

CONFIDENTIAL

Cambridge Place
INVESTMENT MANAGEMENT

CAMBER 3 plc
(a public company incorporated with limited liability under the laws of Ireland)

CAMBER 3 LLC
(a limited liability company established under the laws of the State of Delaware)

U.S.\$10,000,000 Class S Floating Rate Notes Due 2015
U.S.\$422,500,000 Class A-1 Floating Rate Notes Due 2040
U.S.\$110,500,000 Class A-2 Floating Rate Notes Due 2040
U.S.\$45,500,000 Class B Floating Rate Notes Due 2040
U.S.\$26,000,000 Class C Deferrable Floating Rate Notes Due 2040
U.S.\$19,500,000 Class D Deferrable Floating Rate Notes Due 2040
U.S.\$26,000,000 Class E Notes Due 2040
U.S.\$50,000,000 Class Z Notes Due 2012
U.S.\$50,000,000 Combination Securities

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

The Class S Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Combination Securities (the Class S Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, and the Class Z Notes, collectively, the "Notes"; the Notes, together with the Combination Securities, the "Securities"; and the Notes and Combination Securities being offered hereby, the "Offered Securities") are being offered hereby by Goldman, Sachs & Co. in the United States to "qualified institutional buyers" (as defined in Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act")) that are "qualified purchasers" (as defined in the United States Investment Company Act of 1940, as amended (the "Investment Company Act")), in reliance on Rule 144A under the Securities Act. In addition to the offering of the Offered Securities in the United States, Goldman, Sachs & Co., selling through its agent, Goldman Sachs International or one or more other selling agents, Société Générale and Barclays Bank PLC (collectively, the "Initial Purchasers") are hereby also concurrently offering the Offered Securities outside the United States to non-"U.S. persons" (as defined in Regulation S under the Securities Act ("Regulation S")) that are not "U.S. residents" (within the meaning of the Investment Company Act), in offshore transactions in reliance on Regulation S. See "Underwriting."

See "Risk Factors" beginning on page 38 for a discussion of certain factors to be considered in connection with an investment in the Securities.

There is no established trading market for the Securities. Application will be made to the Irish Stock Exchange to admit the Securities (other than the Class Z Notes) to the Daily Official List in accordance with the Irish Stock Exchange Listing Rules. There can be no assurance that such admission will be granted.

It is a condition of the issuance of the Securities that the Class S Notes, the Class A-1 Notes and the Class A-2 Notes each be issued with a rating of "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P" and, together with Moody's, the "Rating Agencies"), that the Class B Notes be issued with a rating of at least "Aa2" by Moody's and at least "AA" by S&P, that the Class C Notes be issued with a rating of at least "A2" by Moody's and at least "A" by S&P and that the Class D Notes be issued with a rating of at least "Baa2" by Moody's and at least "BBB" by S&P. The Class E Notes and the Combination Securities will not be rated. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. See "Ratings."

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

The Offered Securities have not been and will not be registered under the Securities Act, and neither of the issuers (as defined herein) will be registered under the Investment Company Act. The Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such terms are defined under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Offered Securities are being offered hereby only to (a) qualified institutional buyers (as defined in Rule 144A under the Securities Act) that are qualified purchasers (as defined in the Investment Company Act) and (b) non-U.S. persons (as defined in Regulation S) that are not U.S. residents (within the meaning of the Investment Company Act) in offshore transactions in reliance on Regulation S.

PURCHASERS AND SUBSEQUENT TRANSFEREES OF THE SECURITIES WILL BE DEEMED TO HAVE MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH UNDER "NOTICE TO INVESTORS."

The Offered Securities are being offered by each Initial Purchaser, directly and, in the case of Goldman, Sachs & Co., through its selling agents, as specified herein, subject to its right to reject any order in whole or in part, in one or more negotiated transactions or otherwise at varying prices to be determined at the time of sale plus accrued interest, if any, from the Closing Date (as defined herein). It is expected that the Offered Securities will be ready for delivery in book-entry form only in New York, New York, on or about April 20, 2005 (the "Closing Date"), through the facilities of (a) in the case of Securities sold in reliance on Rule 144A, DTC (as defined herein) and (b) in the case of Securities sold in reliance on Regulation S, DTC for the accounts of Euroclear (as defined herein) and Clearstream (as defined herein), against payment therefor in immediately available funds. The Offered Securities sold (i) in reliance on Rule 144A will be issued in minimum denominations of \$250,000 and integral multiples of \$1,000 in excess thereof and (ii) in reliance on Regulation S will be issued in minimum denominations of \$100,000 and integral multiples of \$1,000 in excess thereof.

Goldman, Sachs & Co.

SG Corporate & Investment Banking

Barclays Capital

Offering Circular dated April 19, 2005.

This offering circular is confidential. You are authorized to use this offering circular solely for the purpose of considering the purchase of the Offered Securities described in the offering circular. The Issuers and other sources identified herein have provided the information contained in this offering circular. The Initial Purchasers named herein make no representation or warranty, expressed or implied, as to the accuracy or completeness of such information, and nothing contained in this offering circular is, or shall be relied upon as, a promise or representation by the Initial Purchasers. You may not reproduce or distribute this offering circular, in whole or in part, and you may not disclose any of the contents of this offering circular or use any information herein for any purpose other than considering the purchase of the Offered Securities. You agree to the foregoing by accepting delivery of this offering circular.

THE ASSETS OF THE ISSUER (AS DEFINED HEREIN) ARE THE SOLE SOURCE OF PAYMENTS ON THE SECURITIES. THE SECURITIES DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, THE COLLATERAL MANAGER, CAMBRIDGE PLACE CDO (ISLE OF MAN) LIMITED, GOLDMAN, SACHS & CO. (AS INITIAL PURCHASER), SOCIÉTÉ GÉNÉRALE (AS INITIAL PURCHASER), BARCLAYS BANK PLC (AS INITIAL PURCHASER), GOLDMAN SACHS INTERNATIONAL, THE COLLATERAL AGENT, THE NOTE AGENTS (AS DEFINED HEREIN), THE SHARE TRUSTEES (AS DEFINED HEREIN) OR ANY OF THEIR RESPECTIVE AFFILIATES.

CAMBER 3 plc, a public company incorporated with limited liability under the laws of Ireland (the “Issuer”), and CAMBER 3 LLC, a Delaware limited liability company (the “Co-Issuer” and, together with the Issuer, the “Issuers”), will issue U.S.\$10,000,000 principal amount of Class S Floating Rate Notes Due 2015 (the “Class S Notes”), U.S. \$422,500,000 principal amount of Class A-1 Floating Rate Notes Due 2040 (the “Class A-1 Notes”), U.S. \$110,500,000 principal amount of Class A-2 Floating Rate Notes Due 2040 (the “Class A-2 Notes” and the Class A-2 Notes, together with the Class A-1 Notes, the “Class A Notes”), U.S. \$45,500,000 principal amount of Class B Floating Rate Notes Due 2040 (the “Class B Notes”), U.S. \$26,000,000 principal amount of Class C Deferrable Floating Rate Notes due 2040 (the “Class C Notes”), and U.S. \$19,500,000 principal amount of Class D Deferrable Floating Rate Notes due 2040 (the “Class D Notes”) and the Issuer will issue U.S. \$26,000,000 principal amount of Class E Notes Due 2040 (the “Class E Notes”, which include the Class E Note Component of the Combination Securities; and, the Class E Notes, together with the Class S Notes, Class A Notes, Class B Notes, Class C Notes, Class D Notes and the Class Z Notes, the “Notes”), U.S. \$50,000,000 principal amount of Class Z Notes Due 2012 (the “Class Z Notes”, which include the Class Z Note Component of the Combination Securities) and Combination Securities (the “Combination Securities”) comprised of (i) a component representing U.S. \$50,000,000 principal amount of Class Z Notes (the “Class Z Note Component”) and (ii) a component representing U.S. \$14,300,000 principal amount of Class E Notes (the “Class E Note Component”) pursuant to a Trust Deed (the “Trust Deed”) dated the Closing Date among the Issuers and HSBC Trustee (C.I.) Limited, as trustee (the “Trustee”). The Class Z Notes are not offered hereby (except as a component of the Combination Securities).

Unless the Combination Securities are explicitly excluded or addressed in the same context, references herein to “Class Z Notes” or “Class E Notes” shall include a reference to the Combination Securities to the extent of the Class Z Note Components and Class E Note Components, as applicable, and references to the rights and obligations of the holders of the Class Z Notes and the Class E Notes (including with respect to any payments, distributions or redemptions on or of such Class Z Notes or Class E Notes or votes, notices or consents to be given by such holders) include the rights and obligations of the holders of the Combination Securities to the extent of the Class Z Note Components and the Class E Note Components, as applicable. Unless the holders of Combination Securities are explicitly excluded or addressed in the same context, references herein to holders of Class Z Notes or Class E Notes shall include a reference to the holders of Combination Securities to the extent of the Class Z Note Components and the Class E Note Components, as applicable, and the holders of Combination Securities shall be entitled to participate in any vote or consent of, or any direction or objection by, the holders of Notes, the Class Z Notes or the Class E Notes to the extent of the Class Z Note Components and the Class E Note Components, as applicable.

The net proceeds received from, and associated with, the offering of the Securities (including any initial payment to the Issuer from the Initial Interest Rate Swap Counterparty, if any) will be applied by the Issuer at the direction of Cambridge Place Investment Management LLP (“CPIM”), as collateral manager (in such capacity, the “Collateral Manager”), to purchase (i) a portfolio consisting primarily of Commercial Mortgage-Backed Securities, Residential Mortgage-Backed Securities, Asset-Backed Securities, REIT Debt Securities, Interest Only Securities, Static Structured Product CDO Securities and Synthetic Securities (collectively, “Collateral Assets”, each as more fully defined herein), and pending the purchase of Collateral Assets, Eligible Investments (as defined herein) and (ii) the Class Z Collateral (as defined herein). On the Closing Date, the Issuer will also enter into Hedge Agreements (as defined herein) and thereafter may enter into additional Hedge Agreements and Securities Lending Agreements (as defined herein). The Collateral Assets, the Eligible Investments, the rights of the Issuer under the Hedge Agreements and the Securities Lending Agreements, and certain other assets of the Issuer will be pledged under the Security Agreement to the Collateral Agent (as defined herein), for the benefit of the Secured Parties (as defined herein), as security for, among other obligations, the Issuers’ obligations under the Securities (other than the Class Z Notes), the Hedge Agreements and the Collateral Management Agreement and to certain service providers. The rights of the Issuer under the Class Z Collateral will be pledged under the Security Agreement to the Collateral Agent for the benefit of the holders of the Class Z Notes only as security for the Issuer’s obligations under the Class Z Notes. The Securities will be secured pursuant to a Security Agreement (the “Security Agreement”) dated the Closing Date among the Issuer, the Trustee, Wells Fargo Bank, National Association, as collateral agent and securities intermediary (the “Collateral Agent” and the “Securities Intermediary”, respectively), and the Collateral Manager.

The Securities will also be subject to a Note Agency Agreement (the “Note Agency Agreement”), dated the Closing Date among the Issuers, the Trustee, the Principal Note Paying Agent (as defined herein), the Note Registrar

(as defined herein), the Calculation Agent (as defined herein), the Note Transfer Agent (as defined herein) and the Note Paying Agent (as defined herein).

Interest will be payable on the Class S Notes, Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes in arrears on the 8th day of each February, May, August and November, commencing August 2005, or if any such date is not a Business Day (as defined herein), the immediately following Business Day (each such date, a "Payment Date").

The Class S Notes will bear interest at a per annum rate equal to LIBOR plus 0.22% for each Interest Accrual Period. The Class A-1 Notes will bear interest at a per annum rate equal to LIBOR plus 0.28% for each Interest Accrual Period. The Class A-2 Notes will bear interest at a per annum rate equal to LIBOR plus 0.45% for each Interest Accrual Period. The Class B Notes will bear interest at a per annum rate equal to LIBOR plus 0.60% for each Interest Accrual Period. The Class C Notes will bear interest at a per annum rate equal to LIBOR plus 1.40% for each Interest Accrual Period. The Class D Notes will bear interest at a per annum rate equal to LIBOR plus 2.80% for each Interest Accrual Period. The Class E Notes will be entitled to distributions to the extent of funds available in accordance with the Priority of Payments (as defined herein) on each Payment Date. All payments and distributions on the Securities will be made from Proceeds (as defined herein) available in accordance with the Priority of Payments. Payments of interest on the Class S Notes due on any Payment Date will be senior to payments of interest and additional distributions on the other Classes of Notes and the Combination Securities. Payments of interest on the Class A-1 Notes and the Class A-2 Notes due on any Payment Date will be on a *pro rata* basis and will be senior to payments of interest and additional distributions on the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Combination Securities on such Payment Date. Payments of interest on the Class B Notes due on any Payment Date will be senior to payments of interest and additional distributions on the Class C Notes, the Class D Notes, the Class E Notes and the Combination Securities on such Payment Date. Payments of interest on the Class C Notes due on any Payment Date will be senior to payments of interest and additional distributions on the Class D Notes, the Class E Notes and the Combination Securities on such Payment Date. Payments of interest on the Class D Notes due on any Payment Date will be senior to distributions on the Class E Notes and the Combination Securities on such Payment Date. After the Class E Notes have received the amount necessary for the Class E Notes to achieve an Internal Rate of Return (as defined herein) of 12%, a portion of all Proceeds otherwise distributable to the Class E Notes will be distributed to the Collateral Manager in accordance with the Priority of Payments on each Payment Date as payment of the Incentive Collateral Management Fee (as defined herein). The Class Z Notes will not bear interest. The only payment that shall be made on the Class Z Notes shall be from the proceeds of the Class Z Collateral.

Payments of principal of the Class S Notes due on any Payment Date will be senior to payments of interest on and principal of the other Classes of Notes and to the distribution of any Proceeds to the Holders of Class E Notes and the Combination Securities on such Payment Date. Principal will be payable on the Class S Notes in accordance with the Priority of Payments on each Payment Date commencing on the Payment Date occurring in August 2005 in an amount equal to the Class S Notes Amortizing Principal Amount (as defined herein) with respect to such Payment Date, unless the Class S Notes are either redeemed earlier due to a Tax Event (as defined herein) or their principal is accelerated in connection with an Event of Default (as defined herein).

Payments of principal of the Class A Notes due on any Payment Date will be paid according to the Priority of Payments and will be senior to payments of principal of the Class B Notes, Class C Notes and Class D Notes on such Payment Date and senior to the distribution of any Proceeds to the Holders of Class E Notes and the Combination Securities on such Payment Date to the extent described herein. Payments of principal of the Class B Notes due on any Payment Date will be senior to payments of principal of the Class C Notes and Class D Notes on such Payment Date and senior to the distribution of any Proceeds to the Holders of the Class E Notes and the Combination Securities on such Payment Date to the extent described herein. Payments of principal of the Class C Notes due on any Payment Date will be senior to payments of principal of the Class D Notes on such Payment Date and senior to the distribution of any Proceeds to the Holders of the Class E Notes and the Combination Securities on such Payment Date to the extent described herein. Payments of principal of the Class D Notes due on any Payment Date will be senior to the distribution of any Proceeds to the Holders of the Class E Notes and the Combination Securities on such Payment Date to the extent described herein.

Principal generally will be payable on the Notes (other than the Class S Notes, the Class E Notes and the Class Z Notes) in accordance with the Priority of Payments on each Payment Date commencing on the Payment Date occurring in May 2010. Principal on the Notes (other than the Class S Notes, the Class E Notes and the Class Z Notes) also will be payable earlier if the Reinvestment Period is terminated prior to May 2010 (as described herein).

The Notes (other than the Class S Notes, the Class E Notes and the Class Z Notes) are subject to mandatory redemption at par plus accrued interest in accordance with the Priority of Payments (i) if the Collateral Manager notifies the Trustee in writing that, in light of the composition of the Collateral Assets, general market conditions and other factors, the Collateral Manager (in its sole discretion) has determined that investments in additional Collateral Assets within the foreseeable future would either be impractical or not beneficial, (ii) on any Payment Date if any Coverage Test is not satisfied and (iii) on any Payment Date to the extent the Holders of 100% of the outstanding Class E Notes elect to have funds that would otherwise be paid Holders of the Class E Notes on such Payment Date applied to reduce the principal amount of the Notes. The Securities (including the Class S Notes) are also subject to redemption in whole and not in part (i) at their Tax Redemption Prices (as defined herein) at any time as a result of a Tax Redemption (as defined herein), (ii) at their Optional Redemption Prices (as defined herein) as a result of an Optional Redemption (as defined herein) on any Payment Date on or after May 2008 upon the direction or consent of a Majority (as defined herein) of the Holders of the Class E Notes (including Class E Notes held by the Collateral Manager or any Affiliate thereof) and (iii) at their Auction Redemption Prices (as defined herein) on the Auction Payment Date (as defined herein) of each year as a result of a successful Auction (as defined herein). The Class Z Notes will also be subject to redemption upon the occurrence of an event of default with respect to the Class Z Collateral. Upon a redemption of the Class Z Notes, the Class Z Notes will be redeemed in exchange for delivery of the Class Z Collateral.

All payments and distributions on the Securities will be made from Proceeds available in accordance with the Priority of Payments.

The Class S Notes will mature on the Payment Date in May 2015, the Class Z Notes will mature on April 30, 2012 and the other Notes will mature on the Payment Date in May 2040 (each such date, the “Stated Maturity” with respect to such Class of Securities). The actual final distributions on the Securities are expected to occur substantially earlier than their related Stated Maturity. See “Risk Factors—Securities—Average Lives, Duration and Prepayment Considerations.”

Each Class of Securities sold in reliance on Regulation S under the Securities Act (“Regulation S”) will initially be represented by a temporary global note in bearer form (each, a “Temporary Regulation S Global Note”). Beginning on the 40th day after the later of the commencement of the offering of the Securities and the Closing Date or, in the case of the Class E Notes and the Combination Securities, one year after the later of the commencement of the offering of the Securities and the Closing Date, a beneficial interest in a Temporary Regulation S Global Note may be exchanged for a beneficial interest in one or more permanent global notes of the related Class (each, a “Regulation S Global Note”) upon certification of non-U.S. beneficial ownership by the holder of such interest. Each Class of Securities sold in reliance on Rule 144A under the Securities Act (“Rule 144A”) will initially be represented by a global note in bearer form (each, a “Rule 144A Global Note”). The Temporary Regulation S Global Notes, Regulation S Global Notes and the Rule 144A Global Notes are collectively, the “Global Notes.” The Global Notes will be deposited with or to the order of depository, as the book-entry depository (in such capacity, the “Depository”) on or about the Closing Date pursuant to a depository agreement (the “Depository Agreement”) expected to be dated on or about the Closing Date between the Issuers, the Trustee and the Depository.

The Depository will issue a certificateless depository interest (a “CDI”) in respect of the Global Notes representing the Class S Notes, Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Combination Securities to The Depository Trust Company (“DTC”) or its nominee. The Depository, acting as agent of the Issuers, will maintain a book-entry system in which it will register DTC or its nominee as the owner of the CDIs. Transfers of all or any portion of the interest in the Global Notes may be made only through the book-entry system maintained by the Depository. DTC will record the beneficial interests in the CDIs attributable to the relevant Global Notes (“Book-Entry Interests”). Book-Entry Interests in the CDIs will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC and its participants. Except in

the limited circumstances described under “Description of the Securities—Form of the Securities”, the Securities will not be available in definitive form. Securities in definitive form will be issued in registered form only.

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

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

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

This offering circular is confidential and is being furnished by the Issuers in connection with an offering exempt from registration under the Securities Act, solely for the purpose of enabling a prospective investor to consider the purchase of the Securities described herein. The information contained in this offering circular has been provided by the Issuers and other sources identified herein. Except in respect of the information contained under the heading “The Collateral Manager,” for which the Collateral Manager accepts sole responsibility, no representation or warranty, express or implied, is made by any Initial Purchaser, the Collateral Manager, Cambridge Place CDO (Isle of Man) Limited (“Manx”), the Trustee, the Collateral Agent or the Note Agents as to the accuracy or completeness of such information, and nothing contained in this offering circular is, or shall be relied upon as, a promise or representation by any Initial Purchaser, the Collateral Manager, Manx, the Trustee, the Collateral Agent or the Note Agents. Any reproduction or distribution of this offering circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Securities is prohibited. Each offeree of the Securities, by accepting delivery of this offering circular, agrees to the foregoing.

A prospective purchaser of the Securities (and each employee, representative, or other agent of a prospective purchaser) may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of the transactions described in this offering circular and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective purchaser relating to such U.S. tax treatment and U.S. tax structure as such terms are defined in Treasury regulation Section 1.6011-4. This authorization of tax disclosure is retroactively effective to the commencement of discussions with the prospective purchaser regarding the transactions described in this offering circular.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY.

FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

EACH PURCHASER OF THE SECURITIES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN EACH JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS SUCH SECURITIES OR POSSESSES OR DISTRIBUTES THIS OFFERING CIRCULAR AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED FOR THE PURCHASE, OFFER OR SALE BY IT OF SUCH SECURITIES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTIONS TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NONE OF THE ISSUERS OR ANY INITIAL PURCHASER OR ITS AGENT SPECIFIED HEREIN SHALL HAVE ANY RESPONSIBILITY THEREFOR.

NOTICE TO RESIDENTS OF IRELAND

THIS OFFERING CIRCULAR IS NOT A PROSPECTUS AND DOES NOT CONSTITUTE AN INVITATION TO THE PUBLIC TO PURCHASE OR SUBSCRIBE FOR ANY 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 ADVISERS.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

The distribution of this offering circular and the offering of the Offered Securities in certain jurisdictions may be restricted by law. In particular, the communication constituted by this offering circular is directed only at persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments or (iii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc”) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (all such persons together being referred to as “relevant persons”). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons. For a description of certain further restrictions on offers and sales of the Offered Securities and the distribution and issue of this offering circular and other documents, see “Notice to Investors” below.

NOTICE TO RESIDENTS OF THE NETHERLANDS

The Securities will not be offered or sold, directly or indirectly, in the Netherlands with a denomination of less than €50,000 (or its foreign currency equivalent) other than to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises) unless one of the other exemptions from or exceptions to the prohibition contained in article 3 of the Dutch Securities Transactions Supervision Act 1995 (Wet toezicht effectenverkeer 1995) is applicable and the conditions attached to such exemption or exception are complied with.

NOTICE TO RESIDENTS OF THE PEOPLE'S REPUBLIC OF CHINA

The Securities may not be offered or sold in the People's Republic of China (excluding Hong Kong, Macau and Taiwan) directly or indirectly. This Offering Circular and any other documents or agreements produced in connection with the issue of the Securities do not constitute an offer or solicitation of offer in the People's Republic of China, and this Offering Circular and any other documents or agreements produced in connection with the issue of the Securities are for the attention of the specific addressee only and must not be distributed within the People's Republic of China.

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

ENFORCEABILITY OF JUDGEMENTS

The Issuer is a company incorporated with limited liability under the laws of Ireland. Certain of the Issuer's assets are located outside the United States. None of the officers and directors of the Issuer are residents of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or the officers and directors of the Issuer with respect to matters arising under the federal or state securities laws of the United States, or to enforce against them judgements of courts of the United States predicated upon the civil liability provisions of such securities laws. There is doubt as to the enforceability in the United Kingdom and in Ireland, in original actions or in actions for the enforcement of judgements of United States courts, of civil liabilities predicated solely upon such securities laws.

FORWARD-LOOKING STATEMENTS

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

Some important factors that could cause the actual results to differ materially from those in any forward-looking statements include changes in interest rates, currency exchange rates, levels of defaults of the Collateral Assets (as defined herein) and levels of recoveries where defaults occur, market, financial or legal uncertainties and the timing of acquisition of any further Collateral Assets amongst others. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuers, the Collateral Manager, Manx, Goldman, Sachs & Co., Goldman Sachs International, Société Générale, the Collateral Agent, the Note Agents, the Trustee, the Share Trustees 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 Issuers, the Collateral Manager, Manx, Goldman, Sachs & Co., Goldman Sachs International, Société Générale, Barclays Bank PLC, the Collateral Agent, the Note Agents, the Trustee, the Share Trustees or any of their respective affiliates has any obligation to update or otherwise revise any projections, including any revisions

to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

IN CONNECTION WITH THIS ISSUE, GOLDMAN, SACHS & CO. OR ANY PERSON ACTING FOR IT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE CLOSING DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON GOLDMAN, SACHS & CO. OR ANY OF ITS AGENTS TO DO THIS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

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

NOTICE TO INVESTORS

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

Each purchaser who has purchased Securities will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A or Regulation S are used herein as defined therein):

(1) The purchaser understands and agrees that any purported transfer of a beneficial interest in a Security to a purchaser that does not comply with the requirements described under “Notice to Investors” will be null and void *ab initio* and will not be permitted or registered by the Note Transfer Agent. The purchaser further understands that the Issuers have the right to demand that any beneficial owner of Securities that does not satisfy, or comply with, the applicable requirements described under “Notice to Investors” to sell its interest in such Securities, and if the beneficial owner does not comply with such demand within 30 days thereof, the Issuer may sell such beneficial owner’s interest in such Securities on behalf of such owner.

(2) In the case of Securities sold in reliance on Rule 144A (the “Rule 144A Securities”), the purchaser of such Rule 144A Securities (i) is a qualified institutional buyer (as defined in Rule 144A) (a “Qualified Institutional Buyer”) that is not a broker-dealer which owns and invests on a discretionary basis less than \$25 million in securities of issuers that are not affiliated persons of the broker-dealer and is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, if investment decisions with respect to the plan are made by beneficiaries of the plan, (ii) is a qualified purchaser (as defined in the Investment Company Act) (a “Qualified Purchaser”), (iii) is aware that the sale of such Securities to it is being made in reliance on Rule 144A, (iv) is acquiring such Rule 144A Securities for its own account, or for the account of a Qualified Institutional Buyer that is a Qualified Purchaser as to which the purchaser exercises sole investment discretion, and in a principal amount of not less than \$250,000 for the purchaser and for each such account, (v) understands that neither of the Issuers has been registered under the Investment Company Act and (vi) will provide notice of the transfer restrictions described in this “Notice to Investors” to any subsequent transferees.

(3) In the case of Securities sold in reliance on Regulation S (the “Regulation S Securities”), the purchaser of such Regulation S Securities (i) is not a “U.S. person” (as defined in Regulation S), (ii) is not a “U.S. resident” (within the meaning of the Investment Company Act), (iii) was located outside the U.S. person at the time the buy order for such Regulation S Securities was originated, (iv) is acquiring such Regulation S Securities for its own account, or for the account or for the account of a non-U.S. person that is not a U.S. resident, and in a principal amount of not less than \$100,000 for the purchaser and for each such account, (v) understands that neither of the Issuers has been registered under the Investment Company Act and (vi) will provide notice of the transfer restrictions described in this “Notice to Investors” to any subsequent transferees.

(4) The purchaser understands that the Securities have not been and will not be registered or qualified under the Securities Act or any applicable state securities laws or the securities laws of any other jurisdiction, are being offered only in a transaction not involving any public offering, and may be reoffered, resold or pledged or otherwise transferred only (A)(i) to a Qualified Purchaser that the purchaser reasonably believes is a Qualified Institutional Buyer that is not a broker-dealer which owns and invests on a discretionary basis less than \$25 million in securities of issuers that are not affiliated persons of the broker-dealer and is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, if investment decisions with respect to the plan are made by beneficiaries of the plan, and is purchasing for its own account or for the account of a Qualified Institutional Buyer that is a Qualified Purchaser as to which the purchaser exercises sole investment discretion, in a transaction meeting the requirements of Rule 144A or (ii) to a non-“U.S. Person” (as defined in Regulation S) that is not a “U.S. Resident” (within the meaning of the Investment Company Act) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S, (B) in accordance with any other applicable securities law and (C) in accordance with the conditions for transfer specified under “Notice to Investors.”

(5) Before any interest in a Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Temporary Regulation S Global Note or a

Regulation S Global Note, the transferor will be required to provide the Note Transfer Agent (as defined herein) with a written certification (in the form provided in the Note Agency Agreement) as to compliance with the transfer restrictions described herein. Before any interest in a Temporary Regulation S Global Note or a Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note, the transferor will be required to provide the Note Transfer Agent with a written certification (in the form provided in the Note Agency Agreement) as to compliance with the transfer restrictions described herein.

(6) Each purchaser of a beneficial interest in a Security represented by a Temporary Regulation S Global Note, by its acceptance thereof, will be deemed to have represented and agreed that, until (i) the end of the 40-day period commencing on the later of the commencement of the offering of the Securities and the Closing Date or (ii) in the case of the Class E Notes and Combination Securities, the end of the one-year period commencing on the later of the commencement of the offering of the Securities and the Closing Date (such 40-day or one-year period, as applicable, the “Distribution Compliance Period”), any offer or sale of such Note shall not be made by it within the United States within the meaning of Regulation S or to, or for the account or benefit of, a U.S. person, except pursuant to Rule 144A to a Qualified Institutional Buyer that is a Qualified Purchaser and is taking delivery thereof in the form of a beneficial interest in a Rule 144A Global Note (in which case the transferor shall deliver a certificate to the Note Transfer Agent in the form provided in the Note Agency Agreement).

(7) In the case of the Rule 144A Securities, the purchaser (or if the purchaser is acquiring Securities for any account, each such account) is acquiring the Securities as principal for its own account for investment and not for sale in connection with any distribution thereof. The purchaser and each such account: (a) was not formed for the specific purpose of investing in the Securities (except when each beneficial owner of the purchaser and each such account is a Qualified Purchaser), (b) to the extent the purchaser is a private investment company formed before April 30, 1996, the purchaser has received the necessary consent from its beneficial owners, (c) is not a pension, profit sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made and (d) is not a person or entity, acting for its own account or for the accounts of other Qualified Purchasers, that owns and invests on a discretionary basis less than \$25,000,000 in securities of unaffiliated issuers. Further, the purchaser agrees with respect to itself and each such account: (i) that it shall not hold such Securities for the benefit of any other person and shall be the sole beneficial owner thereof for all purposes and (ii) that it shall not sell participation interests in the Securities or enter into any other arrangement pursuant to which any other person shall be entitled to a beneficial interest in the distributions on the Securities.

(8) (a) With respect to the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes, each purchaser of a beneficial interest therein will be deemed, by its purchase, to have represented and warranted that either (i) the purchaser is not and will not be an ERISA Plan (as defined herein) or a plan that is subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the “Code”), or any entity whose underlying assets include “plan assets” by reason of such plan’s investment in the entity, or another employee benefit plan which is subject to any federal, state, local or foreign law that is substantially similar to the provisions of Section 406 of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or Section 4975 of the Code (“Plan Assets”) or (ii) the purchaser’s purchase and holding of a Class S Note, Class A Note, Class B Note, Class C Note or Class D Note, as applicable do not and will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such another plan, any substantially similar federal, state, local or foreign law) for which an exemption is not available. The purchaser understands and agrees that any purported transfer of a Class S Note, Class A Note, Class B Note, Class B Note, Class C Note or Class D Note to a purchaser that does not comply with the requirements of this paragraph (8)(a) shall be null and void *ab initio*.

(b) With respect to the Class E Notes, Class Z Notes or Combination Securities purchased or transferred on or after the Closing Date in reliance on Regulation S or Rule 144A, each purchaser of a beneficial interest therein will be deemed, by its purchase, to have represented and warranted that the purchaser is not and will not be an ERISA Plan (as defined herein) or a plan that is subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the “Code”), or any entity whose underlying assets include “plan assets” by reason of such plan’s investment in the entity, or another employee benefit plan which is subject to any federal, state, local or foreign law that is substantially similar to the provisions of Section 406 of the United States Employee

Retirement Income Security Act of 1974, as amended (“ERISA”), or Section 4975 of the Code (“Plan Assets”). The purchaser understands and agrees that any purported transfer of a beneficial interest in a Class E Note, Class Z Note or Combination Security in reliance on Regulation S or Rule 144A to a purchaser that does not comply with the requirements of this paragraph (8)(b) shall be null and void *ab initio*. See “ERISA Considerations.”

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

(10) In connection with the purchase of the Securities: (i) none of the Issuers, the Initial Purchasers, the Collateral Manager, Manx, the Trustee, the Collateral Agent, the Note Agents or the Share Trustees, is acting as a fiduciary or financial or investment adviser for the purchaser; (ii) the purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuers, the Initial Purchasers, the Collateral Manager, Manx, the Trustee, the Collateral Agent, the Note Agents or the Share Trustees other than in this offering circular for such Notes and any representations expressly set forth in a written agreement with such party; (iii) none of the Issuers, the Initial Purchasers, the Collateral Manager, Manx, the Trustee, the Collateral Agent, Note Agents or the Share Trustees has given to the purchaser (directly or indirectly through any other person) any assurance, guarantee or representation whatsoever as to the expected or projected success, profitability, return, performance, results, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Securities; (iv) the purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Note Agency Agreement) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuers, the Initial Purchasers, the Collateral Manager, Manx, the Trustee, the Collateral Agent, the Note Agents or the Share Trustees; (v) the purchaser has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of the Securities with a full understanding of all of the risks thereof (economic and otherwise), and is capable of assuming and willing to assume (financially and otherwise) those risks; and (vi) the purchaser is a sophisticated investor.

(11) The purchaser acknowledges that it is its intent and that it understands it is the intent of the Issuer that, for purposes of U.S. federal income, state and local income and franchise tax and any other income taxes, the Issuer will be treated as a corporation, the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes will be treated as indebtedness of the Issuer, and the Class E Notes and Combination 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.

(12) The purchaser understands that the Issuers, the Trustee, the Initial Purchasers, the Collateral Manager, Manx and their counsel will rely upon the accuracy and truth of the foregoing representations, and the purchaser hereby consents to such reliance. If any of the acknowledgments, representations, warranties and agreements deemed to be made by its purchase of the Notes are no longer accurate, it shall promptly notify the Issuers and the Initial Purchasers.

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

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND THE ISSUERS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “INVESTMENT COMPANY ACT”).

THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUERS THAT THE NOTES MAY BE OFFERED, SOLD,

PLEGGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN \$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE BROKER-DEALER AND IS NOT A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (2) TO A NON-U.S. PERSON THAT IS NOT A U.S. RESIDENT (WITHIN THE MEANING OF THE INVESTMENT COMPANY ACT) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN THE CASE OF CLAUSE (1), IN A PRINCIPAL AMOUNT OF NOT LESS THAN \$250,000 OR IN THE CASE OF CLAUSE (2), IN A PRINCIPAL AMOUNT OF NOT LESS THAN \$100,000, FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING. FURTHERMORE, IN THE CASE OF AN OFFER, SALE, PLEDGE OR TRANSFER IN ACCORDANCE WITH CLAUSE (1) ABOVE, THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER REPRESENTS FOR THE BENEFIT OF THE ISSUERS THAT IT (V) IS A QUALIFIED PURCHASER FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A PERSON OR ENTITY, ACTING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNTS OF OTHER QUALIFIED PURCHASERS, THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN \$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION.

EACH HOLDER HEREOF SHALL BE DEEMED TO MAKE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE NOTE AGENCY AGREEMENT (AS DEFINED HEREIN). ANY TRANSFER IN VIOLATION OF ANY OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUERS, THE NOTE TRANSFER AGENT OR ANY INTERMEDIARY.

EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE NOTE AGENCY AGREEMENT TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUERS HAVE THE RIGHT, UNDER THE TRUST DEED (AS DEFINED HEREIN), TO COMPEL ANY BENEFICIAL OWNER OF AN INTEREST IN THIS NOTE THAT DOES NOT QUALIFY TO HOLD AN INTEREST IN THIS NOTE TO SELL ITS INTEREST IN THIS NOTE, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH OWNER.

THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUERS THAT EITHER (1) THE HOLDER IS NOT AND WILL NOT BE AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) SUBJECT TO ERISA OR A PLAN THAT IS SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF SUCH PLAN INVESTMENT IN THE ENTITY, OR ANOTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA

OR SECTION 4975 OF THE CODE OR (II) THE HOLDER'S PURCHASE AND HOLDING OF A NOTE DO NOT AND WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH ANOTHER PLAN, ANY SUBSTANTIALLY SIMILAR FEDERAL, STATE, LOCAL OR FOREIGN LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE. ANY PURPORTED TRANSFER OF A NOTE TO A HOLDER THAT DOES NOT COMPLY WITH THE REQUIREMENTS SET FORTH ABOVE SHALL BE NULL AND VOID *AB INITIO*.

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE NOTE AGENCY AGREEMENT.

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

(14) Pursuant to the terms of the Trust Deed, unless otherwise determined by the Issuer in accordance with the Trust Deed, the Class E Notes, Class Z Notes and Combination Securities will bear a legend to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT").

THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH SECURITY MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN \$25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE BROKER-DEALER AND IS NOT A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY BENEFICIARIES OF THE PLAN, AND IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, OR (2) TO A NON-U.S. PERSON THAT IS NOT A U.S. RESIDENT (WITHIN THE MEANING OF THE INVESTMENT COMPANY ACT) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND IN THE CASE OF CLAUSE (1), IN A PRINCIPAL AMOUNT OF NOT LESS THAN \$250,000 OR IN THE CASE OF CLAUSE (2), IN A PRINCIPAL AMOUNT OF NOT LESS THAN \$100,000, FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING. FURTHERMORE, IN THE CASE OF AN OFFER, SALE, PLEDGE OR TRANSFER IN ACCORDANCE WITH CLAUSE (1) ABOVE, THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER REPRESENTS FOR THE BENEFIT OF THE ISSUER THAT IT (V) IS A QUALIFIED PURCHASER FOR THE PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THIS SECURITY (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A PERSON OR ENTITY, ACTING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNTS OF OTHER QUALIFIED PURCHASERS, THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN \$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT

COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION.

THE HOLDER HEREOF, BY PURCHASING THE SECURITIES IN RESPECT OF WHICH THIS SECURITY HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE HOLDER IS NOT AND WILL NOT BE AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”)) SUBJECT TO ERISA OR A PLAN THAT IS SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”) OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” BY REASON OF SUCH PLAN INVESTMENT IN THE ENTITY, OR ANOTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE.

EACH HOLDER HEREOF SHALL BE DEEMED TO MAKE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE NOTE AGENCY AGREEMENT (AS DEFINED HEREIN). ANY TRANSFER IN VIOLATION OF ANY OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE NOTE TRANSFER AGENT OR ANY INTERMEDIARY.

EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE NOTE AGENCY AGREEMENT TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER HAS THE RIGHT, UNDER THE TRUST DEED (AS DEFINED HEREIN), TO COMPEL ANY BENEFICIAL OWNER OF AN INTEREST IN THIS NOTE THAT DOES NOT QUALIFY TO HOLD AN INTEREST IN THIS NOTE TO SELL ITS INTEREST IN THIS NOTE, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH OWNER.

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

(15) Pursuant to the terms of the Trust Deed, unless otherwise determined by the Issuer in accordance with the Trust Deed, each Temporary Regulation S Global Note will also bear a legend to the following effect:

PRIOR TO THE EXPIRATION OF THE [40-DAY, OR IN THE CASE OF THE CLASS E NOTES AND COMBINATION SECURITIES, ONE-YEAR] “DISTRIBUTION COMPLIANCE PERIOD” (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON WITHIN THE MEANING OF REGULATION S, EXCEPT TO A PERSON REASONABLY BELIEVED TO BE A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) THAT IS ALSO A QUALIFIED PURCHASER (WITHIN THE MEANING OF THE INVESTMENT COMPANY ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND THE TRUST DEED.

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

THE ISSUERS ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR OTHER THAN INFORMATION PROVIDED IN SECTIONS ENTITLED “THE COLLATERAL MANAGER.” THE COLLATERAL MANAGER ACCEPTS RESPONSIBILITY FOR THE INFORMATION PROVIDED IN “THE COLLATERAL MANAGER” SECTION. TO THE BEST OF THE KNOWLEDGE AND THE BELIEF OF THE ISSUERS, THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR IS IN

ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with the resale of the Securities, the Issuers will be required under the Note Agency Agreement to furnish upon request to a holder or beneficial owner of a Security and to a prospective investor who is a Qualified Institutional Buyer designated by such holder or beneficial owner the information required to be delivered under Rule 144A(d)(4) if, at the time of the request, neither the Issuer nor the Co-Issuer, is a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

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

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SUMMARY

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

The Issuers CAMBER 3 plc (the "Issuer") is a public company incorporated with limited liability under the laws of Ireland for the sole purpose of acquiring the Collateral Assets (as defined herein), Eligible Investments (as defined herein) and the Class Z Collateral (as defined herein), entering into Hedge Agreements (as defined herein), co-issuing the Class S Notes (as defined herein), the Class A Notes (as defined herein), the Class B Notes (as defined herein), the Class C Notes (as defined herein) and the Class D Notes (as defined herein), issuing the Class E Notes (as defined herein), the Class Z Notes (as defined herein) and the Combination Securities (as defined herein) and engaging in certain related transactions. All the Securities will be issued on the Closing Date (as defined herein).

The Issuer will not have any assets other than the portfolio of Commercial Mortgage-Backed Securities, Residential Mortgage-Backed Securities, Asset-Backed Securities, REIT Debt Securities, Interest Only Securities, Static Structured Product CDO Securities and Synthetic Securities, (collectively, "Collateral Assets"); Eligible Investments; interest rate exchange protection agreements entered into between the Issuer and one or more Interest Rate Swap Counterparties (as defined herein) (the "Interest Rate Swap Agreements"); cashflow timing protection agreements entered into between the Issuer and a Cashflow Swap Counterparty (as defined herein) (the "Cashflow Swap Agreements"); currency rate exchange protection agreements entered into between the Issuer and one or more Currency Swap Counterparties (as defined herein) (the "Currency Swap Agreements" and the Currency Swap Agreements, together with the Interest Rate Swap Agreements and the Cashflow Swap Agreements, the "Hedge Agreements"); rights under any Securities Lending Agreements (as defined herein); U.S.\$50,000,000 principal amount of the Zero Coupon Bond Due April 30, 2012 issued by The Goldman Sachs Group, Inc. (the "Class Z Collateral"); and certain other assets. The Collateral Assets, the Eligible Investments, the rights of the Issuer under the Hedge Agreements, the Securities Lending Agreements, the Collateral Management Agreement and certain other assets and agreements of the Issuer will be pledged by the Issuer to the Collateral Agent (as defined herein) under the Security Agreement (as defined herein), for the benefit of the Secured Parties (as defined herein), as security for, among other obligations, the Issuers' obligations under the Securities (other than the Class Z Notes). The Class Z Collateral will be pledged by the Issuer to the Collateral Agent for the benefit of the Holders of the Class Z Notes, as security for the Issuer's obligations under the Class Z Notes.

CAMBER 3 LLC (the “Co-Issuer” and the Co-Issuer, together with the Issuer, the “Issuers”) is a limited liability company formed under the laws of the State of Delaware for the sole purpose of co-issuing the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes.

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

The Collateral Manager Cambridge Place Investment Management LLP, a limited liability partnership organized under the laws of England and Wales (“CPIM”), will perform certain investment management and administrative functions with respect to the Collateral (as defined herein) pursuant to a collateral management agreement to be dated the Closing Date (the “Collateral Management Agreement”) between the Issuer and CPIM, as collateral manager (in such capacity, the “Collateral Manager”). Pursuant to the Collateral Management Agreement, the Collateral Manager will on behalf of the Issuer manage the selection, acquisition and disposition of the Collateral (including, without limitation, exercising rights and remedies associated with the Collateral Assets). For a summary of certain of the provisions of the Collateral Management Agreement and certain other information concerning the Collateral Manager, see “The Collateral Management Agreement” and “The Collateral Manager” below.

It is expected that on the Closing Date, CPIM and/or one or more of its affiliates or related parties will purchase \$2,800,000 in aggregate principal amount of Class E Notes. The Class E Notes held by CPIM and/or its affiliates or related parties may not be sold by CPIM and/or its affiliates or related parties at any time prior to the Payment Date in May 2007, unless it is no longer commercially reasonable for such Class E Notes to continue to be held thereby. See “Risk Factors—Other Considerations—Certain Conflicts of Interest” and “The Collateral Management Agreement.”

Securities Offered On the Closing Date, the Issuer and the Co-Issuer will issue U.S.\$10,000,000 aggregate principal amount of Class S Floating Rate Notes Due 2015 (the “Class S Notes”), U.S.\$422,500,000 aggregate principal amount of Class A-1 Floating Rate Notes Due 2040 (the “Class A-1 Notes”), U.S.\$110,500,000 principal amount of Class A-2 Floating Rate Notes Due 2040 (the “Class A-2 Notes” and the Class A 2 Notes, together with the Class A-1 Notes, the “Class A Notes”), U.S.\$45,500,000 aggregate principal amount of Class B Floating Rate Notes Due 2040 (the “Class B Notes”), U.S.\$26,000,000 aggregate principal amount of Class C Deferrable Floating Rate Notes Due 2040 (the “Class C Notes”) and U.S.\$19,500,000 aggregate principal amount of Class D Deferrable Floating Rate Notes Due 2040 (the “Class D Notes”) and the Issuer will issue U.S.\$50,000,000

aggregate principal amount of Class Z Notes Due 2012 (the “Class Z Notes”), U.S.\$26,000,000 aggregate principal amount of Class E Notes Due 2040 (the “Class E Notes”; the Class E Notes, together with the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class Z Notes, the “Notes”) and Combination Securities comprised of the Class Z Note Component and the Class E Note Component (the “Combination Securities”); and the Combination Securities, together with the Notes, the “Securities”) pursuant to a Trust Deed (the “Trust Deed”) dated the Closing Date among the Issuers and HSBC Trustee (C.I.) Limited, as trustee (the “Trustee”). All of the Class Z Notes shall comprise the “Class Z Note Component” of the Combination Securities. The Class Z Notes are not offered hereby except as a component of the Combination Securities. U.S.\$14,300,000 aggregate principal amount of the Class E Notes shall comprise the “Class E Note Component” of the Combination Securities. The Combination Securities consist of the Class Z Note Component and the Class E Note Component. Certain information relating to the Combination Securities is contained in the section of this offering circular titled “Description of the Combination Securities.” The Notes and Combination Securities being offered hereby are referred to herein as the “Offered Securities.” The Offered Securities will be issued on the Closing Date.

Unless the Combination Securities are explicitly excluded or addressed in the same context, references herein to “Class Z Notes” or “Class E Notes” shall include a reference to the Combination Securities to the extent of the Class Z Note Components and Class E Note Components, as applicable, and references to the rights and obligations of the holders of the Class Z Notes and the Class E Notes (including with respect to any payments, distributions or redemptions on or of such Class Z Notes or Class E Notes or votes, notices or consents to be given by such holders) include the rights and obligations of the holders of the Combination Securities to the extent of the Class Z Note Components and the Class E Note Components, as applicable. Unless the holders of Combination Securities are explicitly excluded or addressed in the same context, references herein to holders of Class Z Notes or Class E Notes shall include a reference to the holders of Combination Securities to the extent of the Class Z Note Components and the Class E Note Components, as applicable, and the holders of Combination Securities shall be entitled to participate in any vote or consent of, or any direction or objection by, the holders of the Notes, the Class Z Notes or the Class E Notes to the extent of the Class Z Note Components and the Class E Note Components, as applicable.

The Securities will also be subject to a Note Agency Agreement (the “Note Agency Agreement”) dated the Closing Date among the Issuers, the Trustee and Wells Fargo Bank, National Association, as note registrar (the “Note Registrar”), as principal paying agent for the Notes (the “Principal Note Paying Agent”), as calculation agent (the “Calculation

Agent”), as transfer agent (the “Note Transfer Agent”) and as paying agent for the Securities (the “Note Paying Agent” and, together with the Principal Note Paying Agent, the Note Registrar, the Calculation Agent, the Note Transfer Agent, the Irish Note Paying Agent (as defined herein) and the Irish Listing Agent (as defined herein), the “Note Agents”).

The Securities will be secured pursuant to a Security Agreement (the “Security Agreement”) dated the Closing Date, among the Issuer, the Trustee, Wells Fargo Bank, National Association, as collateral agent and securities intermediary (the “Collateral Agent” and the “Securities Intermediary,” respectively) and the Collateral Manager.

Class Z Notes..... The Class Z Notes are neither senior nor subordinated to any other Classes of Securities and will be payable on April 30, 2012 (the “Combination Securities Maturity Date”) solely from the Class Z Collateral. If the final Payment Date for the Class E Notes is prior to the Combination Securities Maturity Date of the Class Z Notes, the Class Z Notes will be redeemed on such Payment Date in exchange for delivery of the Class Z Collateral. In addition, upon the occurrence of an event of default with respect to the Class Z Collateral, the Class Z Notes will be redeemed in exchange for delivery of the Class Z Collateral. Upon such redemption and exchange, the holder of the Class Z Collateral could exercise all rights it may have as a holder of the Class Z Collateral against The Goldman Sachs Group, Inc., as issuer of the Class Z Collateral. An event of default with respect to the Class Z Collateral will not constitute an Event of Default.

Combination Securities..... The Combination Securities are comprised of a Class E Note Component and a Class Z Note Component, and the distributions on the Combination Securities will be equal to the distributions made on the Class E Note Component and the Class Z Note Component. Distributions on the Class E Note Component will be equal to the distributions made on the Class E Notes comprising such component, and distributions on the Class Z Note Component will be equal to the distributions made on the Class Z Notes comprising such component.

Unless previously redeemed, on the Combination Securities Maturity Date, the Combination Securities shall be redeemed in exchange for (i) the Class E Notes comprising the Class E Note Component and (ii) any distributions made in respect of the Class Z Notes comprising the Class Z Note Component or, if an event of default has occurred with respect to the Class Z Collateral on the Combination Securities Maturity Date, delivery of the Class Z Collateral.

If the Class E Notes are redeemed prior to the Combination Securities Maturity Date, the Combination Securities shall be redeemed in exchange for (i) delivery of the Class Z Collateral and (ii) any distributions payable in respect of the Class E Notes comprising the Class E Note Component.

If the Class Z Notes are redeemed prior to the Combination Securities Maturity Date and the Class E Notes are not also subject to simultaneous redemption, the Combination Securities shall be redeemed in exchange for (i) the Class E Notes comprising the Class E Note Component and (ii) any distributions made in respect of the Class Z Notes comprising the Class Z Note Component or, if an event of default has occurred with respect to the Class Z Collateral, delivery of the Class Z Collateral.

- Other Securities** The issued share capital of the Issuer consists of 40,000 ordinary shares, par value EUR1.00 per share (“Issuer Ordinary Shares”). The Issuer Ordinary Shares and all of the outstanding common equity of the Co-Issuer will be held, directly or indirectly, by Badb Charitable Trust Limited, Eurydice Charitable Trust Limited and Medb Charitable Trust Limited (each a “Share Trustee” and together the “Share Trustees”), under the terms of three declarations of trust under which the relevant Share Trustee holds the shares held by it on trust for charity. All of the Issuer Ordinary Shares will be issued on or prior to the Closing Date and are not being offered hereby. As of the Closing Date, the Issuer will not have any other shares of stock outstanding other than the Issuer Ordinary Shares. The Co-Issuer will not have any assets other than \$100 of equity capital.
- Closing Date** The Issuers will issue the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes and the Issuer will issue the Class Z Notes, the Class E Notes and the Combination Securities on or about April 20, 2005 (the “Closing Date”).
- Record Date**..... Payments in respect of principal of and interest on the Securities so long as they are represented by Definitive Notes will be made to the person in whose name the relevant Definitive Notes are registered at the close of business on the Business Day prior to such Payment Date. Payments in respect of any Global Notes will be made to the bearer thereof upon presentation thereof.
- Status of the Securities** The Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will be limited recourse obligations of the Issuers and the Class Z Notes, the Class E Notes and the Combination Securities will be limited recourse obligations of the Issuer. Interest on the Class A-1 Notes will be *pro rata* with interest on the Class A-2 Notes. As more fully set forth in the Priority of Payments, principal on the Class A-1 Notes will be paid in full prior to any payments of principal on the Class A-2 Notes in the case of a mandatory redemption on any Payment Date, if the Class A/B Overcollateralization Ratio is less than 108% on the related Determination Date, due to the failure to satisfy the Class A/B Interest Coverage Test (as defined herein) or the Class A/B Overcollateralization Test (as defined herein). Principal on the Class A-2 Notes will be paid *pro rata* with principal of the Class A-1 Notes in other cases as set forth in the Priority of

Payments. The Class S Notes will be senior in right of payment on each Payment Date to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes to the extent provided in the Priority of Payments. The Class A Notes will be senior in right of payment on each Payment Date to the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes to the extent provided in the Priority of Payments. The Class B Notes will be senior in right of payment on each Payment Date to the Class C Notes, the Class D Notes and the Class E Notes to the extent provided in the Priority of Payments. The Class C Notes will be senior in right of payment on each Payment Date to the Class D Notes and the Class E Notes to the extent provided in the Priority of Payments. The Class D Notes will be senior in right of payment to the Class E Notes to the extent provided in the Priority of Payments. The Class Z Notes are neither senior nor subordinated to any other Classes of Securities and, except as otherwise described under “Other Securities” above, will be payable on the Stated Maturity of the Class Z Notes solely from the Class Z Collateral. See “Description of the Securities—Status and Security” and “—Priority of Payments.”

