	4,500,000	Baa2	BBB	BBB	Resi B&C	3/25/2043
92	RAMP 2004-RS11 M4	76112BFL9	100.00	4,500,000.00	4,500,000	A3	BBB+		Resi B&C	11/25/2034
93	SSCE 2004-1A C	78466EAC6	100.00	1,000,000.00	1,000,000	Baa2	BBB		SBL	11/15/2010
94	BAYV 2004-D B1	07325NAG7	100.00	2,000,000.00	2,000,000	Baa2	BBB	BBB	Resi B&C	8/28/2044
95	BAYV 2004-D B2	07325NAH5	100.00	1,000,000.00	1,000,000	Baa3		BBB-	Resi B&C	8/28/2044
96	SASC 2004-S4 M6	86359BM65	100.00	2,500,000.00	2,500,000	Baa2	BBB		HEL	12/25/2034
97	SASC 2004-S4 M7	86359BM73	100.00	1,500,000.00	1,500,000	Baa3	BBB-		HEL	12/25/2034
98	RAMC 2004-4 MV3	TBD	100.00	2,000,000.00	2,000,000	Baa2	BBB		Resi B&C	1/25/2035
99	IMM 2004-10 4B	45254NLY1	100.00	4,500,000.00	4,500,000	Baa2			CMBS Conduit	3/25/2035
100	FFML 2004-FF11 M7	32027NND9	100.00	1,000,000.00	1,000,000		A-	A-	Resi B&C	1/25/2035
101	MABS 2004-WMC3 M7	57643LFU5	100.00	1,500,000.00	1,500,000	Baa1	BBB+	BBB+	Resi B&C	10/25/2034
102	MABS 2004-WMC3 M8	57643LFV3	100.00	1,500,000.00	1,500,000	Baa2	BBB	BBB	Resi B&C	10/25/2034
103	SAIL 2004-10 M6	86358EPH3	99.75	4,451,000.00	4,451,000	Baa2	A-		Resi B&C	11/25/2034
104	CSFB 2004-HC1A C	22541ST40	100.00	2,500,000.00	2,500,000	A2	A		CMBS Conduit	12/15/2021
105	FFML 2004-FF8 B2	32027NNV9	100.00	3,182,000.00	3,182,000	Baa2	BBB	BBB+	Resi B&C	10/25/2034
106	FFML 2004-FF8 B3	32027NNW7	100.00	1,334,000.00	1,334,000	Baa3	BBB-	BBB	Resi B&C	10/25/2034
107	BAYC 2004-3 B1	07324SBB7	100.00	2,500,000.00	2,500,000	Baa2	BBB+	BBB+	SBL	1/25/2035
108	SACO 2004-3A B1	785778DJ7	100.00	2,200,000.00	2,200,000	Baa2			HEL	12/25/2034
109	SACO 2004-3A B2	785778DK4	100.00	1,494,000.00	1,494,000	Baa3			HEL	12/25/2034
110	CWL 2004-13 MV8	126673RT1	100.00	2,400,000.00	2,400,000	Baa2	BBB		Resi B&C	12/25/2034
111	CWL 2004-13 BV	126673RU8	100.00	1,600,000.00	1,600,000	Baa3	BBB-		Resi B&C	12/25/2034
112	IMSA 2004-4 B	45254TQX5	100.00	1,750,000.00	1,750,000	Baa2	BBB		Resi A	4/25/2035
113	RASC 04-KS12 M6	TBD	100.00	1,000,000.00	1,000,000	Baa3	BBB-	BBB-	Resi B&C	1/25/2035

SCHEDULE D

MOODY'S NOTCHING OF ASSET-BACKED SECURITIES

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

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

Residential Mortgage Related (note that rating category groups differ here from above)			
	"AAA"	**"AA+" to "BBB"**	**Below "BBB"**
Jumbo A	1	2	3
Alt-A or mixed pools	1	3	4
HEL (including Residential B&C)	1	2	3

The following CMBS notching conventions are with respect to S&P and Fitch.

ASSET CLASS	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#	2 notches from lower of Fitch/S&P	1.5* notches from lower of Fitch/S&P
Credit Tenant Lease	Follow corporate notching practice set forth in clause (a)(iii) of the definition of "Rating"	Follow corporate notching practice set forth in clause (a)(iii) of the definition of "Rating"
Large Loan	*No Notching Permitted*	

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.

*A 1.5 notch haircut implies, for example, that if the S&P rating were "BBB," then the Moody's rating factor would be halfway between the "Baa3" and "Ba1" rating factors.

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

SCHEDULE E

Standard & Poor's Notching

Asset classes eligible for notching if they are not first loss tranches or combination securities. If the security is rated by two agencies, notch down as shown below based on the lowest rating. If rated only by one agency, then notch down what is shown below plus one more notch. This schedule may be modified or adjusted at any time, so please verify applicability.

		Issued prior to 8/1/01 Current rating is:		Issued after 8/1/01 Current rating is:	
		Inv. Grade	Non Inv. Grade	Inv. Grade	Non Inv. Grade
A.	**1. CONSUMER ABS** Automobile Loan Receivable Securities Automobile Lease Receivable Securities Credit Card Securities	-1	-2	-2	-3
	2. COMMERCIAL ABS Cargo Securities Equipment Leasing Securities Small Business Loan Securities Restaurant and Food Services Securities Tobacco Litigation Securities	-1	-2	-2	-3
	3. Non-RE-REMIC CMBS CMBS – Conduit CMBS – Large Loan CMBS – Single Borrower CMBS – Single Property	-1	-2	-2	-3
	4. CBO/CLO CASHFLOW SECURITIES Cash Flow CBO – at least 80% High Yield Cash Flow CBO – at least 80% Investment Grade Cash Flow CLO – at least 80% High Yield Cash Flow CLO – at least 80% Investment Grade	-1	-2	-2	-3
	5. RESIDENTIAL MORTGAGES Residential "A" Residential "B/C" Home equity loans	-1	-2	-2	-3
	6. REAL ESTATE OPERATING COMPANIES	-1	-2	-2	-3
B.	**7. SPECIALTY STRUCTURED** Stadium Financings Project Finance Future flows	-3	-4	-3	-4

SCHEDULE F

STANDARD & POOR'S TYPES OF ASSET-BACKED SECURITIES INELIGIBLE FOR NOTCHING

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

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