Use of Proceeds The net proceeds from and associated with the offering of the Securities, after the payment of applicable fees and expenses (including an upfront fee of \$1,183,000 payable to the Collateral Manager (the “Upfront Collateral Management Fee”), are expected to equal approximately \$683,000,000. Approximately \$652,000,000 of the net proceeds will be used by the Issuer on the Closing Date to purchase, or enter into agreements to purchase, (i) a diversified portfolio of Collateral Assets which satisfy the Eligibility Criteria (as defined herein) with an aggregate Principal Balance (as defined herein) of approximately \$617,700,000 and with accrued interest of approximately \$2,000,000 and (ii) the Class Z Collateral and to enter into one or more Hedge Agreements as the Collateral Manager deems appropriate. The remaining net proceeds, constituting approximately \$31,000,000, will be deposited in the Collection Account (as defined herein), invested in Eligible Investments and used to purchase additional Collateral Assets and to make an initial deposit in the Expense Reserve Account (as defined herein) and, possibly, to enter into additional Hedge Agreements. When the remaining net proceeds from and associated with the offering of the Securities are invested in Collateral Assets, the Collateral Assets are expected to have an aggregate Principal Balance of \$650,000,000. On the earlier of (i) the August 2005 Payment Date and (ii) the date designated by the Collateral Manager to the Trustee stating that the Collateral Assets have an aggregate Principal Balance of \$650,000,000 (the period from the Closing Date to such date the “Initial Investment Period”), any portion of the net proceeds associated with the initial issuance of the Securities remaining will become Principal Proceeds and may be used to purchase Collateral Assets during the remainder of the Reinvestment Period or to make payments on the Securities in accordance with the Priority of

Payments. See “Security for the Securities—Purchase of Collateral Assets” and “Use of Proceeds.”

Interest Payments and Certain Distributions..... The Notes (other than the Class E Notes and Class Z Notes) will accrue interest from the Closing Date and such interest will be payable quarterly in arrears on the 8th day of each February, May, August and November, commencing August, 2005, or if any such date is not a Business Day (as defined herein), the immediately following Business Day (each such date, a “Payment Date”). All payments on the Securities will be made from Proceeds in accordance with the Priority of Payments.

The Class S Notes will bear interest during each Interest Accrual Period (as defined herein) at a per annum rate equal to the London interbank offered rate for three-month Eurodollar deposits (“LIBOR”) for such Interest Accrual Period plus 0.22% (the “Class S Note Interest Rate”), commencing on the Closing Date.

The Class A-1 Notes will bear interest during each Interest Accrual Period at a per annum rate equal to LIBOR for such Interest Accrual Period plus 0.28% (the “Class A-1 Note Interest Rate”), commencing on the Closing Date.

The Class A-2 Notes will bear interest during each Interest Accrual Period at a per annum rate equal to LIBOR for such Interest Accrual Period plus 0.45% (the “Class A-2 Note Interest Rate”), commencing on the Closing Date.

The Class B Notes will bear interest during each Interest Accrual Period at a per annum rate equal to LIBOR plus 0.60% (the “Class B Note Interest Rate”), commencing on the Closing Date.

The Class C Notes will bear interest during each Interest Accrual Period at a per annum rate equal to LIBOR plus 1.40% (the “Class C Note Interest Rate”), commencing on the Closing Date.

The Class D Notes will bear interest during each Interest Accrual Period at a per annum rate equal to LIBOR plus 2.80% (the “Class D Note Interest Rate”), commencing on the Closing Date.

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

To the extent interest is not paid on any Class C Notes on any Payment Date as a result of the operation of the Priority of Payments, such unpaid amount will be added to the principal amount, as applicable, of the Class C Notes (“Class C Deferred Interest”) and shall accrue interest at the Class C Note Interest Rate, to the extent lawful and enforceable, until the Payment Date on which such interest is available to be paid in accordance with the Priority of Payments.

To the extent interest is not paid on any Class D Notes on any Payment Date as a result of the operation of the Priority of Payments, such unpaid amount will be added to the principal amount, as applicable, of the Class D Notes (“Class D Deferred Interest”) and shall accrue interest at the Class D Note Interest Rate, to the extent lawful and enforceable, until the Payment Date on which such interest is available to be paid in accordance with the Priority of Payments.

Failure to pay interest on any Class S Notes, Class A Notes or Class B Notes when due will be an Event of Default under the Trust Deed; however, if any Class S Notes, Class A Notes or Class B Notes are outstanding, the failure to pay any interest on the Class C Notes or Class D Notes will not be an Event of Default under the Trust Deed. See “Description of the Securities—Interest” and “—Priority of Payments.”

With respect to any Payment Date, the “Interest Accrual Period” is the period commencing on and including the immediately preceding Payment Date (or the Closing Date in the case of the first Interest Accrual Period) and ending on and including the day immediately preceding such Payment Date.

On each Payment Date, the Holders of the Class E Notes and the Holders of the Combination Securities will be entitled to receive distributions to the extent of funds available in accordance with the Priority of Payments. See “Description of the Securities—Priority of Payments.”

After the Class E Notes have received the amount necessary for the Class E Notes to achieve an Internal Rate of Return (as defined herein) of 12%, the Incentive Collateral Management Fee will be payable to the Collateral Manager as 20% of all funds otherwise distributable in accordance with the Priority of Payments to the Holders of the Class E Notes.

Principal Payments.....

The Class S Notes will mature on the Payment Date in May 2015, the Class Z Notes will mature on April 30, 2012 and the other Notes will mature on the Payment Date in May 2040 (each such date, the “Stated Maturity” with respect to such Class of Securities). The average life of each Class of Securities is expected to be substantially shorter than the number of years from issuance until Stated Maturity for each Class of Securities. See “Description of the Securities—Principal” and “Risk Factors—Securities—Average Lives, Duration and Prepayment Considerations.”

Principal generally will be payable on the Class S Notes in accordance with the Priority of Payments on each Payment Date commencing on the Payment Date occurring in August 2005 in an amount equal to the Class S Notes Amortizing Principal Amount (as defined herein) with respect to such Payment Date.

Principal generally will not be payable on the Notes (other than the Class S Notes) prior to the end of the Reinvestment Period; *provided, however*, that principal will be payable to the extent funds are available therefor in accordance with the Priority of Payments, (i) if the Collateral Manager notifies the Trustee in writing that, in light of the composition of the Collateral Assets, general market conditions and other factors, the Collateral Manager (in its sole discretion) has determined that investments in additional Collateral Assets within the foreseeable future would either be impractical or not beneficial, (ii) if any Coverage Test is not satisfied and (iii) to the extent that the Holders of 100% of the outstanding Class E Notes elect to have funds that would otherwise be paid thereto on such Payment Date be applied to reduce the principal amount of the Notes. The Class S Notes, the Class E Notes and the Class Z Notes will not be subject to mandatory redemption as a result of the failure of any Coverage Test. See “Description of the Securities—Principal” and “—Mandatory Redemption.”

Principal generally will be payable on the Notes (other than the Class S Notes, the Class E Notes and the Class Z Notes) by the Issuers in accordance with the Priority of Payments on each Payment Date commencing on the Payment Date occurring in May 2010. After the Reinvestment Period, on any Payment Date on which the original ratings on the Notes have not been downgraded and the Coverage Tests are satisfied, in accordance with the Priority of Payments, principal will be paid *pro rata* to the Holders of the Class A-1 Notes and the Class A-2 Notes until each such Class is paid only in an amount required to increase (or maintain) the Class A Adjusted Overcollateralization Ratio to a specified target (subject to a minimum overcollateralization amount). After achieving and maintaining such target level, the payment of principal will shift to the Holders of the Class B Notes which will receive principal only in an amount required to increase (or maintain) the Class B Adjusted Overcollateralization Ratio to a specified target (subject to a minimum overcollateralization amount). After achieving and maintaining such target level, the payment of principal will shift to the Holders of the Class C Notes which will receive principal only in an amount required to increase (or maintain) the Class C Adjusted Overcollateralization Ratio to a specified target (subject to a minimum overcollateralization amount). After achieving and maintaining such target level, the payment of principal will shift to the Holders of the Class D Notes which will receive principal only in an amount required to increase (or maintain) the Class D Adjusted Overcollateralization Ratio to a specified target (subject to a

minimum overcollateralization amount). After the payments described in the preceding sentence, Proceeds, including any Principal Proceeds, will be applied to the other items specified in the Priority of Payments, including distributions to the Class E Notes.

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

Payments of principal on the Class A Notes on any Payment Date are subordinate to payments of principal or interest on the Class S Notes on such Payment Date to the extent set forth in the Priority of Payments. Payments of principal on the Class B Notes on any Payment Date are subordinate to payments of principal or interest due on the Class S Notes and Class A Notes on such Payment Date to the extent set forth in the Priority of Payments. Payments of principal on the Class C Notes on any Payment Date are subordinate to payments of principal or interest due on the Class S Notes, the Class A Notes and Class B Notes on such Payment Date to the extent set forth in the Priority of Payments. Payments of principal on the Class D Notes on any Payment Date are subordinate to payments of principal or interest due on the Class S Notes, the Class A Notes, Class B Notes and Class C Notes on such Payment Date to the extent set forth in the Priority of Payments. Payments of principal on the Class E Notes on any Payment Date are subordinate to payments on the other Notes due on such Payment Date to the extent set forth in the Priority of Payments. See “Description of the Securities—Priority of Payments.”

Auction Sixty days prior to the Payment Date occurring in May of each year commencing on the May 2017 Payment Date (each such date, an “Auction Payment Date”), the Collateral Manager shall take steps to conduct an auction (the “Auction”) of the Collateral Assets in accordance with procedures specified in the Trust Deed. If the Collateral Manager receives one or more bids from Eligible Bidders (as defined herein) not later than ten Business Days prior to the Auction Payment Date equal to or greater than the Minimum Bid Amount (as defined herein), it will sell the Collateral Assets for settlement on or before the fifth Business Day prior to such Auction Payment Date and the Securities will be redeemed in whole on the Auction Payment Date.

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

The “Minimum Bid Amount” is an amount equal to (x) the sum of (a) the Auction Redemption Prices (as defined herein)

of all the Securities (other than the Class E Notes and the Class Z Notes), (b) any amount payable by the Issuer to the Hedge Counterparties upon termination of the Hedge Agreements less any amounts payable by the Hedge Counterparties to the Issuer upon the termination of the Hedge Agreements, (c) any accrued and unpaid portion of the Base Collateral Management Fee (plus any value added tax thereon, if applicable) earned as of the Auction Payment Date, after giving effect to all distributions to be made on such date in accordance with the Priority of Payments and (d) 101% of all other unpaid fees and Administrative Expenses of the Issuer (plus any value added tax thereon, if applicable), including expenses reasonably expected to be incurred through the related Auction Payment Date less (y) the sum of amounts on deposit in the Expense Reserve Account, the Collection Account and any other amounts on deposit in the Accounts which are available to redeem the Securities. The Minimum Bid Amount will not include any amounts for the payment of distributions to Holders of the Class E Notes, the Class Z Notes or the Combination Securities.

Optional Redemption and Tax Redemption..... The Securities may be redeemed by the Issuers from Liquidation Proceeds (as defined herein) in whole but not in part on any Payment Date on or after May 2008, at the written direction of, or with the written consent of, a Majority (as defined herein) of the Class E Notes, including Class E Notes held by the Collateral Manager or any Affiliate thereof (an "Optional Redemption").

The Securities may also be redeemed from Liquidation Proceeds in whole but not in part on any Payment Date during or after the Non-Call Period upon the occurrence of a Tax Event (as defined herein), at the written direction of, or with the written consent of, either (i) Holders of 66-2/3% of the Outstanding Class E Notes or (ii) a Majority of any Class of Notes (other than the Class E Notes) which, as a result of the occurrence of such Tax Event, has not received 100% of the aggregate amount of principal and interest due and payable on such Class (such redemption, a "Tax Redemption").

In the event of an Optional Redemption as described above, the Securities will be redeemed at their Optional Redemption Prices (as defined herein). In the event of a Tax Redemption as described above, the Securities will be redeemed at their Tax Redemption Prices (as defined herein).

The amount distributable as the final distribution on the Class E Notes following any Optional Redemption or Tax Redemption will be payable in accordance with the Priority of Payments for Exception Payment Dates and will equal the Liquidation Proceeds remaining after the redemption of the other Notes at their Optional Redemption Prices or Tax Redemption Prices, as applicable, together with the payment of all other amounts required to be paid in accordance with the Priority of Payments for Exception Payment Dates. See

“Description of the Securities—Optional Redemption and Tax Redemption” and “—Priority of Payments.”

No Securities shall be redeemed pursuant to an Optional Redemption or Tax Redemption and a final distribution on the Class E Notes shall not be made unless either (i) at least seven (7) Business Days prior to the scheduled Redemption Date the Collateral Manager, on behalf of the Issuer, has entered into a binding agreement or agreements with a financial institution or multiple financial institutions with short-term credit ratings of “P-1” by Moody’s and “A-1+” by S&P to purchase the Collateral Assets and/or Eligible Investments at a price at least equal to an amount sufficient, together with any other amounts available to be used for such redemption, to pay the Total Redemption Amount (as defined herein) or (ii) at least ten (10) Business Days prior to the scheduled Redemption Date and prior to selling any Collateral Assets and Eligible Investments the Collateral Manager, on behalf of the Issuer, has certified to the Trustee, the Collateral Agent and each of the Rating Agencies that in its reasonable opinion the expected proceeds from the sale of the Collateral Assets and Eligible Investments, together with any other amounts available to be used for such redemption, will equal or exceed the Total Redemption Amount. See “Description of the Securities—Optional Redemption and Tax Redemption.”

- Mandatory Redemption** On any Payment Date on which any Class A/B Coverage Test is not satisfied as of the preceding Determination Date (as defined herein), the Class A-1 Notes and Class A-2 Notes will be subject to mandatory redemption, in accordance with the Priority of Payments, until the Class A-1 Notes and Class A-2 Notes have been paid in full. On any Payment Date on which any Class A/B Coverage Test is not satisfied as of the preceding Determination Date, after the Class A Notes have been paid in full, the Class B Notes will be subject to mandatory redemption, in accordance with the Priority of Payments, until the Class B Notes have been paid in full. On any Payment Date on which any Class C/D Coverage Test is not satisfied as of the preceding Determination Date, the Class C Notes and Class D Notes will be subject to mandatory redemption, in accordance with the Priority of Payments, until the Class C Notes and Class D Notes have been paid in full. In each case, such mandatory redemption will be made at par from Proceeds available in accordance with the Priority of Payments, if any. The Class S Notes, the Class E Notes and the Class Z Notes are not subject to mandatory redemption as a result of the failure of any Coverage Test. See “Description of the Securities—Mandatory Redemption” and “—Priority of Payments.”
- Non-Call Period** The period from the Closing Date to but not including the Payment Date in May 2008 (the “Non-Call Period”).
- Reinvestment Period** The period from the Closing Date and ending on the first to occur of: (i) the end of the Due Period related to the Payment Date in May 2010, (ii) the Payment Date immediately

following the date that the Collateral Manager notifies the Trustee in writing that it has determined that investments in additional Collateral Assets in the foreseeable future would be impracticable or not beneficial, (iii) the occurrence of an Event of Default resulting in acceleration of the Securities and (iv) any Measurement Date on which the Par Value Differential is less than \$6,500,000.

Security for the Securities Under the terms of the Security Agreement, the Issuer will grant to the Collateral Agent, for the benefit and security of (i) the Trustee on behalf of the Holders of the Securities, (ii) the Interest Rate Swap Counterparties, the Cashflow Swap Counterparties and the Currency Swap Counterparties (collectively, the “Hedge Counterparties”), (iii) the Collateral Manager, (iv) the Collateral Administrator, (v) the Note Agents, (vi) the Depository and (vii) Manx (collectively, the “Secured Parties”), to secure the Issuer’s obligations under the Securities, the Security Agreement, the Trust Deed, the Note Agency Agreement, the Hedge Agreements, the Collateral Management Agreement, the Collateral Administration Agreement, the Note Agency Agreement, the Depository Agreement and the Manx Agreement (collectively, the “Secured Obligations”), a first priority security interest in the Collateral (as defined herein). Under the terms of the Security Agreement, the Issuer will grant to the Collateral Agent, for the benefit and security of the Trustee on behalf of the Holders of the Class Z Notes only, a first priority security interest in the Class Z Collateral.

Reinvestment Criteria The Reinvestment Criteria are required to be satisfied upon the purchase of any Collateral Asset. The Reinvestment Criteria consist of the Eligibility Criteria, the Collateral Profile Tests, the Collateral Quality Tests, the Coverage Tests and certain other criteria described herein. The Reinvestment Criteria will be satisfied upon the purchase of a Collateral Asset if (i) the Eligibility Criteria pertaining to such Collateral Asset to be purchased are satisfied, (ii) the Collateral Profile Tests are satisfied, or if not satisfied the extent of compliance is maintained or improved and (iii) the Collateral Quality Tests and the Coverage Tests are satisfied, or if not satisfied, the extent of compliance is maintained or improved; *provided* that with respect to the reinvestment of Sale Proceeds of Credit Risk Obligations sold after the Reinvestment Period, the Collateral Quality Tests and the Coverage Tests are satisfied. See “Security for the Securities—Substitute Collateral Assets and Reinvestment Criteria.”

Reports Beginning in August 2005, a quarterly remittance report, with respect to each Payment Date, will be made available to Holders of Securities (each, a “Payment Report”) which will provide information with respect to payments to be made on the related Payment Date to Holders of the Securities and beginning in August 2005, a quarterly note valuation report (each, a “Note Valuation Report”) will be made available to Holders of Securities which will provide information on the Collateral Assets and compliance with the Reinvestment

Criteria, as well as information with respect to payments on the Securities.

The information in each Payment Report and Note Valuation Report will be prepared as of the Determination Date preceding the related Payment Date and will set out, among other things, the amounts payable in accordance with the Priority of Payments on such Payment Date and, after giving effect to distributions on such Payment Date, the principal amounts of each Class of Securities. The Issuer will instruct the Collateral Agent to transfer the amounts set forth in such Payment Report in the manner specified in, and in accordance with, the Priority of Payments.

Copies of the Payment Reports and the Note Valuation Reports may be obtained by Holders of Securities at the office of the Principal Note Paying Agent and will be available on the password protected web site of the Collateral Administrator at www.cdolink.com.

Coverage Tests and Collateral Quality Tests

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

Test	Value at Which Test Is Satisfied	Expected Value on Closing Date ¹
<i>Coverage:</i>		
Class A/B Overcollateralization Test	equal to or greater than 108%	112.4%
Class A/B Interest Coverage Test ²	equal to or greater than 103%	144.1% ³
Class C/D Overcollateralization Test	equal to or greater than 102.5%	104.2%
Class C/D Interest Coverage Test ²	equal to or greater than 102%	129.1% ³
<i>Collateral Quality:</i>		
Moody's Diversity Test	equal to or greater than 18	20
Moody's Maximum Rating Distribution Test	maximum of 450	403
Maximum Weighted Average Life Test	initially less than or equal to 5.0 years and declining as stated herein	4.1 years
Moody's Minimum Weighted Average Recovery Rate Test	equal to or greater than 29.25%	30.8%
Weighted Average Spread Test	equal to or greater than 1.55%	1.76%
S&P Minimum Weighted Average Recovery Rate Test (calculated using the AAA stress case)	equal to or greater than 26.0%	31.3%

(1) The Expected Value is based on the Collateral Assets Assumptions described under "Yield Considerations."

(2) Compliance with the Class A/B Interest Coverage Test and the Class C/D Interest Coverage Test will be required as of each Measurement Date on and after the initial Payment Date.

(3) Pro forma, assuming 90 days of interest on fully invested proceeds of the offering of the Securities, in accordance with the Collateral Assets Assumptions described herein. See “Yield Considerations.”

See “Security for the Securities—The Coverage Tests” and “—The Collateral Quality Tests” and “Description of the Securities—Priority of Payments.”

Certain Adjusted Overcollateralization Ratios..... If the Class A Adjusted Overcollateralization Ratio is at least 124.1%, Principal Proceeds may be distributed to the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes in accordance with the Priority of Payments, subject to the Minimum Class A Adjusted Overcollateralization. The expected value of the Class A Adjusted Overcollateralization Ratio on the Closing Date is 122%. If the Class B Adjusted Overcollateralization Ratio is at least 113.6%, Principal Proceeds may be distributed to the Class C Notes, the Class D Notes and the Class E Notes in accordance with the Priority of Payments, subject to the Minimum Class B Adjusted Overcollateralization. The expected value of the Class B Adjusted Overcollateralization Ratio on the Closing Date is 112.4%. If the Class C Adjusted Overcollateralization Ratio is at least 109.4%, Principal Proceeds may be distributed to the Class D Notes and the Class E Notes in accordance with the Priority of Payments, subject to the Minimum Class C Adjusted Overcollateralization. The expected value of the Class C Adjusted Overcollateralization Ratio on the Closing Date is 107.5%. If the Class D Adjusted Overcollateralization Ratio is at least 105.2%, principal proceeds may be distributed to the Class E Notes in accordance with the Priority of Payments, subject to the Minimum Class D Adjusted Overcollateralization. The expected value of the Class D Adjusted Overcollateralization Ratio on the Closing Date is 104.2%.

Reinvestment in Collateral Assets..... Principal Proceeds in respect of the Collateral Assets will be used during the Reinvestment Period to purchase Collateral Assets or Eligible Investments meeting the criteria specified herein, so long as the Reinvestment Criteria are satisfied, and until so used shall be deposited in the Collection Account for the duration of the Reinvestment Period unless required to be applied to the payment of Notes in accordance with the Priority of Payments to satisfy the Coverage Tests or otherwise applied pursuant to the Priority of Payments.

Sale Proceeds from the disposition of Credit Risk Obligations (as defined herein) and Unscheduled Principal Payments (as defined herein) received after the Reinvestment Period may be reinvested in substitute Collateral Assets, so long as the Reinvestment Criteria are satisfied and such amounts are

reinvested no later than the last day of the Due Period following the Due Period in which such amounts were received.

The Offering..... The Securities are being offered to non-U.S. Persons in offshore transactions in reliance on Regulation S, and in the United States to persons who are Qualified Institutional Buyers purchasing in reliance on the exemption from registration under Rule 144A. Each purchaser who is a U.S. Person must also be a Qualified Purchaser. See “Description of the Securities—Form of the Securities,” “Underwriting” and “Notice to Investors.”

Additional Issuance Additional securities of all existing Classes may be issued and sold during the Reinvestment Period, and the Issuer will use the proceeds to purchase additional Collateral Assets and, if applicable, enter into additional Hedge Agreements in connection with the Issuer’s issuance of, and making of payments on, the Securities and ownership and disposition of the Collateral Assets; *provided*, that certain conditions are met including, without limitation, (i) such additional issuances may not exceed 100% in the aggregate of the original principal amount of each applicable Class of Securities issued and outstanding on the Closing Date, (ii) the Rating Agency Condition (as defined herein) has been satisfied, (iii) Holders of a Supra Majority of the Class E Notes shall have consented to such additional issuance and (iv) the Collateral Manager shall have consented to such additional issuance. See “Description of the Securities—The Note Agency Agreement, the Trust Deed and the Security Agreement—Additional Issuance.”

Minimum Denominations The Securities will be issued in minimum denominations of \$250,000 (in the case of the Rule 144A Securities) and \$100,000 (in the case of the Regulation S Securities) and integral multiples of \$1,000 in excess thereof.

Form of the Securities Each Class of Securities sold in reliance on Regulation S under the Securities Act (“Regulation S”) will initially be represented by a temporary global note in bearer form (each, a “Temporary Regulation S Global Note”). Beginning on the 40th day after the later of the commencement of the offering of the Securities and the Closing Date or, in the case of the Class E Notes and the Combination Securities, one year after the later of the commencement of the offering of the Securities and the Closing Date, a beneficial interest in a Temporary Regulation S Global Note may be exchanged for a beneficial interest in one or more permanent global notes of the related Class (each, a “Regulation S Global Note”) upon certification of non-U.S. beneficial ownership by the holder of such interest.

Each Class of Securities sold in reliance on Rule 144A under the Securities Act (“Rule 144A”) will initially be represented by a global note in bearer form (each, a “Rule 144A Global Note”). The Temporary Regulation S Global Notes,

Regulation S Global Notes and the Rule 144A Global Notes are collectively, the “Global Notes.” The Global Notes will be deposited with or to the order of depository, as the book-entry depository (in such capacity, the “Depository”) on or about the Closing Date pursuant to a depository agreement (the “Depository Agreement”) expected to be dated on or about the Closing Date between the Issuers, the Trustee and the Depository. Application will be made to have the Class E Notes and Combination Securities designated as eligible for trading in The PORTALSM Market, a subsidiary of The Nasdaq Stock Market, Inc.

The Depository will issue a certificateless depository interest (a “CDI”) in respect of the Global Notes representing the Class S Notes, Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Combination Securities to The Depository Trust Company (“DTC”) or its nominee. The Depository, acting as agent of the Issuers, will maintain a book-entry system in which it will register DTC or its nominee as the owner of the CDIs. Transfers of all or any portion of the interest in the Global Notes may be made only through the book-entry system maintained by the Depository. DTC will record the beneficial interests in the CDIs attributable to the relevant Global Notes (“Book-Entry Interests”). Book-Entry Interests in the CDIs will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC and its direct and indirect participants.

Except in the limited circumstances described under “Description of the Securities—Form of the Securities”, the Securities will not be available in definitive form. Securities in definitive form will be issued in registered form only.

Beneficial interests in the Global Notes may not be transferred except in compliance with the transfer restrictions described herein. See “Description of the Securities—Form of the Securities” and “Notice to Investors.” No interest in a Rule 144A Global Note may be transferred to a person that takes delivery thereof through a Regulation S Global Note unless the transferor provides the Note Transfer Agent with a written certification (in the form provided in the Trust Deed) regarding compliance with certain of such transfer restrictions. A transfer of a beneficial interest in a Regulation S Global Note to a person that takes delivery through an interest in a Rule 144A Global Note is also subject to certification requirements, and each transferee thereof shall be required to represent that such person is a Qualified Institutional Buyer and a Qualified Purchaser. In addition, beneficial interests in a Temporary Regulation S Global Note may be held only through the participant accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream”) maintained at DTC and may not be held at any time by a U.S. Person.

Except in the limited circumstances described herein, Securities in definitive form will not be issued in exchange for beneficial interests in either the Regulation S Global Notes or the Rule 144A Global Notes. See “Description of the Securities—Form of the Securities” and “Notice to Investors.”

Governing Law The Security Agreement will be governed by the laws of the State of New York; *provided, however*, that certain provisions of the Security Agreement will be governed by English law. The Notes, the Note Agency Agreement and the Trust Deed will be governed by English law.

Listing and Trading..... There is currently no market for the Securities and there can be no assurance that such a market will develop. See “Risk Factors—Securities—Limited Liquidity and Restrictions on Transfer.” Application will be made to admit the Securities (other than the Class Z Notes) to the Daily Official List of the Irish Stock Exchange, but there can be no assurance that such admission will be granted. See “Listing and General Information.”

Ratings..... It is a condition of the issuance of the Securities that the Class S Notes, the Class A-1 Notes and the Class A-2 Notes each be issued with a rating of “Aaa” by Moody’s and “AAA” by S&P, that the Class B Notes be issued with a rating of at least “Aa2” by Moody’s and at least “AA” by S&P, that the Class C Notes be issued with a rating of at least “A2” by Moody’s and at least “A” by S&P and that the Class D Notes be issued with a rating of at least “Baa2” by Moody’s and at least “BBB” by S&P. The ratings of the Class C Notes and the Class D Notes address the likelihood of the ultimate payment of principal of and interest on the Class C Notes and the Class D Notes at the Class C Note Interest Rate and the Class D Note Interest Rate, respectively. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning Rating Agency. See “Ratings.”

Tax Status..... See “Income Tax Considerations.”

ERISA Considerations See “ERISA Considerations.”

RISK FACTORS

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

Securities

Limited Liquidity and Restrictions on Transfer. There is currently no market for the Securities. Although each Initial Purchaser has advised the Issuers that it intends to make a market in the Securities, each Initial Purchaser is not obligated to do so, and any such market-making with respect to the Securities may be discontinued at any time without notice. There can be no assurance that any secondary market for any of the Securities will develop or, if a secondary market does develop, that it will provide the Holders of the Securities with liquidity of investment or that it will continue for the life of such Securities.

In addition, no sale, assignment, participation, pledge or transfer of the Securities may be effected if, among other things, it would require any of the Issuer, the Co-Issuer or any of their officers or directors to register under, or otherwise be subject to the provisions of, the Investment Company Act or any other similar legislation or regulatory action. Furthermore, the Securities will not be registered under the Securities Act or any state securities laws or the laws of any other jurisdiction, and the Issuer has no plans, and is under no obligation, to register the Securities under the Securities Act or any state securities laws or under the laws of any other jurisdiction. The Securities are subject to certain transfer restrictions and can be transferred only to certain transferees as described herein under “Description of the Securities—Form of the Securities” and “Notice to Investors.” Such restrictions on the transfer of the Securities may further limit their liquidity. Application will be made to list the Securities (other than the Class Z Notes) on the Irish Stock Exchange, but there can be no assurance that such application will be approved.

The Initial Purchasers expect to make arrangements for the settlement of trades in Class E Notes and Combination Securities through the “Private Offerings, Resales and Trading through Automated Linkages” (“PORTAL”) system, which system has been approved as an “SRO Rule 144A System” by the Securities and Exchange Commission. The PORTAL system is maintained by the National Association of Securities Dealers (“NASD”) to permit electronic trading in securities exchanged pursuant to Rule 144A. The NASD may impose certain fees on trades effectuated through the PORTAL system. Access to the PORTAL system is only available to Qualified Institutional Buyers that make certain representations to, and agree to certain restrictions imposed by, the NASD. There can be no assurance that NASD will maintain the PORTAL system or that the Securities and Exchange Commission will continue to recognize the PORTAL system as an approved SRO Rule 144A System for restricted, non-investment grade securities.

Limited Recourse Obligations. The Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes will be limited recourse obligations of the Issuers, and the Class E Notes and Combination Securities will be limited recourse obligations of the Issuer, payable solely from the Collateral pledged by the Issuer to secure the Securities. The Class Z Notes will be limited recourse obligations of the Issuer, payable solely from the Class Z Collateral. None of the Collateral Manager, Manx, the Initial Purchasers, the Trustee, the Collateral Agent, the Share Trustees, the Note Agents, the Hedge Counterparties, any Synthetic Security Counterparties (as defined herein) or any affiliate of any of the foregoing or the Issuers’ affiliate or any other person or entity will be obligated to make payments on the Securities. Consequently, Holders of the Securities must rely solely on distributions on the Collateral (or, in the case of the Class Z Notes only, the Class Z Collateral) pledged to secure the Securities for the payment of principal and interest on the Securities and other distributions on the Class E Notes. If distributions on the Collateral (or, in the case of the Class Z Notes only, the Class Z Collateral) are insufficient to make payments on the Securities, no other assets will be available for payment of the deficiency, and following realization of the Collateral (or, in the case of the Class Z Notes only, the Class Z Collateral) pledged to secure the Securities, the obligations of the Issuers to pay such deficiency shall be extinguished.

Subordination of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes. Payments on the Class A Notes are subordinate to payments on the Class S Notes, to the extent provided in the Priority of Payments; payments on the Class B Notes are subordinate to payments on the Class S Notes and the Class A Notes, to the extent provided in the Priority of Payments; payments on the Class C Notes are

subordinate to payments on the Class S Notes, the Class A Notes and the Class B Notes, to the extent provided in the Priority of Payments; payments on the Class D Notes are subordinate to payments on the Class S Notes, the Class A Notes, the Class B Notes and the Class C Notes, to the extent provided in the Priority of Payments; and payments on the Class E Notes are subordinate to payments on the other Notes to the extent provided in the Priority of Payments. Payments of interest on the Class S Notes due on any Payment Date will be senior to payments of interest on the Class A Notes, Class B Notes, Class C Notes and Class D Notes and distributions on the Class E Notes on such Payment Date. Payments of interest on the Class A Notes due on any Payment Date will be senior to payments of interest on the Class B Notes, Class C Notes and Class D Notes and distributions on the Class E Notes on such Payment Date. Payments of interest on the Class B Notes will be senior to payments of interest on the Class C Notes and Class D Notes and distributions on the Class E Notes on such Payment Date. Payments of interest on the Class C Notes will be senior to payments of interest on the Class D Notes and distributions on the Class E Notes on such Payment Date. Payments of interest due on the Class D Notes on any Payment Date will be senior to distributions on the Class E Notes on such Payment Date. Principal on the Class S Notes will be paid in accordance with the Priority of Payments and will be senior to the payments of principal and interest of the Class A Notes, Class B Notes, Class C Notes and Class D Notes on such Payment Date and senior to the distribution of Proceeds to the Holders of the Class E Notes on such Payment Date. Principal payments on the Class A Notes will be paid *pro rata* or, first, to the Class A-1 Notes and then to the Class A-2 Notes on any Payment Date in the order of priority and in the amounts set forth in the Priority of Payments and will be senior to payments of principal of the Class B Notes, Class C Notes and Class D Notes on such Payment Date and senior to the distribution of Proceeds to the Holders of the Class E Notes on such Payment Date. Payments of principal of the Class B Notes payable on any Payment Date in accordance with the Priority of Payments will be senior to payments of principal of the Class C Notes and the Class D Notes on such Payment Date and senior to the distribution of Proceeds to the Holders of the Class E Notes on such Payment Date. Payments of principal of the Class C Notes payable on any Payment Date in accordance with the Priority of Payments will be senior to payments of principal of the Class D Notes on such Payment Date and senior to the distribution of Proceeds to the Holders of the Class E Notes on such Payment Date. Payments of principal of the Class D Notes payable on any Payment Date in accordance with the Priority of Payments will be senior to the distribution of Proceeds to the Holders of the Class E Notes on such Payment Date to the extent described herein. As a result of the Priority of Payments, notwithstanding the subordination of the Notes described herein, the Class B Notes may be entitled to receive certain payments of principal while the Class A Notes are outstanding, the Class C Notes may be entitled to receive certain payments of principal while the Class A Notes and the Class B Notes are outstanding, and the Class D Notes may be entitled to receive certain payments of principal while the Class A Notes, the Class B Notes and the Class C Notes are outstanding. To the extent that any losses are incurred by the Issuer in respect of any Collateral, such losses will be borne first by Holders of the Class E Notes; then, by Holders of the Class D Notes, then, by Holders of the Class C Notes, then, by Holders of the Class B Notes, then, by Holders of the Class A-2 Notes, then by the Holders of the Class A-1 Notes, and finally, by the Holders of the Class S Notes (if outstanding).

After the Reinvestment Period, on any Payment Date on which (i) the ratings of the Notes are no lower than the original ratings of the Notes by each Rating Agency, (ii) the Coverage Tests are satisfied and (iii) the Notes have not been accelerated due to an Event of Default, principal will be paid to the Holders of the Class A Notes, *pro rata*, only in an amount required to increase (or maintain) the Class A Adjusted Overcollateralization Ratio to the specified target of 124.1% (subject to the Minimum Class A Adjusted Overcollateralization). After achieving and maintaining such target, the payment of remaining Principal Proceeds will shift to the Holders of the Class B Notes until such Holders have been paid an amount required to increase (or maintain) the Class B Adjusted Overcollateralization Ratio to the specified target of 113.6% (subject to the Minimum Class B Adjusted Overcollateralization). After achieving and maintaining such target, the payment of Principal Proceeds will shift to the Class C Notes until such Holders have been paid an amount required to increase (or maintain) the Class C Adjusted Overcollateralization Ratio to the specified target of 109.4%. (subject to the Minimum Class C Adjusted Overcollateralization) After achieving and maintaining such target, the payment of Principal Proceeds will shift to the Class D Notes until such Holders have been paid an amount required to increase (or maintain) the Class D Adjusted Overcollateralization Ratio to the specified target of 105.2% (subject to the Minimum Class D Overcollateralization). After achieving and maintaining such target, the payment of Principal Proceeds will shift to the Class E Notes in accordance with the Priority of Payments. The foregoing “shifting principal” method to pay principal permits Holders of the Class B Notes to receive distributions of Principal Proceeds while the Class A Notes remain outstanding, Holders of Class C Notes to receive distributions of Principal Proceeds while the Class A Notes and Class B Notes are outstanding, Holders of Class D Notes to receive distributions of Principal Proceeds

while the Class A Notes, Class B Notes and Class C Notes are outstanding, and the Holders of Class E Notes to receive distributions of Principal Proceeds while the Class A Notes, Class B Notes, Class C Notes and Class D Notes are outstanding to the extent funds are available in accordance with the Priority of Payments. On each Payment Date, after the Class E Notes have received an Internal Rate of Return (as defined herein) of 12% pursuant to clause (19(a)) of the Priority of Payments, 20% of the remaining Proceeds otherwise distributable to the Class E Notes will be distributed to the Collateral Manager on each Payment Date as payment of the Incentive Collateral Management Fee. Amounts properly paid pursuant to the Priority of Payments to a junior Class of Securities or to the Collateral Manager will not be recoverable in the event of a subsequent shortfall in the amount required to pay a more senior Class of Securities.

An action may result in an adverse impact on the Class E Notes or Combination Securities and still satisfy the rating conditions. As described in this offering circular, the Issuer or Collateral Manager may be required to obtain confirmation that the ratings assigned by Moody's and S&P to the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes will not be withdrawn or reduced by one or more subcategories (either from their original ratings as of the Closing Date or from their then current levels, as specified) prior to taking certain actions and making certain investments. Consequently, the Issuer or Collateral Manager could take certain actions or make certain investments that would have an adverse impact on the Class E Notes or Combination Securities and the rating conditions would still be satisfied.

Holders of the Class S Notes and the Class A Notes may not be able to effect a liquidation of the Collateral in an Event of Default. If an Event of Default occurs and is continuing, as long as any Class S Notes or Class A Notes are outstanding, the Holders of all Class S Notes and sub-classes of the Class A Notes, voting together as a single Class, will be entitled to determine the remedies to be exercised under the Trust Deed, Note Agency Agreement and Security Agreement; however, the Holders of the Class S Notes and the Class A Notes will not be able to direct a sale or liquidation of the Collateral unless, among other things, the Trustee determines that the anticipated proceeds of such sale or liquidation (after deducting the reasonable expenses of such sale or liquidation) would be sufficient to pay in full the Total Redemption Amount based on certifications made by the Collateral Manager and the Collateral Administrator. There can be no assurance that proceeds of a sale and liquidation, together with all other available funds, will be sufficient to pay in full the Total Redemption Amount.

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

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

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

Optional Redemption and Tax Redemption of Securities. Subject to the satisfaction of certain conditions, the Securities may be optionally redeemed in whole and not in part (i) on any Payment Date after the Non-Call Period (i.e. beginning with the Payment Date in May 2008) at the written direction of, or with the written consent of, a Majority of the Class E Notes (including Class E Notes held by the Collateral Manager or any Affiliate thereof) or (ii) on any Payment Date during or after the Non-Call Period upon the occurrence of a Tax Event, at the written direction of, or with the written consent of, either (a) the Holders of 66-2/3% of the Outstanding Class E Notes or (b)

a Majority of any Class of Notes (other than the Class E Notes), if as a result of an occurrence of a Tax Event, such Class of Notes has not received 100% of the aggregate amount of principal and interest due and payable on such Notes. If any Optional Redemption or Tax Redemption occurs, the Class E Notes and Combination Securities will be redeemed simultaneously. Holders of the Class E Notes and Combination Securities may not be paid in full upon the occurrence of an Optional Redemption or Tax Redemption.

There can be no assurance that after payment of the redemption prices for the Securities and all other amounts payable in accordance with the Priority of Payments, any additional Proceeds will remain to distribute to the Holders of the Class E Notes and Combination Securities upon redemption. See “Description of the Securities—Optional Redemption and Tax Redemption.” An Optional Redemption or Tax Redemption of the Securities could require the Collateral Manager to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the Collateral Assets sold. In any event, there can be no assurance that the market value of the Collateral Assets will be sufficient for the Holders of the Class E Notes to direct an Optional Redemption or, in the case of a Tax Redemption, for the Holders of the Class E Notes or the affected Class of Notes to direct a Tax Redemption. A decrease in the market value of the Collateral Assets would adversely affect the proceeds that could be obtained upon a sale of the Collateral Assets; consequently, the conditions precedent to the exercise of an Optional Redemption or a Tax Redemption may not be met. The Collateral Manager and/or one or more of its Affiliates or related parties will purchase \$2.8 million in aggregate principal amount of the Class E Notes on the Closing Date. The interests of the Holders of either the Class E Notes in determining whether to elect to effect an Optional Redemption and the interests of the Holders of the Class E Notes or the affected Class of Notes with respect to a Tax Redemption may be different from the interests of the Holders of the other Classes of Notes in such respect. The Holders of the Securities also may not be able to invest the proceeds of the redemption of the Securities in one or more investments providing a return equal to or greater than the Holders of the Securities expected to obtain from their investment in the Securities.

Mandatory Redemption of the Securities. If either of the Class A/B Coverage Tests is not met on the Determination Date immediately preceding any Payment Date, Proceeds that otherwise might have been paid as interest to or distributed to the Holders of the Class C Notes, Class D Notes, Class E Notes and Combination Securities will be used to redeem the Notes (other than the Class S Notes, Class E Notes and Class Z Notes) in the order of priority and in such amounts as are set forth in the Priority of Payments until such Notes are paid in full on such Payment Date. This could result in an elimination, deferral or reduction in the amounts available to make payments and distributions to Holders of the Class C Notes, Class D Notes, Class E Notes and Combination Securities. See “Security for the Securities—The Coverage Tests.” Any such redemptions may shorten the average life of the Notes and may adversely affect the yield on the Securities. If either Class C/D Coverage Test is not met on the Determination Date immediately preceding any Payment Date, Proceeds that otherwise might have been paid as interest to or distributed to the Holders of the Class E Notes and Combination Securities will be used to redeem the Class C Notes and Class D Notes in the order of priority and amounts set forth in the Priority of Payments. This could result in an elimination, deferral or reduction in the amounts available to make distributions to the Holders of the Class E Notes. Any such redemptions will shorten the average lives of the related Notes and may adversely affect the yield on the related Notes.

Collateral Accumulation. In anticipation of the issuance of the Securities, an affiliate of Goldman, Sachs & Co. has agreed to “warehouse” approximately \$650 million aggregate principal amount of Collateral Assets selected by the Collateral Manager for resale to the Issuer pursuant to the terms of a forward purchase agreement. Of such amount, the Collateral Manager expects that a portion will be purchased from affiliates of Goldman, Sachs & Co. and a portion will be purchased from third parties. Pursuant to the terms of such forward purchase agreement, the Issuer will be obligated to purchase the “warehoused” assets provided such Collateral Assets satisfy the Eligibility Criteria on the Closing Date for a formula purchase price designed to reflect the yields or spreads at which the Collateral Assets were purchased (using the prepayment speed and other assumptions used to set the initial price of each individual asset), as adjusted for any hedging gain or loss and any loss or gain on any Collateral Assets sold to a party other than the Issuer during the warehousing period. Consequently, the market values of “warehoused” Collateral Assets at the Closing Date may be less than or greater than the formula purchase price paid by the Issuer. In addition, if a Collateral Asset becomes ineligible during the warehousing period and is not purchased by the Issuer on the Closing Date, or if a Collateral Asset is otherwise sold at the direction of the Collateral Manager or Goldman, Sachs & Co. (which sale may only occur with the consent of Goldman, Sachs & Co.’s affiliate), the Issuer will bear the loss or receive the gain on the sale of such Collateral Asset to a third party.

Initial Investment Period Provisions. The amount of Collateral Assets purchased on the Closing Date and the amount and timing of the purchase of additional Collateral Assets during the Initial Investment Period, and the subsequent reinvestment of Principal Proceeds, will affect the return to Holders of, and cash flows available to make payments on, the Securities, especially the Class C Notes, Class D Notes and Class E Notes. Reduced liquidity and lower volumes of trading in certain Collateral Assets, in addition to restrictions on investment represented by the Reinvestment Criteria, could result in periods of time during which the Issuer has not been able to fully invest its available cash in Collateral Assets. The longer the period before reinvestment of cash in Collateral Assets, the greater the adverse impact may be on aggregate interest collected and distributed by the Issuer, thereby resulting in lower yield than could have been obtained if the net proceeds associated with the offering of the Securities and all Principal Proceeds were immediately reinvested. The associated reinvestment risk on the Collateral Assets will first be borne by Holders of the Class E Notes and then by the Holders of the other Securities, beginning with the most next subordinated Class.

In addition, the timing of the purchase of Collateral Assets during the Initial Investment Period, including the amount of any purchased accrued interest, and the scheduled interest payment dates of the Collateral Assets, as well as the amount of the net proceeds associated with the offering of the Securities invested in lower-yielding Eligible Investments until reinvested in Collateral Assets, may have a material impact on the amount of interest collected during the first Due Period, which could affect interest payments on the Securities and the payment of amounts to the Holders of the Class E Notes on the first Payment Date.

Reinvestment Period Provisions. During the Reinvestment Period, so long as certain requirements are met, the Collateral Manager will have discretion to dispose of certain Collateral Assets and to reinvest the Sale Proceeds in substitute Collateral Assets in compliance with the Reinvestment Criteria, except as otherwise described herein. Furthermore, during the Reinvestment Period, to the extent that any Collateral Assets prepay, mature or amortize, the Collateral Manager will seek, subject to the Reinvestment Criteria, to invest the proceeds thereof in additional Collateral Assets. After the Reinvestment Period, the Collateral Manager may reinvest Unscheduled Principal Payments and Sale Proceeds from Credit Risk Obligations in Collateral Assets in compliance with the Reinvestment Criteria. There may be potentially substantial lags between the receipt of principal of the Collateral Assets and the reinvestment thereof, during which the proceeds will be invested in lower yielding short-term high quality investments. In the event of a decline, generally, in interest rates or in asset yields, the Collateral Manager may not be able to reinvest principal received at rates at least equal to the current yields on such assets or at the reinvestment rates presented herein. Such substitute Collateral Assets may bear interest at a lower rate or may have a lower rate of return than the Collateral Assets that were replaced. Any decrease in the yield on the Collateral Assets may have the effect of reducing the amounts available to make distributions on the Securities. There can be no assurance that in the event Collateral Assets are sold, called, prepay, amortize or mature, yields on Collateral Assets that are eligible for purchase will be at the same levels as those replaced, there can be no assurance that the characteristics of any additional Collateral Assets purchased will be the same as those replaced and there can be no assurance as to the timing of the purchase of any additional Collateral Assets. See “Security for the Securities—Substitute Collateral Assets and Reinvestment Criteria.”

Early Termination of the Reinvestment Period and Early Payments of Principal. Although the Reinvestment Period is expected to terminate at the end of the Due Period relating to the Payment Date occurring in May 2010, the Reinvestment Period will terminate prior to such date if (i) the Collateral Manager notifies the Trustee in writing that, in light of the composition of the Collateral Assets, general market conditions and other factors, the Collateral Manager (in its sole discretion) has determined that investments in additional Collateral Assets within the foreseeable future would either be impractical or not beneficial, (ii) an Event of Default resulting in acceleration of the Securities occurs or (iii) any Measurement Date on which the Par Value Differential is less than \$6,500,000. Further, Holders of the Notes (other than Class S Notes) may receive principal payments on any Payment Date during the Reinvestment Period out of funds available therefor in accordance with the Priority of Payments, (a) if any Coverage Test is not satisfied and (b) to the extent that the Holders of 100% of the outstanding Class E Notes elect to have funds that would otherwise be paid thereto on such Payment Date be applied to reduce the principal amount of the Notes. If the Reinvestment Period terminates prior to the end of the Due Period relating to the Payment Date occurring in May 2010, or if principal payments are made during the Reinvestment Period, such early termination or early payments will shorten the expected average lives of the Notes described under “Yield Considerations.”

Recharacterization of Interest Proceeds. The Collateral Manager may direct the Collateral Agent to, at any time during the Reinvestment Period, sell Credit Improved Obligations, Credit Risk Obligations, or Defaulted Obligations as well as engage in Discretionary Sales (as defined herein) of Collateral Assets which are not Credit Improved Obligations, Credit Risk Obligations, or Defaulted Obligations subject to certain percentage limits, as described herein. After the Reinvestment Period, the Issuer may sell only Credit Risk Obligations and Defaulted Obligations. Sale Proceeds from all sales during the Reinvestment Period and from sales of Credit Risk Obligations and from Unscheduled Principal Payments after the Reinvestment Period may be reinvested in substitute Collateral Assets in compliance with the Reinvestment Criteria. The Issuer is not required to use Sale Proceeds to purchase substitute Collateral Assets which have a par value equal to or greater than the par value of the specific Collateral Asset sold. However, the Issuer is obligated to maintain par on an aggregate basis by adding to Principal Proceeds on each Determination Date from other Proceeds an amount equal to the excess, if any, of (a) the par amount of Collateral Assets sold, principal payments and any recoveries on Defaulted Obligations in such Due Period minus the discount to par realized from the sale of Credit Risk Obligations and Defaulted Obligations and the discount to par realized on any recoveries on Defaulted Obligations in such Due Period over (b) the Principal Balance of Collateral Assets purchased in such Due Period and Eligible Investments acquired with Principal Proceeds in such Due Period which are outstanding on the related Determination Date for such Due Period (*provided, however*, that the sum of (i) the excess of the aggregate of all prior Payment Dates of the amounts described in sub-clause (b) over the aggregate for all prior Payment Dates of the amounts described in sub-clause (a) and (ii) the excess of the Aggregate Principal Amount on the Closing Date over \$650,000,000 will be applied to reduce the excess of amounts described in sub-clause (a) over amounts described in sub-clause (b) to, but not less than, zero). Thus, in the event the Issuer is unable to purchase substitute Collateral Assets in an amount sufficient to replace the par amount of the sold Collateral Assets (or with respect to Credit Risk Obligations and Defaulted Obligations, the Sale Proceeds) on a cumulative basis, it will be required to treat as Principal Proceeds a portion of Proceeds that would otherwise constitute interest collections on the Collateral Assets. The recharacterization of any such amounts as Principal Proceeds to replace par will reduce the amount of Proceeds available for distribution to the Holders of the Class E Notes.

Average Lives, Duration and Prepayment Considerations. The average lives of the Securities are expected to be shorter than the number of years until their Stated Maturity. See “Yield Considerations.”

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

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

Projections, Forecasts and Estimates. Estimates of the weighted average lives or duration of, and returns on, the Securities included herein or in any supplement to this offering circular, together with any other projections, forecasts and estimates provided to prospective purchasers of the Securities, are forward-looking statements. Such statements are necessarily speculative in nature, as they are based on certain assumptions. It can be expected that some or all of the assumptions underlying such statements will not reflect actual conditions. Accordingly, there can be no assurance that any estimated projections, forecasts or estimates will be realized or that the forward-looking statements will materialize, and actual results may vary from the projections, and the variations may be material.

Some important factors that could cause actual results to differ materially from those in any forward-looking statements include changes in interest rates, market, financial or legal uncertainties, the timing of acquisitions of the Collateral Assets, differences in the actual allocation of the Collateral Assets among asset categories from those assumed, mismatches between the timing of accrual and receipt of Proceeds from the Collateral Assets and the effectiveness of the Hedge Agreements, among others.

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

Dependence on Key Personnel. The success of the Issuer will be dependent on the financial and managerial expertise of the investment professionals of the Collateral Manager. In the event that one or more of the investment professionals of the Collateral Manager were to leave the Collateral Manager, the Collateral Manager would have to re-assign responsibilities internally and/or hire one or more replacement employees and such a loss could have a material adverse effect on the performance of the Issuer. See “The Collateral Manager.”

Book-Entry Interests. Unless and until Definitive Notes are issued in exchange for the Book-Entry Interests, holders or beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of Securities under the Trust Deed. After payment to the Note Paying Agent, the Issuers will not have responsibility or liability for the payment of interest, principal or other amounts to the Depository, DTC or to holders or beneficial owners of Book-Entry Interests. The Depository or its nominee will be the sole legal Holder of the Securities under the Trust Deed while the Securities are represented by the Global Notes. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of the Depository, DTC and, if such person is not a participant in DTC, on the procedures of the participant through which such person owns its interest, to exercise any right of a Holder under the Trust Deed.

Payments of principal and interest on, and other amounts due in respect of, the Global Notes will be made to the Depository (as holder of the Global Notes), which will in turn distribute payments to Cede & Co. (as nominee of DTC). Upon receipt of any payment from the Depository, DTC will promptly credit participants’ accounts with payment in amounts proportionate to their respective ownership of Book-Entry Interests, as shown on their records. The Issuers expect that payments by participants or indirect participants to owners of interests in Book-Entry Interests held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such participants or indirect participants. None of the Issuers, the Trustee, the Depository, the Note Paying Agent or the Note Transfer Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the Book-Entry Interests or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

Unlike Holders, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by or on behalf of the Issuers for consents or requests by or on behalf of the Issuers for waivers or other actions from Holders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from DTC and, if applicable, its participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default, holders of Book-Entry Interests will be restricted to acting through DTC and the Depository unless and until Definitive Notes are issued in accordance with the relevant provisions described herein under “Description of the Securities—Form of the Securities.” There can be no assurance that the procedures to be implemented by DTC and the Depository under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed. For a description of the terms of the Depository Agreement, see “Description of the Securities—Form of the Securities.” Although DTC has agreed to certain procedures to facilitate transfers of Book-Entry Interests among participants of DTC, DTC is 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 or any of their agents will have any responsibility for the performance by DTC or its participants of their respective obligations under the rules and procedures governing their operations.

Because transactions in the Global Notes will be effected only through DTC, direct or indirect participants in DTC's book-entry system and certain banks, the ability of a Holder to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such interests, may be limited due to the lack of physical security representing such interest. Certain transfers of Securities or interests therein may only be effected in accordance with, and subject to, certain transfer restrictions and certification requirements. See "Notice to Investors."

If Definitive Notes are issued in exchange for the Book-Entry Interests and, as a result, the Securities cease to remain in bearer form, they will not qualify for the "quoted Eurobond exemption". If this were to occur, payments of interest thereon may be subject to Irish withholding tax. See "Irish Taxation—Income Tax" below.

Additional Risks relating to the Combination Securities.

General. An investment in the Combination Securities involves certain risks. In addition to the risks particular to Combination Securities described in the following paragraphs, the risk of ownership of the Combination Securities will be (a) with respect to the Class Z Note Component, the risks of ownership of the Class Z Notes and (b) with respect to the Class E Note Components, the risks of ownership of the Class E Notes. As a result, all of the risks of the Class Z Notes or of the Class E Notes (or of the Offered Securities generally) described under "Risk Factors" also will be applicable to an investment in the Combination Securities.

Non-transferability of Components. The Components are not separately transferable while they are Components of the Combination Securities. See "Notice to Investors."

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

Value of Class Z Collateral. The Class Z Notes are secured solely by the Class Z Collateral and are not secured by the Collateral pledged by the Issuer to the Collateral Agent as security for the Notes. The Class Z Collateral is intended to provide for a single payment of U.S.\$50,000,000 on April 30, 2012, which is equal to the principal amount of the Class Z Notes. In the event that the Class Z Collateral is not sufficient to pay the principal amount of the Class Z Notes (or the Class Z Component of the Combination Securities), the Issuer will have no obligation whatsoever to pay such deficiency. Investors in the Combination Securities should obtain a copy of the underlying documents for the Class Z Collateral and make their own investigation of the terms of the Class Z Collateral.

Collateral Assets

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

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

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

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

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

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

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

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

Holders of CMBS bear various risks, including credit, market, interest rate, structural and legal risks. CMBS are securities backed by obligations (including certificates of participation in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, nursing homes and senior living centers. Risks affecting real estate investments include general economic conditions, the condition of financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The cyclicity and leverage associated with real estate-related investments have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other investments. In addition, commercial mortgage loans generally lack standardized terms, tend to have shorter maturities than residential mortgage loans and may provide for the payment of all or substantially all of the principal only at maturity. Additional risks may be presented by the type and use of a particular commercial property. Commercial lending is generally viewed as exposing a lender to a greater risk of loss than residential one-to-four family lending since it typically involves larger loans to a single borrower than residential one-to-four family lending.

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

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

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

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

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

Residential Mortgage-Backed Securities. The Collateral Assets may include Residential Mortgage-Backed Securities (“RMBS”, including without limitation RMBS Agency Securities, RMBS Residential Prime Mortgage Securities, RMBS Residential Alt-A Mortgage Securities, RMBS Residential B/C Mortgage Securities, RMBS Home Equity Loan Securities and RMBS CDO Securities (each as defined herein).

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

foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

At any one time, a portfolio of RMBS may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the residential mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations. In addition, the residential mortgage loans may include so-called “jumbo” mortgage loans, having original principal balances that are higher than is generally the case for residential mortgage loans. As a result, such portfolio of RMBS may experience increased losses.

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

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

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

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

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

It is expected that most of the CMBS and RMBS owned by the Issuer may be subordinated to one or more other senior classes of securities of the same series for purposes of, among other things, offsetting losses and other shortfalls with respect to the related underlying commercial mortgage loans. In addition, in the case of certain

CMBS and certain RMBS, generally no distributions of principal will be made with respect to any class until the aggregate principal balances of the corresponding senior classes of securities have been reduced to zero. As a result, the subordinate classes are more sensitive to risk of loss and writedowns than senior classes of such securities.

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

RMBS CDO Securities, CMBS CDO Securities and Static Structured Product CDO Securities are subject to credit, liquidity and interest rate risks. The assets backing RMBS CDO Securities, CMBS CDO Securities and Static Structured Product CDO Securities may consist of RMBS Securities, CMBS Securities, REIT Debt Obligations and other debt, equity and credit default protection instruments that relate substantially to commercial and residential real estate. Accordingly, RMBS CDO Securities, CMBS CDO Securities and Static Structured Product CDO Securities indirectly bear the risks associated with RMBS Securities, CMBS Securities and REIT Debt Obligations.

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

Asset-Backed Securities. A portion of the Collateral Assets may be Structured Finance Securities that are Asset Backed Securities (e.g., they cannot otherwise be classified under the CMBS Security, RMBS Security, REIT Debt Security, Interest Only Security or Synthetic Security categories). The structure of an Asset-Backed Security and the terms of the investors’ interest in the collateral can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Individual transactions can differ markedly in both structure and execution. Important determinants of the risk associated with issuing or holding Asset-Backed Securities include the relative seniority or subordination of the class of Asset-Backed Securities held by an investor, the relative allocation of principal and interest payments in the priorities by which such payments are made under the governing documents, how credit losses affect the issuing vehicle and the return to investors, whether collateral represents a fixed set of specific assets or accounts, whether the underlying collateral assets are revolving or closed-end, under what terms (including maturity of the asset-backed instrument) any remaining balance in the accounts may revert to the issuing company and the extent to which the company that is the actual source of the collateral assets is obligated to provide support to the issuing vehicle or to the investors. With respect to some types of Asset-Backed Securities, the risk is more closely correlated with the default risk on corporate bonds of similar terms and

maturities than with the performance of a pool of receivables. In addition, certain Asset-Backed Securities (particularly subordinated Asset-Backed Securities) provide that the non-payment of interest in cash on such securities will not constitute an event of default in certain circumstances and the holders of such securities will not have available to them any associated default remedies. Interest not paid in cash will generally be capitalized and added to the outstanding principal balance of the related security. Any such deferral will reduce the yield on such Asset-Backed Securities.

Holders of Asset-Backed Securities bear various risks, including credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks. Credit risk arises from losses due to defaults by the borrowers in the underlying collateral and the issuer's or servicer's failure to perform. These two elements may be related, as, for example, in the case of a servicer which does not provide adequate credit-review scrutiny to the serviced portfolio, leading to higher incidence of defaults. Market risk arises from the cash flow characteristics of the security, which for most Asset-Backed Securities tend to be predictable. The greatest variability in cash flows comes from credit performance, including the presence of wind-down or acceleration features designed to protect the investor in the event that credit losses in the portfolio rise well above expected levels. Interest rate risk arises for the issuer from the relationship between the pricing terms on the underlying collateral and the terms of the rate paid to holders of securities and from the need to mark to market the excess servicing or spread account proceeds carried on the balance sheet. For the holder of the security, interest rate risk depends on the expected life of the Asset-Backed Securities which may depend on prepayments on the underlying assets or the occurrence of wind-down or termination events.

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

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

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

Risks of REIT Debt Securities may include (among others): (i) limited liquidity and secondary market support, (ii) substantial market price volatility resulting from changes in prevailing interest rates, (iii) subordination to the prior claims of banks and other senior lenders, (iv) the operation of optional redemption or sinking fund provisions during periods of declining interest rates, (v) the possibility that earnings of the issuer may be insufficient

to meet its debt service and (vi) the declining creditworthiness and potential for insolvency of the issuer of such REIT Debt Securities during periods of rising interest rates and economic downturn. An economic downturn or an increase in interest rates could severely disrupt the market for REIT Debt Securities and adversely affect the value of outstanding REIT Debt Securities and the ability of the issuers thereof to repay principal and interest.

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

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

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

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

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

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

The Issuer may also purchase Synthetic Securities structured as Default Swaps. In such cases, the Collateral Manager on behalf of the Issuer may be required to purchase an item of Default Swap Collateral and pledge to the related Synthetic Security Counterparty a first priority security interest in such Default Swap Collateral. In the event a "credit event" occurs under a Synthetic Security structured as a Default Swap, the related Default Swap Collateral will be delivered to the related Synthetic Security Counterparty in exchange for the Deliverable Obligation. In the event that no "credit event" under a Synthetic Security structured as a Default Swap occurs prior to the termination or scheduled maturity of such Synthetic Security, the related Default Swap Collateral will be released from the lien of the Synthetic Security Counterparty and be treated as a Collateral Asset or Eligible Investment to the extent it meets the definition of either such term upon the termination or scheduled maturity of such Synthetic Security. If the Collateral Manager elects to sell or terminate a portion of a Synthetic Security prior to its scheduled maturity, the Collateral Manager will cause such portion of the related Default Swap Collateral required to make any termination payment owed to the related Synthetic Security Counterparty to be delivered to the Synthetic Security Counterparty and the remaining portion of such Default Swap Collateral not required to be pledged to such Synthetic Security Counterparty to be delivered to the Collateral Agent free of such lien. The Collateral Manager has no right to sell or transfer any Default Swap Collateral until the applicable Synthetic Security is terminated or matures, even under circumstances where the Default Swap Collateral deteriorates in credit quality. In addition, the Issuer may realize a loss upon any sale of any Default Swap Collateral.

Insolvency Considerations with Respect to Issuers of Collateral Assets. Various laws enacted for the protection of creditors may apply to the Collateral Assets. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an issuer of a Collateral Asset, such as a trustee in bankruptcy, were to find that the issuer did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting the Collateral Asset and, after giving effect to such indebtedness, the issuer (i) was insolvent, (ii) was engaged in a business for which the remaining assets of such issuer constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could determine to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, to subordinate such indebtedness to existing or future creditors of such issuer, or to recover amounts previously paid by such issuer in satisfaction of such indebtedness. The measure of insolvency for purposes of the foregoing will vary. In the event of the insolvency of an issuer of a Collateral Asset, payments made on such Collateral Asset could be subject to

avoidance as a “preference” if made within a certain period of time (which may be as long as one year) before insolvency. Payments made under residential mortgage loans may also be subject to avoidance in the event of the bankruptcy of the borrower.

In general, if payments on a Collateral Asset are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as the Issuer) or from subsequent transferees of such payments (such as the Holders of the 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 Class E Notes, second by the Holders of the Class D Notes, third by the Holders of the Class C Notes, fourth by the Holders of the Class B Notes, fifth by the Holders of the Class A Notes and finally by the Holders of the Class S 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 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 Security, in good faith and without knowledge that the payments were avoidable. Nevertheless, since there is no judicial precedent relating to structured securities such as the Securities, there can be no assurance that a Holder of the Securities will be able to avoid recapture on this or any other basis.

The Issuer does not intend to engage in conduct that would form the basis for a successful cause of action based upon fraudulent conveyance, preference or equitable subordination. There can be no assurance, however, as to whether any lending institution or other investor from which the Issuer acquired the Collateral Assets engaged in any such conduct (or any other conduct that would subject the Collateral Assets and the Issuer to insolvency laws) and, if it did, as to whether such creditor claims could be asserted in a U.S. court (or in the courts of any other country) against the Issuer.

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

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

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

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

Volatility of Collateral Assets’ Market Value. The market value of the Collateral Assets will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, developments or trends in any particular industry and the financial condition of the issuers of the Collateral Assets. A decrease in the market value of the Collateral Assets would adversely affect the proceeds that could be obtained upon the sale of the Collateral Assets and could ultimately affect the ability of the

Issuer to (a) effect an Optional Redemption, Tax Redemption or Auction, or (b) pay the principal of the Notes, or make additional distributions to the Securities, upon a liquidation of the Collateral Assets following the occurrence of an Event of Default.

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

None of the Collateral Assets acquired by the Issuer on the Closing Date will be Fixed Rate Securities unless, on the Closing Date, the Issuer enters into an Interest Rate Swap which results in such Fixed Rate Security being a Deemed Floating Rate Asset. After the Closing Date, (i) no Fixed Rate Security may be acquired by the Issuer unless the Issuer simultaneously enters into an Interest Rate Swap Agreement which results in such Fixed Rate Security being a Deemed Floating Rate Asset and (ii) subject to the terms of the Security Agreement and the Collateral Management Agreement including the requirement to satisfy the Rating Agency Condition, the Collateral Manager may on behalf of the Issuer, employ a variety of other hedging strategies, which strategies may vary during the life of the transaction. After the Closing Date, even if the Collateral Manager believes that engaging in a hedging technique (or replacing an existing Hedge Agreement that is terminated) would be beneficial, the Collateral Manager may be unable to do so because (among other reasons) such technique may be too costly or insufficient funds may be available for such purpose or the Issuer may be unable to find a counterparty satisfying the requirements of the Security Agreement and a counterparty that is willing to receive payments from the Issuer subject to the other prior applications set forth in the Priority of Payments and in accordance with the terms of the Security Agreement. Accordingly, the Issuer may be unable, as a practical matter, to use certain hedging techniques. Despite the Issuer having the benefit of Hedge Agreements, there can be no assurance that the Collateral Assets and the Eligible Investments will in all circumstances generate sufficient Proceeds to make timely payments of stated interest on the Securities or amounts subordinated thereto. There is no assurance that any interest rate hedge will provide the necessary interest rate protection to the Securities or that the cashflow hedge will solve all timing mismatches.

The notional amount in some Interest Rate Swap Agreements will be based on amortization schedules derived from the anticipated amortization of the related Collateral Asset that is a Fixed Rate Security, and the notional amount of other Interest Rate Swap Agreements will be directly linked with the actual amortization of such related Collateral Asset that is a Fixed Rate Security. Any such anticipated amortization schedule will be designed such that on each Measurement Date, the notional amount under such Interest Rate Swap Agreement will be equal to the outstanding principal amount of the related Collateral Asset. There can be no assurance that the actual amortization of the Collateral Assets that are Fixed Rate Securities will correspond to the anticipated amortization on which the related Interest Rate Swap Agreements will be based. The Collateral Assets are subject to prepayment and extension risk which may result in a further mismatch between the cash flow anticipated on the Collateral Assets and any Hedge Agreements.

Because the Collateral Assets are subject to prepayment and extension risk, the notional amounts under the Interest Rate Swap Agreements from time to time may be greater or lower than the outstanding principal amount of Collateral Assets that the Interest Rate Swap Agreements were intended to hedge. Such an imbalance could require the Issuer to make payments to the Interest Rate Swap Counterparties that exceed the amounts earned from the Collateral Assets unless the Interest Rate Swap Agreements are partially terminated. A partial termination of an Interest Rate Swap Agreement may require that the Issuer pay a termination payment to the Interest Rate Swap Counterparty, which would reduce the Proceeds available for payment on the Notes.

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

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

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

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

The Principal Balance of a Non-U.S. Dollar Denominated Asset will be an amount equal to the product of the outstanding balance of such Collateral Asset and the exchange rate set forth in the applicable Currency Swap Agreement. Because the notional amounts of certain of the Currency Swap Agreements are not linked directly to the principal balance of the related Non-U.S. Dollar Denominated Assets for these Currency Swap Agreements, there can be no assurance that the related notional amounts will not at any time be less than or more than the outstanding principal amount of the related Non-U.S. Dollar Denominated Assets. Because the Non-U.S. Dollar Denominated Assets are subject to prepayment and extension risk, the notional amounts under the Currency Swap Agreements from time to time may be greater or lower than the outstanding principal amount of Collateral Assets that the Currency Swap Agreements were intended to hedge. Such an imbalance could require the Issuer to make payments to the Currency Swap Counterparties that exceed the amounts earned from the Collateral Assets unless the Currency Swap Agreements are partially terminated. A partial termination of a Currency Swap Agreement may require that the Issuer pay a termination payment to the Currency Swap Counterparty, which would reduce the Proceeds available for payment on the Notes. If the prevailing “spot” rate on the spot market is less favorable to the Issuer than the rate established in the applicable Currency Swap Agreement, the calculation of the Principal Balance of the related Non-U.S. Dollar Denominated Asset may not represent the Issuer's actual foreign currency exposure, and correspondingly, the Aggregate Principal Amount, the denominator of each Collateral Profile Test and the Collateral Quality Tests may be overstated or understated when compared to the Issuer's actual exposure to the related foreign currency. Consequently, if such a mismatch exists the Issuer may have less U.S. Dollars available on the related Payment Date to satisfy its obligations under the Priority of Payments.

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

Currency Swap Agreement is executed. Conversion at the then available exchange rates may adversely affect the results of the required Coverage Tests and the ability of the Issuer to make payments on the Notes. A termination of a Currency Swap Agreement may require that the Issuer pay a termination payment to the Currency Swap Counterparty, which would reduce the Proceeds available for payment on the Notes and may prevent the Rating Agency Condition from being satisfied, which would prevent the Issuer from effecting a partial termination.

In the event of an insolvency of a Currency Swap Counterparty, the Issuer will be treated as a general creditor of such Currency Swap Counterparty. Consequently, the Issuer will be subject to the credit risk of each Currency Swap Counterparty.

International Investing. A portion of the Collateral Assets may consist of obligations of issuers organized under the laws of the Bahamas, Bermuda, the Cayman Islands, the Channel Islands, Ireland, Luxembourg, the British Virgin Islands, the Netherlands Antilles or any other commonly used domiciles for structured product transactions or obligations of other Qualifying Foreign Obligor. Moreover, subject to compliance with certain of the Eligibility Criteria described herein, collateral securing some Collateral Assets will 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 risks that are greater or less than investing in the United States. These risks may relate to: (i) the amount of publicly available information; (ii) varying levels of governmental regulation and supervision; (iii) different clearance and settlement procedures; (iv) different bankruptcy rights and procedures and (v) the difficulty of enforcing legal rights in a non-U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws. In addition, the accounting, auditing and financial reporting standards, practices and requirements applicable to U.S. and non-U.S. companies vary significantly.

In many non-U.S. countries there is the possibility of expropriation, nationalization or confiscatory taxation, limitations on the convertibility of currency or the removal of securities, property or other assets of the Issuer, political, economic or social instability or adverse diplomatic developments, each of which could have an adverse effect on the Issuer's investments in such foreign countries (which may make it more difficult to pay U.S. Dollar-denominated obligations such as the Collateral Assets). Finally, the economies of individual countries may also vary significantly in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resource self-sufficiency and balance of payments position.

Lender Liability Considerations; Equitable Subordination. In recent years, a number of judicial decisions in the United States and other jurisdictions have upheld the right of borrowers to sue lenders or bondholders on the basis of various evolving legal theories (collectively, termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender or bondholder has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or shareholders. Although it would be a novel application of the lender liability theories, the Issuer may be subject to allegations of lender liability. However, the Collateral Manager does not intend to engage in conduct that would form the basis for a successful cause of action based upon lender liability.

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

The preceding discussion is based upon principles of United States federal and state laws. Insofar as Collateral Assets that are obligations of non-United States obligors are concerned, the laws of certain foreign jurisdictions may impose liability upon lenders or bondholders under factual circumstances similar to those

described above, with consequences that may or may not be analogous to those described above under United States federal and state laws.

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

Other Considerations

Changes in Tax Law; No Gross-Up. Under the Eligibility Criteria, a Collateral Asset will be eligible for purchase by the Issuer if, at the time it is purchased, either the payments thereon are not subject to withholding taxes imposed by any jurisdiction of more than 15% of the interest amounts payable on the Collateral Asset or the obligor is required to make “gross-up” payments that cover the full amount of any such withholding taxes. In the case of Collateral Assets issued by U.S. obligors after July 18, 1984, payments thereon generally are exempt under current United States tax law from the imposition of United States withholding tax. However, there can be no assurance that, as a result of any change in any applicable law, treaty, rule or regulation or interpretation thereof, the payments on the Collateral Assets would not in the future become subject to additional withholding taxes imposed by the United States of America or another jurisdiction. In that event, if the obligors of such Collateral Assets were not then required to make “gross-up” payments that cover the full amount of any such withholding taxes, the amounts available to make payments on, or distributions to, the Holders of the Securities would accordingly be reduced. There can be no assurance that remaining payments on the Collateral would be sufficient to make timely payments of interest on and payment of principal at the Stated Maturity of each Class of the Securities and to make any distributions to the Class E Notes and Combination Securities.

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

Collateral Manager Experience. While the Collateral Manager is experienced in the management of other investments, including investments in assets similar to the Collateral Assets, it has managed only three other leveraged funds with pools of underlying structured product assets similar to the pool of Collateral Assets expected

to be acquired by the Issuer with restrictions similar to those imposed by the Security Agreement and the Trust Deed. Accordingly, the prior investment performance of the Collateral Manager may not be indicative of its performance in managing the Issuer's Collateral. The nature of, and risks associated with, the future investment strategies employed by the Collateral Manager on behalf of the Issuer may differ substantially from the types of investments and strategies undertaken historically by the Collateral Manager and there can be no assurance that investments made on behalf of the Issuer will perform as well as any past or current fund managed by the Collateral Manager.

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

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

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

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

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

Certain Conflicts of Interest. Various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of Manx, the Collateral Manager, their affiliates or any funds managed by CPIM and their respective clients and employees and from the conduct by the Initial Purchasers and their respective affiliates of other transactions with the Issuer, including, without limitation, acting as counterparty with respect to any Hedge Agreements, Securities Lending Agreements and Synthetic Securities. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

The Collateral Manager, its affiliates, and their respective clients may invest in securities that would be appropriate for purchase by the Issuer. Such investments may be different from those made on behalf of the Issuer. The Collateral Manager and its affiliates may also have ongoing relationships with, render services to or engage in transactions with, companies whose securities are pledged to secure the Securities and may own, directly or through other funds it manages, equity or debt securities issued by issuers of and other obligors on Collateral Assets. As a result, officers or affiliates of the Collateral Manager may possess information relating to issuers of Collateral Assets which is not known to the individuals at the Collateral Manager responsible for monitoring the Collateral Assets and performing the other obligations under the Collateral Management Agreement. In addition, affiliates and clients of the Collateral Manager may invest in securities that are senior to, or may have interests which differ from, or are adverse to, the interests of the Issuer as holder of the Collateral Assets that are pledged to secure the Securities. Any of the Collateral Manager or its affiliates may at certain times be seeking to purchase, and simultaneously seeking to sell investments for the account of the Issuer, the account of CPIM or any other affiliate or any other client or entity for which it serves as manager or advisor. It is the intention of the Collateral Manager that all Collateral Assets will be purchased and sold by the Issuer on arms-length terms prevailing in the market. Neither the Collateral Manager nor any of its affiliates is under any obligation to offer investment opportunities of which they become aware to the Issuer or to account to the Issuer (or share with the Issuer or inform the Issuer of) any such transaction or any benefit received by them from any such transaction. Furthermore, the Collateral Manager or its affiliates may make an investment on behalf of any account that they manage or advise without offering the investment opportunity or making any investment on behalf of the Issuer. The Collateral Manager or its affiliates have no affirmative obligation to offer any investments to the Issuer or to inform the Issuer of any investments before offering any investments to other funds or accounts that the Collateral Manager and/or its affiliates manage or advise. Furthermore, affiliates of the Collateral Manager may make investments on their own behalf without offering such investment opportunities to the Issuer or the Collateral Manager on behalf of the Issuer. Affirmative obligations may exist or may arise in the future, whereby the Collateral Manager or the affiliates of the Collateral Manager are obligated to offer certain investments to funds or accounts that the Collateral Manager or such affiliates manage or advise before or without the Collateral Manager offering those investments to the Issuer. The Collateral Manager or the affiliate of the Collateral Manager have no affirmative obligation to offer any investments to the Issuer or to inform the Issuer of any investments before engaging in any investments for themselves. The Collateral Manager will endeavor to resolve conflicts with respect to investment opportunities in a manner which it deems to be fair to the extent possible under the prevailing facts and circumstances. Although the professional staff of the Collateral Manager will devote as much time to the Issuer as the Collateral Manager deems appropriate to perform its duties in accordance with the Collateral Management Agreement, the staff may have conflicts in allocating its time and services among the Issuer and the Collateral Manager's other accounts.

The Collateral Manager may also effect client cross transactions where the Collateral Manager causes a transaction to be effected between the Issuer and another account advised by CPIM or any of its affiliates. Client cross transactions may enable the Collateral Manager to purchase or sell a block of securities for the Issuer at a set price and possibly avoid an unfavorable price movement that may be created through entrance into the market with such purchase or sell order. In addition, subject to certain limitations, the Collateral Manager may enter into agency cross transactions where any of its affiliates acts as broker for the Issuer and for the other party to the transaction, in which case any such affiliate will receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to the transaction. Although the Collateral Manager anticipates that the commissions, mark-ups and mark-downs charged by the affiliates will generally be competitive, the Collateral Manager may have interests in such transactions that are adverse to those of the Issuer, such as an interest in obtaining favorable commission rates, mark-ups and mark-downs.

On the Closing Date, it is expected that CPIM or one or more Affiliates or related parties will purchase \$2.8 million in aggregate principal amount of Class E Notes. Such Class E Notes may not be sold by such party or parties prior to the Payment Date in May 2007, unless it is no longer commercially reasonable for such Class E Notes to continue to be held thereby. Upon the removal or resignation of the Collateral Manager, the Issuer is required to use its best efforts to appoint a replacement collateral manager which is not affiliated with the Collateral Manager. Manx may also substitute an Affiliate of the Collateral Manager as Collateral Manager, and Manx may substitute a third party collateral manager as Collateral Manager with the consent of or acting upon the direction of the Holders of at least a Majority of the Controlling Class and a Majority of the Class E Noteholders. After the Payment Date in May 2007, the Collateral Manager may also be removed without cause with the consent of or acting on the directions of Holders of at least 66-2/3% in aggregate principal amount of each Class of Securities

outstanding. The Collateral Manager may also be removed for cause with the consent or acting at the direction of (1) for so long as the Class S Notes and the Class A Notes constitute the Controlling Class, Holders of at least 75% in aggregate principal amount of the Controlling Class and (2) thereafter, the Holders of 100% in aggregate principal amount of each Class of Notes. Securities held by the Collateral Manager or its Affiliates will have no voting rights with respect to any vote in connection with the removal of the Collateral Manager and will be deemed not to be outstanding in connection with any such vote; *provided, however*, that Class E Notes held by the Collateral Manager or its Affiliates will have voting rights with respect to all other matters as to which the Holders of Class E Notes are entitled to vote, including, without limitation, any vote in connection with the appointment of a replacement collateral manager which is not affiliated with the Collateral Manager in accordance with the Collateral Management Agreement and in connection with any redemption requiring the vote of the Holders of Securities. See “The Collateral Management Agreement” and “Description of the Securities—Optional Redemption and Tax Redemption.”

It is expected that Goldman, Sachs & Co., Goldman Sachs International, Société Générale, Barclays Bank PLC and/or their respective affiliates will have placed or underwritten certain of the Collateral Assets at original issuance, will own equity or other securities of issuers of or obligors on Collateral Assets and will have provided investment banking services, advisory, banking and other services to issuers of Collateral Assets. In addition, CPIM and/or any of its affiliates or any of their respective clients may own equity or other securities of issuers of or obligors on Collateral Assets and may have provided advisory and other services to issuers of Collateral Assets. From time to time, the Collateral Manager on behalf of the Issuer may purchase or sell Collateral Assets through Goldman, Sachs & Co. and/or any of its affiliates (collectively, “Goldman Sachs”). The Issuer may invest in the securities of companies affiliated with Goldman Sachs, Société Générale, Barclays and/or CPIM and/or any of their respective affiliates or in which Goldman Sachs, Société Générale, Barclays and/or CPIM and/or any of their respective affiliates have an equity or participation interest. The purchase, holding and sale of such investments by the Issuer may enhance the profitability of Goldman Sachs’, Société Générale’s, Barclays’ and/or CPIM’s and/or any of their respective affiliates’ own investments in such companies. In addition, it is expected that one or more affiliates of Goldman Sachs may also act as counterparty with respect to one or more Synthetic Securities or Securities Lending Agreements. It is also possible that one or more affiliates of Goldman Sachs, Société Générale, Barclays and/or CPIM may also act as counterparty with respect to one or more Synthetic Securities or Securities Lending Agreements. The Issuer may invest in money market funds that are managed by CPIM, Goldman Sachs, Société Générale, Barclays or their respective affiliates; *provided* that such money market funds otherwise qualify as Eligible Investments. Goldman Sachs, Société Générale, Barclays or its affiliates intend to provide “warehouse” financing to the Issuer prior to the Closing Date. See “—Securities—Collateral Accumulation.”

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

The Collateral Manager is not, and is not currently required to be, registered under the United States Investment Advisers Act of 1940, as amended.

The Collateral Manager, Manx and their affiliates may subject to and in accordance with their respective permitted business activities, invest for their own account, or for the account of others in debt obligations, asset backed securities, commercial paper, equities and equity related and equity derivative transactions and/or make recommendations or provide advice to other persons in relation to any such debt obligations, asset backed securities, commercial paper, equities and equity related and equity derivative transactions, that would or may 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. Such investments may be the same as, similar to or different from those made on behalf of the Issuer. The Collateral Manager, Manx and their affiliates have no obligation to recommend and/or advise the Issuer to make such investments or to inform the Issuer of any investments made with or by other funds or accounts that the Collateral Manager, Manx and their affiliates manage or advise.

Conflicts may arise regarding the allocation of investment opportunities amongst the accounts of the Collateral Manager, Manx, and their affiliates. Situations may occur where the Issuer could be disadvantaged

because of the other investment activities conducted by the Collateral Manager, Manx, and their affiliates. The Collateral Manager, Manx, and their affiliates and their clients 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, securityholders, officers, directors, agents or employees of such persons serve on boards of directors or otherwise have ongoing relationships. Each of such ownership and other relationships may result in securities laws restrictions on transactions in such securities by the Issuer and otherwise create conflicts of interest for the Issuer. In such instances, the Collateral Manager, Manx, and their affiliates may in their discretion 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 principals and employees of the Collateral Manager and Manx will devote as much time to the Issuer as the Collateral Manager or Manx deems appropriate, the principals and employees may have conflicts in allocating their time and services among the Issuer and the Collateral Manager's, Manx's and their affiliates' other accounts. In addition, the Collateral Manager, Manx and their affiliates, in connection with their other business activities, may acquire material non-public confidential information that may restrict the Collateral Manager, Manx or their affiliates from purchasing securities or selling securities for itself or its clients (including the Issuer) or otherwise using such information for the benefit of their clients (including the Issuer) or themselves.

The Collateral Management Agreement places significant restrictions on the Collateral Manager. Accordingly, during certain periods or in certain specified circumstances, the Collateral Manager may be unable to take actions which it might consider to be in the best interests of the Issuer, as a result of the restrictions set out in the Collateral Management Agreement.

The Collateral Manager, Manx and their affiliates serve and in the future may serve as a manager or advisor of corporations, limited partnerships and other companies organized to purchase or invest in collateralized debt obligations secured by any combination of Asset-Backed Securities, CMBS, RMBS, REIT Debt Securities, Interest Only Securities, Static Structured Product CDO Securities, Synthetic Securities or other obligations or securities. See "The Collateral Manager." The Collateral Manager or any of its affiliates may from time to time simultaneously seek to purchase investments for the Issuer and any similar entity for which it serves as manager, or for its clients or affiliates. In addition, the Collateral Manager may purchase securities for the Issuer that are issued by or held by persons for which the Collateral Manager or its affiliates act as investment manager or adviser. The Collateral Manager may also sell securities for the Issuer and purchase such securities for other entities for which it serves as manager or advisor, or for its clients or affiliates.

The Collateral Manager on the Closing Date will receive an up-front fee of \$1,183,000 and on each Payment Date, to the extent of the funds available pursuant to the Priority of Payments, (i) the Collateral Manager is entitled to receive the Base Collateral Management Fee, the Subordinate Collateral Management Fee and the Incentive Collateral Management Fee and (ii) Manx is entitled to receive the Manx Fee. The existence of the fees may create various potential and actual conflict of interest for the Collateral Manager and Manx.

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

In addition, Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA Patriot Act"), signed into law on and effective as of October 26, 2001, imposes anti-money laundering obligations on different types of financial institutions, including banks, broker-dealers and investment companies. The USA Patriot Act requires the Secretary of the United States Department of the Treasury (the "Treasury") to prescribe regulations to define the types of investment companies subject to the USA Patriot Act and the related anti-money laundering obligations. It is not clear whether Treasury will require

entities such as the Issuers to enact anti-money laundering policies. It is possible that Treasury will promulgate regulations requiring the Issuers or the Initial Purchasers or other service providers to the Issuers, in connection with the establishment of anti-money laundering procedures, to share information with governmental authorities with respect to investors in the Securities. Such legislation and/or regulations could require the Issuers to implement additional restrictions on the transfer of the Securities. As may be required, the Issuer reserves the right to request such information and take such actions as are necessary to enable it to comply with the USA Patriot Act.

English Insolvency Issues. Council Regulation (EC) No. 1346/2000 of 29 May 2000 which came into force on May 31, 2002 (the “EU Insolvency Regulations”) provides that where a company has its “centre of main interests” in a member state “main insolvency proceedings” (which term can include administrative and other collective proceedings) be opened in such Member State. The EU Insolvency Regulation does not define “centre of main interests” but under Article 3(1) of the EU Insolvency Regulations there is a rebuttable presumption that a company has its “centre of main interests” in the jurisdiction in which it has its registered office, which in the case of the Issuer would be Ireland. However, Recital 13 of the EU Insolvency Regulations states that the centre of main interests should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties.

The Issuer will covenant in the Trust Deed to use its best efforts to maintain its “centre of main interests” in Ireland. However, given the location of the Collateral Manager in England and Wales, there can be no assurance that the centre of main interests of the Issuer would not be determined to be in England and Wales. In such event it would be open to the Issuer, its directors or any creditor holding a floating charge to appoint an administrator or for the Issuer, its directors or any creditor to apply to the court for an administration order. If the Issuer were to go into administration in England, a statutory moratorium would apply to the payment of its debts and enforcement of security over its assets. In addition, an administrator (with the leave of the court in the case of property subject to fixed security) may dispose of property subject to any security.

The Enterprise Act 2002 has recently amended English insolvency law so that, subject to certain exceptions, secured creditors holding security including floating security over all or substantially all of the assets of a company can no longer appoint an administrative receiver and so prevent the company becoming subject to administration. As the Issuer is a foreign company, under current law it is unlikely that the “capital markets” exception in Section 72.B of the Insolvency Act 1986 would be available. However, the Trustee should still be able to appoint a receiver and manager with respect to the Issuer, who could enforce the security in much the same way as an administrative receiver and would also be able to appoint its own administrator.

In this respect, please note that the Issuer has been structured so that the likelihood of it becoming insolvent is remote. It is subject to substantial restrictions on its activities and is expressly prohibited from having employees, owning premises or establishing or acquiring subsidiaries. Contractual provisions are also contained in the agreements to which the Issuer is party that will prohibit the other parties to those agreements from taking any action against the Issuer that might lead to its insolvency.

Irish Insolvency Issues

Preferred Creditors under Irish Law and Floating Charges. Under Irish law, upon an insolvency of an Irish company such as the Issuer, when applying the proceeds of assets subject to fixed security which may have been realized in the course of a liquidation or receivership, the claims of a limited category of preferential creditors will take priority over the claims of creditors holding the relevant fixed security. These preferred claims include the remuneration, costs and expenses properly incurred by any examiner of the company (which may include any borrowings made by an examiner to fund the company’s requirements for the duration of his appointment) which have been approved by the Irish courts. See “—Examinership” below.

The holder of a fixed security over the book debts of an Irish tax resident company (which would include the Issuer) may be required by the Irish Revenue Commissioners, by notice in writing from the Irish Revenue Commissioners, to pay to them sums equivalent to those which the holder received in payment of debts due to it by the company.

Where the holder of the security has given notice to the Irish Revenue Commissioners of the creation of the security within 21 days of its creation, the holder's liability is limited to the amount of certain outstanding Irish tax liabilities of the company (including liabilities in respect of value added tax) arising after the issuance of the Irish Revenue Commissioners' notice to the holder of fixed security.

The Irish Revenue Commissioners may also attach any debt due to an Irish tax resident company by another person in order to discharge any liabilities of the company in respect of outstanding tax whether the liabilities are due on its own account or as an agent or trustee. The scope of this right of the Irish Revenue Commissioners has not yet been considered by the Irish courts and it may override the rights of holders of security (whether fixed or floating) over the debt in question.

In relation to the disposal of assets of any Irish tax resident company which are subject to security, a person entitled to the benefit of the security may be liable for tax in relation to any capital gains made by the company on a disposal of those assets on exercise of the security.

It is of the essence of a fixed charge that the person creating the charge does not have liberty to deal with the assets which are the subject matter of the security in the sense of disposing of such assets or expending or appropriating the moneys or claims constituting such assets and accordingly, if and to the extent that such liberty is given to the Issuer any charge constituted by the Trust Deed may operate as a floating, rather than a fixed charge.

In particular, the Irish courts have held that in order to create a fixed charge on receivables it is necessary to oblige the charger to pay the proceeds of collection of the receivables into a designated bank account and to prohibit the charger from withdrawing or otherwise dealing with the monies standing to the credit of such account without the consent of the chargee.

Depending upon the level of control actually exercised by the chargor, there is therefore a possibility that the fixed security over the Issuer's accounts and the Collateral Assets would be regarded by the Irish courts as a floating charge.

Floating charges have certain weaknesses, including the following:

- (i) they have weak priority against purchasers (who are not on notice of any negative pledge contained in the floating charge) and the chargees of the assets concerned and against lien holders, execution creditors and creditors with rights of set-off;
- (ii) as discussed above, they rank after certain preferential creditors, such as claims of employees and certain taxes on winding-up;
- (iii) they rank after certain insolvency remuneration expenses and liabilities;
- (iv) the examiner of a company has certain rights to deal with the property covered by the floating charge; and
- (v) they rank after fixed charges.

Examinership. Examinership is a court procedure available under the Irish Companies (Amendment) Act 1990, as amended (the "1990 Act") to facilitate the survival of Irish companies in financial difficulties.

The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, or shareholders of the Issuer holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of the Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company after his appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to his appointment. Furthermore, he may sell assets the subject of a fixed charge. However, if such power is exercised he

must account to the holders of the fixed charge for the amount realized and discharge the amount due to them out of the proceeds of sale.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the Irish High Court when at least one class of creditors has voted in favor of the proposals and the Irish High Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement.

In considering proposals by the examiner, it is likely that secured and unsecured creditors would form separate classes of creditors. In the case of the Issuer, if the Trustee represented the majority in number and value of claims within the secured creditor class (which would be likely given the restrictions agreed to by the Issuer in the Trust Deed), the Trustee would be in a position to reject any proposal not in favor of the Holders of the Securities. The Trustee would also be entitled to argue at the Irish High Court hearing at which the proposed scheme of arrangement is considered that the proposals are unfair and inequitable in relation to the Holders, especially if such proposals included a writing down of the value of amounts due by the Issuer to the Holders. The primary risks to the Holders of Securities if an examiner were to be appointed to the Issuer are as follows:

- (i) the potential for a scheme of arrangement being approved involving the writing down of the debt due by the Issuer to the Holders as secured by the Trust Deed;
- (ii) the potential for the examiner to seek to set aside any negative pledge in the Securities prohibiting the creation of security or the incurring of borrowings by the Issuer to enable the examiner to borrow to fund the Issuer during the protection period; and
- (iii) in the event that a scheme of arrangement is not approved and the Issuer subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Issuer and approved by the Irish High Court) will take priority over the monies and liabilities which from time to time are or may become due, owing or payable by the Issuer to the Holders of the Securities.

Regulation of the Issuer by any Regulatory Authority. Any investment in the Securities does not have the status of a bank deposit in Ireland and is not within the scope of the deposit protection scheme operated by the Irish Financial Services Regulatory Authority. The Issuer is not regulated by the Irish Financial Services Regulatory Authority by virtue of the issue of the Securities. The Issuer is not required to be licensed, registered or authorized under any current securities, commodities or banking laws of Ireland and will operate without supervision by any authority in any jurisdiction. There is no assurance, however, that regulatory authorities in one or more jurisdictions would not take a contrary view regarding the applicability of any such laws. The taking of a contrary view by such regulatory authority could have an adverse impact on the Issuer or the Holders of the Securities.

DESCRIPTION OF THE SECURITIES

The Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes will be issued by the Issuers and the Class E Notes, Combination Securities and the Class Z Notes will be issued by the Issuer, pursuant to, constituted by, and have the benefit of, the Trust Deed, will be subject to the Note Agency Agreement and will be secured pursuant to the Security Agreement. The following summary describes certain provisions of the Notes, the Note Agency Agreement, the Trust Deed and the Security Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Securities, the Note Agency Agreement, the Trust Deed and the Security Agreement. Copies of the Note Agency Agreement, the Trust Deed and the Security Agreement may be obtained by prospective purchasers of the Securities upon request in writing to the Note Paying Agent at Sixth Street & Marquette Avenue, Minneapolis, Minnesota, 55479, Attention: ICS/CAMBER 3 (telephone number (410) 884-2000), and, so long as any Notes are listed on the Irish Stock Exchange, the Note Agency Agreement, the Trust Deed and the Security Agreement will be available for inspection free of charge from the office of the Trustee or the Irish Note Paying Agent.

Status and Security

The Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes will be limited recourse obligations of the Issuers, and the Class E Notes and Combination Securities will be limited recourse obligations of the Issuer, secured by the Collateral. The Class Z Notes will be limited recourse obligations of the Issuer, secured only by the Class Z Collateral. The Class E Notes will only be entitled to receive amounts available for distribution to the Holders of the Class E Notes after payment of all amounts payable prior thereto under the Priority of Payments. Payments of interest on the Class A-1 Notes will be made *pro rata* with interest payments on the Class A-2 Notes. As more fully set forth in the Priority of Payments, principal on the Class A-1 Notes will be paid in full prior to any payments of principal on the Class A-2 Notes in the case of a mandatory redemption on any Payment Date, if the Class A-1 Overcollateralization Ratio is less than 110.0% on the related Determination Date, due to the failure to satisfy the Class A/B Interest Coverage Test or the Class A/B Overcollateralization Test. Principal on the Class A-2 Notes will be paid *pro rata* with principal of the Class A-1 Notes in other cases as set forth in the Priority of Payments. The Class S Notes will be senior in right of payment on each Payment Date to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes to the extent provided in the Priority of Payments. The Class A Notes will be senior in right of payment on each Payment Date to the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes to the extent provided in the Priority of Payments. The Class B Notes will be senior in right of payment on each Payment Date to the Class C Notes, the Class D Notes and the Class E Notes to the extent provided in the Priority of Payments. The Class C Notes will be senior in right of payment on each Payment Date to the Class D Notes and the Class E Notes to the extent provided in the Priority of Payments. The Class D Notes will be senior in right of payment to the Class E Notes to the extent provided in the Priority of Payments. See “—Priority of Payments.”

Under the terms of the Security Agreement, the Issuer will grant to the Collateral Agent, for the benefit and security of (i) the Trustee on behalf of the Holders of the Securities (other than the Class Z Notes), (ii) the Hedge Counterparties, (iii) the Collateral Manager, (iv) the Collateral Administrator, (v) the Note Agents, (vi) the Depository and (vii) Manx (collectively, the “Secured Parties”), a first priority security interest (other than with respect to the Default Swap Collateral Account) in certain of its assets that is free of any adverse claim to secure the Issuer’s obligations with respect to the Securities under the Trust Deed, the Note Agency Agreement, the Security Agreement and the Securities, each Hedge Agreement, the Collateral Management Agreement, the Collateral Administration Agreement, the Note Agency Agreement, the Depository Agreement and the Manx Agreement (the “Secured Obligations”). The assets which will be subject to the security interest of the Security Agreement will consist of (i) the Collateral Assets; (ii) the Collection Account; (iii) the Payment Account; (iv) the Securities Lending Account (subject to the rights of the Securities Lending Counterparties); (v) the Hedge Termination Receipts Account and the Hedge Replacement Account (subject, in each case, to the rights of the Hedge Counterparties); (vi) the Expense Reserve Account; (vii) the Collateral Account; (viii) the Hedge Collateral Account (subject to the rights of the Hedge Counterparties); (ix) the Hedge Cashflow Swap Reserve Account, (x) the Synthetic Security Collateral Account and the Default Swap Collateral Account (subject to the rights of the Synthetic Security Counterparties); (xi) Eligible Investments; (xii) the Issuer’s rights under any Interest Rate Swap Agreements (*provided*, that the Issuer’s rights under any Interest Rate Swap Agreements will be granted to the Collateral Agent for the benefit of the Trustee on behalf of the Holders of the Notes, the Currency Swap Counterparties, the Cashflow Swap Counterparties and the Collateral Manager only, and not for the benefit of the Interest Rate Swap Counterparties); (xiii) the Issuer’s rights under any Cashflow Swap Agreements (*provided* that the Issuer’s rights under the Cashflow Swap Agreements will be granted to the Collateral Agent for the benefit of the Trustee on behalf of the Holders of the Notes, the Interest Rate Swap Counterparties, the Currency Swap Counterparties and the Collateral Manager only, and not for the benefit of the Cashflow Swap Counterparties); (xiv) the Issuer’s rights under any Currency Swap Agreements (*provided* that the Issuer’s rights under the Currency Swap Agreements will be granted to the Collateral Agent for the benefit of the Trustee on behalf of the Holders of the Notes, the Interest Rate Swap Counterparties, the Cashflow Swap Counterparties and the Collateral Manager only, and not for the benefit of the Currency Swap Counterparties); (xv) the Issuer’s rights under any Securities Lending Agreements; (xvi) the Issuer’s rights under the Collateral Management Agreement; (xvii) the Issuer’s rights under the Manx Agreement; (xviii) the Issuer’s rights under the Collateral Administration Agreement; (xix) all money (as defined in the Uniform Commercial Code) delivered to the Collateral Agent; (xx) all securities, investments and agreements of any nature in which the Issuer has an interest (except for the Issuer’s bank account in Ireland and the proceeds of the Issuer Ordinary Shares and any transaction fees paid to the Issuer for issuing the Securities which shall be deposited in such bank account and any interest thereon or proceeds thereof); and (xx) all proceeds of the

foregoing (collectively, the “Collateral”). Under the terms of the Security Agreement, the Issuer will grant to the Collateral Agent for the benefit and security of the Trustee on behalf of the Holders of the Class Z Notes, a first priority security interest in the Class Z Collateral.

Payments of interest on and principal of the Notes and distributions to Holders of the Class E Notes and Combination Securities will be made by the Issuer solely from the proceeds of the Collateral in accordance with the Priority of Payments.

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

Interest

The Notes (other than the Class E Notes and Class Z Notes) will accrue interest from the Closing Date and such interest will be payable quarterly on the 8th day of each February, May, August and November beginning in August 2005, or if any such date is not a Business Day, on the immediately following Business Day.

The Class S Notes will bear interest during each Interest Accrual Period at the Class S Note Interest Rate for such Interest Accrual Period. The Class A-1 Notes will bear interest during each Interest Accrual Period at its applicable Class A-1 Note Interest Rate for such Interest Accrual Period. The Class A-2 Notes will bear interest during each Interest Accrual Period at the Class A-2 Note Interest Rate for such Interest Accrual Period. The Class B Notes will bear interest during each Interest Accrual Period at the Class B Note Interest Rate for such Interest Accrual Period. The Class C Notes will bear interest during each Interest Accrual Period at the Class C Note Interest Rate for such Interest Accrual Period. The Class D Notes will bear interest during each Interest Accrual Period at the Class D Note Interest Rate for such Interest Accrual Period.

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

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

The failure to pay interest on any Class S Notes, Class A Notes or Class B Notes, for so long as any such Notes are outstanding, or if no Class S Notes, Class A Notes or Class B Notes are outstanding, the failure to pay interest on the Class C Notes, or if no Class S Notes, Class A Notes, Class B Notes or Class C Notes are outstanding, the failure to pay interest on the Class D Notes when due and payable, and a continuation of such default for a period of 7 days, will constitute an Event of Default under the Trust Deed.

Principal

The Class S Notes will mature on the Payment Date in May 2015, the Class Z Notes will mature on April 30, 2012 and the other Notes will mature on the Payment Date in May 2040 (each such date, the “Stated Maturity” with respect to such Class of Securities), in each case unless redeemed or retired prior thereto. The average life of each Class of Securities is expected to be substantially shorter than the number of years from issuance until the Stated Maturity for such Class of Securities. See “Risk Factors—Securities—Average Lives, Duration and Prepayment Conditions.”

Principal generally will be payable on the Class S Notes in accordance with the Priority of Payments on each Payment Date commencing on the Payment Date occurring in August 2005 in an amount equal to the Class S Notes Amortizing Principal Amount (as defined herein) with respect to such Payment Date.

Principal generally will not be payable on the Notes (other than the Class S Notes) prior to the end of the Reinvestment Period; *provided, however*, that, subject to the availability of funds therefor in accordance with the Priority of Payments certain partial or total mandatory redemptions of the Notes (other than the Class S Notes, Class E Notes and Class Z Notes) may occur due to the failure of certain Coverage Tests as more fully described in the Priority of Payments. The Class S Notes, the Class E Notes and the Class Z Notes will not be subject to mandatory redemption as a result of the failure of any Coverage Test.

Principal will be payable on the Notes (other than the Class S Notes, Class E Notes or Class Z Notes) by the Issuers in accordance with clause (12) of the Priority of Payments on each Payment Date commencing on the second Payment Date following the Reinvestment Period, or on the first Payment Date following the Reinvestment Period to the extent of any Principal Proceeds which were not reinvested in Collateral Assets before the end of the Reinvestment Period (or on any earlier Payment Date if the Reinvestment Period has been terminated or if the Holders of the Class E Notes elect to have funds that would otherwise be paid thereto applied to reduce the principal amount of the Notes). After the Reinvestment Period, unless the Notes have been accelerated due to an Event of Default, Principal Proceeds will be paid to the Holders of the Class A Notes, *pro rata*, only in an amount required to increase (or maintain) the Class A Adjusted Overcollateralization Ratio to a specified target of 124.1% (subject to the Minimum Class A Adjusted Overcollateralization) and after achieving and maintaining such target level, the payment of Principal Proceeds will shift to the Class B Notes in an amount required to increase (or maintain) the Class B Adjusted Overcollateralization Ratio to a specified target of 113.6% (subject to the Minimum Class B Adjusted Overcollateralization) and after achieving and maintaining such target level, the payment of Principal Proceeds will shift to the Class C Notes until the Class C Notes are in an amount required to increase (or maintain) the Class C Adjusted Overcollateralization Ratio to a specified target of 109.4% (subject to the Minimum Class C Adjusted Overcollateralization) and after achieving and maintaining such target level, the payment of Principal Proceeds will shift to the Class D Notes until the Class D Notes are in an amount required to increase (or maintain) the Class D Adjusted Overcollateralization Ratio to a specified target of 105.2% (subject to the Minimum Class D Adjusted Overcollateralization) and thereafter, the payment of Principal Proceeds will shift to payment of the other items indicated in the Priority of Payments; *provided* that (i) if the Actual Rating of a Class of Notes assigned by either Rating Agency is lower than the rating originally assigned by such Rating Agency by at least one subcategory, Principal Proceeds that would be allocated to any Class of Notes subordinate to such downgraded Class of Notes on any Payment Date will be allocated to the downgraded Class of Notes until the earlier of the reinstatement of the original ratings of such downgraded Class of Notes or payment in full of such downgraded Class of Notes and (ii) on or after any Payment Date between the Payment Date in May 2009 and the Payment Date on November 2010 on which any of the Coverage Tests were not satisfied, Principal Proceeds in the amount specified in clause (12) of the Priority of Payments will be allocated first, to the Class A-1 Notes until paid in full, second, to the Class A-2 Notes until paid in full, third, to the Class B Notes until paid in full, fourth, to the Class C Notes until paid in full and, fifth, to the Class D Notes until paid in full.

The Collateral Manager will exercise its sole discretion in determining whether to reinvest Principal Proceeds in Collateral Assets or hold Principal Proceeds for reinvestment during the Reinvestment Period, and after the Reinvestment Period, Unscheduled Principal Payments and Sale Proceeds of Credit Risk Obligations may be reinvested in additional Collateral Assets in accordance with the Reinvestment Criteria. Notwithstanding the foregoing, on the first Payment Date after the last day of the Reinvestment Period, available Principal Proceeds which have not been reinvested in Collateral Assets prior to the last day of the Reinvestment Period shall

automatically be applied to reduce the principal balance of the Notes in accordance with clause (12) of the Priority of Payments.

Distributions on the Class E Notes

On each Payment Date, the Holders of the Class E Notes will be entitled to receive, after payment of items ranking higher in accordance with the Priority of Payments, and to the extent of funds legally available therefor, a distribution equal to (if available) the amount necessary for the Class E Notes to achieve a 12% Internal Rate of Return. In addition, on each Payment Date the Holders of Class E Notes will also be entitled to receive, after payment of all other senior amounts payable in accordance with the Priority of Payments, 80% of any proceeds remaining after the payment of all other amounts payable in accordance with the Priority of Payments. The calculations of dividends, distributions and the Internal Rate of Return on the Class E Notes will be made by the Calculation Agent on the basis of a 360-day year consisting of twelve 30-day months.

“Internal Rate of Return” means, with respect to the Class E Notes and each Payment Date, the rate of return that would result in a net present value of zero, assuming (i) an aggregate purchase price of \$26,000,000 for the Class E Notes as the initial negative cash flow on the Closing Date (and on any other date on which additional Class E Notes are issued) and all payments to the Holders of the Class E Notes on such Payment Date and each preceding Payment Date as positive cash flows (*provided, however*, any Deleverage Funds resulting from an election to pay down the Deleveraging Notes will not be taken into account in the calculation of such Internal Rate of Return), (ii) the initial date of the calculation as of the Closing Date and (iii) the number of days to each subsequent Payment Date from the Closing Date being calculated on the basis of a 360-day year consisting of twelve 30-day months. Such Internal Rate of Return shall be calculated on a corporate bond equivalent basis. The Principal Amount of the Class E Notes for purposes of calculating the Internal Rate of Return of the Class E Notes will be adjusted to reflect any additional issuance of Class E Notes following the Closing Date.

In connection with any Payment Date, the Holders of 100% of the outstanding Class E Notes may (in their sole discretion) elect (by giving the Trustee notice of such election not less than 10 Business Days prior to such Payment Date) to have all or any portion of the funds that would otherwise be distributed by the Collateral Agent in accordance with clause (19) of the Priority of Payments on such Payment Date (such funds, hereinafter, the “Deleverage Funds” with respect to such Payment Date) be applied to reduce the principal balance of the Notes designated by such Holders of 100% of the outstanding Class E Notes (the “Deleveraging Notes”) on such Payment Date. If the Holders of the Class E Notes make such an election in connection with any Payment Date, the Deleverage Funds with respect to such Payment Date shall be applied on such Payment Date to reduce the principal balance of the Deleveraging Notes in accordance with the designation of the Holders of the Class E Notes.

Determination of LIBOR

For purposes of calculating the Internal Rate of Return, the Class S Note Interest Rate, the Class A-1 Note Interest Rate, the Class A-2 Note Interest Rate, the Class B Note Interest Rate, the Class C Note Interest Rate and the Class D Note Interest Rate, the Issuers will appoint as agent Wells Fargo Bank, National Association (in such capacity, the “Calculation Agent”). LIBOR for the first Interest Accrual Period will be 3.17714%, and LIBOR for each subsequent Interest Accrual Period shall be determined by the Calculation Agent in accordance with the following provisions:

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

(ii) If, on any LIBOR Determination Date, such rate does not appear on Bridge Telerate Page 3750, or such page as may replace Bridge Telerate Page 3750, the Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks (as defined below) to leading banks in the London interbank market for Eurodollar deposits for the three-month period in an amount determined by the Calculation Agent by reference to

requests for quotations as of approximately 11:00 a.m. (London time) on the LIBOR Determination Date made by the Calculation Agent to the Reference Banks. If, on any LIBOR Determination Date, at least two of the Reference Banks provide such quotations, LIBOR shall equal such arithmetic mean of such quotations. If, on any LIBOR Determination Date, only one or none of the Reference Banks provide such quotations, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that leading banks in the City of New York selected by the Calculation Agent are quoting on the relevant LIBOR Determination Date for Eurodollar deposits for the applicable period in an amount determined by the Calculation Agent by reference to the principal London offices of leading banks in the London interbank market; *provided, however*, that if the Calculation Agent is required but is unable to determine a rate in accordance with at least one of the procedures provided above, LIBOR shall be LIBOR as determined on the most recent date LIBOR was available. As used herein, "Reference Banks" means four major banks in the London interbank market selected by the Calculation Agent.

As soon as possible after 11:00 a.m. (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 cause notice of the Class S Note Interest Rate, the Class A-1 Note Interest Rate, the Class A-2 Note Interest Rate, the Class B Note Interest Rate, the Class C Note Interest Rate and the Class D Note Interest Rate for the next Interest Accrual Period and the amount of interest for such Interest Accrual Period payable in respect of each \$1,000 principal amount of the Class S Notes (the "Class S Note Interest Amount"), of the Class A-1 Notes (the "Class A-1 Note Interest Amount"), of the Class A-2 Notes (the "Class A-2 Note Interest Amount"), of the Class B Notes (the "Class B Note Interest Amount"), of the Class C Notes (the "Class C Note Interest Amount") and of the Class D Notes (the "Class D Note Interest Amount") (each rounded to the nearest cent, with half a cent being rounded upward) on the related Payment Date to be communicated to the Issuers, DTC, Euroclear, Clearstream, the Note Paying Agents, the Trustee, the Collateral Manager, the Collateral Agent and the Irish Stock Exchange (as long as any of the Notes are listed thereon). In the last case, the Calculation Agent will furnish such information as soon as possible after its determination to the Company Announcements Office of the Irish Stock Exchange. The Calculation Agent will also specify to the Issuers and the Collateral Manager the quotations upon which the Class S Note Interest Rate, the Class A-1 Note Interest Rate, the Class A-2 Note Interest Rate, the Class B Note Interest Rate, the Class C Note Interest Rate and the Class D Note Interest Rate are based. The Calculation Agent shall notify the Issuers and the Collateral Manager before 5:00 p.m. (London time) on any LIBOR Determination Date if it has not determined and is not in the process of determining the Class S Note Interest Rate, the Class A-1 Note Interest Rate, the Class A-2 Note Interest Rate, the Class B Note Interest Rate, the Class C Note Interest Rate, the Class D Note Interest Rate, the Class S Note Interest Amount, the Class A-1 Note Interest Amount, the Class A-2 Note Interest Amount, the Class B Note Interest Amount, the Class C Note Interest Amount and the Class D Note Interest Amount (collectively, the "Interest Calculations"), together with its reasons therefor. With respect to the Notes, "Business Day" means any day other than (x) Saturday or Sunday, (y) a day on which commercial banking institutions are authorized or obligated by law, regulation or executive order to close in New York, New York, London, England or in Dublin, Ireland or (z) a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET) (or any successor thereto) is not operating credit or transfer instructions in respect of payments in Euro; *provided, however*, that for the sole purpose of determining LIBOR, "Business Day" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

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

Auction

Sixty days prior to the Payment Date occurring in May of each year (each, an “Auction Payment Date”) commencing on the May 2017 Payment Date, the Collateral Manager will take steps to conduct an auction (the “Auction”) of the Collateral Assets in accordance with procedures specified in the Trust Deed and the Security Agreement. If the Collateral Manager receives one or more bids from Eligible Bidders (as defined below) not later than ten Business Days prior to an Auction Payment Date equal to or greater than the Minimum Bid Amount (as defined below), it will sell the Collateral Assets for settlement on or before the fifth Business Day prior to the Auction Payment Date and the Securities will be redeemed in whole on the Auction Payment Date. “Eligible Bidders” are institutions, which may include affiliates of any Initial Purchaser or the Collateral Manager, or Holders of Securities, whose short-term unsecured debt obligations have a rating of at least “P-1” by Moody’s and “A-1+” by S&P. If any single bid, or the aggregate amount of multiple bids, does not equal or exceed the Minimum Bid Amount or if there is a failure at settlement, then the redemption of Securities on the related Auction Payment Date will not occur and a new Auction will be conducted on the following Auction Payment Date. The aggregate minimum bid amount (the “Minimum Bid Amount”) is an amount equal to (x) the sum of (a) the Auction Redemption Prices for all the Notes (other than the Class E Notes and Class Z Notes), (b) any amount payable to all Hedge Counterparties in connection with the termination of the Hedge Agreements, less any amounts to be received from all Hedge Counterparties in connection with the termination of the Hedge Agreements, (c) any accrued and unpaid Base Collateral Management Fee and any accrued and unpaid Manx Fee, in each case, payable on the related Auction Payment Date, after giving effect to all other payments to be made on such Auction Payment Date in accordance with the Priority of Payments (plus any value added tax thereon, if applicable) and (d) 101% of all other unpaid fees and Administrative Expenses of the Issuer (plus any value added tax thereon, if applicable), including all expenses reasonably expected to be incurred by the Issuer through the related Auction Payment Date less (y) all amounts on deposit in the Accounts which may be used to redeem the Securities. The Minimum Bid Amount does not include any amounts for the payment of additional distributions to the Holders of the Class E Notes, the Class Z Notes and the Combination Securities.

The Securities will be redeemed following a successful Auction at their Auction Redemption Prices. The amount distributable as the final distribution on the Class E Notes and the Combination Securities following any such redemption will equal any amount remaining after the redemption of the Securities at the Auction Redemption Prices, the payment of any amounts due in connection with the termination of any Hedge Agreements and the payment of fees and expenses, in accordance with the Priority of Payments.

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

Optional Redemption and Tax Redemption

Subject to certain conditions described herein, the Securities may be redeemed by the Issuers, in whole but not in part at their Optional Redemption Prices on any Payment Date on or after May 2008, at the written direction of, or with the written consent of, the Holders of at least a Majority of the Class E Notes (including Class E Notes held by the Collateral Manager or any Affiliate thereof) (such redemption, an “Optional Redemption”); *provided* that no Optional Redemption shall be effected unless the expected Liquidation Proceeds will equal or exceed the Total Redemption Amount.

In addition, the Securities will be redeemable at any time, in whole but not in part at their Tax Redemption Prices during or after the Non-Call Period, at the written direction of, or with the written consent of, (i) Holders of 66-2/3% of the Outstanding Class E Notes (including Class E Notes held by the Collateral Manager or any Affiliate thereof) upon the occurrence of a Tax Event or (ii) Holders of a Majority of any Class of Notes (other than the Class E Notes) which, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and interest then due and payable on such Class on any Payment Date (such redemption, a “Tax

Redemption”); *provided* that no such redemption shall be effected unless the expected Liquidation Proceeds equal or exceed the Total Redemption Amount.

In connection with an Optional Redemption or a Tax Redemption, the Issuers shall notify the Trustee of such Optional Redemption or Tax Redemption and the Payment Date which is the date for redemption (the “Redemption Date”) and direct the Collateral Agent, in writing, to sell, in the manner determined by the Collateral Manager, and in accordance with the Security Agreement, any Collateral Assets and upon any such sale the Collateral Agent shall release the lien upon such Collateral Assets pursuant to the Security Agreement; *provided, however*, that the Issuer may not direct the Collateral Agent to sell (and the Collateral Agent shall not be obligated to release the lien upon) any Collateral Asset except in accordance with the procedures described in “—Optional Redemption/Tax Redemption Procedures,” including, without limitation, the requirement that the Collateral Manager shall have forwarded to the Collateral Agent binding agreements or certificates evidencing that the Liquidation Proceeds anticipated from the disposition of the Collateral Assets and other assets of the Issuer will equal or exceed the Total Redemption Amount.

The amount payable in connection with any Optional Redemption or Tax Redemption of the Securities will equal the Total Redemption Amount. The “Total Redemption Amount” means the sum of all amounts due pursuant to clauses (1), (2), (3), (4) and (5) of the Priority of Payments for Exception Payment Dates (which includes, in the case of an Optional Redemption, the Optional Redemption Prices for all the Notes (other than the Class E Notes and Class Z Notes), and in the case of a Tax Redemption, the Tax Redemption Prices for all the Notes (other than the Class E Notes and Class Z Notes)).

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

Optional Redemption/Tax Redemption Procedures. If any Holder of a Class E Note in the case of an Optional Redemption or Tax Event, or any Holder of a Note affected by a Tax Event in the case of a Tax Redemption, desires to direct the Issuers to optionally redeem the Securities, such person shall notify the Principal Note Paying Agent, which in turn shall notify the Trustee and the Collateral Agent (with a copy to the Issuer, the Collateral Manager and each Hedge Counterparty) of such desire in writing no less than thirty (30) Business Days prior to a Payment Date. Such notice shall be irrevocable. The Principal Note Paying Agent shall, within two (2) Business Days after receiving such notice, notify the other Holders of the Class E Notes of the receipt of such notice.

The Trustee will provide notice of any Optional Redemption or Tax Redemption by first-class mail, postage prepaid, mailed not less than ten (10) Business Days prior to the scheduled Redemption Date, to the Principal Note Paying Agent and to each Holder at such Holder’s address in the register maintained by the Note Registrar under the Note Agency Agreement, and the Trustee will also give notice to the Company Announcements Office of the Irish Stock Exchange if such Securities are then listed on the Irish Stock Exchange.

Securities called for redemption must be surrendered at the office of any paying agent appointed under the Note Agency Agreement in order to receive the applicable Optional Redemption Price or Tax Redemption Price. The initial paying agents for the Securities are Wells Fargo Bank, National Association, as Principal Note Paying Agent, and, so long as any Securities are listed on the Irish Stock Exchange, NCB Stockbrokers Limited, as Irish Note Paying Agent.

The Securities shall not be redeemed pursuant to an Optional Redemption or a Tax Redemption and final distributions on the Class E Notes shall not be made unless either (i) at least seven (7) Business Days before the scheduled Redemption Date the Collateral Manager, on behalf of the Issuer, has entered into (or caused the Collateral Administrator to enter into) a binding agreement or agreements (including a confirmation of sale) with a financial institution or institutions having a short-term rating, or whose short-term unsecured debt obligations have a short-term credit rating, of “P-1” from Moody’s and “A-1+” from S&P, to purchase, not later than the Business Day immediately preceding the scheduled Redemption Date, in immediately available funds, all of the Collateral Assets and/or Eligible Investments at a purchase price at least equal to an amount sufficient, together with any other amounts available to be used for such redemption, to pay the Total Redemption Amount or (ii) at least ten (10)

Business Days prior to the scheduled Redemption Date and prior to selling any Collateral Assets and/or Eligible Investments, the Collateral Manager, on behalf of the Issuer, shall certify to the Trustee and to each of the Rating Agencies that the expected proceeds from such sale (calculated as provided in the next succeeding sentence), together with any other amounts available to be used for such redemption, will be deposited into the Payment Account not later than the Business Day immediately preceding the scheduled Redemption Date, in immediately available funds, and will equal or exceed 100% of the Total Redemption Amount. In each case the Hedge Agreements shall be marked to market on the date the value of the Collateral Assets is determined. In addition, all Fixed Rate Securities shall be priced using a spread to a swap benchmark. For purposes of determining the expected proceeds from a sale for purposes of clause (ii) of the immediately preceding sentence, the expected proceeds shall be deemed to be (a) the Market Value (as defined herein) of the Collateral Assets and/or Eligible Investments if such Collateral Assets and/or Eligible Investments are to be sold on the Business Day of the certification or (b) the percentage of the Market Value of the Collateral Assets and/or Eligible Investments set forth in the applicable column of the table set forth below, based upon the period of time between the certification and the expected date of sale. For purposes of this determination, the “Market Value” of the Collateral Assets and/or Eligible Investments shall mean (i) the average of three bona fide bids for such Collateral Asset or Eligible Investment obtained by the Collateral Manager at such time from any three nationally recognized dealers, which dealers are independent from one another and from the Collateral Manager, or (ii) if the Collateral Manager is unable to obtain three such bids, the lesser of two bona fide bids for such Collateral Asset or Eligible Investment obtained by the Collateral Manager at such time from any two nationally recognized dealers acceptable to the Collateral Manager, which dealers are independent from one another and from the Collateral Manager, or (iii) in the event the Collateral Manager is unable to obtain two such bids, the price on such date provided to the Collateral Manager by an independent pricing service reasonably selected by the Collateral Manager, or (iv) in the event the Collateral Manager cannot in good faith determine the market value of such Collateral Asset or Eligible Investment using commercially reasonable efforts to apply the methods specified in clauses (i) through (iii) above, as determined in good faith by the Collateral Manager using commercially reasonable efforts to apply its reasonable business judgment; provided, that if the Collateral Manager is unable to determine the market value in accordance with clause (iv) within 60 days, the market value of the related Collateral Asset and/or Eligible Investment shall be zero.

<u>Type of Collateral</u>	<u>Number of Business Days Between Certification and Expected Date of Sale</u>		
	<u>0 to 2</u>	<u>3 to 5</u>	<u>6 to 15</u>
Performing Bonds and Synthetic Securities with an Actual Rating or Implied Rating of “B3” or higher by Moody’s or an Actual Rating of “B-” or higher by S&P*	89%	85%	75%
Distressed Bonds and Bonds and Synthetic Securities with an Actual Rating or Implied Rating of “Caa” or lower by Moody’s or an Actual Rating of “CCC” or lower by S&P*	65%	50%	30%

* If a Collateral Asset has a “split-rating” (i.e. the ratings from the two Rating Agencies are not equivalent), the lowest available rating will be used to determine the appropriate collateral category. Such percentages may be changed to the extent Moody’s provides the Collateral Manager with higher percentages applicable to performing bonds and Synthetic Securities with Actual Ratings or Implied Ratings higher than “B3” by Moody’s or Actual Ratings higher than “B-” by S&P.

Any such notice of redemption may be withdrawn by the Issuers on or prior to the seventh Business Day prior to the scheduled Redemption Date by written notice from the Issuers to the Holders with a copy to each Hedge Counterparty, the Trustee and the Collateral Manager, but only if the Collateral Manager shall be unable to deliver such sale agreement or agreements or certifications, as the case may be, in form satisfactory to the Trustee. None of the Hedge Agreements terminate upon notice to the respective counterparties of redemption until the time for withdrawal of notice has expired. The Collateral Manager shall be liable only for the failure to effect an Optional Redemption or Tax Redemption due to the Collateral Manager’s negligence or willful misconduct. The Issuer will give notice to the Company Announcements Office of the Irish Stock Exchange if the Notes are then listed on the Irish Stock Exchange.

Mandatory Redemption

Other than with respect to an Exception Payment Date, on any Payment Date on which any Coverage Test was not satisfied on the last Business Day of the immediately preceding Due Period (such Business Day, the “Determination Date”), the Notes (other than the Class S Notes, Class E Notes and Class Z Notes) will be redeemed at par plus accrued interest as follows:

If the Class A/B Overcollateralization Test or the Class A/B Interest Coverage Test (together with the Class A-1 Overcollateralization Test, the “Class A/B Coverage Tests”) is not satisfied on any Determination Date, then Proceeds net of amounts payable under clauses (1) through (7) of the Priority of Payments will be used (i) if the Class A-1 Overcollateralization Ratio is greater than or equal to 110.0% on such Determination Date, to redeem the Class A Notes, *pro rata*, until the Class A Notes are paid in full and then to redeem the Class B Notes until the Class B Notes are paid in full and (ii) if the Class A-1 Overcollateralization Ratio is less than 110.0% on such Determination Date, to redeem the Class A-1 Notes until the Class A-1 Notes are paid in full, then to redeem the Class A-2 Notes until the Class A-2 Notes are paid in full and then to redeem the Class B Notes until the Class B Notes are paid in full. The Class S Notes, the Class C Notes, the Class D Notes and the Class E Notes will not be subject to mandatory redemption as a result of the failure of any Class A/B Coverage Test.

If the Class C/D Overcollateralization Test or the Class C/D Interest Coverage Test (together with the Class C/D Overcollateralization Test, the “Class C/D Coverage Tests”) is not satisfied on any Determination Date, then Proceeds net of amounts payable under clauses (1) through (12) of the Priority of Payments will be used to redeem the Class C Notes until the Class C Notes are paid in full and then to redeem the Class D Notes until the Class D Notes are paid in full. The Class S Notes, the Class A Notes, the Class B Notes and the Class E Notes will not be subject to mandatory redemption as a result of the failure of any Class C/D Coverage Test.

In connection with the mandatory redemption of any Notes due to a failure of the Coverage Tests, the Issuer may terminate a portion of any Hedge Agreement upon satisfaction of the Rating Agency Condition and satisfaction of any constraints imposed by the initial Hedge Counterparty. A termination payment may be payable by the Issuer to any Hedge Counterparty, which termination payment will be payable prior to the payment of interest or principal on the Notes, in accordance with the Priority of Payments.

Payments

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

The Issuers expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of Book-Entry Interests held by DTC or its nominee, will immediately credit participants’ accounts with payments in amounts proportionate to their respective beneficial interests in such Book-Entry Interests as shown on the records of DTC or its nominee. The Issuers also expect that payments by participants to owners of beneficial interests in such Book-Entry Interests held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

If any payment on a Security is due on a day that is not a Business Day, then payment will not be made until the next succeeding Business Day.

For so long as the Securities (other than the Class Z Notes) are listed on the Irish Stock Exchange and the rules of such exchange so require, the Issuers will have a paying agent and a transfer agent (which shall be the Irish Note Paying Agent) for such Securities in Ireland and payments on and transfers or exchanges of interest in such Notes may be effected through the Irish Note Paying Agent. In the event that the Irish Note Paying Agent is replaced at any time during such period, notice of the appointment of any replacement will be given to the Company Announcements Office of the Irish Stock Exchange.

Priority of Payments

With respect to any Payment Date (other than a Redemption Date, Auction Payment Date or other Exception Payment Date), all Proceeds received on the Collateral during the related Due Period in respect of the Collateral will be applied by the Collateral Agent in the priority set forth below (the "Priority of Payments"). For purposes of the Priority of Payments, amounts paid as interest, fees or distributions on the Notes on a "pro rata" basis shall be *pro rata* based on the amount of interest due on such Class or subclass of Notes, amounts paid as principal shall be paid *pro rata* based on the amount of principal then outstanding on such Class or sub-Class of Notes and unless stated otherwise, Proceeds not constituting Principal Proceeds will be assumed to be applied prior to any Principal Proceeds.

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

- (1) to the payment of taxes and filing and registration fees owed by the Issuers up to an amount of \$20,000 for the Due Period immediately preceding such Payment Date, if any;
- (2) to the payment of fees to the Trustee, the Collateral Administrator, the Collateral Agent and the Depository (plus, in each case, any value added tax thereon, if applicable) up to a maximum aggregate amount on any Payment Date equal to 0.00675% of the Quarterly Asset Amount for the related Due Period (or, in the case of the first Due Period, up to a maximum aggregate amount on the first Payment Date equal to 0.00894% of the Quarterly Asset Amount);
- (3) *first*, (a) to the payment, *pro rata*, of any accrued and unpaid Administrative Expenses of the Issuers (plus any value added tax thereon, if applicable), excluding any indemnities (and legal expenses related thereto) payable by the Issuers; *second*, (b) to the payment of any indemnities (and legal expenses related thereto) payable by the Issuers (plus any value added tax thereon, if applicable) and *third*, (c) to the Expense Reserve Account the lesser of \$48,000 and the amount necessary to bring the balance of such account to \$150,000; *provided, however*, that the aggregate payments pursuant to subclauses (a)-(c) of this clause (3) on any Payment Date shall not exceed \$300,000 and the total distributions in subclauses (a) and (b) of this clause (3) and the prior 11 Payment Dates shall not exceed \$400,000;
- (4) to the payment, *pro rata* (based on amounts due), of accrued and unpaid Base Collateral Management Fees (plus any value added tax thereon, if applicable) and accrued and unpaid Manx Fees (plus any value added tax thereon, if applicable);
- (5) to the payment of (a) *first*, *pro rata* (based on amounts due) and *pari passu* (i) amounts, if any, scheduled to be paid to the Hedge Counterparties pursuant to the Hedge Agreements, (ii) accrued and unpaid interest on the Class S Notes (including Defaulted Interest and interest thereon), (iii) beginning with the Payment Date occurring in August 2005, principal of the Class S Notes in an amount equal to the Class S Notes Amortizing Principal Amount and (iv) any termination payments payable by the Issuer pursuant to the Hedge Agreements including any termination or partial termination of a Hedge Agreement (other than any Defaulted Hedge Termination Payments

required to be paid pursuant to clause (17) below) and (b) *second, pro rata* (based on amounts due) if an Event of Default or Tax Event shall have occurred and is continuing and the Collateral Assets are being liquidated pursuant to the terms of the Trust Deed and the Security Agreement and/or the Floating Charge Deed, to the payment of principal of the Class S Notes until the Class S Notes have been paid in full;

(6) to the payment, of *first, (A) pro rata* (based upon the amount due), of accrued and unpaid interest on the Class A Notes (including any Defaulted Interest and interest thereon), and *second, (B)* accrued and unpaid interest on the Class B Notes (including Defaulted Interest and any interest thereon);

(7) to the Hedge Cashflow Swap Reserve Account, the Hedge Cashflow Swap Reserve Account Deposit Amount, if any, with respect to such Payment Date;

(8) if the Class A/B Overcollateralization Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal and reinvestments on such Payment Date (without giving effect to any payments pursuant to this clause (8)) or if the Class A/B Interest Coverage Test is not satisfied on the Determination Date with respect to the related Payment Date, then:

(a) if the Class A-1 Overcollateralization Ratio is greater than or equal to 110.0% on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal and reinvestments on such Payment Date (without giving effect to any payments pursuant to this clause (8)) *first, pro rata, (i)* to the payment of principal of all outstanding Class A-1 Notes and *(ii)* to the payment of principal of all outstanding Class A-2 Notes until the Class A Notes are paid in full, and *second, (i)* to the payment of principal of all outstanding Class B Notes until the Class B Notes are paid in full; or

(b) if the Class A-1 Overcollateralization Ratio is less than 110.0% on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal and reinvestments on such Payment Date (without giving effect to any payments pursuant to this clause (8)), *first, (i)* to the payment of principal of all outstanding Class A-1 Notes until the Class A-1 Notes are paid in full, *second, (ii)* to the payment of principal of all outstanding Class A-2 Notes until the Class A-2 Notes are paid in full, and *third, (iii)* to the payment of principal of all outstanding Class B Notes until the Class B Notes are paid in full;

(9) to the payment of accrued and unpaid interest on the Class C Notes (including Defaulted Interest and any interest thereon but not including Class C Deferred Interest);

(10) to the payment of accrued and unpaid interest on the Class D Notes (including Defaulted Interest and any interest thereon but not including Class D Deferred Interest);

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

(12) on or after the second Payment Date after the last day of the Reinvestment Period (and on the first such Payment Date with respect to any Principal Proceeds which have not been invested in Collateral Assets on or prior to the last day of the Reinvestment Period), to the payment of principal of *first, pro rata, (i)* the Class A Notes until paid in full up to the amount specified in *(ii)(A)* below, *second, (ii)* the Class B Notes up to the amount specified in *(ii)(B)* below, *third, (iii)* the Class C Notes up to the amount specified in *(ii)(C)* below, and *fourth, (iv)* the Class D Notes up to the amount specified in *(ii)(D)* below, in an aggregate amount equal to the lesser of *(i)* Principal Proceeds received during the related Due Period, less the sum of *(x)* the amount of Principal Proceeds

reinvested in substitute Collateral Assets during such Due Period and (y) any Sale Proceeds from Credit Risk Obligations and any Unscheduled Principal Payments in whole received during the related Due Period which the Issuer has retained for reinvestment during the following Due Period; and (ii) the sum of (A) the amount necessary to increase the Class A Adjusted Overcollateralization Ratio to or maintain it at 124.1% (subject to the Minimum Class A Adjusted Overcollateralization Amount), plus (B) the amount necessary to increase the Class B Adjusted Overcollateralization Ratio to or maintain it at 113.6% (subject to the Minimum Class B Adjusted Overcollateralization Amount), plus (C) the amount necessary to increase the Class C Adjusted Overcollateralization Ratio to or maintain it at 109.4% (subject to the Minimum Class C Adjusted Overcollateralization Amount), plus (D) the amount necessary to increase the Class D Adjusted Overcollateralization Ratio to or maintain it at 105.2% (subject to the Minimum Class D Adjusted Overcollateralization Amount); *provided, however*, that (x) if the then Actual Rating assigned to a Class of Notes by any Rating Agency originally rating such Class is lower than the rating originally assigned thereto by such Rating Agency by at least one sub-category, principal that would be allocated to any Class of Notes subordinate to such downgraded Class of Notes will be paid to such downgraded Class until the earlier to occur of (a) the reinstatement of the original ratings on such downgraded Class and (b) the payment in full of such downgraded Class of Notes, and (y) if, on or after any Payment Date between the Payment Date in May 2009 and the Payment Date in November 2010 on which any of the Coverage Tests were not satisfied, then only the amount described in clause (i) of this clause (12) will be paid and such amount to be allocated, *first*, to the Class A-1 Notes until paid in full, *second*, to the Class A-2 Notes until paid in full, *third*, to the Class B Notes until paid in full, *fourth*, to the Class C Notes until paid in full, and *fifth*, to the Class D Notes until paid in full;

(13) if the Class C/D Overcollateralization Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal and reinvestments on such Payment Date (without giving effect to any payments pursuant to this clause (13)) or if the Class C/D Interest Coverage Test is not satisfied on the Determination Date with respect to the related Payment Date, then *first*, to the payment of principal of all Outstanding Class C Notes until the Class C Notes are paid in full, and *second*, to the payment of principal of all Outstanding Class D Notes until the Class D Notes are paid in full;

(14) to the payment of principal of the Class C Notes in an amount equal to that portion of the principal of the Class C Notes comprised of Class C Deferred Interest unpaid after giving effect to payments under the prior clause (amounts will be considered unpaid for this purpose if the principal balance of the Class C Notes after giving effect to the prior clause exceeds any previous lowest amount outstanding);

(15) to the payment of principal of the Class D Notes in an amount equal to that portion of the principal of the Class D Notes comprised of Class D Deferred Interest unpaid after giving effect to payments under clause (13) (amounts will be considered unpaid for this purpose if the principal balance of the Class D Notes after giving effect to clause (13) exceeds any previous lowest amount outstanding);

(16) to the payment to the Collateral Manager of accrued and unpaid Subordinate Collateral Management Fee (plus any value added tax thereon, if applicable);

(17) to the payment, *pro rata* and *pari passu*, of any Defaulted Hedge Termination Payments;

(18) *first*, (a) to the payment, *pro rata*, of any remaining accrued and unpaid Administrative Expenses of the Issuers not paid pursuant to clause (3) above (as the result of the limitations on amounts set forth therein) excluding any indemnities (and legal expenses related thereto) payable by the Issuers; *second*, (b) to the payment of any indemnities (and legal expenses related thereto) payable by the Issuers not paid pursuant to clause (3) above (as the result of the limitation on amounts set forth therein); and third, (c) to the Expense Reserve Account until the balance of such account reaches \$150,000 (after giving effect to any deposits made therein on such Payment Date under clause (3) above); *provided, however*, that the aggregate payments pursuant to subclause (c) of this clause (18) and subclause (c) of clause (3) on any Payment Date shall not exceed \$48,000; and

(19) (a) *first*, to the Holders of the Class E Notes (or, to the payment of principal of the Deleveraging Notes with respect to such Payment Date as directed by the Holders of 100% of the outstanding Class E Notes), the amount necessary for the Class E Notes to achieve an Internal Rate of Return of 12% and (b) *second*, the remaining amount (i) 20% to the payment to the Collateral Manager of the Incentive Collateral Management Fee and (ii) 80% to the

Holders of the Class E Notes (or, to the payment of principal of the Deleveraging Notes, as directed by the Holders of 100% of the outstanding Class E Notes).

On or prior to the Stated Maturity of the Class E Notes, the Issuer (or the Collateral Manager acting pursuant to the Collateral Management Agreement on behalf of the Issuer) will liquidate any remaining Collateral Assets, Eligible Investments, the Hedge Agreements and any other items comprising the Collateral and deposit the proceeds thereof in the Collection Account. The net proceeds of such liquidation and all available cash (other than the EUR40,000 of capital subscribed by the owners of the Issuer Ordinary Shares and EUR1,000 representing a transaction fee to the Issuer) will be distributed in accordance with the Priority of Payments whereupon all of the Notes will be canceled.

On an Exception Payment Date or Auction Payment Date, amounts in the Payment Account will be applied by the Collateral Agent in the Priority of Payments for Exception Payment Dates set forth below:

- (1) to the payment of the amounts referred to in clauses (1), (2), (3), (4), (5) and (6) of the Priority of Payments for Payment Dates which are not Exception Payment Dates or Auction Payment Dates, in that order (without regard to the limitations in clause (3) and *provided* that no deposit shall be made to the Expense Reserve Account pursuant to subclause 3(c));
- (2) to the payment to the Class A-1 Notes and Class A-2 Notes, *pro rata*, the amount necessary to pay the outstanding principal amounts of such Notes in full;
- (3) to the payment to the Class B Notes, the amount necessary to pay the outstanding principal amount of such Notes in full;
- (4) to the payment to the Class C Notes, the amount necessary to pay accrued and unpaid interest on and the outstanding amount of such Notes (including any Deferred Interest and Defaulted Interest and any interest thereon) in full;
- (5) to the payment to the Class D Notes, the amount necessary to pay accrued and unpaid interest on and the outstanding amount of such Notes (including any Deferred Interest and Defaulted Interest and any interest thereon) in full;
- (6) to the payment of the amounts referred to in clause (16) of the Priority of Payments for Payment Dates that are not Exception Payment Dates or Auction Payment Dates; and
- (7) to the payment of the amounts referred to in clauses (17) through (19) of the Priority of Payments for Payment Dates which are not Exception Payment Dates or Auction Payment Dates, in that order, to the extent not previously paid, treating all remaining funds as Principal Proceeds (*provided* that no deposit shall be made to the Expense Reserve Account pursuant to subclause (18)(c)).

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

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

Trust Deed

The Trust Deed has a number of schedules which are integral parts thereof, including the “Terms and Conditions of the Securities,” the “Master Schedule of Definitions” which is incorporated therein, provisions related to “Form, Registration and Transfer” of the Notes and certain provisions pertaining to meetings of Holders and forms of transfer certificates. For ease of reference, the term Trust Deed may include these components or they may be referred to separately.

Events of Default. An “Event of Default” is defined in the Terms and Conditions of the Securities and includes:

- (i) a default in the payment, when due and payable, of any interest on any Class S Note, Class A Note or Class B Note or, if there are no Class S Notes, Class A Notes or Class B Notes outstanding, any Class C Note or, if there are no Class S Notes, Class A Notes, Class B Notes or Class C Notes outstanding, any Class D Note, which default continues for period of 7 days (or, in the case of a default in payment resulting solely from any banking or administrative error or omission by the Collateral Agent, the Securities Intermediary, any Note Paying Agent or the Note Registrar, such default continues for a period of 7 days after the Trustee is made aware of, such administrative error or omission);
- (ii) a default in the payment of principal due on any Note (other than any Class Z Note) at its Stated Maturity or on any Redemption Date;
- (iii) the failure on any Payment Date to disburse amounts (other than in payment of interest on any Note or principal of any Note at its Stated Maturity or any date set for redemption as described in (i) and (ii) above) available in the Payment Account in excess of \$500 and a continuation of such failure for a period of 7 days;
- (iv) a circumstance in which either of the Issuers or the Collateral or any portion thereof becomes an investment company required to be registered under the Investment Company Act;
- (v) a default, in any material respect (as determined by the Trustee on behalf of the Holders or by Holders of at least 25% in aggregate principal amount of the Notes of the Controlling Class), in the performance, or breach, of any covenant, representation, warranty or other agreement of the Issuers in the Trust Deed, the Security Agreement or the Note Agency Agreement (it being understood that a failure to satisfy a Collateral Quality Test, a Collateral Profile Test or a Coverage Test or any of the Reinvestment Criteria is not a default or breach) or in any certificate or writing delivered pursuant to the Trust Deed, the Security Agreement, the Collateral Management Agreement, the Floating Charge Deed or the Note Agency Agreement, or if any representation or warranty of the Issuers made in the Trust Deed, the Security Agreement or the Note Agency Agreement or in any certificate or writing delivered pursuant thereto proves to be incorrect in any material respect when made, and the continuation of such default or breach for a period of 30 days after notice thereof shall have been given to the Issuers and the Collateral Manager by the Trustee or to the Issuers, the Collateral Manager and the Trustee by the Holders of at least 25% in aggregate outstanding principal amount of the Notes of the Controlling Class; and
- (vi) certain events of bankruptcy, insolvency, receivership or reorganization of either of the Issuers.

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

The “Controlling Class” will be the Class S Notes and the Class A Notes (voting together as a single Class), for so long as any Class S Notes or Class A Notes are outstanding; if no Class A Notes or Class S Notes are outstanding, then the Class B Notes, so long as any Class B Notes are outstanding; if no Class S Notes, Class A Notes or Class B Notes are outstanding, then the Class C Notes, so long as any Class C Notes are outstanding; if no Class S Notes, Class A Notes, Class B Notes or Class C Notes are outstanding, then the Class D Notes, so long as any Class D Notes are outstanding; and if no Class S Notes, Class A Notes, Class B Notes, Class C Notes or Class D Notes are outstanding, then the Class E Notes. Each Class of Notes having the same priority and same alphabetical and numerical designation, as applicable, is referred to herein as a “Class.” “Holder” or “Noteholder” or “Securityholder” means, (i) with respect to any Security, if and to the extent that such Security is represented by a Definitive Note, the person registered as holder thereof (or, in the case of a joint holding, the first named thereof) and (ii) with respect to any Security that is represented by a Global Note, the person for the time being shown in the records of Euroclear, Clearstream and DTC (other than Clearstream if Clearstream shall be an account holder at Euroclear and other than Euroclear if Euroclear shall be an account holder at Clearstream) as holding an interest in

such Security in which regard any certificate or other document issued by Clearstream, Euroclear or DTC as to the principal amount of such Security standing to the account of any person shall be conclusive and binding for all purposes of the Trust Deed and the Conditions (other than for the purposes of payments and the right to receive notices in respect thereof the rights to which shall be vested, as against the Issuers (or, in the case of the Class E Notes, the Class Z Notes and the Combination Securities, the Issuer) and the Note Trustee, solely in the bearer of any of such Global Note in accordance with and subject to its terms and the terms of the Trust Deed) and the words “holder” and “holders” shall (where appropriate) be construed accordingly; and any reference in the Trust Deed to the words “Noteholders” or “Securityholders” in relation to a Class of Securities or to the “holder” or “holders” of Securities of such Class, shall (where appropriate) be construed accordingly.

If an Event of Default should occur and be continuing, the Trustee will direct the Collateral Agent to retain the Collateral intact and collect all payments in respect of the Collateral and continue making payments in the manner described under the Priority of Payments unless (a) the Trustee determines that the anticipated proceeds of a sale or liquidation of the Collateral based on an estimate obtained from a nationally recognized investment banking firm (which estimate takes into account the time elapsed between such estimate and the anticipated date of the sale of the Collateral) (on the basis of a certificate received from the Collateral Manager) would equal or exceed the amount necessary to pay in full (after deducting the reasonable expenses of such sale or liquidation) the sum of (i) the principal and accrued interest (including all Defaulted Interest and interest thereon) with respect to all the Notes (other than the Class E Notes and Class Z Notes), (ii) all accrued and unpaid Administrative Expenses, (iii) all amounts payable by the Issuer to any Hedge Counterparty (including any applicable termination payments) net of all amounts payable to the Issuer by any Hedge Counterparty, and (iv) all other amounts under the Transaction Documents that are payable pursuant to the Priority of Payments applicable following liquidation of the Collateral (on the basis of a certificate from the Collateral Administrator) and, in any case, the Holders of a Majority of the Controlling Class agree with such determination or (b) the Holders of a SupraMajority of the Controlling Class of Securities along with each Hedge Counterparty (unless any such Hedge Counterparty will be paid in full the amounts due to them, including any applicable termination payments other than Defaulted Hedge Termination Payments at the time of distribution of the proceeds of any sale and liquidation of the Collateral) direct, subject to the provisions of the Trust Deed, the Security Agreement and the Note Agency Agreement, the sale and liquidation of the Collateral.

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

Subject to the provisions of the Trust Deed relating to the duties of the Trustee, in case an Event of Default with respect to the Securities occurs and is continuing, the Trustee is under no obligation to exercise any of the rights or powers under the Trust Deed or the Terms and Conditions of the Securities at the request of any Holders of Securities, unless such Holders have offered to the Trustee security or an indemnity which is acceptable to the Trustee. The Holders of a Majority of the Controlling Class may waive any default with respect to the Securities, except (a) a default in the payment of principal of, or interest or distributions on any Security; (b) certain events of bankruptcy or insolvency with respect to the Issuers; or (c) a default in respect of any breach or proposed breach relating to any of the matters the subject of Reserved Matters or any matter that cannot be modified, amended or waived without the consent of 100% of the Holders of each Class of Securities adversely affected thereby.

Furthermore, any declaration of acceleration of maturity of the Securities may be revoked and annulled by the Holders of a Majority of the Controlling Class before a judgment or decree for the payment of money has been obtained by the Trustee or the Collateral has been sold or foreclosed in whole or in part, by notice to the Issuers, the Trustee and the Collateral Agent, if (a) the Issuer has paid or deposited with the Trustee a sum sufficient to pay, in accordance with the Priority of Payments, the principal of and accrued interest (including all Defaulted Interest and the interest thereon) and distributions, on the outstanding Securities and any other due and unpaid Administrative Expenses, fees or other amounts that under the Transaction Documents and Priority of Payments for Exception Payment Dates are payable pursuant to clauses (1) through (5) of the Priority of Payments for Exception Payment Dates, and (b) the Trustee has determined based on an officer’s certificate of the Issuer that all Events of Default, other than the non-payment of the interest on or principal of the outstanding Notes that have become due solely by

such acceleration, have been cured and the Holders of a Majority of the Controlling Class by notice to the Trustee have agreed with such certification (which agreement shall not be unreasonably withheld) or waived such Event of Default in accordance with the provisions set forth in the Terms and Conditions of the Securities.

Only the Trustee may pursue (or direct the Collateral Agent to pursue) the remedies available under the Trust Deed, the Note Agency Agreement and the Securities and no Holder of a Security will have the right to institute any proceeding with respect to the Note Agency Agreement, the Trust Deed, its Security or otherwise unless (i) such Holder previously has given to the Trustee written notice of a continuing Event of Default; (ii) except in the case of a default in the payment of principal or interest, the Holders of at least 50%, by aggregate outstanding principal amount, of the Securities of the Controlling Class then Outstanding have made a written request upon the Trustee to institute such proceedings in its own name as Trustee and such Holders have offered the Trustee an indemnity which is acceptable to the Trustee; (iii) the Trustee has for 30 days failed to institute any such proceeding; and (iv) no direction inconsistent with such written request has been given to the Trustee during such 30-day period by the Holders of a Majority of the Controlling Class.

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

Notices. Notices to the Holders of the Securities shall be given by first-class mail, postage prepaid, to each Holder at the address appearing in the applicable note register. In addition, for so long as any of the Securities are listed on the Irish Stock Exchange and so long as the rules of such exchange so require, notices to the Holders of such Securities shall also be published in the Irish Stock Exchange's Daily Official List.

Modification of the Trust Deed. Except as provided below, (i) pursuant to a written direction, or an Extraordinary Resolution of the lesser of (i) the Holders of Securities representing 75% of the aggregate principal amount of each Class of Securities then Outstanding (with the Holders of the Class S Notes and Class A Notes voting as a single Class) materially prejudiced thereby actually voting on such resolution and (ii) the Holders of not less than a SupraMajority of each Class of Securities (with the Holders of the Class S Notes and Class A Notes voting as a single Class) materially prejudiced thereby and with the consent of the Collateral Manager, the Trustee and the Issuers may execute an amendment or a supplemental trust deed or such other documents as it considers necessary to add provisions to, or change in any manner or eliminate any provisions of, the Trust Deed or the Terms and Conditions of the Securities or any Transaction Document to which it is a party or which is secured for its benefit pursuant to the Security Agreement or waive or, authorize a breach of, any of the covenants or provisions of the Trust Deed or modify in any manner the rights of the Holders of each such Class of Securities or waive or, authorize the breach of, any of the covenants or provisions contained in the Trust Deed or any such Transaction Document, *provided* that the Rating Agency Condition would be satisfied after such addition, change or elimination.

Without an Extraordinary Resolution of the Holders of 100% of each adversely affected Class of Securities then Outstanding (with the Holders of the Class S Notes and Class A Notes voting as a single Class) and the consent of each Hedge Counterparty (to the extent required pursuant to the related Hedge Agreement) and unless the Rating Agency Condition is satisfied, no amendment, modification or waiver may be entered into or granted which would (i) change the Stated Maturity of the principal of or the due date of any installment of interest or additional distributions on a Security; reduce the principal amount thereof or the rate of interest thereon, or the applicable Optional Redemption Price, Tax Redemption Price or Auction Redemption Price with respect thereto; change the earliest date on which a Security may be redeemed; change the provisions of the Trust Deed or the Security Agreement relating to the application of proceeds of any Collateral to the payment of principal of or interest on the Securities, or change any place where, or the currency in which, Securities or the principal thereof or interest thereon are payable; or impair the right to institute proceedings for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date); (ii) reduce the percentage in aggregate principal amount of Holders of the Securities of each Class whose consent is required for the

authorization of any modification, amendment or for any waiver of compliance with certain provisions of the Trust Deed or for the waiver of certain defaults thereunder or their consequences; (iii) impair or adversely affect the Collateral except as otherwise permitted by the Trust Deed; (iv) permit the creation of any security interest ranking prior to or pari passu with the security interests created by the Security Agreement and the Floating Charge Deed with respect to any part of the Collateral or terminate such security interest on any property at any time subject thereto or deprive the Holder of any Security, the Collateral Agent or the Trustee of the security effected by the Security Agreement and the Floating Charge Deed; (v) reduce the percentage of Holders of each Class whose consent is required to direct the Trustee to direct the Collateral Agent to preserve the Collateral or to sell or liquidate the Collateral pursuant to the Trust Deed and the Security Agreement; (vi) modify any of the provisions of the Trust Deed with respect to amendments, modifications or waivers except (a) to increase the percentage of outstanding Securities whose Holders' consent is required for any such action or (b) to increase the percentage of outstanding Securities whose Holders' consent is required to modify or waive any other provisions of the Trust Deed; (vii) modify the definition of the term "Outstanding" or the Priority of Payments set forth in the Security Agreement; (viii) modify any of the provisions of the Trust Deed in such a manner as to affect the calculation of the amount of any payment of interest on or principal of any Security or modify any amount distributable to the Holders of the Class E Notes or Combination Securities on any Payment Date or to affect the right of the Holders of the Notes or the Trustee to the benefit of any provisions for the redemption of such Securities contained therein; (ix) amend any provision of the Trust Deed or any other agreement entered into by the Issuer with respect to the transactions contemplated by the Trust Deed relating to the institution of proceedings for the Issuer or the Co-Issuer to be adjudicated as bankrupt or insolvent, or the consent of the Issuer or the Co-Issuer to the institution of bankruptcy or insolvency proceedings against it, or the filing with respect to the Issuer or the Co-Issuer of a petition or answer or consent seeking reorganization, arrangement, moratorium, examinership or liquidation proceedings, or other proceedings under the United States Bankruptcy Code, the Companies Acts 1963-2003 of Ireland or any similar laws, or the consent of the Issuer or the Co-Issuer to the filing of any such petition or the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Issuer or the Co-Issuer or any substantial part of its property, respectively; (x) increase the amount of the Collateral Management Fee payable to the Collateral Manager beyond the amount provided for in the original Collateral Management Agreement or increase the amount of the Manx Fee payable to Manx beyond the amount provided for in the original Manx Agreement; (xi) amend any provision of the Trust Deed or any other agreement entered into by the Issuer with respect to the transactions contemplated by the Trust Deed that provides that the obligations of the Issuers or the Issuer, as the case may be, are limited recourse obligations of the Issuers or the Issuer, respectively, payable solely from the Collateral in accordance with the terms of the Trust Deed and the Security Agreement; (xii) at the time of the execution of such supplemental trust deed, cause the Issuer, the Collateral Manager or any Note Paying Agent to become subject to withholding or other taxes, fees or assessments or cause the Issuer to be treated as engaged in a trade or business in the United States or England or otherwise be subject to United States federal, state or local income tax or United Kingdom income tax on a net income basis; or (xiii) at the time of the execution of such supplemental trust deed or other agreement, result in a deemed sale or exchange of any of the Securities under Section 1001 of the Code (items (i) through (xiii) above collectively, the "Reserved Matters").

Notwithstanding the foregoing, the Master Definitions Schedule and the Transaction Documents (other than the Trust Deed) may only be amended, supplemented or waived in accordance with the procedures required to amend the Security Agreement, except that any amendment, supplement or waiver to the Master Definitions Schedule or any Transaction Document which relates to a Reserved Matter shall require an Extraordinary Resolution of the Holders of 100% of each adversely affected Class of Securities then Outstanding (with the Holders of the Class S Notes and Class A Notes voting as a single Class) and the written consent of each Hedge Counterparty (to the extent required pursuant to the related Hedge Agreement).

In addition, the Trustee may concur with the Issuers and enter into one or more supplemental trust deeds (or amendments to the Trust Deed or the other Transaction Documents referred to below) and execute any waivers relating to the Trust Deed, the Terms and Conditions of the Securities or any Transaction Document (other than the Trust Deed) to which it is a party or which is secured for its benefit pursuant to the Security Agreement, without obtaining the consent of Holders of any of the Securities but with satisfaction of the Rating Agency Condition, (i) if such waivers, amendments to the Trust Deed or such other Transaction Documents, or supplemental trust deeds, as applicable, would not be materially prejudicial to any of the Noteholders (as evidenced by an opinion of counsel or an officer's certificate delivered by the Issuer (or the Collateral Manager on behalf of the Issuer) to the Trustee) or

(ii) for any of the following purposes: (a) to evidence the succession of any person to either the Issuer or Co-Issuer and the assumption by any such successor of the covenants of the Issuer or Co-Issuer in the Securities and the Trust Deed; (b) to add to the covenants of the Issuers or the Trustee for the benefit of the Holders of the Securities or to surrender any right or power conferred upon the Issuers; (c) to convey, transfer, assign, mortgage or pledge any property to the Collateral Agent; (d) to evidence and provide for the acceptance of appointment by a successor trustee and to add to or change any of the provisions of the Trust Deed as necessary to facilitate the administration of the trusts under the Trust Deed by more than one Trustee; (e) to provide for the issuance of additional Securities to the extent permitted under the Trust Deed; (f) to cure any ambiguity or manifest error or correct or supplement any provisions contained in the Trust Deed which may be defective or inconsistent with any provision contained in the Trust Deed or make any modification that is of a formal, minor or technical nature or which is made to correct a manifest error; (g) to take any action necessary or advisable to prevent the Issuer, the Collateral Agent or any Note Agents from becoming subject to withholding or other taxes, fees or assessments or to prevent the Issuer from being treated as engaged in a trade or business in the United States or England or otherwise being subject to United States federal, state or local income tax or United Kingdom income tax on a net income basis; (h) to conform the Trust Deed to the description contained in the offering circular or (i) to comply with any requests made by the Irish Stock Exchange or any other stock exchange in order to list or maintain the listing of any Securities (other than the Class Z Notes) on the Irish Stock Exchange or such other stock exchange.

The Issuer will not consent to any modification of any Transaction Document (other than the Security Agreement and the Trust Deed) unless the Rating Agency Condition has been satisfied with respect to such modification of such Transaction Document; *provided, however*, that satisfaction of the Rating Agency Condition shall not be required for amendment to the Transaction Documents (i) in order to further effectuate the grant of, or further perfect, any lien or security interest of the Collateral Agent in, any item of Collateral, (ii) to amend the terms of such Transaction Documents for the purpose of facilitating compliance by the Issuer with any exemption from registration under the Investment Company Act, (iii) to cure any ambiguity or manifest error or correct or supplement any provision contained in the Transaction Documents which may be defective or inconsistent with any other provision contained in the Transaction Documents or make any modification that is of a formal, minor or technical nature or which is made to correct a manifest error, (iv) to make any change required by the Irish Stock Exchange (so long as any of the Securities (other than the Class Z Notes) are listed thereon) in order to permit or maintain the listing of such Securities thereon and (v) to conform the terms of the Transaction Documents with the terms described in the offering circular.

The Trustee may, consistent with the written advice of counsel, at the expense of the Issuer, determine whether or not the Holders of Securities would be adversely or materially adversely affected by any supplemental trust deed or amendment or modification to the Trust Deed (after giving notice of such change to the Holders of Securities) and may require the delivery of an opinion of counsel or a director's certificate delivered by the Issuer (or the Collateral Manager on behalf of the Issuer) to the Trustee, in accordance with the Trust Deed, at the expense of the Issuer, that such supplemental trust deed or amendment or modification is permitted under the terms of the Trust Deed. Such determination shall be conclusive and binding on all present and future Holders of Securities.

The Issuers will not consent to any supplemental trust deed without the prior consent of any Hedge Counterparty (to the extent required pursuant to the related Hedge Agreement). Any amendment to the Trust Deed will not be effective until (a) the Collateral Manager has received written notice of such amendment, (b) if such amendment would have a material adverse effect on the Collateral Manager, the Collateral Manager has consented in writing to the terms of the proposed amendment and (iii) the Collateral Manager has received a copy of the final version of such amendment from the Issuer.

The Issuer will, for so long as any Securities are outstanding and rated by the Rating Agencies, procure that a copy of any proposed amendment or modification to the Trust Deed or supplemental trust deed (whether or not required to be approved by the Holders of any Securities) is mailed to the Rating Agencies not later than 15 Business Days prior to the proposed implementation thereof and no such waiver, amendment, modification or supplement shall be granted or made unless the Rating Agency Condition is satisfied. The Issuer must provide notice of any amendment or modification of the Trust Deed (whether or not required to be approved by the Holders of any Securities) to the Holders of the Notes, each Securities Lending Counterparty and, for so long as any Securities (other than the Class Z Notes) are listed on the Irish Stock Exchange, the Irish Stock Exchange promptly upon the execution of such supplemental trust deed.

Meetings of Holders of the Securities. The Trust Deed contains provisions for convening meetings of Holders of the Securities, or of the Holders of any Class or Classes of Securities, to consider matters affecting their interests, including the modification of any provision of the Terms and Conditions of the Securities or the Trust Deed and for the adoption of “Extraordinary Resolutions.”

Any resolution passed at a meeting of Holders of any Class of Securities duly convened and held in accordance with the Trust Deed shall be binding upon all Holders of the Securities of such Class, whether or not present at such meeting and whether or not voting, and upon the Holders of the Securities of every other Class.

In the event the Holders are entitled or required to vote, make a request or give their consent or approval under the Trust Deed, the Security Agreement or any other Transaction Document, then such a request, consent or approval must be obtained in writing or pursuant to an Extraordinary Resolution and the Trustee will be entitled to make such regulations as it sees fit and appropriate in the circumstances in order to receive a request or obtain their consent or approval including, but not limited to, setting a record date for the receipt of a written consent or obtaining of their consent or approval and may request that any relevant Securities are blocked in the relevant clearing system. A written request or consent which has been signed by or on behalf of the requisite percentage of Holders of Notes or Class of Securities (as set out in the Transaction Documents) will take effect as if it were an “Extraordinary Resolution.” Where a written request or consent is required from the Controlling Class or a percentage of the Holders of all the Securities, then such written request or consent must be obtained from the Holders of the Controlling Class or from all the Holders of the Securities in aggregate (regardless of their Class), as the case may be, and will, unless specifically provided otherwise, be binding on all the Classes of Securities then outstanding.

Additional Issuance. The Trust Deed will provide that during the Reinvestment Period the Issuers may issue and sell additional notes of all existing Classes of Securities and the Issuer will use the proceeds to purchase additional Collateral Assets and, if applicable, enter into additional Hedge Agreements in connection with the Issuer’s issuance of and making of payments on, the Securities and ownership and disposition of the Collateral Assets; *provided*, that the following conditions are satisfied: (i) such additional issuances may not exceed 100% in the aggregate of the original principal amount of each applicable Class of Securities issued and outstanding on the Closing Date; (ii) such additional securities must be issued for a cash sales price (the net sale proceeds to be invested in Collateral Assets or, pending such investment, deposited in the Collection Account and invested in Eligible Investments); (iii) additional securities of each Class (other than the Class S Notes, Class D Notes, Class Z Notes and Combination Securities which may or may not be issued in a *pro rata* amount) must be issued in a *pro rata* amount (based on the then aggregate outstanding principal amount of each Class issued and outstanding on the Closing Date); (iv) the terms (other than the date of issuance, the issue price and the date from which interest will accrue) of such Securities must be identical to the terms of the Securities of the Class of which such Securities are a part; (v) the ratings on each Class of Securities must at such time be no lower than the original ratings assigned on the Closing Date; (vi) the Rating Agency Condition has been satisfied; (vii) the Holders of the Class E Notes and Combination Securities shall have been notified in writing 30 days prior to such issuance and shall have been afforded the first opportunity to purchase additional Class E Notes or Combination Securities, as applicable, in an amount not to exceed the percentage of the outstanding Class E Notes or Combination Securities, as applicable, each Holder held immediately prior to such issuance of such additional Class E Notes and Combination Securities and on the same terms offered to investors generally; (viii) the Collateral Manager shall have consented to such additional issuance; (ix) the Holders of the Class E Notes and Combination Securities shall have been notified in writing 30 days prior to such issuance and a SupraMajority of the Class E Notes shall have consented to such issuance; and (x) an opinion of counsel must be delivered to the Trustee to the effect that none of the Issuer, the Co-Issuer or the pool of Collateral (or any part thereof) will be required, as a result of such issuance, to be registered as an investment company under the Investment Company Act, and that (a) such additional issuance will not result in the Issuer becoming subject to U.S. federal income taxation with respect to its net income, (b) such additional issuance would not cause Holders of the Securities previously issued to be deemed to have sold or exchanged such Securities under Section 1001 of the Code, (c) any such additional Class S Notes, Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Combination Securities shall be accorded the same tax characterization for U.S. federal income tax purposes as the original notes and securities and (d) any such additional Class S Notes, Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes, respectively, will be part of the same issue as the original Class S Notes, Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Combination Securities, respectively, for purposes of Sections 1271 through 1275 of the Code.

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

Jurisdictions of Incorporation and Formation. Under the Trust Deed, the Issuer and the Co-Issuer will be required to maintain their rights and franchises as a public company incorporated with limited liability under the laws of Ireland and a limited liability company formed under laws of the State of Delaware, respectively, to comply with the provisions of their respective organizational documents and to obtain and preserve their qualification to do business as foreign corporations in each jurisdiction in which such qualifications are or shall be necessary to protect the validity and enforceability of the Trust Deed, the Securities or any of the Collateral. Notwithstanding the foregoing, the Co-Issuer shall be entitled to change its jurisdictions of incorporation from Delaware to any other jurisdiction reasonably selected by the Co-Issuer and approved by its members and the Issuer shall be entitled to (a) arrange for the substitution of a Person organized under the laws of another jurisdiction as the principal obligor under the Notes of one or more Classes, which Person and jurisdiction shall be reasonably selected by the Issuer and such substitution shall be approved by the Issuer's ordinary shareholders or (b) change its tax residence to another jurisdiction reasonably selected by the Issuer and approved by its ordinary shareholders, in each case, so long as (i) none of the Issuer, Co-Issuer or the Trustee, as applicable, believes that such change is disadvantageous in any material respect to such entity or the Holders of any Class of Securities; (ii) written notice of such change shall have been given by such entity to the Trustee, the Note Paying Agents, the Collateral Manager, the Hedge Counterparties, the Holders of each Class of Securities, the Irish Stock Exchange and each of the Rating Agencies at least thirty (30) Business Days prior to such change of jurisdiction; and (iii) in the case of a substitution or change of tax residence related to the Issuer, such action can be effected in a tax efficient manner.

Trustee. HSBC Trustee (C.I.) Limited will act as Trustee. The Issuers and their affiliates, if any, may maintain other transaction relationships in the ordinary course of business with the Trustee. In addition, HSBC Trustee (C.I.) Limited acts as trustee with respect to a portion of the aggregate principal amount of Collateral Assets which, as of the date of this offering circular, are expected to be acquired by the Issuer on the Closing Date. HSBC Trustee (C.I.) Limited and any of its affiliates providing services with respect to the Issuer will have only the duties and responsibilities expressly provided in each capacity and shall not, by virtue of its or any affiliate acting in any other capacity, be deemed to have duties or responsibilities or be deemed to be held to a standard of care other than as expressly provided with respect to each such capacity. The payment of the fees and expenses of the Trustee relating to the Notes is solely the obligation of the Issuers. The Trustee and/or its affiliates may receive compensation in connection with the Trustee's investment of trust assets in certain Eligible Investments as provided in the Security Agreement and in connection with the Trustee's administration of any securities lending activities of the Issuer (as evidenced by an opinion of counsel addressed to the Trustee in form and substance satisfactory to the Trustee).

The Trust Deed contains provisions for the indemnification of the Trustee for any loss, liability or expense incurred without negligence, willful default, breach of duty or breach of trust on its part, arising out of or in connection with the acceptance or administration of the Trust Deed. The Trustee will not be bound to take any action unless indemnified for such action. The Holders of the Notes shall together have the power, exercisable by Extraordinary Resolution, to remove the Trustee as set forth in the Trust Deed. The removal of the Trustee shall not become effective until the acceptance of appointment by a successor trustee.

Petitions for Bankruptcy. The Trust Deed and the Note Agency Agreement will provide that neither (i) any of the Hedge Counterparties, the Collateral Agent, the Note Agents, or the Trustee, in its own capacity, or on behalf of any Holder, nor (ii) the Holders may, prior to the date which is one year and one day (or, if longer, the applicable preference period then in effect) after the payment in full of all Securities, institute against, or join any other person in instituting against, the Issuer or Co-Issuer any examinership, administration, bankruptcy, reorganization, arrangement, moratorium, liquidation or similar proceedings under the laws of any jurisdiction. The shareholders of the Issuer may voluntarily wind up the Issuer only by a resolution by holders of at least 75% of the Issuer Ordinary Shares. The Share Trustees, as registered holders of the Issuer Ordinary Shares under declarations of trust, has covenanted not to exercise the votes attaching to the Issuer Ordinary Shares to wind up the Issuer until all Securities have been repaid and extinguished.

Note Agency Agreement

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

Irish Note Paying Agent and Irish Listing Agent. NCB Stockbrokers Limited will be the Irish Note Paying Agent and Irish Listing Agent for the Notes (in such capacities, the “Irish Note Paying Agent” and the “Irish Listing Agent”, respectively). The Issuers and their affiliates, if any, may maintain other relationships in the ordinary course of business with the Irish Note Paying Agent and the Irish Listing Agent. The payment of the fees and expenses of the Irish Note Paying Agent and the Irish Listing Agent relating to the Securities (other than the Class Z Notes) is solely the obligation of the Issuers. The Note Agency Agreement contains provisions for the indemnification of the Irish Note Paying Agent and the Irish Listing Agent for any loss, liability or expense incurred without negligence, willful misconduct or bad faith on their respective parts arising out of or in connection with the acceptance or administration of the Note Agency Agreement.

Security Agreement

Modification of the Security Agreement. The Security Agreement (including the Master Definitions Schedule), may be amended by the Issuer by a written instrument signed by the Collateral Agent, the Collateral Manager and the Trustee, upon satisfaction of the Rating Agency Condition but without the consent of any other party (i) in order to further effectuate the grant of the security interest, or further perfect any lien or security interest of the Collateral Agent in, any item of Collateral, (ii) to amend the terms of the Security Agreement for the purpose of facilitating compliance by the Issuer with any exemption from registration under the Investment Company Act, (iii) to cure any ambiguity or correct or supplement any provision contained in the Security Agreement which may be defective or inconsistent with any other provision contained in the Security Agreement or make any modification that is of a formal, minor or technical nature or which is made to correct a manifest error, (iv) to comply with any requests made by the Irish Stock Exchange or any other stock exchange in order to list or maintain the listing of any Securities (other than Class Z Notes) on the Irish Stock Exchange or such other stock exchange and (v) to conform the terms of the Security Agreement with the terms described in the offering circular; in each case notwithstanding that such amendment may be adverse to the Holders of the Securities; *provided* that, the Issuer shall not consent to any amendment (i) which is materially adverse to the Collateral Manager without the Collateral Manager’s consent, which consent shall not be unreasonably withheld and (ii) without the consent of the Hedge Counterparties (to the extent required under the related Hedge Agreements).

The Security Agreement (and the Master Definitions Schedule) may otherwise be amended, changed, modified or altered by a written instrument or written instruments signed by the Collateral Agent, the Trustee, the Collateral Manager and the Issuer, and to the extent each is adversely affected thereby, the Securities Intermediary and the Hedge Counterparties (to the extent required in the relevant Hedge Agreement) and upon satisfaction of the Rating Agency Condition; *provided*, that to the extent that such amendment, change, modification or alteration of the Security Agreement would have a material adverse effect on the Holders of any Class of Securities, the Issuer shall not consent to any such amendment, change, modification or alteration without an Extraordinary Resolution of, or a direction in writing by, a SupraMajority of the Holders of each Class of Securities materially adversely affected thereby. Notwithstanding the foregoing, any amendment of the Security Agreement (including the Master Definitions Schedule) which relates to a Reserved Matter shall require the consent of the Holder of each Security and each Hedge Counterparty materially adversely affected thereby (all such consents not to be unreasonably withheld).

The Trustee may, consistent with the written advice of counsel, at the expense of the Issuer, determine whether or not the Holders of the Securities would be adversely or materially adversely affected by any amendment or modification to the Security Agreement (after giving notice of such change to the Holders of Securities) or in the

case of each Hedge Counterparty whether or not the consent of such Hedge Counterparty is required under the applicable Hedge Agreement. Such determination will be conclusive and binding on all present and future Holders of the Securities.

The Issuer shall give prior notice to the Hedge Counterparties, the Collateral Manager, the Note Agents, the Trustee, the Collateral Agent, the Securities Intermediary, each of the Rating Agencies and (for so long as any Securities (other than Class Z Notes) are listed on the Irish Stock Exchange) the Irish Stock Exchange of any amendment, change, modification or alteration of the Security Agreement and provide copies of such amendment, change, modification or alteration to the Hedge Counterparties, the Collateral Manager, the Note Agents, the Trustee, the Collateral Agent, the Securities Intermediary, each of the Rating Agencies and (for so long as any Securities are listed on the Irish Stock Exchange) the Irish Stock Exchange.

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

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

The Collateral Agent and any successor Collateral Agent may at any time resign by giving 90 days' written notice to the Trustee, the Issuer, the Collateral Manager, each Hedge Counterparty and each Rating Agency of such resignation; *provided*, that such resignation shall take effect only upon the date which is the later of (i) the effective date of the appointment of a successor Collateral Agent which meets the requirements for a successor Collateral Agent set forth in the Security Agreement reasonably acceptable to the Trustee and the Issuer (or the Collateral Manager acting on behalf of the Issuer), and (ii) the date of acceptance in writing by such successor Collateral Agent of such appointment and of its obligation to perform its duties under the Security Agreement in accordance with the provisions thereof. The Collateral Agent may be removed by the Issuer at any time prior to date on which all obligations of the Issuer under the Transaction Documents and the Notes are satisfied in full, with or without cause, by an instrument in writing delivered to the Collateral Manager, the Corporate Administrator, the Trustee, each Hedge Counterparty and each Rating Agency.

Governing Law of the Note Agency Agreement, the Trust Deed and the Security Agreement. The Security Agreement will be governed by, and construed in accordance with, the laws of the State of New York provided, however, that certain provisions of the Security Agreement related to the Priority of Payments, the subordination of the Securities, the acquisition and disposition of Collateral Assets and the Issuer's entering into, and performing its obligations under, Hedge Agreements and Securities Lending Agreements will be governed by, and construed in accordance with, English law. The Note Agency Agreement, the Trust Deed and the Securities will be governed by, and construed in accordance with, English law. Under the Security Agreement, Note Agency Agreement and the Trust Deed, the Issuers have submitted irrevocably to the non-exclusive jurisdiction of the English courts and the courts of the State of New York and the courts of the United States of America in the State of New York (in each case sitting in the County of New York) for the purposes of hearing and determining any suit, action or proceedings or settling any disputes arising out of or in connection with the Security Agreement, the Trust Deed, the Note Agency Agreement or the Securities.

Form of the Securities

General

Each Class of Securities sold in reliance on Regulation S under the Securities Act will initially be represented by a Temporary Regulation S Global Note in bearer form. Each Class of Securities sold in reliance on Rule 144A under the Securities Act will initially be represented by a Rule 144A Global Note in bearer form. The Global Notes will be deposited with depository, as Depository pursuant to the terms of the Depository Agreement and will be subject to certain restrictions on transfer as set forth under “Notice to Investors.”

The Depository will issue a certificateless depository interest (a “CDI”) in respect of the Global Notes representing the Class S Notes, Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Combination Securities to DTC or its nominee. The Depository, acting as agent of the Issuers, will maintain a book-entry system in which it will register DTC or its nominee as the owner of the CDIs. Transfers of all or any portion of the interest in the Global Notes may be made only through the book-entry system maintained by the Depository.

Upon confirmation by DTC that the Depository has custody of the Global Notes and acceptance by DTC of the CDIs, DTC will record Book-Entry Interests representing beneficial interests in the CDIs related to the Global Notes.

For the avoidance of doubt, all references to a Book-Entry Interest in a Global Note shall be construed as a reference to a Book-Entry Interest in the CDI related to such Global Note. Book-Entry Interests in the CDIs will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC and its participants.

A Book-Entry Interest in a Temporary Regulation S Global Note may be held only through Euroclear or Clearstream. A Book-Entry Interest in a Temporary Regulation S Global Note will be exchanged for a Book-Entry Interest in a permanent Regulation S Global Note for the related Class of Notes upon the later of (i) the expiration of the Distribution Compliance Period (as defined below) and (ii) the first date on which the requisite certifications (in the form provided in the Trust Deed) are provided to the Trustee. The “Distribution Compliance Period” with respect to the Securities ends 40 days (or one year in the case of the Class E Notes and the Combination Securities) after the later of (i) the commencement of the offering of the Securities and (ii) the Closing Date. Book-Entry Interests in a Temporary Regulation S Global Note or a Regulation S Global Note may be held only through Euroclear or Clearstream.

A Book-Entry Interest in a Regulation S Global Note may be transferred to a U.S. Person only in the form of a Book-Entry Interest in a Rule 144A Global Note and only upon receipt by the Note Transfer Agent of a written certification from the transferor (in the form provided in the Trust Deed) to the effect that the transfer is being made to a person the transferor reasonably believes is a Qualified Institutional Buyer and is a Qualified Purchaser. In addition, transfers of a Book-Entry Interest in a Regulation S Global Note to a person who takes delivery in the form of an interest in a Rule 144A Global Note may occur only in denominations greater than or equal to the minimum denominations applicable to the Rule 144A Global Notes.

A Book-Entry Interest in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a Book-Entry Interest in a Regulation S Global Note only upon receipt by the Note Registrar of a written certification from the transferor (in the form provided in the Trust Deed) to the effect that such transfer is being made to a non-U.S. Person in accordance with Rule 903 or 904 of Regulation S.

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

Except in the limited circumstances described below, the Securities will not be available in definitive form. Securities in definitive form will be issued in registered form only.

Each Security will be issued in minimum denominations of \$250,000 (in the case of Rule 144A Securities) and \$100,000 (in the case of Regulation S Securities) and integral multiples of \$1,000 in excess thereof. Book-Entry Interests will be recorded in minimum denominations of \$250,000 (in the case of Rule 144A Global Notes) and \$100,000 (in the case of Regulation S Global Notes) and integral multiples of \$1,000 in excess thereof.

Ownership of Book-Entry Interests will be limited to persons that have accounts with DTC (“Participants”) or persons that hold interests in the Book-Entry Interests through participants (“Indirect Participants”), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with DTC, either directly or indirectly, including Euroclear and Clearstream. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, DTC will credit the participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. Initially, the accounts to be credited shall be designated by or on behalf of the Initial Purchasers.

Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by DTC or its nominee (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as the Depository or its nominee is the holder of the Global Notes underlying the Book-Entry Interests, the Depository or such nominee, as the case may be, will be considered the sole Holder, for all purposes under the Trust Deed. Except as set forth below under “—Issuance of Definitive Notes”, Participants or Indirect Participants will not be entitled to have Securities registered in their names, will not receive or be entitled to receive physical delivery of Securities in definitive bearer or registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of DTC and Indirect Participants must rely on the procedures of the Participant or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Securities under the Trust Deed. See “—Action in Respect of the Global Notes and the Book-Entry Interests” below.

Unlike legal owners or holders of the Securities, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuers or consents or requests by the Issuers for waivers or other actions from Holders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from DTC and, if applicable, their participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default under the Global Notes, holders of Book-Entry Interests will be restricted to acting through DTC and the Depository unless and until Definitive Notes in respect of such Book-Entry Interests are issued. There can be no assurance that the procedures to be implemented by DTC and the Depository under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

In the case of the Global Notes, unless and until Book-Entry Interests are exchanged for Definitive Notes, the CDIs held by DTC may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of DTC or a nominee of such successor.

Purchasers of Book-Entry Interests in a Global Note pursuant to Rule 144A will hold Book-Entry Interests in the Rule 144A Global Notes relating thereto. Investors may hold their Book-Entry Interests in respect of a Rule 144A Global Note directly through DTC if they are Participants in such system, or indirectly through organizations which are Participants in such system. All Book-Entry Interests in the Rule 144A Global Notes will be subject to the procedures and requirements of DTC. Purchasers of Book-Entry Interests in a Global Note

pursuant to Regulation S will hold Book-Entry Interests in the Regulation S Global Notes relating thereto. Investors may hold their Book-Entry Interests in respect of a Regulation S Global Note indirectly through DTC through Euroclear or Clearstream as Participants in the DTC system (in accordance with the provisions set forth under “Notice to Investors”), if they are account holders in Euroclear or Clearstream, or indirectly through organizations which are account holders in Euroclear or Clearstream. Euroclear and Clearstream will hold Book-Entry Interests in each Regulation S Global Note on behalf of their account holders through securities accounts in the respective account holders’ names on Euroclear’s and Clearstream’s respective book-entry registration and transfer systems.

Although DTC has agreed to certain procedures to facilitate transfers of Book-Entry Interests among Participants of DTC, 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 Issuers, the Trustee or any of their respective agents will have any responsibility for the performance by DTC or its Participants or account holders of their respective obligations under the rules and procedures governing their operations.

Payments on Global Notes

Payment of principal of and interest on, and any other amount due in respect of, the Global Notes will be made in U.S. Dollars by the Note Paying Agent on behalf of the Issuers to the Depository as the holder thereof. Each holder of Book-Entry Interests must look solely to DTC and its Participants for its share of any amounts paid by or on behalf of the Issuers to the Depository in respect of those Book-Entry Interests. Upon receipt of any payment of principal or interest or any other amount in respect of a Global Note, the Depository will distribute all such payments in U.S. Dollars to the nominee for DTC. All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuers nor any other person will be obligated to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of DTC, after receipt of any payment from the Depository, DTC will promptly credit its Participants’ accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of DTC. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participants or Indirect Participants. None of the Issuers, the Trustee or any other agent of the Issuers or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant’s ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant’s ownership of Book-Entry Interests.

Class E Notes and Combination Securities - PORTAL

The Initial Purchasers expect to make arrangements for the settlement of trades in interests in the Class E Notes and Combination Securities through the “Private Offerings, Resales and Trading through Automated Linkages” (“PORTAL”) system, which system has been approved as an “SRO Rule 144A System” by the Securities and Exchange Commission. The PORTAL system is maintained by the National Association of Securities Dealers (“NASD”) to permit electronic trading in securities exchanged pursuant to Rule 144A. The NASD may impose certain fees on trades effectuated through the PORTAL system. Access to the PORTAL system is only available to Qualified Institutional Buyers that make certain representations to, and agree to certain restrictions imposed by, the NASD. There can be no assurance that the NASD will maintain the PORTAL system or that the Securities and Exchange Commission will continue to recognize the PORTAL system as an approved SRO Rule 144A System for restricted, non-investment grade securities.

Information Regarding DTC

Subject to compliance with the transfer restrictions applicable to the Securities, cross-market transfers between DTC Participants, on the one hand, and, directly or indirectly through Euroclear or Clearstream account holders, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository; however, these cross-market transactions will require delivery of

instructions to Euroclear or Clearstream, as the case may be, by the counterparty in the system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository 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 a same-day funds settlement applicable to DTC. Clearstream and Euroclear account holders may not deliver instructions directly to the depositories for Clearstream or Euroclear.

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

DTC

DTC has advised the 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 of its Participants and to facilitate the clearance and settlement of transactions among its Participants in such securities through electronic book-entry changes in accounts of the Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own DTC.

Euroclear and Clearstream

Euroclear and Clearstream each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities. Euroclear and Clearstream each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and of Clearstream have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder’s overall contractual relations with either Euroclear or Clearstream are governed by the respective rules and operating procedures of Euroclear or Clearstream and any applicable laws. Both Euroclear and Clearstream act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuers understand that under existing industry practices, if the Issuers or Trustee request any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed, Euroclear, Clearstream or DTC, as the case may be, would authorize the Participants owning the relevant Book-Entry Interests to give instructions or take such action, and such Participants would authorize Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Redemption

In the event that any Global Note (or portion thereof) is redeemed, the Depository will deliver all amounts received by it in respect of the redemption of such Global Note to the nominee of DTC, in the case of the Global Notes, and, upon final payment, surrender such Global Note (or portion thereof) to or to the order of the Note Paying Agent for cancellation. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Depository in connection with the redemption of the Global Note relating thereto. For any redemptions of a Global Note in part, the Depository shall allocate reductions in the principal amount outstanding on a *pro rata* basis among the CDIs. Upon any redemption in part, the Depository will cause the Principal Paying Note Agent to mark down or to cause to be marked down the schedule to such Global Note by the principal amount so redeemed.

Issuance of Definitive Notes

Holders of Book-Entry Interests in a Global Note will be entitled to receive securities in registered, certificated form (“Definitive Notes”) in exchange for their respective holdings of Book-Entry Interests in the following circumstances:

(i) in the case of Global Notes, DTC has notified the Issuers that it is at any time unwilling or unable to continue as holder of the CDIs or is at any time unwilling or unable to continue as, or ceases to be, a clearing agency registered under the Exchange Act, and a successor to DTC registered as a clearing agency under the Exchange Act is not able to be appointed by the Issuers within 90 calendar days of such notification;

(ii) in the case of the Regulation S Global Notes, both Euroclear and Clearstream are closed for business for a continuous period of 14 calendar days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system satisfactory to the Issuers and the Trustee is available;

(iii) if the Depository notifies the Issuers that it is at any time unwilling or unable to continue as Depository and a successor Depository is not able to be appointed by the Issuers with the prior written consent of the Trustee within 90 calendar days;

(iv) an Event of Default has occurred and is continuing and the Trustee has declared the principal of and unpaid interest on all of the Notes to be immediately due and payable; or

(v) as a result of any amendment to or change in, the laws or regulations of Ireland or the State of Delaware, as applicable, or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which become effective on or after the Closing Date, the Issuers or the Note Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Securities which would not be required if the Securities were in definitive form.

Any Definitive Notes issued in exchange for Book-Entry Interests in a Global Note will be registered by a registrar in such name or names as the Depository shall instruct the Note Transfer Agent based on the instructions of DTC. It is expected that such instructions will be based upon directions received by DTC from its Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Definitive Notes issued in exchange for Book-Entry Interests in a Global Note will not be entitled to exchange such Registered Definitive Note for Book-Entry Interests in a Global Note. Any Notes issued in definitive form will be issued in registered form only.

Persons exchanging interests in a Global Note for individual Definitive Notes will be required to provide to the Note Transfer Agent (i) in the case of an exchange of an interest in a Rule 144A Global Note, such certification as to Qualified Institutional Buyer status and that such Holder is a Qualified Purchaser, as the Issuers shall require and (ii) in the case of an exchange of an interest in a Regulation S Global Note, such certification as the Issuers shall require as to non-U.S. Person status. In all cases, individual Definitive Notes delivered in exchange for any Global Note or beneficial interests therein will be issued in denominations in compliance with the minimum denominations specified for the applicable Global Notes.

Individual Definitive Notes will bear, and be subject to, such legend as the Issuers require in order to assure compliance with any applicable law. Individual Definitive Notes will be transferable subject to the minimum denomination applicable to the Rule 144A Global Notes and Regulation S Global Notes, in whole or in part, and exchangeable for individual Definitive Notes of the same Class at the office of the Note Paying Agent, Note Transfer Agent or the office of any transfer agent, including the transfer agent in Ireland, upon compliance with the requirements set forth in the Note Agency Agreement and the Trust Deed. Individual Definitive Notes may be transferred through any transfer agent upon the delivery and duly completed assignment of such Definitive Notes. Upon transfer of any individual Definitive Note in part, the Note Transfer Agent will issue in exchange therefor to the transferee one or more individual Definitive Notes in the amount being so transferred and will issue to the transferor one or more individual Definitive Notes in the remaining amount not being transferred. No service charge will be imposed for any registration of transfer or exchange, but payment of a sum sufficient to cover any tax or other governmental charge may be required. The Holder of a restricted individual Definitive Note may transfer such Definitive Note, subject to compliance with the provisions of the legend thereon. Upon the transfer, exchange or replacement of Definitive Notes bearing the legend, or upon specific request for removal of the legend on a Definitive Note, the Issuers will deliver only Definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuers such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuers that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act. Payments of principal and interest on individual Definitive Notes shall be payable by the Note Paying Agents by U.S. Dollar check drawn on a bank in the United States of America and sent by mail to the registered Holder thereof, by wire transfer in immediately available funds. In addition, for so long as any Notes (other than the Class Z Notes) are listed on the Irish Stock Exchange and the rules of such exchange shall so require, in the case of a transfer or exchange of individual Definitive Notes (other than the Class Z Notes), a Holder thereof may effect such transfer or exchange by presenting such Notes at, and obtaining a new individual Definitive Note from, the office of the Irish Note Paying Agent, in the case of a transfer of only a part of an individual Definitive Note, a new individual Definitive Note in respect of the balance of the principal amount of the individual Definitive Note not transferred will be delivered at the office of the Irish Note Paying Agent, and in the case of a replacement of any lost, stolen, mutilated or destroyed individual Definitive Note, a Holder thereof may obtain a new individual Definitive Note from the Irish Note Paying Agent.

Action in Respect of the Global Notes and the Book-Entry Interests

Not later than ten calendar days after receipt by the Depository of any notices in respect of the Global Notes or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Global Notes, the Depository will deliver to Euroclear, Clearstream and DTC a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date DTC will be entitled to instruct the Depository as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Notes and (c) a statement as to the manner in which such instructions may be given. Upon the written request of DTC, the Depository shall endeavor insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Notes in accordance with any instructions set forth in such request. DTC is expected to follow the procedures described under “—General” above with respect to soliciting instructions from its Participants. The Depository will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

Reports

The Depository will immediately, and in no event later than ten calendar days from receipt, send to DTC a copy of any notices, reports and other communications received relating to the Issuer, the Global Notes or the Book-Entry Interests. All notices regarding the Global Notes will be sent to DTC and the Depository. In addition, notices regarding the Notes will be published in a leading newspaper having a general circulation in Ireland (which so long as the Securities are admitted to and listed on the Irish Stock Exchange is expected to be the Irish Times).

Action of Depository

Subject to certain limitations, upon the occurrence of an Event of Default with respect to the Global Notes, or in connection with any other right of the holder of the Global Notes under the Trust Deed or the Depository Agreement, if requested in writing by DTC (acting on the instructions of its Participants in accordance with its procedures), the Depository will take any such action as shall be requested in such notice, subject to, if required by the Depository, such reasonable security or indemnity from the Participants against the costs, expenses and liabilities that the Depository might properly incur in compliance with such request.

Charges of Depository

The Issuer has agreed to pay all charges of the Depository under the Depository Agreement. The Issuer has also agreed to indemnify the Depository against certain liabilities incurred by it under the Depository Agreement.

Amendment and Termination

The Depository Agreement may be amended by agreement among the Issuers, the Depository and the Trustee. The consent of DTC or the holders of any Book-Entry Interests shall not be required in connection with any amendment made to the Depository Agreement (i) to cure any inconsistency, omission, defect or ambiguity in such Agreement; (ii) to add to the covenants and agreements of the Depository or the Issuers; (iii) to effect the assignment of the Depository's rights and duties to a qualified successor; (iv) to comply with the Securities Act, the Exchange Act or the Investment Company Act; or (v) to modify, alter, amend or supplement the Depository Agreement in any other manner that is not adverse to DTC or the holders of Book-Entry Interests. Except as set forth above, no amendment that adversely affects DTC or the holders of the Book-Entry Interests may be made to the Depository Agreement or the Book-Entry Interests without the consent of DTC or the holders of any Book-Entry Interests. Upon the issuance of Definitive Notes with respect to all Classes of Securities, the Depository Agreement will be terminated.

Resignation or Removal of Depository

The Depository may at any time resign as Depository upon 90 calendar days' written notice delivered to each of the Issuer and the Trustee. The Issuer may by board resolution remove the Depository at any time upon 90 calendar days' written notice. No resignation or removal of the Depository and no appointment of a successor Depository shall become effective until (i) the acceptance of appointment by the successor Depository or (ii) the issue of Definitive Notes to holders of Book-Entry Interests in all Classes of the Securities.

Obligation of Depository

The Depository will assume no obligation or liability under the Depository Agreement other than to act in good faith in the performance of its duties under such agreement. The Depository will only be liable to perform such duties as are expressly set out in the Depository Agreement. The Depository Agreement contains provisions relieving the Depository from liability and permitting it to refrain from acting in certain circumstances. The Depository Agreement also contains provisions permitting any entity into which the Depository is merged or converted or with which it is consolidated or any successor in business to the Depository to become the successor Depository.

DESCRIPTION OF THE COMBINATION SECURITIES

General

The Issuer will issue the Combination Securities pursuant to the Trust Deed. The Combination Securities will consist of two components:

(1) a component initially consisting of U.S.\$50,000,000 aggregate original principal amount of the Class Z Notes allocable to, and represented by, the Combination Securities (the "Class Z Note Component"); and

(2) a component initially consisting of U.S.\$14,300,000 aggregate original principal amount of Class E Notes allocable to, and represented by, the Combination Securities (the “Class E Note Component”).

Each of the Class Z Note Component and the Class E Note Component is referred to herein as a “Component” and collectively as the “Components.”

The aggregate principal amount of the Class Z Notes included in the Class Z Note Component is included in, and is not in addition to, the aggregate principal amount of the Class Z Notes issued by the Issuer. The Class Z Notes included in the Class Z Note Component will not be separately issued (except as described herein). The aggregate principal amount of Class E Notes included in the Class E Note Components is included in, and is not in addition to, the aggregate principal amount of Class E Notes issued by the Issuer as described elsewhere in this offering circular. The Class E Notes included in the Class E Note Components will not be separately issued. The Class Z Notes and the Class E Notes included in the Class Z Note Component and the Class E Note Components, respectively, will be represented by the relevant certificates evidencing the Combination Securities.

Unless the Combination Securities are explicitly excluded or addressed in the same context, references herein to “Class Z Notes” or “Class E Notes” shall include a reference to the Combination Securities to the extent of the Class Z Note Components and Class E Note Components, as applicable, and references to the rights and obligations of the holders of the Class Z Notes and the Class E Notes (including with respect to any payments, distributions or redemptions on or of such Class Z Notes or Class E Notes or votes, notices or consents to be given by such holders) include the rights and obligations of the holders of the Combination Securities to the extent of the Class Z Note Components and the Class E Note Components, as applicable. Unless the holders of Combination Securities are explicitly excluded or addressed in the same context, references herein to holders of Class Z Notes or Class E Notes shall include a reference to the holders of Combination Securities to the extent of the Class Z Note Components and the Class E Note Components, as applicable, and the holders of Combination Securities shall be entitled to participate in any vote or consent of, or any direction or objection by, the holders of Notes, the Class Z Notes or the Class E Notes to the extent of the Class Z Note Components and the Class E Note Components, as applicable.

Status and Security

The Class Z Note Component and the Class E Note Component of the Combination Securities are limited recourse obligations of the Issuer. The Combination Securities will be entitled to receive payments only to the extent that payments are made (i) on the Class Z Notes included in the Class Z Note Components or (ii) the Class E Notes included in the Class E Note Components.

The Class Z Notes

The Class Z Notes (which are not offered hereunder) will not bear interest. The only payment that will be made on the Class Z Notes will be from the proceeds of the Class Z Collateral on the Combination Securities Maturity Date; *provided* that, if the final Payment Date for the Class E Notes is prior to the Combination Securities Maturity Date of the Class Z Notes or an event of default occurs with respect to the Class Z Collateral pursuant to the terms of the Class Z Collateral, the Class Z Notes will be redeemed on such final Payment Date or promptly after the Issuer obtains notice of the occurrence of an event of default with respect to the Class Z Collateral, as applicable, in exchange for delivery of the Class Z Collateral, *pro rata*, to the holders of the Class Z Notes, or, in limited circumstances, will be redeemed from the proceeds of the sale of the Class Z Collateral. The Class Z Notes (including the Class Z Note Components) will mature and be payable on the Combination Securities Maturity Date, solely from the Class Z Collateral. If the Class Z Notes are to be exchanged for the Class Z Collateral and the Trustee or the Issuer is advised by any holder of the Class Z Notes that such holder is not permitted, under the documents governing the terms of the Class Z Collateral, applicable law or otherwise, to receive the Class Z Collateral or any Class Z Noteholder fails to complete any documentation required for a transfer of the Class Z Collateral, the Issuer will direct the Trustee to liquidate such holder’s portion of the Class Z Collateral in a commercially reasonable sale (conducted by the Collateral Agent, or an investment bank selected by the Collateral Agent, in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York) and such holder’s Class Z Notes will be redeemed from the net proceeds of the sale of the Class Z Collateral. In order for the holders of the Class Z Notes to obtain delivery of the Class Z Collateral, each holder must be an

eligible transferee of the Class Z Collateral pursuant to the documents governing the terms of the Class Z Collateral and applicable law. See “—Class Z Notes Redemption.”

References herein to the aggregate outstanding amount of the Notes shall not include the aggregate outstanding amount of the Class Z Notes. The aggregate outstanding amount of the Class Z Notes shall be used solely for calculations relating to the Class Z Notes or the Combination Securities.

No Class Z Note (or beneficial interest therein) may be acquired by or transferred to a Benefit Plan Investor (including, for this purpose the general account of an insurance company the underlying assets of which constitute “plan assets” under Section 401(c) of ERISA) or a Controlling Person. See “ERISA Considerations” and “Transfer Restrictions.”

Class Z Notes Redemption

The Class Z Notes are not subject to Optional Redemption, Tax Redemption or the Auction Call Redemption. However, if the final Payment Date of the Class E Notes is prior to the Combination Securities Maturity Date or an event of default occurs with respect to the Class Z Collateral pursuant to the terms of the Class Z Collateral, the Class Z Notes will be redeemed on such final Payment Date or promptly after the Issuer obtains notice of the occurrence of an event of default with respect to the Class Z Collateral, as applicable, in exchange for delivery of the Class Z Collateral, *pro rata*, to the holders of the Class Z Notes or, in limited circumstances, will be redeemed from the proceeds of the sale of the Class Z Collateral. The holders of the Class Z Notes will be entitled to receive all payments made with respect to the Class Z Collateral to the extent funds are received by the Trustee from the issuer of the Class Z Collateral, as applicable, on the Combination Securities Maturity Date (or on such earlier date that any portion of the Class Z Collateral is redeemed or sold as described below).

A holder of a Class Z Note (including the holders of the Class Z Note Components of the Combination Securities) may elect to exchange its Class Z Note for its ratable share of the Class Z Collateral if it is eligible to hold the Class Z Collateral. If a holder of Class Z Notes makes such an election, it will surrender the Class Z Note (or the Combination Security) to the Trustee and the Note Registrar will authenticate and deliver a new Class Z Note (or Combination Security) to the holder in a principal amount (of the Class Z Note or the Class Z Note Component) equal to the surrendered principal amount less the principal amount of the Class Z Collateral that was redeemed. In addition, the Trustee shall deliver to the holder securities representing the portion of the principal amount of the Class Z Collateral being exchanged for the Class Z Notes or Class Z Note Components.

Class Z Collateral

The Class Z Notes are secured by a pool of assets (the “Class Z Collateral”) that consists of a U.S.\$50,000,000 principal amount Zero Coupon Bond Due 2012 ISIN XS0214613423 issued by The Goldman Sachs Group, Inc. and held by the Issuer solely for the benefit of the Class Z Notes, and all the proceeds thereof.

Interest

The Combination Securities do not bear a stated rate of interest. Instead, payments of principal, interest and distributions on the Components, as applicable, will be paid to holders of the Combination Securities as described below under “—Payments.”

Early Redemption

The Combination Securities will only be redeemed prior to the Combination Securities Maturity Date when the Class E Notes or Class Z Notes are redeemed. On an early redemption of the Class E Notes prior to the Combination Securities Maturity Date, the Combination Securities shall be redeemed in exchange for (i) delivery of the Class Z Collateral and (ii) any distributions payable in respect of the Class E Notes comprising the Class E Note Component. On an early redemption of the Class Z Notes prior to the Combination Securities Maturity Date, the Combination Securities shall be redeemed in exchange for (i) delivery of the Class E Notes comprising the Class E Note Component and (ii) any distributions payable in respect of the Class Z Notes comprising the Class Z Note

Component or, if an event of default has occurred with respect to the Class Z Collateral, delivery of the Class Z Collateral.

Any proceeds of the early redemption of the Class Z Note Component or the Class E Note Components will be paid to the holders of the Combination Securities on the related Payment Date to the extent of the ratable portion of such proceeds allocable to such Components. See “Description of the Securities—Mandatory Redemption,” “—Auction Call Redemption,” “—Optional Redemption and Tax Redemption,” “—Redemption Procedures,” “Class Z Notes Redemption” and “—Redemption Price.”

Redemption

The Combination Securities will be redeemed on the Combination Securities Maturity Date in exchange for (i) the Class E Notes comprising the Class E Note Component and (ii) any distributions received in respect of the Class Z Notes comprising the Class Z Note Component or if an event of default has occurred with respect to the Class Z Collateral, delivery of the Class Z Collateral.

Acts of holders of Combination Securities

Except as provided in the Trust Deed or the Security, the holders of the Combination Securities will not have any rights to vote or give consents under the Trust Deed or the Security Agreement as a class of securities. Instead, the holders of the Combination Securities will be treated as holders of the Class Z Notes and the Class E Notes to the extent of the Class Z Note Component and the Class E Note Components, as applicable, for purposes of any requests, demands, authorizations, directions, notices, consents, waivers or other actions under the Trust Deed or the Security Agreement. The holders of the Combination Securities will be entitled only to vote, or to direct the voting of, the Components of such Combination Securities.

Payments

On each date on which payments, if any, are made by the Issuer on the Class Z Notes or the Class E Notes, a portion of such payments will be allocated to the Combination Securities based on the Class Z Note Component Percentage and the Class E Note Component Percentage. Such amounts will be paid to the holders of the Combination Securities *pro rata* (i) based on the outstanding principal amount of the Class Z Notes allocated to the Class Z Note Component of each Combination Security, in the case of payments with respect to the Class Z Note Component or (ii) based on the outstanding principal amount of Class E Notes allocated to the Class E Note Components of each of the Combination Securities, in the case of payments with respect to the Class E Note Components. If the principal amount of the Class Z Note Component of the Combination Securities has been reduced to zero prior to the Combination Securities Maturity Date, the holders of the Combination Securities will continue to be entitled to receive all payments on the Class E Note Components *pro rata* in accordance with the outstanding principal amount of Class E Notes allocated to the Class E Note Components of the Combination Security held by them.

With respect to the Class Z Note Components of the Combination Securities, the proceeds of, or the payments of principal and interest on, the Class Z Collateral will be distributed, *pro rata*, by the Trustee to the registered holders of the Class Z Notes as of the close of business on the applicable record date.

No other payments will be made on the Combination Securities. The Class Z Note Component Percentage and the Class E Note Component Percentage will be adjusted, as appropriate, upon an exchange of the applicable Combination Security, in whole or in part, for the underlying Class Z Notes and Class E Notes, as described under “—Exchange of Combination Securities for Underlying Components.”

Exchange of Combination Securities for Underlying Components

The Components are not separately transferable. However, a holder may exchange its Combination Securities (in whole but not in part) for its ratable share of the underlying Class Z Notes and Class E Notes, as applicable, represented by the applicable Components as described herein and in the Trust Deed and Security

Agreement, as applicable. Specifically, upon an exchange of the Combination Securities, a holder of Combination Securities will receive its ratable share, based on the portion of the total amount of Combination Securities owned by such investor, of (1) Class Z Notes with a principal balance equal to the Class Z Note Component Percentage of the aggregate outstanding principal balance of the Class Z Notes (including the Class Z Note Component) and (2) Class E Notes with a principal balance equal to the Class E Note Component Percentage of the aggregate outstanding principal amount of the Class E Notes (including the Class E Note Component).

A Holder of Class Z Notes or Class E Notes (including a holder that received such Class Z Notes or Class E Notes upon exchange of a Combination Security) will not have the right to exchange such Class Z Notes or Class E Notes for a Combination Security.

USE OF PROCEEDS

The net proceeds from and associated with the offering of the Securities, after payment of applicable fees and expenses (including the Upfront Collateral Management Fee), are expected to equal approximately \$683,000,000. On the Closing Date the Issuer will apply the net proceeds to purchase, or enter into agreements to purchase, (i) a diversified portfolio of Collateral Assets which satisfy the Eligibility Criteria described herein with an aggregate Principal Balance of approximately \$617,700,000 and with accrued interest of approximately \$2,000,000 and (ii) the Class Z Collateral and will enter into one or more Hedge Agreements as the Collateral Manager may deem appropriate. The remaining net proceeds, constituting approximately \$31,000,000, will be deposited in the Collection Account, invested in Eligible Investments and used to purchase additional Collateral Assets and to make initial deposits in the Expense Reserve Account and may be used to enter into additional Hedge Agreements, as necessary.

RATINGS

It is a condition of the issuance of the Securities that the Class S Notes, the Class A-1 Notes and the Class A-2 Notes each be issued with a rating of "Aaa" by Moody's and "AAA" by S&P, that the Class B Notes be issued with a rating of at least "Aa2" by Moody's and at least "AA" by S&P, that the Class C Notes be issued with a rating of at least "A2" by Moody's and at least "A" by S&P and that the Class D Notes be issued with a rating of at least "Baa2" by Moody's and at least "BBB" by S&P. The ratings of the Class S Notes, Class A Notes and Class B Notes address the likelihood of timely payment of interest on the Class S Notes, Class A Notes and Class B Notes, respectively, at the Class S Note Interest Rate, Class A Note Interest Rate and Class B Note Interest Rate, respectively and the likelihood of the ultimate payment of principal of the Class S Notes, Class A Notes and Class B Notes, respectively. The ratings of the Class C Notes and Class D Notes address the likelihood of the ultimate payment of principal of and interest on the Class C Notes and Class D Notes at the Class C Note Interest Rate and Class D Note Interest Rate, respectively. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. If and so long as any of the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes are listed on the Irish Stock Exchange and the rules of such exchange so require, the Issuer will notify the Irish Stock Exchange if any rating assigned to any such Class of Notes is reduced or withdrawn.

Moody's

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

Moody's rating of the Class S Notes, Class A Notes and Class B Notes addresses timely cash receipt of all required interest payments and the ultimate cash receipt of all required principal payments with respect to such Classes of Notes as provided in the governing documents, and Moody's rating of the Class C Notes and Class D Notes addresses the ultimate cash receipt of all required interest and principal payments with respect to the Class C Notes and Class D Notes as provided in the governing documents. Moody's ratings are based on the expected loss

posed to the Holders of the Notes relative to the promise of receiving the present value, calculated using a discounted rate equal to the promised interest rate of such payments. Moody's analyzes the likelihood that each debt obligation included in the portfolio will default, based on historical default rates for similar debt obligations, the historical volatility of such default rates (which increases as securities with lower ratings are added to the portfolio) and an additional default assumption to account for future fluctuations in defaults. Moody's then determines the level of credit protection necessary to achieve the expected loss associated with the rating of the structured securities, taking into account the potential recovery value of the Collateral Assets and the expected volatility of the default rate of the portfolio based on the level of diversification by issuer and industry.

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

S&P

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

S&P's analysis includes the application of its proprietary default expectation computer model, the S&P CDO Monitor (which will be provided to the Collateral Manager), which is used to estimate the default rate the portfolio is likely to experience. The S&P CDO Monitor calculates the projected cumulative default rate of a pool of Collateral Assets consistent with a specified benchmark rating level based upon S&P's proprietary corporate debt default studies. The S&P CDO Monitor takes into consideration the rating of each issuer or obligor, the number of issuers or obligors, the issuer or obligor industry concentration and the remaining weighted average maturity of each of the Collateral Assets and Eligible Investments included in the portfolio. The risks posed by these variables are accounted for by effectively adjusting the necessary default level needed to achieve a desired rating. The higher the desired rating, the higher the level of defaults the portfolio must withstand.

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

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

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

SECURITY FOR THE SECURITIES

Under the terms of the Security Agreement, the Issuer will grant to the Collateral Agent, (i) for the benefit of the Secured Parties, a first priority perfected security interest in the Collateral, including the Collateral Assets, that is free of any adverse claim, to secure the Issuers' obligations under the Trust Deed, the Note Agency Agreement, the Security Agreement, the Collateral Management Agreement, the Securities and the Hedge Agreements, the Manx Agreement, the Collateral Administration Agreement and the Depository Agreement and (ii) for the benefit of the Holders of the Class Z Notes only, a first priority perfected security interest in the Class Z Collateral.

Purchase of Collateral Assets

The composition of the portfolio of Collateral Assets will be determined by the Collateral Manager, and will, on the date of purchase by the Issuer, be required to meet the Eligibility Criteria. On and after the Closing Date, each purchase of a Collateral Asset is required to satisfy the Reinvestment Criteria, including the Collateral Profile Tests, Collateral Quality Tests and Coverage Tests. Compliance with the Reinvestment Criteria shall be measured as of the date the Issuer makes a commitment to purchase the Collateral Asset (the "trade date"), not the settlement date. In addition, with respect to any "package trade" in which multiple Collateral Assets are purchased and/or sold within the same "trade date" (regardless of whether the settlement dates are the same), compliance with the Reinvestment Criteria shall be measured by determining the aggregate effect of such "package trade" on the Issuer's level of compliance with the applicable Reinvestment Criteria rather than considering the effect of each purchase and sale of a Collateral Asset individually. The Reinvestment Criteria (or any part thereof) shall be "satisfied" if the same are passed, maintained or improved, except as otherwise described in the applicable Reinvestment Criteria.

Satisfaction of Rating Conditions

As described in this offering circular, prior to taking certain actions or making certain investments, the Issuer or Collateral Manager will be required to obtain confirmation that such actions or investments will not result in the withdrawal or reduction of the ratings assigned by the Rating Agencies to the Class S Notes, Class A Notes, Class B Notes, Class C Notes or Class D Notes by one or more subcategories.

Eligibility Criteria and Collateral Profile Tests

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

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

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

With respect to any Collateral Asset, the date on which such obligation shall be deemed to “mature” (or its “maturity” date) shall be the earlier of (x) the stated maturity of such obligation or (y) if an investor in such Collateral Asset has the right to require the issuer or obligor of such Collateral Asset to purchase, redeem or retire such Collateral Asset (at par) on any one or more dates prior to its stated maturity and the Collateral Manager certifies to the Collateral Agent that it shall exercise such put right on any such date, the maturity date shall be the date specified in such certification.

General Eligibility Criteria

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

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

(ii) it is denominated in U.S. Dollars, Canadian Dollars, Pounds Sterling, Danish Kroner or Euro and is not convertible into, or payable in, any other currency;

(iii) if it is issued by an issuer that is (a) the United States or a political subdivision or local authority of the United States or any executive department, independent establishment, or agency thereof (including any corporate instrumentality of the United States or a political subdivision or local authority of the United States), or (b) incorporated or organized under the laws of the United States or of a political subdivision or local authority of the United States, such Collateral Asset has satisfied one of the following conditions: (a) the Issuer has received an opinion of counsel to the effect that the acquisition, disposition, or ownership of such Collateral Asset will not subject the Issuer to net income tax or cause the Issuer to be treated as engaged in a trade or business within the United States for U.S. federal income tax purposes, (b) the Issuer has received an opinion of counsel to the effect that such Collateral Asset will be treated as debt for U.S. federal income tax purposes, if such Collateral Asset is treated as issued by a corporation, or should be treated as debt for U.S. federal income tax purposes, (c) the Issuer has been provided the tax opinion rendered at the issuance of such Collateral Asset to the effect that such Collateral Asset will be treated as debt for U.S. federal income tax purposes, if such Collateral Asset is treated as issued by a corporation for U.S. federal income tax purposes, or should be treated as debt for U.S. federal income tax purposes, (d) the Issuer has received documents pursuant to which such Collateral Asset was offered, if any, that include or refer to an opinion of counsel to the effect that such Collateral Asset will be treated as debt for U.S. federal income tax purposes if such Collateral Asset is treated as issued by a corporation for U.S. federal income tax purposes, or should be treated as debt for U.S. federal income tax purposes, (e) the Alternative Debt Test is satisfied or (f) the Collateral Asset is a certificate of beneficial interest in a trust treated as a grantor trust for purposes of the Code, all the assets of which are (1) regular interests in an entity that is a REMIC or FASIT within the meaning of the Code (as evidenced by an opinion of counsel or reference to an opinion of counsel in offering documents), and (2) interest rate swaps, caps or other notional principal contracts (within the meaning of Treasury regulations) designed to hedge interest rate risk with respect to the assets of or the regular interests in such REMIC or FASIT; *provided* that (x) in the case of subclause (c), (d), (e) and (f) of this clause (iii), there has been no change in the terms of such Collateral Asset prior to the date of its acquisition by the Issuer, (y) this clause (iii) shall not apply to any Interest Only Security and (z) for purposes of this clause (iii), an opinion of counsel that the issuer of such Collateral Asset will be treated as a REMIC or FASIT within the meaning of the Code shall be treated as an opinion of counsel that such Collateral Asset will be treated as debt for U.S. federal income tax purposes (unless such Collateral Asset is the residual interest in the REMIC or the ownership interest in the FASIT within the meaning of the Code);

(iv) it is issued by an issuer (A) incorporated or organized under the laws of the United States, a state thereof, or (B) which is a Qualifying Foreign Obligor;

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

- (vi) either (a) it was issued pursuant to an effective registration statement under the Securities Act in a “firm commitment” underwriting or (b) (1) it was issued in a transaction exempt from registration under the Securities Act pursuant to an offering memorandum, private placement memorandum or similar document and (2) neither the Issuer nor the Collateral Manager (nor any affiliate of the Collateral Manager) participated in the negotiation or structuring of the terms of such Collateral Asset, except for purposes of (i) commenting on offering documents to an underwriter or placement agent (or other person serving in a similar capacity) where the ability to comment on such documents was generally available to investors or (ii) due diligence of the kind customarily performed by investors in Collateral Assets of such type; *provided* that after the Issuer has acquired such Collateral Asset, granting or withholding consent to any amendments or modifications of its terms shall not be deemed to be participating in the negotiation or structuring of the terms of such Collateral Asset;
- (vii) its acquisition would not cause the Issuer or the pool of Collateral to be required to register as an investment company under the Investment Company Act; and if the issuer of such security is excepted from the definition of an “investment company” solely by reason of Section 3(c)(1) of the Investment Company Act, then either (a) such security does not constitute a “voting security” for purposes of the Investment Company Act or (b) the aggregate amount of such security held by the Issuer is less than 10% of the entire Issue of such security;
- (viii) it is not (a) a Collateral Asset issued by an issuer located in a country that imposes foreign exchange controls that effectively limit the availability or use of the currency which such Collateral Asset is paid in to make when due the scheduled payments of principal of and interest on such Collateral Asset; (b) a financing by a debtor-in-possession in any insolvency proceeding; or (c) the subject of an Offer other than a Permitted Offer (each as defined herein) (and it has not been called for redemption);
- (ix) the Issuer is not required by the terms of the related Underlying Instruments to make any payment or advance to the issuer of any Collateral Asset under the terms of its Underlying Instruments after its acquisition thereof or to any Synthetic Security Counterparty, other than any requirement to transfer Default Swap Collateral under the terms of a Synthetic Security which is a Default Swap and unless a subaccount has been fully funded to cover any such payments or advances;
- (x) it provides for periodic payments of interest no less frequently than semiannually;
- (xi) if it has a partial coupon rating and is not an Interest Only Security, the Rating Agency Condition is satisfied;
- (xii) it was issued after July 18, 1984, and is in registered form for purposes of the Code;
- (xiii) if it is a Deemed Floating Collateral Asset, the Deemed Floating Asset Hedge entered into with respect to such Deemed Floating Collateral Asset conforms to all requirements set forth in the definition of “Deemed Floating Asset Hedge”;
- (xiv) if it is a Floating Rate Asset, its interest rate (or the interest rate on the underlying pool of loans and securities) adjusts by reference to one of the following indices: Constant Maturity Treasury, Moving Treasury Average, any London interbank offered rate, any EURIBOR, prime or the corporate base rate, cost of funds index (all districts), constant maturity swaps, federal funds, Treasury bills, commercial paper composite or any other index added upon satisfaction of the Rating Agency Condition;
- (xv) it does not have a Weighted Average Life greater than 12 years;
- (xvi) it is expected to have an outstanding principal balance of less than \$1,000 after the Stated Maturity of the Class A-1 Notes, assuming a constant prepayment rate since the date of purchase equal to the lesser of (a) 5% per annum and (b) the constant prepayment rate reasonably expected by the Collateral Manager as of the date of purchase;

(xvii) it is not a Defaulted Obligation or a security currently deferring interest or an obligation which, in the Collateral Manager's judgment, has a significant risk of declining in credit quality and, with the lapse of time, becoming a Defaulted Obligation (excluding Haircut Assets);

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

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

(xx) it is not a bank loan, a Corporate Security, a CDO Security (other than a Static Structured Product CDO Security which is not a Corporate CDO Security or CDO of CDO Security), a Municipal Security, a CMBS Franchise Security, an Aerospace and Defense Security, a Healthcare Security, an Insured Security, a Mutual Fund Fee Security, a Structured Settlement Security, a Tax Lien Security or a RMBS Manufactured Housing Loan Security;

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

(xxii) it does not have an Actual Rating of below "Ba3" by Moody's or "BB-" by S&P or is an RMBS Agency Security, and if the S&P rating (if any) includes an "r", "t", "p", "q" or "pi" subscript, it satisfies the Rating Agency Condition with respect to S&P; and

(xxiii) if it is a Non-U.S. Dollar Denominated Asset that is not balance guaranteed swapped into U.S. Dollars, it is a Collateral Asset with a low prepayment variability.

In order to reduce the risk that the Issuer might be treated as engaged in a U.S. trade or business for U.S. federal income tax purposes, the Issuer and the Collateral Manager will observe certain additional restrictions and limitations on their activities and on the Collateral Assets that may be purchased. Accordingly, although a particular prospective investment may satisfy the Eligibility Criteria, it may be ineligible for purchase by the Issuer and the Collateral Manager as a result of these limitations and restrictions.

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

General Profile Tests

A Collateral Asset will be eligible for purchase by the Issuer and pledge to the Collateral Agent if, at the time it is purchased, the general collateral profile tests listed below (the "General Profile Tests") in addition to the specific profile tests applicable to the Category or Subcategory to which the Collateral Asset belongs are met. For purposes of determining compliance with any Collateral Profile Test, all calculated percentages will be rounded to the nearest tenth of 1%, i.e., 5.13% would be rounded to 5.1%. The General Collateral Profile Tests are:

Securities Rated A3/A- and Above

not less than 5% of the Aggregate Principal Amount may consist of Collateral Assets that have an Actual Rating of

“A3” or better by Moody’s and “A-“ or better by S&P (excluding RMBS Agency Securities);

**Securities Rated
Below Baa3/BBB-**

all Collateral Assets that have an Actual Rating of less than “Baa3” by Moody’s and less than “BBB-” by S&P are CMBS Securities, RMBS Securities, ABS Credit Card Securities, ABS Auto Securities, ABS Student Loan Securities, ABS Small Business Securities or ABS Equipment Lease Securities; not more than 2% of the Aggregate Principal Amount may consist of Collateral Assets that have an Actual Rating of less than “Baa3” by Moody’s and less than “BBB-” by S&P and are ABS Credit Card Securities, ABS Auto Securities, ABS Student Loan Securities, ABS Small Business Securities or ABS Equipment Lease Securities;

**Securities Rated
Below Baa3/BBB-**

not more than 7.5% of the Aggregate Principal Amount may consist of Collateral Assets that have an Actual Rating of less than “Baa3” by Moody’s or less than “BBB-” by S&P (excluding RMBS Agency Securities) and not more than 10% of the Aggregate Principal Amount may consist of Collateral Assets that have an Implied Rating of less than “Baa3” by Moody’s;

Single Servicer

not more than 25% of the Aggregate Principal Amount may consist of Collateral Assets (including for this purpose, with respect to Synthetic Securities, the Reference Obligations) which are RMBS Securities or CMBS Securities serviced by a single Servicer which is ranked “Strong” by S&P; not more than 15% of the Aggregate Principal Amount may consist of Collateral Assets (including for this purpose, with respect to Synthetic Securities, the Reference Obligations) which are RMBS Securities or CMBS Securities serviced by a single Servicer which is ranked “Average” or “Above Average” by S&P; not more than 7.5% of the Aggregate Principal Amount may consist of Collateral Assets (including for this purpose, with respect to Synthetic Securities, the Reference Obligations) which are RMBS Securities or CMBS Securities serviced by a single Servicer which is ranked below “Average” by S&P or not ranked by S&P; *provided* that RMBS Agency Securities shall be excluded from the numerator of all such calculations but included in the Aggregate Principal Amount;

Single Issue

(A) not more than 3.0% of the Aggregate Principal Amount may consist of Collateral Assets rated at least “Baa3” by Moody’s or “BBB-“ by S&P (including for this purpose, with respect to Synthetic Securities, the Reference Obligations and excluding all RMBS Agency Securities) that are issued by the same issuer and are supported, partially or fully, by the same collateral or are issued by the same obligor or its affiliates (interests in the same master trust being considered the same issuer); *provided, however* that, notwithstanding the foregoing, up to 3.1% of the Aggregate Principal Amount may consist of Collateral Assets to be acquired by the Issuer on, or shortly

after the Closing Date (including for this purpose, with respect to Synthetic Securities, the Reference Obligations and excluding all RMBS Agency Securities), that are issued by each of two issuers and are supported, partially or fully, by the same collateral or issued by the same obligor or its affiliates (interests in the same master trust being considered the same issuer); (B) Collateral Assets issued by not more than 4 single issuers and supported, partially or fully, by the same collateral or issued by the same obligor or its affiliates (interests in the same master trust being considered the same issuer) shall represent more than 2.5% of the Aggregate Principal Amount; (C) Collateral Assets issued by not more than 8 single issuers and supported, partially or fully, by the same collateral or issued by the same obligor or its affiliates (interests in the same master trust being considered the same issuer) shall represent more than 2% of the Aggregate Principal Amount; (D) Collateral Assets issued by not more than 22 single issuers and supported, partially or fully, by the same collateral or issued by the same obligor or its affiliates (interests in the same master trust being considered the same issuer) shall represent more than 1.5% of the Aggregate Principal Amount; and (E) Collateral Assets issued by not more than 55 single issuers and supported, partially or fully, by the same collateral or issued by the same obligor or its affiliates (interests in the same master trust being considered the same issuer) shall represent more than 1.0% of the Aggregate Principal Amount;

Number of Obligor

not less than 80 separate Obligor shall be represented in the Aggregate Principal Amount of Collateral Assets during the Reinvestment Period; *provided* that with respect to RMBS Agency Securities, each CUSIP number shall be considered a separate Obligor;

BB/Ba Rated Single Issue

not more than 1.0% of the Aggregate Principal Amount may consist of Collateral Assets (including for this purpose, with respect to Synthetic Securities, the Reference Obligations and excluding any RMBS Agency Securities) that are rated less than “Baa3” by Moody’s and less than “BBB-” by S&P and are issued by the same issuer and are supported, partially or fully, by the same collateral or are issued by the same obligor or its affiliates (interests in the same master trust being considered the same issuer);

Non-U.S. Securities

not more than 40% of the Aggregate Principal Amount may consist of Collateral Assets that are Non-U.S. Securities;

Non-U.S. Dollar Denominated Assets, Non-Balance Guaranteed Swapped Assets

not more than 6.0% of the Aggregate Principal Amount may consist of Collateral Assets that are Non-U.S. Dollar Denominated Assets and are not balance guaranteed swapped into U.S. Dollars;

Floating Rate Assets/Floating Rate Securities	100% of the Aggregate Principal Amount must consist of Collateral Assets which are (i) Floating Rate Assets or (ii) Deemed Floating Collateral Assets;
Fixed Rate Assets/ Fixed Rate Securities	not more than 5% of the Aggregate Principal Amount may consist of Collateral Assets which are Fixed Rate Securities, and all of the Fixed Rate Securities must be able to be classified as Deemed Floating Collateral Assets;
Weighted Average Life	not more than 5.0% of the Aggregate Principal Amount may consist of Collateral Assets with a Weighted Average Life of greater than 10 years; not more than 10% of the Aggregate Principal Amount may consist of Collateral Assets with a Weighted Average Life of greater than 8 years; no Collateral Assets with a Weighted Average Life of greater than 8 years have an Actual Rating of below “Baa3” by Moody’s or below “BBB-” by S&P; not more than 20% of the Aggregate Principal Amount of the Collateral Assets may consist of Collateral Assets with a Weighted Average Life of greater than 6 years;
Certain Pure Private Collateral Assets	not more than 10% of the Aggregate Principal Amount may consist of Collateral Assets that were not (a) issued pursuant to an effective registration statement under the Securities Act or (b) privately placed Collateral Assets that are eligible for resale under Rule 144A or Regulation S under the Securities Act;
Securities Lending	the Aggregate Principal Amount of (a) Collateral Assets loaned under Securities Lending Agreements entered into by the Issuer with a single Securities Lending Counterparty and (b) Collateral Assets loaned under Securities Lending Agreements entered into by the Issuer with Securities Lending Counterparties having the same ratings will not exceed the applicable individual or aggregate percentages set forth in Appendix F hereto, based upon the lowest Actual Rating by either Rating Agency;
Haircut Assets	not more than 5% of the Aggregate Principal Amount may consist of Collateral Assets which are Haircut Assets;
Issue Size	not more than 15% of the Aggregate Principal Amount may consist of Collateral Assets that are part of an Original Issuance Amount which has an aggregate principal amount of less than \$100,000,000 and not more than 5% of the Aggregate Principal Amount may consist of Collateral Assets that are part of an Original Issuance Amount of less than \$50,000,000; <i>provided</i> , that such 15% and 5% limits will not apply to Synthetic Securities or to REIT Debt Securities issued by an issuer of REIT Debt Securities having an aggregate principal amount of outstanding securities of at least \$200,000,000; and <i>provided, further</i> , any Collateral Assets that were not (a) issued pursuant to an effective registration

statement under the Securities Act or (b) privately placed and eligible for resale under Rule 144A or Regulation S under the Securities Act, must have an Original Issuance Amount of at least \$100,000,000;

Bivariate Basket Limitation

not more than 20% of the Aggregate Principal Amount may consist of Collateral Assets that are (a) Collateral Assets that have been loaned pursuant to Securities Lending Agreements and (b) Synthetic Securities (other than Default Swaps if the Issuer holds a Default Swap Collateral Account related thereto and the collateral posted in such account fully collateralizes such Default Swaps and includes an amount equal to the next periodic premium due under such Default Swaps) with Synthetic Security counterparties rated less than “AAA” by S&P;

Bespoke Securities Limitation

not more than 5% of the Aggregate Principal Amount may consist of Collateral Assets that are Bespoke Securities;

Default Swap Limitation

not more than 20% of the Aggregate Principal Amount may consist of Collateral Assets that are Default Swaps;

CMBS CDO Securities; RMBS CDO Securities; Static Structured Product CDO Securities Limitation

not more than 5.0% of the Aggregate Principal Amount may consist of Collateral Assets that are CMBS CDO Securities, RMBS CDO Securities or Static Structured Product CDO Securities;

Off-the-Run ABS Securities

not more than 5.0% of the Aggregate Principal Amount may consist of ABS Securities other than ABS Automobile Securities, ABS Credit Card Securities, ABS Student Loan Securities, ABS Small Business Loan Securities or ABS Equipment Lease Securities;

PIK Bonds Limitation

not more than 3% of the Aggregate Principal Amount may consist of Collateral Assets that are PIK Bonds; and

Non-CMBS Securities and Non- RMBS Securities

not more than 35% of the Aggregate Principal Amount may consist of Collateral Assets that are not CMBS Securities or RMBS Securities.

Specific Category Eligibility Criteria

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

CMBS Security Eligibility Criteria

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

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

RMBS Security Eligibility

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

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

Asset Backed Security Eligibility Criteria

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

- (i) it can be classified in an Approved Subcategory of ABS Securities or one of the following Subcategories: ABS Automobile Securities, ABS Credit Card Securities, ABS Student Loan Securities, ABS Small Business Loan Securities, ABS Timeshare Securities, ABS Equipment Lease Securities, ABS Car Rental Receivable Securities, ABS Non-Performing Loan Securities, or ABS Other Securities, *provided*, that, with respect to any Approved Subcategory of ABS Securities or ABS Other Securities in excess of the amount permitted in the Off-the-Run ABS Securities profile constraint, such Approved Subcategory of ABS Securities or ABS Other Securities, as applicable, shall not be a Restricted ABS Asset Type or any other specified type of asset backed securities that are not secured by direct mortgage liens on real property, unless such Approved Subcategory of ABS Securities or ABS Other Securities shall be approved in writing by the Initial Interest Rate Swap Counterparty.

REIT Debt Security Eligibility Criteria

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

- (i) it can be classified in an Approved Subcategory of REIT Debt Securities or one of the following Subcategories: REIT Retail Security, REIT Office Security, REIT Industrial Security, REIT Multi-family Security, REIT Hotel and Leisure Debt Security or REIT Other Security (each as defined herein).

Interest Only Security Eligibility Criteria

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

- (i) it has an Actual Rating of “Aaa” by Moody’s or “AAA” by S&P;

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

(iii) at the time of purchase, in the reasonable judgment of the Collateral Manager, it is able to withstand two times the expected prepayment on the underlying assets without a value decline greater than 1%, or the majority of its underlying collateral has some form of prepayment protection *provided*, that within 10 days of the acquisition of any such Interest Only Security, the Collateral Manager shall give Moody's notice of such acquisition, together with evidence of satisfaction of this clause (iii).

Synthetic Security Eligibility Criteria

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

either (a) it is a Default Swap and the Reference Obligations of the Synthetic Security would otherwise be eligible for purchase by the Issuer or (b) a Bespoke Security which has an Actual Rating by Moody's.

The Collateral Quality Tests

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

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

Moody's Diversity Test. The "Moody's Diversity Test" will be satisfied as of the Closing Date and any other Measurement Date if the Diversity Score (rounded to the nearest whole number) equals or exceeds 18. The "Diversity Score" is a single number that indicates collateral concentration in terms of both issuer, country/region and industry concentration. The methodology used to calculate the Moody's Diversity Score is set forth in Appendix B hereto. The Moody's Diversity Test is similar to a score that Moody's uses to measure default risk for purposes of its ratings. A higher Diversity Score reflects a more diverse portfolio in terms of issuer, country/region and industry concentration. The Diversity Score is expected to be approximately 20 as of the Closing Date. For purposes of calculating the Moody's Diversity Test, (i) a Synthetic Security shall be included as a Collateral Asset having the characteristics of the Reference Obligation, (ii) the Diversity Score will be calculated for each Synthetic Security assuming that the Reference Obligor with respect to such Synthetic Security is the obligor of such Synthetic Security for purposes of calculating the Diversity Score, (iii) Defaulted Obligations and Interest Only Securities shall be disregarded and (iv) the Principal Balance of a Deferred Interest PIK Bond shall be deemed to be equal to its outstanding principal amount without regard to any deferred and capitalized interest.

The default risk of asset-backed securities and mortgage-backed securities is more highly correlated than the default risk of a pool of corporate bonds of unaffiliated issuers in many different industry groups. To analyze collateral assets from sectors with correlated default risk, Moody's has developed an alternative Diversity Score method which is described in Appendix B hereto.

Moody's Maximum Rating Distribution Test. The "Moody's Maximum Rating Distribution Test" will be satisfied on any Measurement Date if the Moody's Maximum Rating Distribution of the Collateral Assets is equal to or less than 450. "Moody's Maximum Rating Distribution," "Moody's Rating Factor" and "Moody's Rating" are defined in Appendix C hereto.

Maximum Weighted Average Life Test. The "Maximum Weighted Average Life Test" will be satisfied if, as of any Measurement Date, the Aggregate Weighted Average Life of the Collateral Assets is less than or equal to 5.0 years, declining to 3.0 years by 0.4 years each annual period after the Closing Date with the first decline commencing on the Determination Date relating to the Payment Date in August 2006.

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

Moody's Minimum Weighted Average Recovery Rate Test. "Moody's Minimum Weighted Average Recovery Rate Test" will be satisfied as of any Measurement Date if the Moody's Weighted Average Recovery Rate (as defined below) is greater than or equal to 29.25%.

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

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

The "Weighted Average Spread" as of any Measurement Date will equal a fraction (expressed as a percentage) obtained by dividing (I) by (II) where (I) equals the sum of (a) a number obtained by summing the products obtained by multiplying (x) the Spread on each Collateral Asset (net of any withholding taxes which are not grossed up by the Underlying Obligor or any other Person that is a Floating Rate Asset or a Decmed Floating Collateral Asset (other than Defaulted Obligations and Deferred Interest PIK Bonds) as of such date by (y) the Principal Balance of each such Collateral Asset and (II) equals the aggregate Principal Balance of all Collateral Assets that are Floating Rate Assets or Decmed Floating Collateral Assets (excluding all Defaulted Obligations and Deferred Interest PIK Bonds) held by the Issuer as of such Measurement Date (*provided, however*, that for purposes of determining the "Weighted Average Spread" with respect to Non-U.S. Dollar Denominated Assets, interest payments expected to be received on such Collateral Assets shall be calculated in then-current U.S. Dollars after giving effect to any currency exchange by the Issuer and payments in then-current U.S. Dollars made to the Issuer and by the Issuer under the Currency Swap Agreements).

The "Minimum Weighted Average Spread" is 1.55%.

In calculating any Collateral Quality Test by reference to the spread (in the case of a floating rate Step-Down Bond) or coupon (in the case of a fixed rate Step-Down Bond) of a Step-Down Bond, the spread or coupon on any date shall be deemed to be the lowest spread or coupon, respectively, scheduled to apply to such Step-Down Bond on or after such date. In calculating any Collateral Quality Test by reference to the spread (in the case of a floating rate Step-Up Bond) or coupon (in the case of a fixed rate Step-Up Bond) of a Step-Up Bond, the spread or coupon on any date shall be deemed to be the spread or coupon stated to be payable in cash and in effect on such date.

S&P CDO Monitor Test. The "S&P CDO Monitor Test" will be satisfied as of any Measurement Date, if each of the Class A/S Note Loss Differential, the Class B Note Loss Differential, the Class C Note Loss Differential

and the Class D Note Loss Differential of the Current Portfolio or the Proposed Portfolio, as applicable, is positive. The S&P CDO Monitor Test will be considered to be improved if the Class A/S Note Loss Differential of the Proposed Portfolio is greater than the Class A/S Note Loss Differential of the Current Portfolio, the Class B Note Loss Differential of the Proposed Portfolio is greater than the Class B Note Loss Differential of the Current Portfolio, the Class C Note Loss Differential of the Proposed Portfolio is greater than the Class C Note Loss Differential of the Current Portfolio and the Class D Note Loss Differential of the Proposed Portfolio is greater than the Class D Note Loss Differential of the Current Portfolio.

The “S&P CDO Monitor” means the model used to estimate the default rate the portfolio is likely to experience and which will be provided to the Collateral Manager on or before the initial Payment Date. The S&P CDO Monitor calculates the projected cumulative default rate of a pool of Collateral Assets consistent with a specified benchmark rating level based upon S&P’s proprietary corporate debt default studies. In calculating the Class A/S Note Scenario Default Rate, the Class B Note Scenario Default Rate, the Class C Note Scenario Default Rate and the Class D Note Scenario Default Rate, the S&P CDO Monitor considers each obligor’s issuer rating, the number of obligors in the portfolio, the obligor and industry concentrations in the portfolio and the remaining weighted average maturity of the Collateral Assets and Eligible Investments and calculates a cumulative default rate based on the statistical probability of distributions or defaults on the Collateral Assets and Eligible Investments. “Class A/S Note Loss Differential,” “Class A/S Note Scenario Default Rate,” “Class A/S Note Break-Even Loss Rate,” “Class B Note Loss Differential,” “Class B Note Scenario Default Rate,” “Class B Note Break-Even Loss Rate,” “Class C Note Loss Differential,” “Class C Note Scenario Default Rate,” “Class C Note Break-Even Loss Rate,” “Class D Note Loss Differential,” “Class D Note Scenario Default Rate,” and “Class D Note Break-Even Loss Rate” are each defined in Appendix A hereto.

There can be no assurance that actual defaults of the Collateral Assets or the timing of defaults will not exceed those assumed in the application of the S&P CDO Monitor or that recovery rates with respect thereto will not differ from those assumed in the S&P CDO Monitor Test. S&P makes no representation that actual defaults will not exceed those determined by the S&P CDO Monitor. None of the Issuers, the Collateral Manager or any Initial Purchaser makes any representation as to the expected rate of defaults of the Collateral Assets or the timing of defaults or as to the expected recovery rate or the timing of recoveries.

S&P Minimum Weighted Average Recovery Rate Test. The “S&P Minimum Weighted Average Recovery Rate Test” will be satisfied as of any Measurement Date if the S&P Minimum Weighted Average Recovery Rate is greater than or equal to (i) 26% (calculated using the AAA stress case) if the Class A Notes are outstanding, (ii) 31% (calculated using the AA stress case) if only the Class B Notes, the Class C Notes and the Class D Notes are outstanding, (iii) 36% (calculated using the A stress case) if only the Class C Notes and the Class D Notes are outstanding, and (iv) 42% (calculated using the BBB stress case) if only the Class D Notes are outstanding.

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

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

The Coverage Tests

The Coverage Tests (as defined below) will be used on any Determination Date primarily to determine whether interest may be paid on the Class C Notes and the Class D Notes, whether Proceeds will be distributed to the Holders of the Class E Notes and Combination Securities, whether Principal Proceeds may be reinvested in Collateral Assets, or whether Principal Proceeds must be used to make mandatory redemptions of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, as described in the Priority of Payments. See “—Substitute Collateral Assets and Reinvestment Criteria” and “Description of the Securities—Principal” and “—Priority of Payments.” The “Coverage Tests” will consist of the Class A/B Overcollateralization Test, the Class A/B Interest Coverage Test, the Class C/D Overcollateralization Test and the Class C/D Interest Coverage Test. For

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

Measurement of the degree of compliance with the Interest Coverage Tests will be required as of each Measurement Date on or after the initial Payment Date.

The Class A/B Overcollateralization Test

The “Class A/B Overcollateralization Ratio” as of any Measurement Date will equal the ratio (expressed as a percentage) obtained by dividing (i) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (ii) the sum of 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 Notes or Class B Notes remain outstanding if the Class A/B Overcollateralization Ratio on such Measurement Date is equal to or greater than 108%. The Class A/B Overcollateralization Ratio is expected to be 112.4% as of the Closing Date.

Class A/B Interest Coverage Test

The Class A/B Interest Coverage Ratio is expected to be approximately equal to 144.1% as of the Closing Date. During the Initial Investment Period, the Class A/B Interest Coverage Ratio will likely be lower until the net proceeds associated with the offering of the Securities have been fully invested. The “Class A/B Interest Coverage Test” will be satisfied as of any Measurement Date (on or after the initial Payment Date) if the Class A/B Interest Coverage Ratio is equal to or greater than 103%.

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

(i) (a) the sum of the cash interest payments (or any purchase discount in the case of Eligible Investments) received or expected to be received, including Proceeds of any sold Collateral Asset which represents accrued interest (unless such accrued interest is otherwise required to be classified as Principal Proceeds) (current interest payments expected to be received on Non-U.S. Dollar Denominated Assets shall be calculated in U.S. Dollars after giving effect to payments expected to be made to the Issuer and by the Issuer under the Currency Swap Agreements) in the Due Period in which such Measurement Date occurs on the Collateral Assets and the Eligible Investments (other than cash received from Defaulted Obligations and Deferred Interest PIK Bonds) held in any of the Accounts, limited, in the case of Interest Only Securities to the Applicable Amount for Interest Only Securities, plus (b) without duplication, amounts scheduled to be received by the Issuer from any Hedge Counterparty under any Hedge Agreement less any amounts scheduled to be paid to any Hedge Counterparty (in each case, other than termination payments and termination receipts related to such Hedge Agreements), minus (c) interest and scheduled principal payments on the Class S Notes due on the following Payment Date, minus (d) the excess of amounts

expected to be paid on the next Payment Date under clauses (1), (2), (3) and (4) of the Priority of Payments over amounts on deposit in the Expense Reserve Account on the Measurement Date; by

(ii) an amount not less than \$1.00 equal to the sum of the interest payments due on the Class A Notes and Class B Notes on the following Payment Date.

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

The Class C/D Overcollateralization Test

The “Class C/D Overcollateralization Ratio” as of any Measurement Date will equal the ratio (expressed as a percentage) obtained by dividing (i) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (ii) the sum of the aggregate outstanding principal amount of the Class A Notes, the Class B Notes, the Class C Notes (including Class C Deferred Interest) and the Class D Notes (including Class D Deferred Interest).

The “Class C/D Overcollateralization Test” will be satisfied on any Measurement Date on which any Class C Notes or Class D Notes remain outstanding if the Class C/D Overcollateralization Ratio on such Measurement Date is equal to or greater than 102.5%. The Class C/D Overcollateralization Ratio is expected to be 104.2% as of the Closing Date.

Class C/D Interest Coverage Test

The Class C/D Interest Coverage Ratio is expected to be approximately equal to 129.1% as of the Closing Date. During the Initial Investment Period, the Class C/D Interest Coverage Ratio will likely be lower until the net proceeds associated with the offering of the Securities have been fully invested. The “Class C/D Interest Coverage Test” will be satisfied as of any Measurement Date (on or after the initial Payment Date) if the Class C/D Interest Coverage Ratio is equal to or greater than 102%.

The “Class C/D Interest Coverage Ratio” as of any Measurement Date will equal the ratio (expressed as a percentage) obtained by dividing:

(i) (a) the sum of the cash interest payments (or any purchase discount in the case of Eligible Investments) received or expected to be received including Proceeds of any sold Collateral Asset which represents accrued interest (unless such accrued interest is otherwise required to be classified as Principal Proceeds) (current interest payments expected to be received on Non-U.S. Dollar Denominated Assets shall be calculated in U.S. Dollars after giving effect to payments expected to be made to the Issuer and by the Issuer under the Currency Swap Agreements) in the Due Period in which such Measurement Date occurs on the Collateral Assets and the Eligible Investments (other than cash received from Defaulted Obligations and Deferred Interest PIK Bonds) held in any of the Accounts, limited, in the case of Interest Only Securities to the Applicable Amount for Interest Only Securities, plus (b) without duplication, amounts scheduled to be received by the Issuer from any Hedge Counterparty under any Hedge Agreement less any amounts scheduled to be paid to any Hedge Counterparty (in each case, other than termination payments and termination receipts related to such Hedge Agreements), minus (c) interest and scheduled principal payments on the Class S Notes due on the following Payment Date, minus (d) the excess of amounts expected to be paid on the next Payment Date under clauses (1), (2), (3) and (4) of the Priority of Payments over amounts on deposit in the Expense Reserve Account on the Measurement Date; by

(ii) an amount not less than \$1.00 equal to the sum of interest payments due on the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes on the following Payment Date.

For the purposes of calculating the Class C/D Interest Coverage Ratio (i) expected interest payments on the Collateral Assets and the Eligible Investments will not include any scheduled interest payments which the Issuer or

the Collateral Manager reasonably expects will not be made in cash during the applicable Due Period (including on any asset currently deferring interest) and including amounts scheduled to be received under any Hedge Agreement or Currency Swap Agreement which the Issuer or the Collateral Manager reasonably expects will not be made during the applicable Due Period; and (ii) interest scheduled to be paid on the Class C Notes and the Class D Notes on the following Payment Date shall be considered due on any Measurement Date prior to or on such Payment Date even if all or a portion of such interest shall become Class C Deferred Interest or Class D Deferred Interest, as applicable, on such Payment Date as provided for under “Description of the Securities—Interest.”

For purposes of calculating the Class A/B Interest Coverage Ratio and the Class C/D Interest Coverage Ratio and for purposes of the criteria described under “—Substitute Collateral Assets and Reinvestment Criteria,” the expected collateral interest income on Collateral Assets which are Floating Rate Assets, Decmed Floating Collateral Assets and Eligible Investments (including amounts scheduled to be received under any Hedge Agreement) and the expected interest payable on the Notes will be calculated using the then-current interest rates and currency rates applicable thereto.

Substitute Collateral Assets and Reinvestment Criteria

Sales of Collateral Assets. The Collateral Assets may be retired prior to their respective final maturities due to, among other things, the existence and frequency of exercise of any optional or mandatory redemption features of such Collateral Assets. In addition, pursuant to the Security Agreement and provided no Event of Default has occurred and is continuing, the Collateral Manager may direct the Collateral Agent to sell (i) any Defaulted Obligation, (ii) any Credit Risk Obligation, (iii) any Credit Improved Obligation and (iv) subject to limitations on amounts and other requirements set forth in the Security Agreement and described herein, other Collateral Assets in Discretionary Sales.

Defaulted Obligations and equity securities may be sold at any time during or after the Reinvestment Period; without regard to the restrictions contained in clauses (i) and (ii) of subsection (a) above; *provided*, that (i) Defaulted Obligations which exceed 2.5% of the Aggregate Principal Amount and have been defaulted for more than 1 year shall be deemed to have a Moody’s Recovery Rate of 0%, (ii) Defaulted Obligations which exceed 1.0% of the Aggregate Principal Amount and have been defaulted for more than 2 years shall be deemed to have a Moody’s Recovery Rate of 0% and (iii) any Defaulted Obligations which have been defaulted for more than 3 years shall be deemed to have a Moody’s Recovery Rate of 0%; *provided further* that the foregoing limits on the percentage of the Aggregate Principal Amount which may consist of Defaulted Obligations shall not include any Haircut Assets that are Defaulted Obligations and which are current in interest payments on the underlying Collateral Asset in an amount sufficient to constitute a full payment of interest on the Principal Balance of the Haircut Asset. During the Reinvestment Period, proceeds from the sale of Defaulted Obligations may be reinvested in Collateral Assets which satisfy the Reinvestment Criteria if the Coverage Tests are satisfied after giving effect to such reinvestment. After the Reinvestment Period, the proceeds from the sale of Defaulted Obligations shall be applied as Principal Proceeds on the Payment Date following the Due Period in which such sale occurs.

Equity securities received in exchange offers shall be sold as soon as commercially practicable in the Collateral Manager’s reasonable business judgment, but in any event within one year from the later of their acquisition and the date when they are legally permitted to be sold. The Issuer shall sell any Margin Stock (as defined herein) acquired by it not later than 45 days after the Issuer’s acquisition of such Margin Stock. The limits and time periods described in this paragraph may be extended subject to satisfaction of the Rating Agency Condition.

“Credit Risk Obligation” means any Collateral Asset (other than a Defaulted Obligation) that in the Collateral Manager’s reasonable business judgment has a significant risk of declining in credit quality (or, in the case of an Asset-Backed Security or Mortgage-Backed Security, there has occurred, or is expected to occur, a deterioration in the quality of the underlying pool of assets) or price unrelated to general market conditions prevailing at the time and, with a lapse of time, a risk of becoming a Defaulted Obligation; *provided* also that

(i) Moody’s has not withdrawn or reduced its ratings on any of the Class S Notes, Class A Notes, Class B Notes, Class C Notes or Class D Notes by one or more subcategories below the ratings in effect on the Closing Date (including any placement on “credit watch” with negative implications) (disregarding any withdrawal

or reduction if subsequent thereto Moody's has upgraded any such reduced or withdrawn ratings of the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes to at least their initial rating); or

(ii) if Moody's has withdrawn or reduced its ratings on any of the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes by one or more subcategories below the ratings in effect on the Closing Date (including any placement on "credit watch" with negative implications) (disregarding any withdrawal or reduction if subsequent thereto Moody's has upgraded any such reduced or withdrawn ratings of the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes to at least their initial rating), (a) such Collateral Asset has been downgraded by Moody's at least one or more rating subcategories since it was acquired by the Issuer or placed by Moody's on a watch list with negative implications since the date on which such Collateral Asset was purchased by the Issuer, (b) Moody's has confirmed in writing that the designation of such Collateral Asset as a Credit Risk Obligation will satisfy the Rating Agency Condition (solely with respect to Moody's) or (c) the Holders of a Majority of the Controlling Class vote to waive the requirement of subclause (a) of this clause (ii)

A Credit Risk Obligation may be sold during the Reinvestment Period if the Collateral Manager agrees to use commercially reasonable efforts to purchase on behalf of the Issuer one or more substitute Collateral Assets which satisfy the Reinvestment Criteria prior to the end of the Due Period following the Due Period in which such Credit Risk Obligation is sold. A Credit Risk Obligation may be sold after the Reinvestment Period, and the Collateral Manager, prior to the end of the Due Period following the Due Period in which such Credit Risk Obligation is sold, may, in its discretion, reinvest the Sale Proceeds of such Credit Risk Obligation in one or more substitute Collateral Assets which satisfy the Reinvestment Criteria. The effect of any reinvestment in substitute Collateral Assets on the Coverage Tests shall be measured by comparing such Coverage Tests as calculated after the sale of a Credit Risk Obligation with the calculation after the purchase of such substitute Collateral Assets in order to determine whether such Coverage Tests will be satisfied as a result of such reinvestment.

"Credit Improved Obligation" means any Collateral Asset (other than a Defaulted Obligation) that in the Collateral Manager's reasonable business judgment has significantly improved in credit quality which improvement may (but need not) have resulted from one of the following: (a) such Collateral Asset has been upgraded or put on a watch list for possible upgrade by any of the Rating Agencies since the date on which such Collateral Asset was purchased by the Issuer, (b) the issuer of such Collateral Asset has shown improved financial results, (c) the obligor of or insurer of such Collateral Asset since the date on which such Collateral Asset was purchased by the Issuer has raised significant equity capital or has raised other capital that has improved the liquidity or credit standing of such obligor or insurer, (d) in the case of an Asset-Backed Security or a Mortgage-Backed Security, a significant improvement in the quality of the underlying pool of assets or an increase in the level of subordination or (e) such Collateral Asset has decreased its spread over the interest rate on the applicable U.S. Treasury Benchmark or the applicable swap benchmark by an amount exceeding 0.50%; *provided* also that

(i) at the time of determination, Moody's has not withdrawn or reduced its ratings on any of the Class S Notes, Class A Notes, Class B Notes, Class C Notes or Class D Notes by one or more subcategories below the ratings in effect on the Closing Date (including any placement on "credit watch" with negative implications) (disregarding any withdrawal or reduction if subsequent thereto Moody's has upgraded any such reduced or withdrawn rating of the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes to at least their initial rating); or

(ii) if Moody's has withdrawn or reduced its ratings on any of the Class S Notes, Class A Notes, Class B Notes, Class C Notes or Class D Notes by one or more subcategories below the ratings in effect on the Closing Date (including any placement on "credit watch" with negative implications) (disregarding any withdrawal or reduction if subsequent thereto Moody's has upgraded any such reduced or withdrawn rating of the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes to at least their initial ratings), (a) such Collateral Asset has been upgraded by Moody's at least one rating subcategory since it was acquired by the Issuer or put on a watch list by Moody's for possible upgrade, or (b) (1) Moody's has confirmed in writing that the classification of such Collateral Asset as a Credit Improved Obligation will satisfy the Rating Agency Condition (solely with respect to Moody's) or (2) the Holders of a Majority of the Controlling Class vote to waive the requirement of subclause (a) of this clause (ii).

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

Notwithstanding the foregoing, if no Event of Default has occurred and is continuing, any Collateral Asset which is not a Defaulted Obligation, a Credit Risk Obligation or a Credit Improved Obligation may be disposed of by the Issuer during the Reinvestment Period (each such sale, a "Discretionary Sale") so long as (i) the aggregate Principal Balance of Collateral Assets sold in Discretionary Sales during the annual period from and including the Closing Date to but excluding the date that is one year following the Closing Date and during each successive one-year period from and including such anniversary date to but excluding the anniversary date occurring in the following calendar year (an "Annual Period") through the end of the Reinvestment Period does not exceed 25% of the Aggregate Principal Amount measured as of the Closing Date in the case of the first Annual Period and 15% of the Aggregate Principal Amount measured as of the beginning of each Annual Period, in the cases of each Annual Period thereafter; provided that the percentage of the Aggregate Principal Amount permitted to be traded on a discretionary basis during the related Annual Period will be reduced to 7.5% if the Par Value Differential is less than U.S.\$13,000,000 but equal to or greater than U.S.\$6,500,000 and no discretionary trading will be permitted if the Par Value Differential is less than U.S.\$6,500,000 on any Measurement Date; and (ii) (x) the ratings assigned to any of the Class S Notes, Class A Notes, Class B Notes, Class C Notes or Class D Notes by Moody's as of the Closing Date have not been withdrawn or reduced (which includes placement on "credit watch" with negative implications) by one or more subcategories since the Closing Date (in each case without subsequent reinstatement at or to the Closing Date levels for the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes) by Moody's or (y) (1) Moody's shall have confirmed that such Discretionary Sale will satisfy the Rating Agency Condition (solely with respect to Moody's) or (2) the Holders of a Majority of the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes vote to waive the requirement of subclause (x) of this clause (ii). During the Reinvestment Period, the Sale Proceeds of any Discretionary Sale may be reinvested *provided* the Reinvestment Criteria are satisfied.

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

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

Reinvestment Criteria

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

- (i) such Collateral Asset meets all of the Eligibility Criteria;
- (ii) each of the Collateral Profile Tests is satisfied as set forth in the definition thereof;
- (iii) if such Collateral Asset is acquired after the last day of the Ramp-Up Period, (a) each of the Collateral Quality Tests is satisfied or (b) if immediately prior to such acquisition one or more of such Collateral Quality Tests was not satisfied, (1) the level of compliance with respect to each such Collateral Quality Test not satisfied must be maintained or improved; and (2) the level of compliance with each other

Collateral Quality Test may not be made worse after such acquisition except to the extent that a reduction in the level of compliance does not result in non-compliance; *provided*, that any Collateral Asset acquired with Sale Proceeds of a Credit Risk Obligation need not comply with the S&P CDO Monitor Test;

(iv) no Event of Default has occurred and is continuing on such date (unless the Collateral Asset was the subject of a binding commitment entered into by the Issuer prior to an Event of Default);

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

(vi) (a) the Actual Rating or Implied Rating by S&P of any Collateral Asset acquired after the Reinvestment Period is at least equal to the Actual Rating or Implied Rating by S&P with respect to the Collateral Asset which gave rise to the proceeds used to acquire such Collateral Asset and (b) the Actual Rating of any Collateral Assets acquired after the Reinvestment Period with the Sale Proceeds of Credit Risk Obligations must be at least “BBB-” from S&P or at least “Baa3” from Moody’s and such Collateral Asset may not be on a watch list for possible downgrade; and

(vii) With respect to the reinvestment of Unscheduled Principal Payments and Sale Proceeds from the disposition of Credit Risk Obligations after the Reinvestment Period, in addition to clauses (i)-(vii) above, (a) the remaining expected average life of Collateral Assets purchased with Unscheduled Principal Payments or Sale Proceeds from Credit Risk Obligations does not exceed the remaining expected average life of the Collateral Asset which gave rise to such Unscheduled Principal Payments or Sale Proceeds as calculated by the Collateral Manager (such expected average life will be measured relative to pro forma expectations with respect to the expected average life of the Collateral Asset which gave rise to such Unscheduled Principal Payments as of the date of purchase and not the date of redemption or prepayment in whole), (b) each of the Collateral Quality Tests and the Coverage Tests must be satisfied (not maintained or improved) after giving effect to any reinvestment of Sale Proceeds of Credit Risk Obligations and, (c) the then current ratings by Moody’s of (1) the Class S Notes, Class A Notes and Class B Notes shall be “Aaa”, (2) the Class C Notes shall be at least “A3” and (3) the Class D Notes shall be at least “Baa3” and (d) the Par Value Differential is equal to or greater U.S.\$6,500,000.

For the purpose of the Reinvestment Criteria, the assessment of whether any Collateral Profile Test, Collateral Quality Test or Coverage Test is maintained or improved as the result of the reinvestment of any Sale Proceeds (other than Sale Proceeds generated by the sale of a Defaulted Obligation or Credit Risk Obligation) shall be based upon the Collateral Profile Test, Collateral Quality Test or Coverage Test, as applicable, immediately prior to the sale transaction that generated such Sale Proceeds. In determining whether the Reinvestment Criteria will be satisfied by the purchase of any additional Collateral Asset, the Collateral Manager will apply the Collateral Profile Tests and the Collateral Quality Tests to (i) the portfolio of Collateral Assets prior to such purchase, as if any such Collateral Asset which has been sold or prepaid but not replaced were deemed to remain in the portfolio of Collateral Assets and (ii) the portfolio of Collateral Assets as if such purchase had been made with the proposed additional Collateral Asset being treated as replacing the same principal amount of any Collateral Asset that has been sold or prepaid as the Collateral Manager may in its discretion select, with any other Collateral Asset that has been sold or prepaid but not replaced being deemed to remain in the portfolio of Collateral Assets.

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

Notwithstanding the foregoing provisions, if an Event of Default shall have occurred and be continuing or if the Par Value Differential is less than U.S.\$6,500,000 as of any Measurement Date (a “Par Value Trigger Event”), no Collateral Asset may be acquired unless it was the subject of a commitment entered into by the Issuer prior to the occurrence of such Event of Default or the first occurrence of any Par Value Trigger Event, as applicable.

Accounts

Pursuant to the Security Agreement, the Issuer shall cause there to be opened and at all times maintained the Collection Account, the Payment Account, the Expense Reserve Account, the Collateral Account, the Hedge Termination Receipts Account, the Hedge Replacement Account, the Hedge Collateral Account, the Securities Lending Account, the Synthetic Security Collateral Account, the Hedge Cashflow Swap Reserve Account and the Default Swap Collateral Account (each as defined herein), each of which shall be a segregated account established with the Securities Intermediary in the name of the Collateral Agent for the benefit of the Secured Parties (and in the case of the Default Swap Collateral Account, the Synthetic Security Counterparties), as further described in the Security Agreement. Each Account shall constitute a “securities account” under the Uniform Commercial Code of the State of New York, shall be under the exclusive control of the Collateral Agent, and shall be maintained by the Collateral Agent (as long as it is an Eligible Depository) or another “Eligible Depository.” An “Eligible Depository” shall be a financial institution organized under the laws of the United States or any state thereof, authorized to accept deposits, having a combined capital and surplus of at least \$200,000,000, and having (or if its obligations are guaranteed by its parent company, its parent having), a long-term debt rating of at least “Baa1” by Moody’s and “BBB+” by S&P and a short-term debt rating of “P-1” by Moody’s and at least “A-1” by S&P.

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

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

Proceeds from the issuance and sale of the Securities shall be deposited in the Collection Account, until such amounts are used to purchase Collateral Assets or otherwise applied in accordance with the Priority of Payments.

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

On the Closing Date, after payment of the organizational and structuring fees and expenses of the Issuers and the expenses of offering the Notes, \$150,000 from the proceeds associated with the offering of the Notes will be deposited by the Collateral Agent into a single, segregated account established and maintained by the Collateral Agent under the Security Agreement (the “Expense Reserve Account”). On each Payment Date, to the extent that funds are available for such purpose in accordance with and subject to the limitations of the Priority of Payments, the Collateral Agent will deposit into the Expense Reserve Account an amount from Proceeds equal to the lesser of \$48,000 and the amount necessary to bring the balance of the Expense Reserve Account to \$150,000. On each Transfer Date, the Collateral Agent, in accordance with the Note Valuation Report, will transfer funds from the Expense Reserve Account to the Payment Account in an amount equal to the lesser of (i) the amount by which the amounts payable under clause (3)(a), (3)(b), (18)(a) and (18)(b) of the Priority of Payments exceed \$48,000 and (ii) the balance in the Expense Reserve Account. Amounts on deposit in the Expense Reserve Account may be withdrawn from time to time to pay accrued and unpaid Administrative Expenses of the Issuers. All funds on

deposit in the Expense Reserve Account at the time when substantially all of the Issuer's assets have been sold or otherwise disposed of will be transferred by the Collateral Asset to the Payment Account for application as Proceeds on the immediately succeeding Payment Date.

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

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

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

Amounts retained in the Accounts during a Due Period will be invested in Eligible Investments. An "Eligible Investment" means any U.S. Dollar-denominated investment that, at the time it is delivered to the Collateral Agent, is one or more of the following obligations or securities: (i) direct Registered obligations of, and Registered obligations fully guaranteed by, the United States or any agency or instrumentality of the United States the obligations of which are expressly backed by the full faith and credit of the United States; (ii) demand and time deposits in, certificates of deposit of, or banker's acceptances issued by any depository institution or trust company incorporated under the laws of the United States of America (including the Collateral Agent) or any state thereof, which depository institution or trust company is subject to supervision and examination by federal or state 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 been assigned a credit rating of at least "Aa3" by Moody's and "AAA" by S&P in the case of long-term senior unsecured debt obligations, and "P-1" by Moody's and "A 1+" by S&P in the case of commercial paper and short-term debt obligations; *provided* that in the case of commercial paper and short-term debt obligations with a maturity of 91 days or less, at the time of such investment, the issuer thereof must also have been assigned a rating of at least "A1" by Moody's; *provided, further*, that in the case of commercial paper and short-term debt obligations with a maturity of longer than 91 days, at the time of such investment, the issuer thereof must also have been assigned a rating of at least "Aa3" by Moody's and "AAA" by S&P and; *provided, further*, that any investment in commercial paper or banker's acceptances shall not have a maturity in excess of 183 days; (iii) repurchase obligations with respect to (a) any security described in clause (i) above or (b) any other security issued or guaranteed by an agency or instrumentality of the United States, entered into with a depository institution or trust company described in clause (ii) above or entered into with a corporation whose long-term senior unsecured rating is at least "A1" by Moody's and "A+" by S&P and whose short-term credit rating is "P-1" by Moody's and "A-1" by S&P at the time of such investment, with a term not in excess of 91 days; (iv) Registered debt securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States or any state thereof that have a credit rating of at least "Aa3" or "P-1" by Moody's and "AA" or "A-1" by S&P; *provided*, that any such debt security with a short-term debt rating by S&P must not have a term of greater than 30 days; (v)

commercial paper or other short-term obligations of a corporation, partnership, limited liability company or trust, or any branch or agency thereof located in the United States or any of its territories, such commercial paper or other short-term obligations having a credit rating of “P-1” by Moody’s and “A-1” by S&P, and that are Registered and either are interest bearing or are sold at a discount from the face amount thereof and have a maturity of not more than 91 days from their date of issuance; and (vi) offshore money market funds which have a credit rating of not less than “Aaa/MR1+” by Moody’s and “AAA” or “AAAm” or “AAAm-G” by S&P, *provided however*, that each rating in clauses (iii)-(vi) above by Moody’s or S&P shall be an Actual Rating. Eligible Investments shall not include any Mortgage-Backed Security, any security subject to an offer, any security subject to withholding tax, any inverse floater, any Interest Only Security, any principal only security (other than treasury bills or commercial paper) or any security with a price in excess of par or any security the repayment of which is dependent on substantial non-credit related risk as reasonably determined by the Collateral Manager. Each such Eligible Investment shall mature no later than the second Business Day immediately preceding the Payment Date next following the Due Period in which the date of investment occurs, unless such Eligible Investment is issued by the institution acting as Collateral Agent, in which event such Eligible Investment may mature on the Business Day preceding such Payment Date. Eligible Investments may include those investments with respect to which the Collateral Agent, the Trustee, the Collateral Manager or any Initial Purchaser or an affiliate of the Collateral Agent, the Trustee, the Collateral Manager or any Initial Purchaser provides services. As used in this definition, ratings may not include ratings with an “r”, “t”, “p”, “q” or “pi” subscript.

Synthetic Securities

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

Synthetic Security Counterparty Ratings

Each Synthetic Security Counterparty shall have satisfied the Rating Agency Condition, or the long-term senior unsecured debt of such entity shall have (which ratings must, with respect to any Synthetic Security Counterparty, be Actual Ratings) a rating of not less than “A3” by Moody’s (unless the Rating Agency Condition with respect to Moody’s is satisfied) and “AA” by S&P (or if the short-term unsecured debt ratings of such Synthetic Security Counterparty is at least “P-1” by Moody’s and “A-1” by S&P, it may have, for the long-term senior unsecured debt of such entity, a rating of at least “A2” by Moody’s and “A” by S&P; *provided* that in each case the Synthetic Security Counterparty shall have at least one rating from Moody’s and S&P (such ratings the “Synthetic Security Counterparty Required Ratings”). The rating of a Synthetic Security Counterparty which has been placed on “credit watch” with negative implications by Moody’s or S&P shall be deemed to be one notch below its then-current rating by such Rating Agency, and the rating of a Synthetic Security Counterparty which has been placed on “credit watch” with positive implications by Moody’s, or S&P, shall be deemed to be one notch above its then-current rating by such Rating Agency.

In the event either the rating of a Synthetic Security Counterparty or the long-term unsecured debt rating of a Synthetic Security Counterparty has been withdrawn by either Rating Agency or downgraded below the Synthetic

Security Counterparty Required Ratings, the Synthetic Security Counterparty shall notify the Trustee, the Issuer, and the Collateral Manager of such withdrawal or downgrade and such Synthetic Security Counterparty shall be required within 30 days of the date of such downgrade or withdrawal to (i) post collateral in an amount sufficient to satisfy the Rating Agency Condition, (ii) assign the related Synthetic Security to a replacement Synthetic Security Counterparty which satisfies the Synthetic Security Counterparty Required Ratings or (iii) obtain a guarantor of its obligations under the Synthetic Security which satisfies the Synthetic Security Counterparty Required Ratings with a guarantee which satisfies S&P's then current criteria with respect to guarantees. The failure of any Synthetic Security Counterparty to post collateral, assign the Synthetic Security or secure a guarantor as described in the preceding sentence will constitute a termination event under the terms of the related Synthetic Security.

Synthetic Securities Structured as Default Swaps

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

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

In the event a Synthetic Security structured as a Default Swap is terminated prior to its scheduled maturity without the occurrence of a "credit event," the Collateral Manager on behalf of the Issuer shall cause such portion of the related Default Swap Collateral required to make any required termination payment owed to the Synthetic Security Counterparty, to be delivered to the Synthetic Security Counterparty and the remaining related Default Swap Collateral to the extent not required to be pledged to the related Synthetic Security Counterparty shall be released from the lien of the Synthetic Security Counterparty and delivered to the Collateral Agent free of such lien. In the event that no "credit event" under a Synthetic Security structured as a Default Swap has occurred prior to the termination or scheduled maturity of the Synthetic Security, upon the termination or scheduled maturity of the Synthetic Security, the Synthetic Security Counterparty's lien on the Default Swap Collateral related to such Synthetic Security shall be released and the Collateral Manager on behalf of the Issuer shall cause such Default Swap Collateral to be delivered to the Collateral Agent free of such lien. The Collateral Manager on behalf of the Issuer shall direct the Collateral Agent to take any specific actions necessary to create in favor of the Collateral Agent a valid, perfected, first-priority security interest in such Default Swap Collateral under applicable law and regulations for the benefit of the Secured Parties (including without limitation Articles 8 and 9 of the Uniform Commercial Code in effect in any applicable jurisdiction at the time of such release).

Any Default Swap Collateral released from the lien of the Synthetic Security Counterparty which satisfies the definition of an "Eligible Investment" shall be treated as an Eligible Investment and any Default Swap Collateral released from the lien of the Synthetic Security Counterparty which satisfies the definition of a Collateral Asset shall be treated as a Collateral Asset and in either case may be retained by the Collateral Agent or sold by the Collateral Manager at the sole discretion of the Collateral Manager without regard to whether such sale would be permitted as a sale of a Defaulted Obligation, Credit Risk Obligation or Credit Improved Obligation; *provided* that no Event of Default has occurred and is continuing. Any cash received upon the maturity or liquidation of the Default Swap Collateral released to the Collateral Agent shall be deemed to be any of (a) Principal Proceeds, if the Synthetic Security was terminated at its scheduled maturity, (b) Sale Proceeds, if the Synthetic Security was terminated, sold

or assigned by the Collateral Manager prior to its scheduled maturity, or (c) Unscheduled Principal Payments, if the Synthetic Security was subject to early termination other than by the Collateral Manager.

Upon the occurrence of a “credit event” under a Synthetic Security structured as a Default Swap, at the direction of the Collateral Manager, the Collateral Agent shall instruct the Securities Intermediary to deliver the related Default Swap Collateral, to the extent required, to the Synthetic Security Counterparty upon delivery of the Deliverable Obligation to the Issuer. A Deliverable Obligation may be included as a Collateral Asset if it satisfies the Eligibility Criteria (except that it is not required to satisfy clause (xi), (xvii) and (xxii) of the General Eligibility Criteria and clause (ii) of the Interest Only Security Eligibility Criteria) and may be delivered to the Issuer notwithstanding that it may cause the Issuer to fail a Collateral Profile Test. In the event a “credit event” has occurred and the Issuer is required to deliver the Default Swap Collateral to the Synthetic Security Counterparty or to liquidate the Default Swap Collateral and deliver cash, the Synthetic Security Counterparty shall bear any market risk on the liquidation of the Default Swap Collateral.

Hedge Agreements

General. From time to time the Issuer will enter into one or more Interest Rate Swap Agreements, Cashflow Swap Agreements or Currency Swap Agreements (collectively, “Hedge Agreements”) in order to protect against interest rate risk, mismatches in the timing of cash flows received from the Collateral Assets and the Payment Dates on the Notes, and currency risk. The Issuer will not enter into any additional Hedge Agreement unless the Rating Agency Condition is satisfied; *provided*, that the Issuer will not have to satisfy any Rating Agency Condition (i) when entering into or amending or modifying an existing asset level Interest Rate Swap Agreement (other than with respect to rate, term and any provisions for deferral of amounts otherwise payable to the Hedge Counterparty) using Form-Approved Hedge Agreements unless such Hedge Agreement is with a new Interest Rate Swap Counterparty or (ii) when entering into Currency Swap Agreements using Form-Approved Currency Swap Agreements. In addition, the Issuer will not have to satisfy any Rating Agency Condition when terminating a Currency Swap Agreement or any Interest Rate Swap Agreement in connection with a Deemed Floating Asset Hedge.

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

Each Hedge Agreement shall provide that (i) with respect to a Currency Swap Agreement, (A) if the Hedge Counterparty or its guarantor has a short-term issuer credit rating, the short-term issuer rating by S&P of the Hedge Counterparty or its guarantor is withdrawn, suspended or falls below “A-1+”, (B) if the Hedge Counterparty or its guarantor does not have a short-term issuer credit rating by S&P, the long-term issuer rating by S&P of the Hedge Counterparty (or its guarantor, if the obligations of such Hedge Counterparty are supported by a guarantor) is withdrawn, suspended or falls below “AA-”, or (C) the long-term senior unsecured debt rating of the Hedge Counterparty or its guarantor by Moody’s is withdrawn, suspended or falls to or below “A1” or the short-term unsecured debt rating of the Hedge Counterparty or its guarantor from Moody’s falls below “P-1” and (ii) with respect to an Interest Rate Swap Agreement or a Cashflow Swap Agreement, (A) if the long-term senior unsecured debt rating of the Hedge Counterparty or its guarantor from S&P falls below “A+” or no such long-term rating from S&P exists and (2) the short-term rating of the Hedge Counterparty or its guarantor from S&P falls below “A-1” or no such short-term rating from S&P exists; (B) if the long-term senior unsecured debt rating of the Hedge Counterparty or its guarantor from Moody’s is withdrawn, suspended or falls to “Aa3” (and is on credit watch for possible downgrade) or below “Aa3”, if the Hedge Counterparty or its guarantor has a long-term senior unsecured debt rating only; or (C) if the long-term senior unsecured debt rating of the Hedge Counterparty or its guarantor from Moody’s is withdrawn, suspended or falls to “A1” (and is on credit watch for possible downgrade) or below “A1” or the short-term senior unsecured debt rating of the Hedge Counterparty or its guarantor or, if no such rating is available, the Hedge Counterparty or its guarantor 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 is on watch for possible downgrade) or below "P-1" (any such event, a "Collateralization Event"), then the Hedge Counterparty shall be required to within the number of days set forth in the related Hedge Agreement, (i) post collateral as required under the Hedge Agreement, (ii) transfer its rights and obligations to a replacement Hedge Counterparty if the replacement Hedge Counterparty or its guarantor satisfies the Replacement Hedge Counterparty Ratings Requirement, (iii) obtain a guarantor for the Hedge Counterparty's obligations under the Hedge Agreement which satisfies the Replacement Hedge Counterparty Ratings Requirement, or (iv) take such other steps as may be agreed with each Rating Agency so as to maintain the then current ratings of the Notes. If the Hedge Counterparty fails to comply with one of the obligations as set forth in clauses (i)-(iv) of the preceding sentence, or if the downgrades described in the paragraph below occur, a substitution event shall have occurred (a "Hedge Substitution Event"). Upon the occurrence of a Hedge Counterparty Substitution Event, the Hedge Counterparty will be required to within the number of days set forth in the related Hedge Agreement assign its rights and obligations under such Hedge Agreement to a new Hedge Counterparty in accordance with the terms of the Hedge Agreement, provided that such substitute Hedge Counterparty or its guarantor satisfies the Replacement Hedge Counterparty Ratings Requirement or the Rating Agency Condition is satisfied. Each Hedge Agreement shall also provide that the failure of a Hedge Counterparty to post collateral or assign its rights and obligations under the related Hedge Agreement within the number of days set forth in the related Hedge Agreement following the occurrence of a Hedge Counterparty Substitution Event shall constitute a termination event thereunder. The Collateralization Event triggers set forth in any then existing (1) Currency Swap Agreement shall be permitted to apply if the related Hedge Counterparty shall enter into an Interest Rate Swap Agreement or Cashflow Swap Agreement with the Issuer upon satisfaction of the Rating Agency Condition and (2) Cashflow Swap Agreement or Interest Rate Swap Agreement shall be permitted to apply if the related Hedge Counterparty shall enter into a Currency Swap Agreement with the Issuer upon satisfaction of the Rating Agency Condition.

In addition, each Currency Swap Agreement will provide that a Hedge Substitution Event will also occur if (i) in the context of a Currency Swap Agreement, the long-term senior unsecured debt rating by Moody's of the Hedge Counterparty or its guarantor (if any) is withdrawn, suspended or falls to or below "A3" or the short-term senior unsecured debt rating of the Hedge Counterparty or its guarantor (if any), falls to or below "P-2"; if the Hedge Counterparty or its guarantor has only a long-term rating by S&P, the long-term issuer credit rating by S&P of the Hedge Counterparty or its guarantor (if any) is withdrawn, suspended or falls below "BBB+"; the short-term issuer credit rating by S&P of the Hedge Counterparty or its guarantor, if any, is withdrawn, suspended or falls below "A-2"; or the Hedge Counterparty shall fail to provide sufficient Collateral and (ii) in the context of a Cashflow Swap Agreement or Interest Rate Swap Agreement, the Hedge Counterparty or its guarantor has only a long-term rating by Moody's the long-term senior unsecured debt rating by Moody's of the Hedge Counterparty or its guarantor (if any) is withdrawn, suspended or falls to or below "A2"; the Hedge Counterparty or its guarantor has both a long-term unsecured debt rating and a short-term unsecured debt-rating by Moody's, the long-term senior unsecured debt rating by Moody's of the Hedge Counterparty or its guarantor (if any) is withdrawn, suspended or falls to or below "A3" or the short-term senior unsecured debt rating of the Hedge Counterparty or, if no such rating is available, its guarantor 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"; the long-term issuer credit rating by S&P of the Hedge Counterparty or its guarantor (if any) is withdrawn, suspended or falls below "BBB-"; the Hedge Counterparty shall fail to provide sufficient Collateral as required pursuant to the related Cashflow Swap Agreement or Interest Rate Swap Agreement; *provided, however*, that the Hedge Substitution Event standard set forth in any then existing (1) Currency Swap Agreement shall be permitted to apply if the related Hedge Counterparty shall enter into an Interest Rate Swap Agreement or Cashflow Swap Agreement with the Issuer upon satisfaction of the Rating Agency Condition and (2) Cashflow Swap Agreement or Interest Rate Swap Agreement shall be permitted to apply if the related Hedge Counterparty shall enter into a Currency Swap Agreement with the Issuer upon satisfaction of the Rating Agency Condition.

Each Hedge Agreement may be terminated, whether or not the Securities have been paid in full on or prior to such termination, upon the occurrence of certain events which may include, among other things, (i) certain events of examinership, bankruptcy, insolvency, conservatorship, receivership or reorganization of the Issuer or the related Hedge Counterparty, (ii) failure on the part of the Issuer or the related Hedge Counterparty to make any payment under the Hedge Agreement within the applicable grace period, (iii) certain withholding taxes being imposed on payments to be made under the Hedge Agreement as set forth in Section 5(b)(ii) of the ISDA Master Agreement incorporated in the Hedge Agreement, (iv) a change in law making it illegal for either the Issuer or the related Hedge

Counterparty to be a party to, or perform an obligation under, the Hedge Agreement, (v) the delivery of irrevocable notice of liquidation of any of the Collateral following an Event of Default in accordance with the Trust Deed and the Security Agreement, (vi) the merger of the Issuer with another entity without assumption of the Hedge Agreements by the new entity, (vii) a replacement agreement being entered into by the Issuer with a new Hedge Counterparty following a Collateralization Event, (viii) the failure by the Hedge Counterparty to assign its rights and obligations to a substitute party within 30 days after the occurrence of a Hedge Substitution Event, (ix) a breach, misrepresentation, cross default or credit event upon merger by the Hedge Counterparty, (x) certain additional termination events including optional redemptions, tax redemptions, auctions and mandatory redemptions, (xi) the reduction of the Aggregate Outstanding Amount of all of the Notes or only the Class A Notes and Class B Notes to zero, and (xii) the Issuer's execution of supplements or amendments to certain Transaction Documents without the consent of the related Hedge Counterparty, to the extent such consent is required in accordance with the terms of those Transaction Documents.

A termination of a Hedge Agreement will not constitute an Event of Default under the Trust Deed. Although the Issuer believes that any such termination is unlikely, the Issuer has agreed to use reasonable efforts to enter into a substitute Hedge Agreement on similar terms to the extent that the Issuer is able to enter into such an agreement, and shall apply any termination receipts to the purchase of a new Hedge Agreement. If the Issuer is unable to obtain a substitute Hedge Agreement, interest due on the Notes will be paid from amounts received on the Collateral Assets without the benefit of any Hedge Agreement. There can be no assurance that such amounts will be sufficient to provide for the full payment of interest on the Notes, or that amounts that would otherwise be distributable to the Holders of the Class E Notes and Combination Securities will not be reduced.

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

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

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

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

The amounts in the Hedge Replacement Account will be applied directly to the payment of termination payments owing to the Hedge Counterparties, if any. To the extent not fully paid from Hedge Replacement Proceeds, such payments will be payable to the relevant Hedge Counterparties on subsequent Payment Dates in

accordance with the last sentence of this paragraph. To the extent that the funds available in the Hedge Replacement Account exceed any such termination payments (or if there are no termination payments), the excess amounts in the Hedge Replacement Account will be transferred to the Collection Account on the next Transfer Date and will be treated as Principal Proceeds and distributed in accordance with the Priority of Payments on the next Payment Date. If the termination payments owing to Hedge Counterparties exceed the Hedge Replacement Proceeds for such agreements, then, unless such amounts represent Defaulted Hedge Termination Payments, they will be paid in accordance with the Priority of Payments.

In order to effect an Optional Redemption, Tax Redemption or Auction or liquidation of the Collateral following an Event of Default, the Hedge Agreements must be terminated and the proceeds from such termination and from the liquidation of the remaining Collateral must be sufficient to pay any termination payment owing to the Hedge Counterparties in addition to any amounts owing under the Notes and certain other expenses. In the event of the occurrence of an Optional Redemption or Tax Redemption or Auction, no liquidation of the Hedge Agreements shall be permitted unless the Collateral Manager shall have furnished to the Collateral Agent evidence in form and substance satisfactory to the Collateral Agent that the Issuer has entered into one or more binding agreements (i) for the purchase of the Collateral and (ii) for the pricing of termination payments under each Hedge Agreement, in each case with purchasers or counterparties whose short term debt ratings are at least “P-1” by Moody’s and “A-1+” by S&P, and which agreements provide for the purchase of the Collateral Assets and the termination of each Hedge Agreement in 10 days or less.

In the event any Hedge Counterparty fails to maintain the ratings required under the Hedge Agreement, such Hedge Counterparty will be required to post collateral under the terms of the related Hedge Agreement unless the Hedge Agreement is assigned to, or the Hedge Counterparty is replaced with, a Hedge Counterparty which has, or whose guarantor has, such required ratings. The Hedge Collateral pledged by such Hedge Counterparty will be deposited by the Collateral Agent into an account (the “Hedge Collateral Account”) established in the name of the Collateral Agent and held therein pursuant to the terms of the related Hedge Agreement. Each item of collateral deposited in the Hedge Collateral Account will be deposited in a separate sub-account relating to the Hedge Counterparty which pledged such collateral. Upon (i) the termination of a Hedge Agreement and the satisfaction of all obligations owing by the Hedge Counterparty to the Issuer or (ii) a reduction in, or termination of the requirement of the Hedge Counterparty to post collateral under the related Hedge Agreement, in each case, as evidenced by a certificate executed by the Collateral Manager (on behalf of the Issuer), the Collateral Agent shall retransfer any and all excess collateral (in the case of a reduction in the amount of collateral to be posted under clause (ii)) or all of the related collateral (in the case of clause (i) or a termination of a requirement to post collateral under clause (ii)) on deposit in the Hedge Collateral Account directly to the related Hedge Counterparty outside of the Priority of Payments and free and clear of any security interest constituted by the Security Agreement and the Floating Charge Deed.

In connection with the mandatory redemption of any Securities due to the failure to satisfy a Coverage Test, the Issuer may terminate a portion of any Hedge Agreement in accordance with the terms thereof upon satisfaction of the Rating Agency Condition.

Each Hedge Agreement will provide that a Hedge Counterparty may not assign or transfer its obligations under a Hedge Agreement to any institution unless, among other things, such institution satisfies the Rating Agency Condition.

Affiliates of any Initial Purchaser or the Collateral Manager may also act as Hedge Counterparties from time to time, which may create certain conflicts of interest. See “Risk Factors—Other Consideration—Certain Conflicts of Interest.”

Each Hedge Agreement will provide that the Issuer’s obligations thereunder will be limited recourse obligations of the Issuer payable solely from the Collateral and subordinated as set forth in the Priority of Payments, and will contain a standard non-petition clause (comparable to the one contained in the Security Agreement) for the benefit of the Issuer. Each Hedge Agreement will be governed by, and construed in accordance with, the laws of England or New York.

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

Interest Rate Swap Agreements. The Issuer may from time to time enter into Interest Rate Swap Agreements with counterparties (each, an “Interest Rate Swap Counterparty”) which may consist of interest rate swaps and/or interest rate caps, subject to satisfaction of the Rating Agency Condition (except as provided below). As of the Closing Date, the Issuer will enter into one Interest Rate Swap Agreement.

The Issuer will not have to satisfy the Rating Agency Condition for entering into or amending or modifying an existing asset level Interest Rate Swap Agreement (other than with respect to rate, term and any provisions for deferral of amounts otherwise payable) in connection with Deemed Floating Asset Hedges using Form-Approved Hedge Agreements unless such Hedge Agreement is with a new Interest Rate Swap Counterparty. The Issuer is also authorized to terminate or amend any Interest Rate Swap Agreement in whole or in part from time to time in order to manage its interest rate risk with respect to Fixed Rate Securities; provided, however, that if an Event of Default shall have occurred and be continuing, no Interest Rate Swap Agreement will be terminated unless the Rating Agency Condition shall be satisfied in connection with such termination.

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

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

For each Collateral Asset acquired by the Issuer that is a Fixed Rate Security, the Issuer has agreed to enter into an Interest Rate Swap Agreement in a notional amount based on the principal balance of the Fixed Rate Security or on an amortization schedule derived from the anticipated amortization of such Collateral Asset as reasonably determined by the Collateral Manager. The amortization schedules will be designed such that on each Measurement Date, the notional amount under such Interest Rate Swap Agreement will be equal or slightly less than the outstanding principal amount of the related Collateral Asset. However, there can be no assurance that the actual amortization of the Collateral Assets that are Fixed Rate Securities will correspond to the anticipated amortization on which the related Interest Rate Swap Agreements will be based.

Cashflow Swap Agreements. The Issuer may from time to time enter into one or more Cashflow Swap Agreements with counterparties (each, a “Cashflow Swap Counterparty”), in order to manage mismatches between the timing of payment receipts on the Collateral Assets and Eligible Investments and the timing of payments due on Payment Dates in accordance with the Priority of Payments. In a Cashflow Swap Agreement, the Issuer will receive a payment from a Cashflow Swap Counterparty on dates relating to each Payment Date in exchange for the Issuer’s obligations to make payments to the Cashflow Swap Counterparty, relating to interest payments on Collateral Assets which pay less frequently than quarterly, out of Proceeds to the extent available in accordance with the Priority of

Payments. The Cashflow Swap Agreement will be reduced automatically for any Collateral Assets which prepay or default or which are sold and will be increased for any Collateral Assets which are purchased.

Currency Swap Agreements. The Issuer is authorized to enter into, and to terminate, Currency Swap Agreements with counterparties (each, a “Currency Swap Counterparty”) in connection with Non-U.S. Dollar Denominated Assets in order to manage currency risks, with such Currency Swap Counterparties as it may elect in its sole discretion, in each case subject to the confirmation by each of the Rating Agencies that the entry into such Currency Swap Agreements will satisfy the Rating Agency Condition; *provided*, that the Issuer will not have to satisfy the Rating Agency Condition for entering into Currency Swap Agreements which are Form-Approved Currency Swap Agreements or for terminating a Currency Swap Agreement. The Issuer is also authorized to amend Currency Swap Agreements (with the prior agreement of the related Hedge Counterparties). On the Closing Date, the Issuer will enter into approximately 20 Currency Swap Agreements in connection with Non-U.S. Dollar Denominated Assets.

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

The notional amounts of each Currency Swap Agreement will be based on the principal balance of the related Non-U.S. Dollar Denominated Asset or on amortization schedules derived from the anticipated amortization of the related Non-U.S. Dollar Denominated Asset. The amortization schedules will be designed such that on the Closing Date and thereafter on each Measurement Date, the aggregate notional amount under such Currency Swap Agreements will be slightly less than (i) the outstanding scheduled principal amount of the Securities scheduled to be outstanding on such date less (ii) the outstanding principal amount of Collateral Assets that are Non-U.S. Dollar Denominated Assets. However, there can be no assurance that the actual amortization of the Non-U.S. Dollar Denominated Assets will correspond to the anticipated amortization on which the Currency Swap Agreements will be based.

Securities Lending

Provided that no Event of Default has occurred and is continuing, the Collateral Manager may from time to time instruct the Collateral Agent on behalf of the Issuer to lend Collateral Assets to banks, broker-dealers and other financial institutions (including insurance companies) (each, a “Securities Lending Counterparty”). Any such loan pursuant to a Securities Lending Agreement must have a term of 90 days or less but may not exceed the Stated Maturity of the Class A Notes. Any such loan must have a term of 90 days or less, and any Securities Lending Counterparty must at the time of the loan (i) have a short-term senior unsecured debt rating or a guarantor with such rating of at least “P-1” (and not on credit watch with negative implications) by Moody’s and (ii) a short-term senior unsecured debt rating or a guarantor with such rating of at least “A-1+” from S&P; *provided* that in each case the Moody’s ratings shall be Actual Ratings.

Such Securities Lending Counterparties may be affiliates of either Purchaser and/or certain affiliates of the Collateral Manager, subject to the limitations set forth in the Collateral Management Agreement, pursuant to one or more agreements (each, a “Securities Lending Agreement”), which arrangements may create certain conflicts of interest. See “Risk Factors—Other Considerations—Certain Conflicts of Interest.” The term of any Securities Lending Agreement shall not exceed 90 days and also shall not exceed the Stated Maturity of the Class A Notes. No

more than the percentage of the Aggregate Principal Amount set forth in Appendix F may be subject to Securities Lending Agreements with the same Securities Lending Party at any time. At the time of any loan pursuant to a Securities Lending Agreement, no more than 10% of the Aggregate Principal Amount may be on loan pursuant to Securities Lending Agreements. Each Securities Lending Agreement shall be on market terms (except as required hereby) and shall require that (i) each Securities Lending Counterparty return to the Issuer debt obligations which are identical (in terms of issue and class) to the loaned Collateral Assets; (ii) each Securities Lending Counterparty pay to the Issuer such amounts as are equivalent to all interest and other payments which the owner of the loaned Collateral Asset is entitled to for the period during which the Collateral Asset is loaned; (iii) the Rating Agency Condition shall have been satisfied; (iv) any other requirements of Section 1058 of the Code and the Treasury regulations promulgated thereunder have been satisfied; (v) it be governed by the laws of the State of New York; and (vi) the Issuer be permitted to assign its rights thereunder to the Collateral Agent pursuant to the Security Agreement.

A Securities Lending Counterparty is required to post with the Collateral Agent collateral consisting of cash or direct registered debt obligations issued or guaranteed by the United States of America that have a maturity of five years or less (the "Securities Lending Collateral") to secure its obligation to return the Collateral Assets. Securities Lending Collateral pledged pursuant to a Securities Lending Agreement shall be deposited into the Securities Lending Account pursuant to the related Securities Lending Agreement. Such collateral will be maintained at all times with the Collateral Agent in an amount equal to at least 102% of the current market value (determined daily by the related Securities Lending Counterparty and monitored by the Collateral Manager) of the loaned securities. If cash collateral is received by the Collateral Agent, it will be invested in Eligible Investments and the Issuer will be entitled to a portion of the interest on such Eligible Investments and a portion of such interest will be paid to the Securities Lending Counterparty. Alternatively, if securities are delivered to the Collateral Agent as security for the obligations of the Securities Lending Counterparty under the related Securities Lending Agreement, the Collateral Manager on behalf of the Issuer will negotiate with the Securities Lending Counterparty a rate for the loan fee to be paid to the Issuer for lending the loaned Collateral Assets. Securities Lending Collateral will not constitute Collateral Assets and will not be available to support payments or distributions on the Securities unless the related Securities Lending Counterparty defaults in its obligation to return the loaned Collateral Assets to the Issuer. Upon any default by any Securities Lending Counterparty under the related Securities Lending Agreement, the Collateral Manager on behalf of the Issuer shall promptly exercise its remedies under such Securities Lending Agreement, including liquidating the related Securities Lending Collateral. Proceeds of any such liquidation, net of any excess amounts returned to the Securities Lending Counterparty, shall be treated as Principal Proceeds and deposited in the Collection Account.

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

YIELD CONSIDERATIONS

The Stated Maturity of the Class S Notes is the Payment Date in May 2015, the Stated Maturity of the Class Z Notes is April 30, 2012, and the Stated Maturity of the other Securities (other than the Combination Securities) is the Payment Date in May 2040.

The table set forth below entitled “Class A, B, C and D Note Constant Default Rate Stress Tests” is based on the following assumptions (the “Collateral Assets Assumptions”):

- (i) Forward LIBOR curve as of March 31, 2005;
 - (ii) the Closing Date is April 20, 2005 and the first Payment Date is August 8, 2005;
 - (iii) the Coverage Tests are satisfied as of the Closing Date;
 - (iv) each Collateral Asset will pay principal and interest in accordance with its terms and scheduled payments will be received on a timely basis, unless otherwise specified;
 - (v) all interest payments on the Collateral Assets in the initial portfolio are assumed to be made on a monthly basis;
 - (vi) payments on Collateral Assets are made on the last day of the month in which such payment is due;
 - (vii) payments on the Securities are made on the 8th day of the month in which each applicable Payment Date falls (each of which is assumed to be a Business Day) commencing in August 2005;
 - (viii) defaults are incurred at the constant annual default rates and are applied on each Payment Date to the outstanding Principal Balance of the Collateral Assets as of such Payment Date commencing on the Payment Date on May 8, 2006;
 - (ix) all Proceeds are fully reinvested or paid out pursuant to the Priority of Payments;
 - (x) expenses are paid on each Payment Date and will be fixed at 0.03% per annum of the outstanding collateral balance;
 - (xi) there are no trading gains or call premiums;
 - (xii) each Hedge Counterparty makes all required payments to the Issuer on a timely basis;
 - (xiii) each of the Class A Adjusted Overcollateralization Ratio, the Class B Adjusted Overcollateralization Ratio, the Class C Adjusted Overcollateralization Ratio and the Class D Adjusted Overcollateralization Ratio is modeled using the Net Outstanding Portfolio Collateral Balance rather than the Adjusted Net Outstanding Portfolio Collateral Balance;
 - (xiv) Collateral Assets purchased during the Reinvestment Period are priced at par; and principal payments from Floating Rate Assets are reinvested at a spread equal to 1.7% over one-month LIBOR with a bullet maturity of five years from the date of reinvestment;
 - (xv) Non-U.S. Dollar Denominated Assets do not incur any termination costs related to any default on such Collateral Asset or by any related Currency Swap Counterparty;
 - (xvi) there are no taxes owed by the Issuers;
 - (xvii) no additional issuance of Securities occurs;
 - (xviii) no Deleverage Funds are applied to reduce the principal balance of any Class of Notes;
- and

(xix) with respect to the table below entitled “Class A, B, C and D Note Constant Default Rate Stress Tests,” no redemption due to an Auction is assumed, unless the remaining principal balance of Collateral Assets is greater than the outstanding par amount of the Notes.

The table set forth below entitled “Class A, B, C and D Note Constant Default Rate Stress Tests” shows the Constant Default Rate (“CDR”) and Cumulative Defaults for each Class of Notes under three stress scenarios, assuming a 65% severity in terms of principal recoveries on defaulted Collateral Assets. In column one (“First Dollar of Loss”), CDR represents the CDR starting twelve months from the Closing Date that would result in the first dollar reduction in yield to the respective Class of Notes. Cumulative Defaults represent the sum of such defaults. In column two (“LIBOR Flat”), CDR represents the CDR starting twelve months from the Closing Date that would result in a yield equivalent to LIBOR Flat for the Class A, B, C and D Notes. Cumulative Defaults represent the sum of such defaults. In column three (“Return of Investment (0% return)”), the CDR represents the CDR starting twelve months from the Closing Date that would result in a 0.0% return for the Class A, B, C and D Notes. Cumulative Defaults represent the sum of such defaults.

Class A, B, C and D Note Constant Default Rate Stress Tests

Constant Annual Default Rate at 65% Severity	First Dollar of Loss		LIBOR Flat		Return of Investment (0% return)	
	CDR	Cumulative Defaults	CDR	Cumulative Defaults	CDR	Cumulative Defaults
	Class A-1	6.9%	28.708%	7.6%	31.039%	20.6%
Class A-2	6.8%	28.368%	7.0%	29.047%	14.5%	44.441%
Class B	2.9%	17.158%	4.9%	23.121%	6.6%	27.683%
Class C	2.4%	15.090%	2.5%	15.632%	3.0%	17.711%
Class D	1.8%	12.070%	2.2%	14.402%	3.0%	17.711%

The yield to maturity of the Notes of each Class will also be affected by the rate of repayment of the Collateral Assets, as well as by the redemption of the Notes in an Optional Redemption, Tax Redemption or Auction (and by their respective Optional Redemption Prices, Tax Redemption Prices or Auction Redemption Prices, as applicable, which are then payable). The Issuer is not required to repay the Notes on any date prior to their Stated Maturity. The receipt of principal payments on the Notes at a rate slower than the rate anticipated by investors purchasing the Notes at a discount will result in an actual yield that is lower than anticipated by such investors.

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

THE COLLATERAL MANAGER

The information appearing in this section has been prepared by the Collateral Manager and has not been independently verified by any Initial Purchaser or either of the Issuers. Neither the Initial Purchasers nor the Issuers assume any responsibility for the accuracy, completeness or applicability of such information.

General

The Collateral Manager and the other corporate bodies and partnerships comprising the “Cambridge Place Investment Management Group” started trading in 2002 with the aim of becoming a leading global investment management group concentrating on the structured finance product market. Cambridge Place Investment

Management Group has investment professionals in the UK (London) and the US (Boston). Cambridge Place Investment Management Group plans to manage between U.S.\$25-\$50 billion of gross assets for clients in the medium to long-term and it is anticipated that its clients will include managed accounts as well as a variety of investment funds and similar vehicles.

The Collateral Manager was incorporated as a limited liability partnership in England and Wales on 2 December 2002 and is regulated in the conduct of its investment business in the UK by the UK Financial Services Authority (the "FSA").

The Collateral Manager applies practitioners' knowledge of the structured finance product market with a capacity to invest on behalf of its clients at all levels in available capital structures. Investment decisions will generally be made using primary source investigation and analysis in addition to traditional statistical and quantitative credit analysis. Such primary investigations may include originator/servicer due diligence visits, property inspections, appraisal reviews and loan file audits.

The Collateral Manager uses a comprehensive, integrated approach that addresses different aspects of the investment decision making process which may include:

- **Sector Analysis:** comprising supply/demand effects, profitability, regulatory issues and macro-economic trends;
- **Issuer/Servicer Analysis:** comprising business model, underwriting standards, credit rating and management scope;
- **Collateral Evaluation:** comprising historical performance, default/recovery rates, geographical diversity and key collateral attributes;
- **Structural Verification:** comprising subordination, excess spread, liquidity facility, overcollateralization and scenario analysis;
- **Legal/Regulatory Factors:** comprising noteholder rights, enforceability, bankruptcy and true sale;
- **Market/Liquidity Evaluation:** comprising frequency of trading, secondary market sponsorship and other relative value considerations; and
- **Quantitative Analysis:** comprising credit stress tests, prepayment sensitivity, spread duration, option adjusted duration and utilizing models (both vendor sourced and internally developed) in managing portfolio risk and for evaluation of investment opportunities.

Additionally, by employing a team of investment professionals with diverse backgrounds in the structured finance product market (including the origination and servicing of underlying mortgages; the structuring of securitizations; and the trading in issuances on both the buy and sell side) the Collateral Manager believes that it will produce a more rigorous and robust investment process.

The Collateral Manager has developed a framework for monitoring portfolio performance on an ongoing basis. This process involves an ongoing evaluation of actual collateral performance; on-site due diligence of significant issuers and servicers; monitoring of market developments; ongoing risk/return assessment; and portfolio readjustment where appropriate. The Collateral Manager conducts asset and sector reviews to identify areas of concern and any problem assets are moved to a portfolio "watch list" for more frequent review and more in depth analysis. The Collateral Manager uses legal resources (internal and external) to augment the credit analysts' due diligence process from time to time.

THE COLLATERAL MANAGEMENT AGREEMENT

General

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

The Collateral Manager shall perform its duties and functions under the Collateral Management Agreement in good faith and shall use its reasonable judgement in rendering its services as Collateral Manager, exercising a standard of care and a degree of skill and attention consistent with practices and procedures followed by a reasonable and prudent collateral manager of assets of the nature and character of the Collateral; *provided, however*, that the Collateral Manager, its directors, members, officers, agents, partners and employees shall not be liable (whether directly or indirectly) to the Issuer, the Collateral Agent, the Trustee, the Holders of Securities or any other Person for any losses, claims, damages, judgments, interest on judgments, assessments, costs, fees, charges amounts paid in settlement or other liabilities (collectively, "Liabilities") incurred by the Issuer, the Collateral Agent, the Trustee, the Holders of Securities or such other Person that arise out of or in connection with the performance by the Collateral Manager of its duties under or pursuant to the Collateral Management Agreement and the other Transaction Documents to which it is a party, except for Liabilities arising by reason of acts or omissions by the Collateral Manager constituting fraud, wilful misconduct or gross negligence in the performance of its obligations under the Collateral Management Agreement. Any liability of the Collateral Manager in respect of indemnification shall be limited to the aggregate fees and expenses received by the Collateral Manager pursuant to the Priority of Payments on or before the date of receipt of the notification of the related claim, action or demand.

The Collateral Manager will be entitled to indemnification by the Issuer under certain circumstances (as described more fully below), but, except in the limited amount described in clause (3) of the Priority of Payments, only after payment in full of the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes (out of funds otherwise payable to the Holders of the Class E Notes).

Pursuant to the terms of the Collateral Management Agreement, the Issuer shall indemnify and hold harmless the Collateral Manager, its Partners and its Affiliates (each, an "Indemnified Party") against any liabilities, actions, proceedings, claims, demands, costs (including, but not limited to, any legal costs) or expenses whatsoever (collectively, "Losses") which it may incur or be subject to in consequence of the Collateral Manager entering into the Collateral Management Agreement or as a result of the performance of the functions and services provided for under the Collateral Management Agreement and the other Transaction Documents except as a result of the negligence, wilful misconduct or fraud of the Collateral Manager, its Affiliates and its Partners from time to time or any of their directors, officers, employees or agents as the case may be. The obligations of the Issuer to indemnify any Indemnified Party for any Losses shall be payable solely out of the Collateral in accordance with the Priority of Payments.

The provisions of the Collateral Management Agreement may be waived or amended by the parties to the Collateral Management Agreement in accordance with the provisions of the Trust Deed related to waivers and amendments, subject in each case to satisfaction of the Rating Agency Condition. For so long as any of the Securities (other than the Class Z Notes) are listed on the Irish Stock Exchange, the Issuer shall cause a copy of any amendment or modification to the Collateral Management Agreement to be sent to the Irish Stock Exchange.

Termination

Termination by Manx: For so long as Cambridge Place Investment Management LLP is the Collateral Manager, Manx has the ability to arrange for an Affiliate of the Collateral Manager or, subject to the written consent

of the Holders of at least 66 2/3% of each Class of Securities outstanding, a third party collateral manager, to be substituted in place of the Collateral Manager as Collateral Manager (in each case, excluding any Securities outstanding held by the Collateral Manager or any of its Affiliates).

Termination Without Cause: After the Payment Date in May 2007, the Collateral Manager may be removed, without cause, upon 90 calendar days' prior written notice (with a copy to the Rating Agencies) by the Issuer or the Collateral Agent, in each case acting on the written directions of holders of at least 66 2/3% in aggregate principal amount of each Class of Securities outstanding (in each case, excluding any Securities outstanding held by the Collateral Manager or any of its Affiliates).

Termination With Cause: The Collateral Manager may be removed, subject to the appointment of a successor collateral manager as described below, for cause upon 30 calendar days' prior written notice (with a copy to the Rating Agencies) by (i) the Issuer, in its sole discretion, if an event described in clause (a), (b), (e) or (f) of the definition of "cause" has occurred or (ii) the Issuer subject to, if an event described in clause (c) or (d) of the definition of "cause" has occurred, acting upon the written direction of (a) for so long as the Class S Notes and the Class A Notes constitute the Controlling Class, the Holders of at least 75% in aggregate principal amount of the Controlling Class outstanding; and thereafter, (b) the Holders of 100% in aggregate principal amount of each Class of Securities outstanding (excluding any outstanding Securities held by the Collateral Manager or any of its Affiliates).

For purposes of the Collateral Management Agreement, "cause" will mean:

- (a) violation by the Collateral Manager of any material provision of the Collateral Management Agreement and failure to cure such violation within 30 calendar days or earlier of the Collateral Manager receiving notice from the Issuer or the Trustee of, such violation *provided* that, if such violation cannot be cured within 30 calendar days, no cause will exist if such violation will not in the reasonable opinion of the Trustee have a material adverse effect on the Holders of Securities or the Issuer and the Collateral Manager is using all reasonable efforts to effect a cure and a cure can be effected without regard to a time period;
- (b) certain events of bankruptcy or insolvency occur in respect of the Collateral Manager as specified in the Collateral Management Agreement;
- (c) any licenses, approvals, authorizations and consents which are necessary for the performance of the Collateral Manager's obligations under the Collateral Management Agreement are not in place and the Collateral Manager has not obtained such licenses, approvals, authorizations and consents within 30 calendar days of the same not being in place;
- (d) the occurrence of an Event of Default, where the Trustee has determined, within 10 Business Days of being notified of the occurrence of such Event of Default, that such Event of Default was caused by any negligence or fraud of the Collateral Manager;
- (e) the Collateral Manager is committing an act constituting fraud or criminal activity in the performance of its obligations under the Collateral Management Agreement or the Collateral Manager has been indicted for a criminal offence materially related to its primary businesses; and
- (f) the Collateral Manager is negligent in the performance of its obligations under the Collateral Management Agreement and such negligence has, in the opinion of the Trustee, a material adverse effect on the Holders of Securities which is not capable of remedy or if capable of remedy, is not remedied within 30 calendar days of notice to the Collateral Manager of such negligence.

Resignation: The Collateral Manager may resign: (i) upon 90 calendar days' prior written notice to the Issuer, the Collateral Agent and the Trustee and (ii) forthwith if the Issuer becomes subject to registration as an investment company for the purposes of the Investment Company Act.

Notice of Resignation or Removal: The Issuer shall notify the Trustee, the Collateral Agent, the Holders of Securities and the Rating Agencies in the event of any resignation or removal of the Collateral Manager and the appointment of any successor.

Replacement Collateral Manager

Upon resignation or removal of the Collateral Manager or termination of the Collateral Management Agreement and while any of the Securities are Outstanding, the Issuer shall and, in the case of a removal by Manx, only upon advice given by Manx, use its best efforts to appoint a Person which (i) has demonstrated an ability to perform professionally and competently duties similar to those imposed upon the Collateral Manager under the Collateral Management Agreement and has a substantially similar (or higher) level of expertise; (ii) is legally qualified and has the capacity to act as collateral manager under the Collateral Management Agreement and the other Transaction Documents to which the Collateral Manager is a party, as successor to the Collateral Manager thereunder in the assumption of all the duties, responsibilities and obligations of the Collateral Manager thereunder and under the other Transaction Documents to which the Collateral Manager was a party; and (iii) will perform its duties as collateral manager under the Collateral Management Agreement and the other Transaction Documents to which the Collateral Manager is a party without causing the Issuer or any holder of the Securities to become subject to tax in any jurisdiction where such successor collateral manager is established or doing business. No termination, resignation (other than a resignation as a result of the Issuer being subject to registration as an investment company for the purposes of the Investment Company Act) or removal of the Collateral Manager shall be effective unless (a) a successor collateral manager has entered into a collateral management agreement and each other Transaction Document to which the Collateral Manager was a party on substantially the same terms as the Collateral Management Agreement, (b) the Rating Agency Condition has been satisfied and (c) the Holders of the Securities have been notified of such appointment in accordance with the terms of the Terms and Conditions of the Securities, *provided* that if no successor Collateral Manager has been appointed upon the expiry of 120 calendar days of the date of receipt of such notice of resignation or removal, the Collateral Manager may itself appoint a successor within 30 calendar days of such date if the successor Collateral Manager satisfies the requirements referred to in (a), (b) and (c) above.

Assignment and Delegation

The Collateral Manager may assign its rights, or transfer by novation its rights and obligations, to an Affiliate of the Collateral Manager, *provided* that the Issuer, the Collateral Agent and the Trustee have received a copy of the confirmation that the Rating Agency Condition has been satisfied in respect of the proposed transfer or assignment to such Affiliate. Except as specified in the preceding sentence, the Collateral Manager may not assign its rights or responsibilities under the Collateral Management Agreement without the prior written consent of the Issuer, the Collateral Agent and the Trustee which consent shall not be unreasonably withheld or delayed.

The Collateral Manager may appoint any person as its sub-agent, adviser, sub-contractor or representative to carry out or to assist the Collateral Manager in connection with its obligations under the Collateral Management Agreement. Any such appointment or delegation will not relieve the Collateral Manager from its obligations under the Collateral Management Agreement, and the Collateral Manager will continue to be liable as if no such appointment or delegation had been made. Any failure to perform the services by a sub-agent, sub-contractor, adviser or representative of the Collateral Manager shall be treated as a breach of the Collateral Management Agreement by the Collateral Manager.

Conflicts of Interest

The Collateral Management Agreement generally permits the Collateral Manager or any of its various affiliates to acquire or sell securities, for its own account or for the accounts of its customers, without either requiring or precluding the purchase or sale of such securities for the account of the Issuer. In the event that, in light of market conditions and investment objectives, the Collateral Manager determines that it would be advisable to purchase the same Collateral Asset both for the Issuer, and either the proprietary account of the Collateral Manager or any affiliate of the Collateral Manager or another client of the Collateral Manager, the Collateral Manager will employ allocation procedures as more fully set forth in the Collateral Management Agreement.

Nothing in the Collateral Management Agreement precludes the Collateral Manager or its affiliates from acting as principal, agent or fiduciary for other clients in connection with securities simultaneously held by the Issuer or of the type eligible for investment by the Issuer or limiting any relationships the Collateral Manager or any of its affiliates may have with any obligor of any Collateral Asset. Should a conflict of interest actually arise, the Collateral Manager will endeavor to resolve it in a manner which it deems to be fair to the extent possible under the prevailing facts and circumstances. See “Risk Factors —Other Considerations—Certain Conflicts of Interest.”

Compensation

The Collateral Manager will be entitled to receive from the Issuer on the Closing Date from the net proceeds of the offering of the proceeds an upfront fee of \$1,183,000 (the “Upfront Collateral Management Fee”). As compensation for the performance of its obligations under the Collateral Management Agreement, the Collateral Manager will be entitled to receive a fee, payable in arrears on each Payment Date, consisting of a management fee (the “Base Collateral Management Fee”) of 0.20% per annum times the Aggregate Principal Amount, as adjusted for Defaulted Obligations and Deferred Interest PIK Bonds, and subject to the Priority of Payments, measured as of the beginning of the Due Period preceding such Payment Date. For the avoidance of doubt, the Base Collateral Management Fee, as calculated above, shall be deemed not to include any applicable value added tax.

The Collateral Manager will be entitled to receive, in addition to the Base Collateral Management Fee, on each Payment Date (i) a fee (the “Subordinate Collateral Management Fee”) subordinate to payments on the Notes (other than the Class E Notes and Class Z Notes) and other payments as specified in the Priority of Payments of 0.20% per annum times the Aggregate Principal Amount, as adjusted (in accordance with the definition of the term “Aggregate Principal Amount”) for Defaulted Obligations and Deferred Interest PIK Bonds, and subject to the Priority of Payments, measured as of the beginning of the Due Period preceding such Payment Date and (ii) an incentive collateral management fee (the “Incentive Collateral Management Fee”) equal to 20% of all funds available for distribution on such Payment Date pursuant to clause (19)(b) of the Priority of Payments. For the avoidance of doubt, the Subordinate Collateral Management Fee and the Incentive Collateral Management Fee, each as calculated above, shall be deemed not to include any applicable value added tax.

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

Description of the Manx Agreement

Under the terms of a services agreement dated the Closing Date between the Issuer, Manx and the Trustee (the “Manx Agreement”), the Issuer has appointed Manx to monitor the performance of the Collateral Manager under the Collateral Management Agreement and to provide a report or periodic statement to the directors of the Issuer and, upon enforcement of the security over the Collateral in accordance with the Security Agreement, the Collateral Agent regarding the compliance of the Collateral Assets with the Collateral Profile Tests.

Manx is an Isle of Man private limited company. Manx is a wholly-owned subsidiary of Aston Partners Limited which is the general partner of Cambridge Place Partners L.P. (“LP”). The partners of LP include the investment principals (or related parties) of Cambridge Place Investment Management LLP.

Manx will be entitled to receive a fee, payable in arrears on each Payment Date (the “Manx Fee”) of 0.003% per annum times the Aggregate Principal Amount, as adjusted for Defaulted Obligations and Deferred Interest PIK Bonds, and subject to the Priority of Payments, measured as of the beginning of the Due Period preceding such Payment Date. The Manx Fee will be calculated on the basis of a 360 day year consisting of twelve 30-day months. All fees payable to Manx on a Payment Date are payable only in accordance with the Priority of Payments. For the avoidance of doubt, the amount of the Manx Fee, as calculated above, shall be deemed not to include any applicable value added tax thereon.

The Manx Agreement contains provisions for the indemnification of Manx for any cost, charge, liability and expense incurred by Manx, without negligence, willful default, dishonesty, fraud or default on its part, pursuant to or in connection with the Manx Agreement.

The provisions of the Manx Agreement may be waived or amended by the parties to the Manx Agreement.

Termination Without Cause: Manx may be removed at any time upon the termination with cause of the Collateral Manager under the Collateral Management Agreement, upon 90 calendar days' written notice by the Issuer acting upon the written direction of the Holders of 66 2/3% in aggregate principal amount of each Class of Securities outstanding (in each case, excluding any Securities held by the Collateral Manager or any of its affiliates).

Termination With Cause: Manx may be removed for cause (as defined below) upon 30 calendar days' prior written notice by the Issuer acting upon the written direction of the Holders of (a) for so long as the Class S Notes and the Class A Notes constitute the Controlling Class, the Holders of at least 75% in aggregate principal amount of the Controlling Class outstanding; and (b) thereafter, the Holders of 100% in aggregate principal amount of each Class of Securities outstanding (excluding any Securities held by the Collateral Manager or any of its Affiliates).

For the purposes of the Manx Agreement, "*cause*" will mean:

- (a) violation by Manx of any material provision of the Manx Agreement and failure to cure such violation within 30 calendar days or earlier of becoming aware of, or receiving notice from Issuer or the Trustee or the Collateral Agent of, such violation *provided* that if such violation cannot be cured within 30 calendar days, no cause will exist if such violation will not in the opinion of the Trustee have a material adverse effect on the Noteholders and Manx is using all reasonable efforts to effect a cure and a cure can be effected without regard to a time period;
- (b) subject to certain provisions as set out in the Manx Agreement, any licenses, approvals, authorizations and consents which are necessary for the performance of Manx's obligations are not in place and Manx has not obtained such licenses, approvals, authorizations and consents within 30 calendar days of the same not being in place;
- (c) Manx is negligent in the performance of its obligations under the Manx Agreement and such negligence results in a material adverse consequence (as determined by the Issuer or the Collateral Agent as the case may be, acting reasonably and in good faith) to the Issuer or the Collateral Agent; and
- (d) Manx is committing an act constituting fraud or criminal activity in the performance of its obligations under the Manx Agreement or Manx has been indicted for a criminal offence materially related to its primary business.

The Manx Agreement shall continue in force unless and until terminated by: (a) Manx upon not less than 90 calendar days' written notice to the Issuer; or (b) Manx or the Issuer upon notice where a party to the Manx Agreement shall be dissolved (except a voluntary dissolution for the purposes of reconstruction or amalgamation upon terms previously approved in writing by the other party) or be unable to pay its debts or commits any act of bankruptcy or if a receiver is appointed over any of the assets of a party.

Manx may not assign its rights or responsibilities under the Manx Agreement other than to an Affiliate without the prior written consent of the Issuer and the Trustee which consent shall not be unreasonably withheld or delayed.

Assignment and Delegation: Manx may delegate any of its functions under the Manx Agreement to an Affiliate, and Manx may appoint agents to perform any administrative and ancillary services required to enable Manx to perform its services under the Manx Agreement. In each case, Manx's liability to the Issuer under the Manx Agreement for all matters so delegated shall not be affected thereby.

Initial Portfolio

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

THE COLLATERAL ADMINISTRATOR

The information appearing in this section has been prepared by the Collateral Administrator and has not been independently verified by any Initial Purchaser or either of the Issuers. Neither the Initial Purchasers nor the Issuers assume any responsibility for the accuracy, completeness or applicability of such information.

General

Wells Fargo Bank, National Association has been appointed as the Collateral Administrator under the Collateral Administration Agreement. Wells Fargo (NYSE:WFC) is a diversified financial services company, providing banking, insurance, investments, mortgages and consumer finance from more than 6,000 stores, the internet (wellsfargo.com) and other distribution channels across North America. It currently employs 150,000 staff members, and is engaged in the supply of banking services including wealth management, payment processing, and mortgages for more than 23 million customers.

Wells Fargo Bank, N.A. is the only "Aaa"-rated bank in the United States, rated as such by Moody's. The long term deposits are rated AA+ by Fitch, Aaa by Moody's and AA by S&P and short term debt is rated F1+ by Fitch, P-1 by Moody's and A-1+ by S&P. At December 31, 2004 the bank had U.S.\$428 billion in assets, making it the fifth largest bank holding company in the United States by assets. It ranked fourth in size amongst bank holding companies in the United States measured by the market value of its stock. The current stock of Wells Fargo is represented by 1.7 billion shares of common stock outstanding with a market value (as at December 31st, 2004) of U.S.\$106 billion.

The current headquarters of Wells Fargo is located in 420 Montgomery Street, San Francisco, California 94163, U.S.A.

Wells Fargo Corporate Trust Services in the United States provides fiduciary and agency services on debt securities issued by public and private corporations, government entities and the banking and securities industries, including mortgage-backed securities, asset-backed securities, collateralised debt obligations (CDO), municipal, and corporate/high yield securities, and litigation settlement administration. It acts on over 10,000 issues totaling over U.S.\$800 billion in original issuance.

THE COLLATERAL ADMINISTRATION AGREEMENT

General

Under the terms of the Collateral Administration Agreement, the Collateral Administrator will on behalf of the Issuer, among other things, (i) calculate the amounts to be disbursed on each Pay Date and instruct the Collateral Agent to apply moneys in accordance with the Priority of Payments; (ii) calculate and determine the Coverage Tests, the Collateral Profile Tests and the Collateral Quality Tests and assess compliance with the Eligibility Criteria and the Reinvestment Criteria; and (iii) prepare the Payment Report and Note Valuation Report

On each Measurement Date, the Collateral Administrator will calculate the Coverage Tests, the Collateral Profile Tests, the Collateral Quality Tests, the Internal Rate of Return and assess compliance on behalf of the Issuer and notify the results of such calculations to the Issuer, the Trustee, the Collateral Agent and the Collateral Manager. The Collateral Administrator shall also on behalf of the Issuer prepare the Payment Reports and Note Valuation Reports. The Collateral Administrator shall make each Note Valuation Report available via the Collateral Administrator's website. The Collateral Administrator's internet website shall initially be located at www.cdolink.com and shall be accessible to all parties entitled to such reports pursuant to the terms of the Security Agreement on a restricted basis or by such other means as the Collateral Administrator may have in place from time to time. Assistance in using the website can be obtained by calling the Collateral Administrator's customer service desk at +1 (301) 815-6600. In no event will the Collateral Administrator be liable for any dissemination of reports required hereunder.

The Collateral Administration Agreement contains provisions for the indemnification of the Collateral Administrator for any loss, liability or expense incurred without negligence, willful misconduct, dishonesty, fraud or default on its part as a consequence of entering into the Collateral Administration Agreement or as a result of the performance of the functions and services provided for in the Collateral Administration Agreement or other Transaction Documents.

The provisions of the Collateral Administration Agreement may be waived or amended by the parties to the Collateral Administration Agreement in accordance with the provisions of the Trust Deed related to waivers and amendments, subject in each case to satisfaction of the Rating Agency Condition.

The Issuers and their affiliates, if any, may maintain other banking relationships in the ordinary course of business with the Collateral Administrator. The payment of the fees and expenses of the Collateral Administrator is solely the obligation of the Issuers.

Termination

Termination Without Cause: The Collateral Administrator may, subject to the appointment of a successor collateral administrator as described below, be removed, without cause, upon 90 calendar days' written notice by the Issuer or the Trustee acting upon the direction, in writing, of the Holders of at least 66²/₃% by aggregate principal amount of each Class of Securities Outstanding (in each case excluding any Securities held by the Collateral Administrator or any of its Affiliates).

Termination With Cause: The Collateral Administrator may be removed, subject to the appointment of a successor collateral administrator as described below, for cause upon 10 calendar days' prior written notice by the Issuer.

For purposes of the Collateral Administration Agreement, "cause" means:

- (a) willful violation by the Collateral Administrator of any provision of the Collateral Administration Agreement.
- (b) violation by the Collateral Administrator of any material provision of the Collateral Administration Agreement and failure to cure such violation within 30 calendar days or earlier of becoming aware of, or receiving notice from the Issuer of such violation;
- (c) certain events of bankruptcy or insolvency in respect of the Collateral Administrator;
- (d) the occurrence of an Event of Default pursuant to the Securities, save for an Event of Default where the Collateral Administrator has within 10 Business Days of the occurrence of such Event of Default satisfied the Trustee (in its sole discretion) that such Event of Default was not caused by any action, inaction, negligence or fraud of the Collateral Administrator;

- (e) the Collateral Administrator is negligent in the performance of its obligations under the Collateral Administration Agreement; or
- (f) the Collateral Administrator committing an act constituting fraud or criminal activity in the performance of its obligations under the Collateral Administration Agreement, or
- (g) the Collateral Administrator is committing an act constituting fraud or criminal activity in the performance of its obligations under the Collateral Administration Agreement, or the Collateral Administrator being indicted for a criminal offence materially related to its primary business.

Resignation: The Collateral Administrator may resign upon 90 calendar days' prior written notice to the Issuer, the Collateral Manager, the Collateral Agent, the Securities Intermediary and the Trustee.

Notice of Resignation or Removal: The Issuer shall notify the Trustee, the Noteholders, the Account Bank and the Custodian, the Collateral Manager and each Rating Agency in the event of any resignation or removal of the Collateral Administrator and the appointment of any successor.

Replacement Collateral Administrator

Upon retirement, resignation or removal of the Collateral Administrator or termination of the Collateral Administration Agreement and while any of the Securities are Outstanding, the Issuer shall use its best efforts to appoint a Person which (i) has demonstrated an ability to perform professionally and competently duties similar to those imposed upon the Collateral Administrator under the Collateral Administration Agreement and has a substantially similar (or higher) level of expertise; and (ii) has the necessary regulatory approvals and has the capacity to act as collateral administrator under the Collateral Administration Agreement, as successor to the Collateral Administrator thereunder in the assumption of all the duties, responsibilities and obligations of the Collateral Administrator thereunder and under the other Transaction Documents to which the Collateral Administrator is a party. No termination, resignation or removal of the Collateral Administrator shall be effective unless (i) a successor collateral administrator has entered into a collateral administration agreement on substantially the same terms as the Collateral Administration Agreement; and (ii) the Securityholders have been notified of such appointment in accordance with Terms and Conditions of the Securities provided that if no successor collateral administrator has been appointed upon the expiry of 120 calendar days of the date of receipt of such notice of retirement or resignation or removal, the Collateral Administrator may itself appoint a successor.

In addition, the appointment of any successor collateral administrator shall be subject to receipt of a Rating Agency Confirmation by the Issuer and the Trustee.

Assignment and Delegation

Except for permitted assignments to Affiliates of the Collateral Administrator specified in the Collateral Administration Agreement, the Collateral Administrator may not assign or transfer all or any of its rights, benefits and obligations under the Collateral Administration Agreement. In addition, the Collateral Administrator may not assign its rights or responsibilities under the Collateral Administration Agreement unless and until the Issuer and the Trustee shall have received a Rating Agency Confirmation in respect of the proposed assignment.

The Collateral Administrator may, having exercised all due care in the selection of such person, appoint any person as its sub-agent, adviser, sub-contractor or representative to carry out or to assist the Collateral Administrator in connection with its obligations under the Collateral Administration Agreement. Any such appointment or delegation will not relieve the Collateral Administrator from its obligations under the Collateral Administration Agreement, and the Collateral Administrator will continue to be liable as if no such appointment or delegation had been made. Any failure to perform the services by a sub-agent, sub-contractor, adviser or representative of the Collateral Administrator shall be treated as a breach of the Collateral Administration Agreement by the Collateral Administrator.

Compensation

The Collateral Administrator shall be paid a fee in arrears on each Payment Date in accordance with the Priority of Payments. Any fee not paid on the Payment Date on which it is due will be due on the next occurring Payment Date.

THE ISSUERS

General

The Issuer was incorporated as CAMBER 3 Public Limited Company (Company number 392570) on October 19, 2004, as a public company with limited liability under the laws of Ireland. The Issuer's registered office is at 5 Harbourmaster Place, Dublin 1, Ireland. The Issuer has neither traded nor commenced operations since incorporation, with the exception of activities incidental to its incorporation and the entering into of the warehousing arrangements. Clause 2 of the Issuer's Memorandum of Association sets out the objects of the Issuer, which include the business to be carried out by the Issuer in connection with the Securities.

The Co-Issuer was formed on April 14, 2005 under the laws of the State of Delaware with the registered number 3955191. The registered office of the Co-Issuer is at 850 Liberty Avenue, Newark, Delaware 19711. The Co-Issuer has no prior operating history. Article 1 of the Co-Issuer's Limited Liability Company Agreement sets out the purposes of the Co-Issuer, which include the business to be carried out by the Co-Issuer in connection with the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes.

The Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes are obligations only of the Issuers, and the Class E Notes and Combination Securities are obligations only of the Issuer, and not of the Trustee, the Collateral Manager, any Initial Purchaser, the Note Agents, the Share Trustees or any directors, managers or officers of the Issuers or any of their respective affiliates.

The Issuer's issued and paid-up share capital is €40,000 divided into 40,000 ordinary shares ("Issuer Ordinary Shares") of €1.00 each. The issued shares are held, directly or indirectly, by three companies limited by guarantee, Badb Charitable Trust Limited, Eurydice Charitable Trust Limited and Medb Charitable Trust Limited (each a "Share Trustee" and together the "Share Trustees"), under the terms of three declarations of trust under which the relevant Share Trustee holds the shares held by it on trust for charity. The Share Trustees have no beneficial interest in and derive no benefit (other than any fees for acting as Share Trustee) from their holding of the shares. The Share Trustees will apply any income derived by them from the Issuer solely for charitable purposes.

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

Capitalization of the Issuer

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

<i>Indebtedness</i>	
Class S Notes	\$ 10,000,000
Class A-1 Notes	422,500,000
Class A-2 Notes	110,500,000
Class B Notes	45,500,000
Class C Notes	26,000,000
Class D Notes	19,500,000
Class E Notes	26,000,000
Class Z Notes	50,000,000

<i>Share Capital</i>	
Authorized and Paid Up Share Capital*	51,600
Total Capitalization and Indebtedness	<u>\$710,051,600</u>

* calculated using an exchange rate of €1/U.S.\$1.29

Save as disclosed above, the Issuer has no loan capital outstanding, has not created shares which have not been allotted and has no term loans and no other borrowings or indebtedness in the nature of borrowings nor any contingent liabilities or guarantees.

Capitalization of the Co-Issuer

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

Business

The main objects of the Issuer are, inter alia, to carry on the business of securitization, including purchasing, acquiring, holding, collecting, discounting, financing, negotiating, managing, selling, disposing of and otherwise trading or dealing in real or personal property of whatsoever nature (including, without limitation, securities, instruments or obligations of whatsoever nature and trade accounts, receivables and book debts of whatsoever nature).

Pursuant to the Trust Deed and the Conditions of the Securities, the business of the Issuer is restricted to: issuing the Securities and acquiring, holding and disposing of the Collateral in accordance with the Conditions, the entry into the Transaction Documents and exercising the rights and performing the obligations under each such agreement and all other transactions incidental thereto. The Issuer will not have any subsidiaries and, save in respect of the fees generated in connection with the issue of the Securities (referred to below), the Issuer will not accumulate any surpluses.

The assets of the Issuer will consist of the Portfolio held from time to time, the sums standing to the credit of the Accounts, the benefit of the Transaction Documents to which it is a party, the sum of €40,000 representing its issued and paid-up capital. The only assets of the Issuer available to meet claims of the holders of the Securities and the other Secured Parties are the assets comprised in the Collateral.

Directors

The directors of the Issuer and their other respective principal activities and business address are:

Name	Other Principal Activities	Business Address
Michael Whelan	Director of Deutsche International Corporate Services (Ireland) Limited	5 Harbourmaster Place Dublin 1, Ireland
Christian Currivan	Employee of Deutsche International Corporate Services (Ireland) Limited	5 Harbourmaster Place Dublin 1, Ireland

The sole member of the Co-Issuer is Deutsche International Finance (Ireland) Limited who holds the membership interests of the Co-Issuer on trust pursuant to a declaration of trust.

The Issuers have no employees.

Warehousing Arrangements

Prior to the issuance of the Securities, the Issuer entered into a forward purchase agreement with Goldman Sachs International pursuant to which the Issuer agreed to acquire from Goldman Sachs International on the Closing Date the Collateral Assets to be acquired by the Issuer in connection with the Closing Date.

A corporate administration agreement between the Issuer and Deutsche International Corporate Services (Ireland) Limited was also entered into whereby certain corporate services will be provided to the Issuer by Deutsche International Corporate Services (Ireland) Limited.

All of the above arrangements (collectively referred to as the warehousing arrangements) will be terminated on or before the Closing Date.

Corporate Management

The Issuer has appointed Deutsche International Corporate Services (Ireland) Limited (the "Corporate Administrator") to provide certain administrative services pursuant to a corporate administration agreement (the "Corporate Administration Agreement") dated on or about the Closing Date between the Issuer and the Corporate Administrator.

The appointment of the Corporate Administrator may be terminated by (i) either party giving three months prior written notice to the other party or it may be terminated, inter alia, (ii) either party upon a material breach of the Corporate Administration Agreement (which breach would include a material failure on the part of either party to perform any of its legal or regulatory obligations under the Corporate Administration Agreement) and if the Corporate Administrator fails to remedy such breach (if the same is capable of remedy) is not remedied within fourteen days of receiving notice of the same. Upon termination of the appointment of the Corporate Administrator, the Issuer will appoint another company to act as the corporate administrator. The Corporate Administrator may (but is under no obligation to) assist the Issuer in identifying a replacement corporate administrator. No termination of the Corporate Administrator will be effective until a replacement corporate administrator has been appointed.

Financial Statements

The financial year of the Issuer runs from 1 January of each year to 31 December of that year except for the first financial year of the Issuer which started on the date of the incorporation of the Issuer and will end on 31 December 2005.

The auditors of the Issuer will be KPMG whose registered office is at 1 Harbourmaster Place, IFSC, Dublin 1, Ireland or another nationally recognized firm of accountants selected by the Collateral Manager.

The Issuer has not prepared any audited financial statements prior to the Closing Date. The Issuer's first set of audited financial statements will be prepared as at 31 December 2005.

INCOME TAX CONSIDERATIONS

In General

The following summary describes the principal U.S. federal income tax consequences of the purchase, ownership and disposition of the Securities, to investors that acquire the Securities at original issuance and for an amount equal to the "Issue Price" of the relevant Class of Securities (for purposes of this section, with respect to each Class of Securities, the first price at which a substantial amount of Securities of such Class are sold to investors is referred to herein as the "Issue Price"). This summary also describes certain aspects of the tax treatment of the Securities in the United Kingdom and Ireland and certain aspects of the European Union directive on the taxation of savings income. This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the Securities. In particular, special tax considerations that may apply to certain types of taxpayers, including securities dealers, banks, partnerships, tax-exempt investors and insurance companies, and subsequent purchasers of Securities, are not addressed. In addition, this summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the United States federal government, the United Kingdom and Ireland. In general, the summary assumes that, for U.S. federal income tax purposes, a holder acquires and holds its Securities as capital assets and not as part of a hedge, straddle, or conversion transaction, within the meaning of section 1258 of the United States Internal Revenue Code of 1986, as amended (the "Code").

This summary is based on the U.S., United Kingdom and Irish tax laws, regulations (final, temporary and proposed), administrative rulings and practice and judicial decisions in effect or available on the date of this offering circular. All of the foregoing are subject to change or differing interpretation at any time, which change or interpretation may apply retroactively and could affect the continued validity of this summary.

This summary is included herein for general information only, and there can be no assurance that the U.S. Internal Revenue Service (the "IRS") will take a similar view of the U.S. federal income tax consequences of an investment in the Securities as described herein. **PROSPECTIVE PURCHASERS OF THE SECURITIES SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO U.S. FEDERAL INCOME TAX, UNITED KINGDOM AND IRISH TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SECURITIES, AND THE POSSIBLE APPLICATION OF STATE, LOCAL OR OTHER JURISDICTIONS' TAX LAWS.**

As used in this section, the term "U.S. holder" means a beneficial owner of a Security that is, as determined for U.S. federal tax purposes, (i) a citizen or resident of the United States, (ii) a U.S. domestic corporation, (iii) any estate the income of which is subject to U.S. federal income tax regardless of the source of its income or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, but excludes certain types of investors that are subject to special U.S. federal income tax rules which are not discussed herein, including but not limited to, dealers in securities or currencies, traders in securities, financial institutions, tax exempt investors, U.S. expatriates, insurance companies, persons that own (directly or indirectly) equity interests in Holders of Securities, Holders that purchase the Securities for a price other than the Securities' respective issue prices and subsequent purchasers of the Securities. A "U.S. person" is any person described in clauses (i), (ii), (iii) or (iv) of the preceding sentence. The term "non-U.S. holder" means a beneficial owner of a Security that is not a U.S. holder. If a partnership (including for this purpose any entity treated as a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of any Security, the treatment of a partner in that partnership will generally depend upon the status partner and the activities of such partnership.

United States Federal Income Taxes

Treatment of the Issuer. The Issuer does not intend to operate so as to be subject to U.S. federal income taxes on its net income. In this regard, on the Closing Date the Issuer will receive an opinion from Sidley Austin Brown & Wood LLP (“Special U.S. Tax Counsel”) to the effect that, although no activity closely comparable to that contemplated by the Issuer has been the subject of any Treasury regulation, revenue ruling or judicial decision, under current law and assuming compliance with the Issuer’s Memorandum of Association, the Trust Deed, the Note Agency Agreement, the Security Agreement, the Collateral Management Agreement, and other related documents (the “Documents”) by all parties thereto, and based on certain factual representations as to the contemplated activities of the Issuer, the Issuer’s contemplated activities will not cause it to be engaged in a trade or business in the United States under the Code and, consequently, the Issuer’s profits will not be subject to U.S. federal income tax on a net income basis (or the branch profits tax described below), and the remainder of this summary assumes such treatment. In interpreting and complying with the Documents, the Issuer and the Collateral Manager are entitled to rely upon the advice and/or opinions of their counsel. The aforementioned opinion of Special U.S. Tax Counsel will assume that any such advice and/or opinions are correct and complete. The opinion of Special U.S. Tax Counsel will be based on the Code, the Treasury regulations (final, temporary and proposed) thereunder, the existing authorities, and Special U.S. Tax Counsel’s interpretation thereof, and on certain factual assumptions and representations as to the Issuer’s contemplated activities. The Issuer and the Collateral Manager intend to conduct their affairs, respectively, in accordance with the assumptions and representations upon which such opinion is based.

Notwithstanding the foregoing, if the Issuer were determined to be engaged in a trade or business in the United States, it would be potentially subject to substantial U.S. federal income taxes. The imposition of such taxes would materially affect the Issuer’s financial ability to repay the Securities, and would materially affect the return to the Holders of the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes, Class D Notes, the Class E Notes and the Combination Securities.

Withholding Taxes. Although, based on the foregoing, the Issuer is not expected to be subject to U.S. federal income tax on its net income, income derived by the Issuer may be subject to withholding taxes imposed by the United States or other countries. In this regard, the Issuer is permitted to acquire a particular Collateral Asset only if the payments thereon, or gain from the sale or other disposition thereof, are not subject to withholding taxes at the time of acquisition at a rate greater than 15%, unless the issuer of the Collateral Asset is required to make “gross-up” payments to offset fully any such tax on such payments. In addition, the Issuer does not intend to derive material amounts of any other items of income that would be subject to U.S. or other withholding taxes. Accordingly, income derived by the Issuer is expected to be free of any material amount of, or fully “grossed-up” for, withholding tax.

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

Treatment of U.S. Holders of Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes

Interest, Discount or Premium. The Issuer will receive an opinion from Special U.S. Tax Counsel that the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes will be treated as debt for U.S. federal income tax purposes, and this summary assumes such treatment. Accordingly, U.S. holders of Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes will include payments of stated interest received or accrued on such Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes in accordance with their method of accounting (except as described below) as ordinary interest income generally from sources outside the United States.

In the case of a U.S. holder that is an accrual method taxpayer, because the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes provide for interest payments based on a floating rate, income accruals should be calculated by assuming that interest will be paid over the life of the U.S. holder’s Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes based on the value of LIBOR used in setting interest for the first Interest Accrual Period, and then adjusting the income for each subsequent Interest Accrual

Period for any difference between the value of LIBOR used in setting interest for that subsequent Interest Accrual Period and the assumed rate.

In general, if the issue price of any Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes is less than the “stated redemption price at maturity” (defined below) of such Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes by more than a de minimis amount, a U.S. holder will be considered to have purchased such Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes with original issue discount (“OID”). In addition, it is possible that interest on the Class C Notes and the Class D Notes could be treated as OID because such interest is subject to deferral. If a U.S. holder acquires Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes with OID, then regardless of such holder’s method of accounting, the holder will be required to accrue OID on a constant yield basis and include such accruals in gross income. It is not anticipated that any Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes will be issued with OID.

In general, if the issue price of any Class S Note, Class A Note, Class B Note, Class C Note or Class D Note exceeds the “stated redemption price at maturity” of such Note a U.S. holder will be considered to have purchased such Note at a premium. In this event, a U.S. holder may elect to amortize the amount of such premium, based on a constant interest basis, as an offset to interest income. It is not anticipated that any Class S Note, Class A Note, Class B Note, Class C Note or Class D Note will be issued at a premium. “Stated redemption price at maturity” means the sum of all payments to be received on a Class S Note, Class A Note, Class B Note, Class C Note or Class D Note other than payments of stated interest.

Sale, Exchange or Retirement of the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes. In general, a U.S. holder of a Class S Note, Class A Note, Class B Note, Class C Note or Class D Note will have an adjusted tax basis in such Note equal to the cost of such Note to such holder, increased by any amount includible in income by such holder as OID and reduced by any amortized premium and any payments other than payments of interest on such Note. Upon a sale, exchange or retirement of a Class S Note, Class A Note, Class B Note, Class C Note or Class D 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 interest, which would be taxable as such) and the holder’s adjusted tax basis in such Note. Such gain or loss will be long-term capital gain or loss if the U.S. holder held the Class S Note, Class A Note, Class B Note, Class C Note or Class D Note for more than one year at the time of disposition. In certain circumstances, U.S. holders who are individuals may be entitled to preferential treatment for net capital gains; however, the ability of U.S. holders to offset capital losses against ordinary income is limited.

A U.S. holder may also recognize gain upon receipt of a principal payment equal to the difference between the amount received and the portion of its adjusted tax basis that is considered to be allocable to such payment.

Gain realized by a U.S. holder on the sale, exchange or retirement of a Class S Note, Class A Note, Class B Note, Class C Note or Class D Note generally will be treated as from sources within the United States.

Tax Treatment of U.S. Holders of Class E Notes and Combination Securities

Status of Class E Notes and Combination Securities

The Issuer will treat the Class E Notes and Combination Securities as equity for U.S. federal income tax purposes. This summary also assumes such treatment. In general, the characterization of an instrument for such purposes as debt or equity by its issuer as of the time of issuance is binding on holders (but not the IRS).

Investment in a Passive Foreign Investment Company

The Issuer will be a “passive foreign investment company” (“PFIC”). Except as provided below, U.S. holders of Class E Notes or Combination Securities will be considered U.S. shareholders in a PFIC. In general, a U.S. shareholder in a PFIC may desire to make an election to treat the Issuer as a “qualified electing fund” (“QEF”) with respect to such shareholder. Generally, a QEF election should be made on or before the due date for filing a

U.S. holder's federal income tax return for the first taxable year for which it holds Class E Notes or Combination Securities. If a timely QEF election is made for the Issuer, an electing U.S. holder will be required to include in gross income such holder's *pro rata* share of the Issuer's ordinary earnings and to include as long-term capital gain such holder's *pro rata* share of the Issuer's net capital gain, whether or not distributed, assuming that the Issuer is not a "controlled foreign corporation" as discussed further below. In addition, no net losses of the Issuer in any taxable year will be available to such U.S. Holder, and net losses are not permitted to be carried back or forward in computing the Issuer's ordinary earnings or net capital gains in other taxable years. In certain cases in which a QEF does not distribute all of its earnings in a taxable year, U.S. holders may also be permitted to elect to defer payment of some or all of the taxes on the QEF's income subject to an interest charge on the deferred amount. In this respect, prospective purchasers of Class E Notes and Combination Securities should be aware that it is possible that the Collateral Assets may be purchased by the Issuer with OID. In addition, the Issuer may use interest and other income from the Collateral Assets to purchase additional Collateral Assets or to retire Class S Notes, Class A Notes, Class B Notes, Class C Notes or Class D Notes. As a result, the Issuer may have ordinary earnings from such instruments, but the receipt of cash attributable to such earnings may be deferred, perhaps for a substantial period of time. Thus, absent an election to defer payment of taxes, U.S. holders of the Issuer that make a QEF election may owe tax on significant "phantom" income.

The Issuer will provide, upon request, all information that a U.S. holder making a QEF election is required to obtain for U.S. federal income tax purposes (e.g., the U.S. shareholder's *pro rata* share of ordinary earnings and net capital gain), including a "PFIC Annual Information Statement" as described in Treasury Regulation Section 1.1295-1(g) (or in any successor IRS release or Treasury regulation), all representations and statements required by such regulation, and will take any other reasonable steps to facilitate such election.

If a U.S. holder does not make a timely QEF election, and the PFIC rules are otherwise applicable, it will be subject to a special tax on so-called "excess distributions", including both certain distributions from the Issuer and gain on the sale of Class E Notes or Combination Securities. An "excess distribution" is the amount by which distributions (including dividend and redemption proceeds) during a taxable year in respect of a Class E Note or Combination Security exceed 125% of the average amount of distributions (including dividend and redemption proceeds) in respect thereof during the three preceding taxable years (or, if shorter, the U.S. holder's holding period for such Security). The amount of income tax on excess distributions will be increased by an interest charge reflecting the deemed amount of tax deferral that the taxpayer has experienced. In some cases, the application of the tax on excess distributions can be substantially more onerous than the treatment applicable if a timely QEF election is made. Such excess distributions shall also be characterized as ordinary income regardless of whether such amounts would otherwise have been capital gains. In addition, a stepped-up basis in the Class E Notes and Combination Securities upon the death of an individual U.S. holder may not be available.

U.S. HOLDERS OF CLASS E NOTES OR COMBINATION SECURITIES SHOULD CONSIDER CAREFULLY WHETHER TO MAKE A QEF ELECTION WITH RESPECT TO THE CLASS E NOTES OR COMBINATION SECURITIES AND THE CONSEQUENCES OF NOT MAKING SUCH AN ELECTION.

Investment in a Controlled Foreign Corporation.

The Issuer may be classified as a controlled foreign corporation ("CFC"). In general, a foreign corporation will be classified as a CFC if more than 50 percent of the shares of the corporation, measured by reference to combined voting power or value, is owned, directly, indirectly or constructively, by U.S. Shareholders. A "U.S. Shareholder", for this purpose, is any U.S. person that owns, directly, indirectly or constructively, 10% or more of the combined voting power of all classes of shares of a corporation. It is likely that the IRS would assert that the Class E Notes and Combination Securities are voting securities and that U.S. holders possessing 10% or more of the Class E Notes and/or the Combination Securities are U.S. Shareholders. If this assertion prevailed and more than 50% of the Class E Notes and/or Combination Securities were held by such U.S. Shareholders, the Issuer would be treated as a CFC.

If the Issuer were treated as a CFC, a U.S. Shareholder of the Issuer would be treated, subject to certain exceptions, as receiving a dividend at the end of the taxable year of the Issuer in an amount equal to that person's *pro rata* share of the "subpart F income" of the Issuer. 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 be a CFC, all of its income would be subpart F income.

If the Issuer were treated as a CFC, a U.S. Shareholder of the Issuer would be taxable on the subpart F income of the Issuer under rules described in the preceding paragraph and not under the PFIC rules previously described. As a result, to the extent subpart F income of the Issuer includes net capital gains, such gains would be treated as ordinary income of the U.S. Shareholder under the CFC rules, notwithstanding the fact that the character of such gains generally would otherwise be preserved under the QEF rules. Also, the PFIC rule permitting the deferral of tax on undistributed earnings would not apply.

A Holder of Class E Notes or Combination Securities that is a U.S. Shareholder of the Issuer subject to the CFC rules for only a portion of the time in which it holds such Securities should consult its own tax advisors regarding the interaction of the PFIC and CFC rules.

Certain Considerations Relating to Source of Income. The income includible under the CFC rules by a U.S. holder of Class E Notes or Combination Securities that is treated as a U.S. Shareholder, or by a U.S. holder of Class E Notes or Combination Securities under the QEF rules will be treated, for purposes of calculating such U.S. holder's foreign tax credit limitations, as income from sources within the United States to the extent derived by the Issuer from U.S. sources. In addition, for purposes of such limitations, interest paid with respect to a Class E Note or Combination Security to a U.S. holder that is treated as a U.S. Shareholder, or to a related person, will be treated in whole or part as paid from sources within the United States. U.S. holders of Class S Notes, Class A Notes, Class B Notes, Class C Notes or Class D Notes who believe they may also be U.S. Shareholders of the Issuer, or treated as related thereto for U.S. federal income tax purposes, should consult with their tax advisors with respect to the potential impact of these source rules.

Indirect Interests in PFICs and CFCs. If the Issuer holds a security of a non-U.S. corporation that is treated as equity for U.S. federal income tax purposes, U.S. holders of Class E Notes or Combination Securities could be treated as holding an indirect investment in a PFIC or a CFC. U.S. holders should consult their tax advisors regarding the issues relating to such investments.

Distributions on Class E Notes and Combination Securities

The treatment of actual distributions of cash on the Class E Notes and Combination Securities, 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 rules, if applicable) and to this extent would 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 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 rules, some or all of any distributions with respect to the Class E Notes and Combination Securities may constitute excess distributions, taxable as previously described. See “—Investment in a Passive Foreign Investment Company.”

Sale, Redemption or other Disposition of Class E Notes and Combination Securities

In general, a U.S. holder of a Class E Note or Combination Security will recognize gain or loss upon the sale or exchange of such Security equal to the difference between the amount realized and such holder's adjusted tax basis in such Security. Initially, the tax basis of a U.S. holder should equal the amount paid for the Class E Note or Combination Security. Such basis will be increased by amounts taxable to such holder by virtue of a QEF election, or by virtue of the CFC rules, and decreased by actual distributions from the Issuer that are deemed to consist of such previously taxed amounts or are treated as a non-taxable return of capital.

If a U.S. holder does not make a timely QEF election as described above, any gain realized on the sale or exchange of a Class E Note or Combination Security (or any gain deemed to accrue prior to the time a non-timely QEF election is made) will be treated as an excess distribution and effectively taxed as ordinary income under the special tax rules described above. See “—Investment in a Passive Foreign Investment Company.”

If the Issuer were treated as a CFC and a U.S. holder were treated as a U.S. Shareholder therein, then any gain realized by such holder upon the disposition of Class E Notes or Combination Securities, other than gain constituting an excess distribution under the PFIC rules, would be treated as ordinary income to the extent of the current and accumulated earnings and profits of the Issuer. In this respect, earnings and profits would not include any amounts previously taxed pursuant to a timely QEF election or pursuant to the CFC rules.

Tax Consequences

There may be adverse tax consequences for an investor in the Combination Securities by reason of the attribution to such investor of taxable income resulting from the Class Z Collateral. In particular, for U.S. federal income tax purposes, U.S. holders of the Combination Securities will be required to accrue income derived from the Class Z Collateral prior to the date the U.S. holder receives a payment with respect to the Class Z Collateral. No payments are expected on the Class Z Collateral except upon maturity of the same and proceeds from the Class Z Collateral will be used to redeem the Class Z Notes and will not be reinvested. Each investor or prospective investor should consult with its tax advisor regarding the tax consequences of ownership of the Combination Securities or the Class Z Notes.

Tax Treatment of Tax-Exempt U.S. Holders

In general, a tax-exempt U.S. holder of Notes will not be subject to tax on unrelated business taxable income (“UBTI”) with respect to income from the Securities regardless of whether they are treated as equity or debt for U.S. federal income tax purposes, except to the extent that the Securities are considered debt-financed property (as defined in the Code) of that entity. A tax-exempt U.S. holder that owns more than 50% of the outstanding Class E Notes and Combination Securities and also owns Class S Notes, Class A Notes, Class B Notes, Class C Notes or Class D Notes should consider the possible application of the special UBTI rules for amounts received from controlled entities.

Treatment of Non-U.S. Holders of the Notes

Payments on the Securities to a non-U.S. holder, or gain realized on the sale, redemption, or other disposition of the Securities (excluding accrued OID, if any) by such holder, will not be subject to U.S. federal income or withholding tax, as the case may be, unless such income is effectively connected with a trade or business conducted by such non-U.S. holder in the United States, or, in the case of gain, such holder is a nonresident alien individual who holds the Securities as a capital asset and who is present in the United States more than 182 days in the taxable year of the sale and certain other conditions are met. A non-U.S. holder will not be considered to be engaged in a U.S. trade or business solely by reason of holding Securities.

As a protective matter, in light of certain Treasury regulations regarding “conduit financing arrangements” non-U.S. holders will be deemed to have made, as a condition of their purchase of Securities, certain representations and warranties negating the existence of any “tax avoidance plan,” pursuant to which the Securities might be considered as having been issued or acquired and consequently the Issuer expects that the IRS ultimately should not prevail if it were to attempt to establish such a plan and attempt to apply these regulations to the Issuer.

Information Reporting and Backup Withholding

Information reporting to the IRS generally will be required with respect to payments of principal of or interest (including any OID) on the Class S Notes, Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes, payments of distributions on the Combination Securities and proceeds of the sale of the Securities to holders other than corporations and other exempt recipients. A “backup” withholding tax will apply to such payments if such holder fails to provide certain identifying information (such as the holder’s taxpayer identification

number) to the Trustee, or fails to certify that it is not subject to backup withholding. Non-U.S. holders may be required to comply with applicable certification procedures to establish that they are not U.S. holders in order to avoid the application of such information reporting requirements and backup withholding.

Prospective investors should consult with their tax advisors concerning the potential effect of such certification procedures on their ownership of Securities.

Transfer Reporting Requirements

Under Section 6038B of the Code (relating to reporting requirements incident to the transfer of property (including cash) to a foreign corporation by U.S. persons or entities), in general, any U.S. person or entity (including any U.S. tax-exempt entity) that acquires Class E Notes or Combination Securities is required to file a Form 926 or a similar form with the IRS if (1) such person owns immediately after the transfer at least 10% of the equity of the Issuer (by vote or value) or (2) the transfer, when aggregated with all related transfers under applicable regulations, exceeds U.S. \$100,000. In the event that a U.S. holder that is required to file such form fails to do so, the U.S. holder could be subject to a penalty of up to U.S. \$100,000 (computed as 10% of the fair market value of the Class E Notes or Combination Securities acquired). U.S. holders of Class E Notes or Combination Securities are urged to consult with their advisors regarding these reporting requirements.

State and Local Taxes

In addition to the federal income tax consequences described above, prospective investors should consider potential state and local tax consequences of an investment in the Issuer. State and local laws often differ from federal income tax laws with respect to the treatment of specific items of income, gain, loss, deduction and credit, and the state and local tax implications of an investment in the Issuer are beyond the scope of this summary. Each investor should consult its tax advisor concerning the state and local tax implications of an investment in the Issuer, the impact of the recent changes to the Code on these state and local tax implications, and the extent, if any, to which an investment in the Issuer could cause such investor to be subject to taxation in states in which it would not otherwise be subject to tax.

United Kingdom Taxation

The comments below are of a general nature based on current United Kingdom law and practice, and relate only to the United Kingdom withholding tax treatment of payments in respect of the Offered Securities and certain requirements for the provision of information in relation to those payments.

Taxation of Interest Paid

The Offered Securities will constitute “quoted Eurobonds” provided they are and continue to be listed on a recognized stock exchange within the meaning of section 841 of the Income and Corporation Taxes Act 1988. The Irish Stock Exchange is currently a recognized stock exchange for these purposes. While the Offered Securities are and continue to be quoted Eurobonds, payments of interest on them may be made without withholding or deduction for or on account of United Kingdom income tax.

In all cases falling outside the exemption described above, interest on the Offered Securities may be required to be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.), but only if the interest is treated as having a United Kingdom source for United Kingdom tax purposes, and subject to such relief as may be available, for example under the provisions of any applicable double taxation treaty.

Provision of Information

Holders who are individuals should note that where any interest on the Offered Securities is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a “paying agent”), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a check) (a “collecting agent”), then the Issuer,

the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to the United Kingdom Inland Revenue details of the payment and certain details relating to the Holder (including the Holder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Holder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Holder is not so resident, the details provided to the United Kingdom Inland Revenue may, in certain cases, be passed by the United Kingdom Inland Revenue to the tax authorities of the jurisdiction in which the Holder is resident for taxation purposes.

Irish Taxation

Income Tax

In general, persons who are resident in Ireland are liable to Irish taxation on their world-wide income whereas persons who are not resident in Ireland are only liable to Irish taxation on their Irish source income. All persons are under a statutory obligation to account for Irish tax on a self-assessment basis and there is no requirement for the Irish Revenue Commissioners to issue or raise an assessment.

A Security issued by the Issuer may be regarded as property situate in Ireland (and hence Irish source income) on the grounds that a bearer security is deemed situated where it is physically located or that a debt is deemed to be situate where the debtor resides. However, the interest earned on such Securities is exempt from income tax if paid to a person who for the purposes of Section 198 of the Taxes Consolidation Act 1997 ("TCA 1997") is regarded as being a resident of a relevant territory. A relevant territory for this purpose is a Member State of the European Communities (other than Ireland) or not being such a Member State a territory with which Ireland has entered into a double tax treaty. Ireland has currently ratified a double tax treaty with each of Australia, Austria, Belgium, Bulgaria, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, India, Israel, Italy, Japan, Korea (Rep. of), Latvia, Lithuania, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Pakistan, Poland, Portugal, Romania, Russia, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, United Kingdom, U.S.A. and Zambia.

If the above exemption does not apply it is understood that there is a long standing unpublished practice whereby no action will be taken to pursue any liability to such Irish tax in respect of persons who are regarded as not being resident in Ireland except where such persons:

- (i) are chargeable in the name of a person (including a trustee) or in the name of an agent or branch in Ireland having the management or control of the interest; or
- (ii) seek to claim relief and/or repayment of tax deducted at source in respect of taxed income from Irish sources; or
- (iii) are chargeable to Irish corporation tax on the income of an Irish branch or agency or to income tax on the profits of a trade carried on in Ireland to which the interest is attributable.

There can be no assurance that this practice will continue to apply.

Withholding Taxes

In general, withholding tax at the rate of 20 per cent. must be deducted from interest payments made by an Irish company. However, Section 246 TCA 1997 ("Section 246") provides that this general obligation to withhold tax does not apply in respect of, inter alia, interest payments made by the Issuer to a person, who by virtue of the law of the relevant territory, is resident for the purposes of tax in a relevant territory (see above for details). This exemption does not apply if the interest is paid to a company in connection with a trade or business which is carried on in Ireland by the company through a branch or agency.

Apart from Section 246, Section 64 TCA 1997 (“Section 64”) provides for the payment of interest on a “quoted Eurobond” without deduction of tax in certain circumstances. A quoted Eurobond is defined in Section 64 as a security which:

- (i) is issued by a company;
- (ii) is quoted on a recognized stock exchange (this term is not defined but is understood to mean an exchange which is recognized in the country in which it is established and the Irish Stock Exchange will be a recognized stock exchange);
- (iii) is in bearer form; and
- (iv) carries a right to interest.

There is no obligation imposed upon the Issuer to withhold tax on quoted Eurobonds where:

- (i) the person by or through whom the payment is made is not in Ireland, or
- (ii) the payment is made by or through a person in Ireland, and
 - (a) the quoted Eurobond is held in a recognized clearing system (The Depository Trust Company of New York, Euroclear, Clearstream Banking SA have been designated as recognized clearing systems); or
 - (b) the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made an appropriate written declaration to this effect.

In certain circumstances, Irish encashment tax may be required to be withheld at the standard rate (currently 20%) from interest on any quoted Eurobond, where such interest is collected by a person in Ireland on behalf of any holder of Securities who is resident in Ireland for tax purposes.

If the Securities cease to remain in bearer form then they will not qualify as quoted Eurobonds. In such event, Irish withholding tax may arise on payments of interest subject to Section 246 above.

Capital Gains Tax

A Holder will not be subject to Irish taxes on capital gains *provided* that such Holder is neither resident nor ordinarily resident in Ireland and such Holder does not have an enterprise, or an interest in an enterprise, which carries on business in Ireland through a branch or agency or a permanent representative to which or to whom the Securities are attributable.

Capital Acquisitions Tax

If the Securities are comprised in a gift or inheritance taken from an Irish domiciled, resident or ordinarily resident disponent or if the disponent’s successor is resident or ordinarily resident in Ireland, or if any of the Securities are regarded as property situate in Ireland, the disponent’s successor may be liable to Irish capital acquisitions tax. As stated above, Securities issued by the Issuer may be regarded as property situate in Ireland. Accordingly, if such Securities are comprised in a gift or inheritance, the disponent’s successor may be liable to Irish capital acquisitions tax, even though the disponent may not be domiciled in Ireland.

Stamp duty

For as long as the Issuer is a qualifying company within the meaning of Section 110 TCA 1997, no Irish stamp duty will be payable on either the issue or transfer of the Securities, *provided* that the money raised by the issue of the Securities is used in the course of the Issuer's business.

European Directive on Taxation of Savings Income

On 3 June 2003 the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income. The directive is scheduled to be applied by Member States from July 1, 2005, *provided* that certain non-EU countries adopt similar measures from the same date. Under the directive each Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN OF THE TAX IMPLICATIONS OF AN INVESTMENT IN THE 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.

ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed above under "Risk Factors" and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Notes.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" under ERISA or "disqualified persons" under the Code) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code.

The U.S. Department of Labor has promulgated a regulation, 29 C.F.R. Section 2510.3-101 (the "Plan Asset Regulation"), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA. Under the Plan Asset Regulation, if a Plan invests in an "equity interest" of an entity that is neither a "publicly offered security" nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or that equity participation in the entity by Benefit Plan Investors (as defined herein) is not "significant."

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if Securities are acquired with the assets of a Plan with respect to which the Issuer, any Initial Purchaser, the Collateral Manager, or any of their respective affiliates, is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire a security and the circumstances under which such decision is made. There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Notes, or that, if available, the exemption would cover all possible prohibited transactions.

Governmental plans and certain church and other plans, while not necessarily subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state or other federal laws that are substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

Any insurance company proposing to invest assets of its general account in the Securities should consider the extent to which such investment would be subject to the requirements of ERISA in light of the U.S. Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993), and the enactment of Section 401(c) of ERISA on August 20, 1996. In particular, such an insurance company should consider the retroactive and prospective exemptive relief granted by the Department of Labor for transactions involving insurance company general accounts in Prohibited Transaction Class Exemption 95-60, 60 Fed. Reg. 35925 (July 12, 1995) and the regulations issued by the Department of Labor, 29 C.F.R. Section 2550.401c-1 (January 5, 2000). Certain additional information regarding general accounts is set forth below.

Any Plan fiduciary or other person who proposes to use assets of any Plan to purchase any Securities should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA.

The sale of any Security to a Plan, or to a person using assets of any Plan to effect its purchase of any Security, is in no respect a representation by the Issuers, any Initial Purchaser or the Collateral Manager that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes

For purposes of the Plan Asset Regulation, an equity interest includes any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. Because the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes (a) are expected to be treated as indebtedness under local law and for federal tax purposes (see "Income Tax Considerations" herein), and (b) should not be deemed to have any "substantial equity features," purchases of the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes with Plan Assets should not be treated as equity investments and, therefore, the Collateral Assets should not be deemed to be Plan Assets of the investing Plans. Those conclusions are based, in part, upon the traditional debt features of the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes, including the reasonable expectation of purchasers of such Notes that such Notes will be repaid when due, as well as the absence of conversion rights, warrants and other typical equity features. However, if the Class S Notes, Class A Notes, Class B Notes, Class C Notes or Class D Notes were nevertheless treated as equity interests for purposes of the Plan Asset Regulation and if the assets of the Issuer were deemed to constitute the assets of an investing Plan, (i) transactions involving the assets of the Issuer could be subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code, (ii) the assets of the Issuer could be subject to ERISA's reporting and disclosure requirements, and (iii) the fiduciary causing the Plan to make an investment in such Notes could be deemed to have delegated its responsibility to manage the assets of the Plan.

By its purchase of any Class S Note, Class A Note, Class B Note, Class C Note or Class D Note, the purchaser thereof will be deemed to have represented and warranted either that (i) it is not and will not be an ERISA Plan or a plan that is subject to Section 4975 of the Code or any entity whose underlying assets include "plan assets"

by reason of such plan investment in the entity, or another employee benefit plan which is subject to any federal, state, local or foreign law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (ii) its purchase and holding of such Note does not and will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such another plan, any substantially similar federal, state or local law) for which an exemption is not available.

Class E Notes and Combination Securities

The Class E Notes and Combination Securities have substantial equity features and will be equity investments for purposes of applying ERISA and Section 4975 of the Code. By its purchase of any Class E Note or Combination Security, the purchaser thereof will be deemed to have represented and warranted that it is not and will not be an ERISA Plan, or a plan that is subject to Section 4975 of the Code, or any entity whose underlying assets include “plan assets” by reason of such plan’s investment in the entity, or another employee benefit plan which is subject to any federal, state, local or foreign law that is substantially similar to the provisions of Section 406 of the ERISA, or Section 4975 of the Code.

LISTING AND GENERAL INFORMATION

(1) Application will be made to the Irish Stock Exchange to admit the Securities (other than the Class Z Notes) to the Daily Official List. There can be no assurance that such application will be approved. Copies of this offering circular, the Memorandum and Articles of Association of the Issuer and the Certificate of Formation and Limited Liability Company Agreement of the Co-Issuer, the Note Agency Agreement, the Security Agreement, the Trust Deed, the Floating Charge Deed, the Collateral Management Agreement, the Collateral Administration Agreement, the Account Control Agreement, the Purchase Agreement, the Manx Agreement, the Depository Agreement, the Master Definitions Schedule and any Hedge Agreements will be deposited with the Note Paying Agents, the Irish Note Paying Agent and at the registered office of the Issuer, where copies thereof may be inspected or obtained, free of charge, upon request for at least fourteen days after the date of the Listing Particulars. The initial Irish Note Paying Agent for the Issuers will be NCB Stockbrokers Limited.

(2) Copies of the Memorandum and Articles of Association of the Issuer, the Certificate of Formation and Limited Liability Company Agreement of the Co-Issuer, the resolutions of the Board of Directors of the Issuer authorizing the issuance of the Securities, the resolutions of the special manager of the Co-Issuer authorizing the issuance of the Class S Notes, Class A Notes, Class B Notes, Class C Notes and the Class D Notes, and the execution of the Transaction Documents may be inspected or obtained free of charge upon request within thirty days of the date of this offering circular at the office of a Paying Agent on behalf of the Issuer.

(3) In connection with the listing of the Securities (other than the Class Z Notes) on the Daily Official List of 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.

(4) Each of the Issuers represents that there has been no material adverse change in its financial position since its date of creation. Since their respective dates of incorporation, neither of the Issuers have commenced operations, with the exception of the Issuer entering into the warehousing arrangements, and no accounts have been made up as at the date of this offering circular.

(5) The Co-Issuer is not required by Delaware law, and the Co-Issuer does not intend, to publish annual reports and accounts. The Trust Deed, however, requires each of the Issuers to deliver to the Trustee a Director’s Certificate that to the best of knowledge and belief of the Issuer or Co-Issuer, as applicable, (having made all due enquiries), as at a date not more than seven calendar days before the delivery of such certificate (the “certification date”) there did not exist and had not existed since the certification date of the previous certificate (or in the case of the first such certificate, the date of the Trust Deed) any Event of Default (or if such event exists or existed, specifying the same) and that during the period from and including the certification date of the last such certificate (or in the case of the first certificate, the date of the Trust Deed) to and including the certification date of such certificate the Issuer or the Co-Issuer, as applicable, has complied with all its obligations contained in the Trust Deed or (if such is not the case) specifying the respects in which it has not complied.

(6) The Issuers are not, and have not since incorporation or formation, as applicable, been, involved in any litigation or arbitration proceedings relating to claims in amounts which may have or have had a material effect on the Issuers in the context of the issue of the Securities, nor, so far as each of the Issuers is aware, is any such litigation or arbitration involving it pending or threatened.

(7) The issuance of the Securities has been authorized by the Board of Directors of the Issuer by resolutions passed on or about April 18, 2005. The issuance of the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes has been authorized by the sole member of the Co-Issuer by action by written consent of the sole member to be passed on or about April 18, 2005. Since incorporation or formation, as applicable, neither the Issuer nor the Co-Issuer has commenced trading or established any accounts, except as disclosed herein or accounts used to hold amounts received with respect to share capital and fees.

(8) Any web sites mentioned in this offering circular do not form part of the Listing Particulars.

(9) The address of Goldman, Sachs & Co. is 85 Broad Street, New York, New York, 10004, USA. The address of Société Générale is SG House, 41 Tower Hill, London, EC3N 4SG, England. The address of Barclays Bank PLC is 5 The North Colonnade, Canary Wharf, London E14 4BB, England.

(10) The Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes sold in offshore transactions in reliance on Regulation S and represented by the Regulation S Global Notes have been accepted for clearance through Clearstream and Euroclear under the Common Codes indicated below. The CUSIP Numbers and International Securities Identification Numbers (“ISIN”) for the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes represented by Regulation S Global Notes and Rule 144A Global Notes are as indicated below:

	Regulation S Global Notes			Rule 144A Global Notes	
	Common Code	CUSIP	ISIN	CUSIP	ISIN
Class S Notes	021693375	G17751AA9	USG17751AA96	131899AA4	US131899AA47
Class A-1 Notes	021693430	G17751AB7	USG17751AB79	131899AB2	US131899AB20
Class A-2 Notes	021693456	G17751AC5	USG17751AC52	131899AC0	US131899AC03
Class B Notes	021693472	G17751AD3	USG17751AD36	131899AD8	US131899AD85
Class C Notes	021693740	G17751AE1	USG17751AE19	131899AE6	US131899AE68
Class D Notes	021693758	G17751AF8	USG17751AF83	131899AF3	US131899AF34

(11) The CUSIP and ISIN numbers for the Class E Notes, Class Z Notes and Combination Securities sold in reliance on Regulation S and Rule 144A are as indicated below:

	Regulation S Securities		Rule 144A Securities	
	CUSIP	ISIN	CUSIP	ISIN
Class E Notes	G1775PAA6	USG1775PAA69	13189RAA4	US13189RAA41
Class Z Notes	G1775PAB4	USG1775PAB43	13189RAB2	US13189RAB24
Combination Securities	G1775PAC2	USG1775PAC26	13189RAC0	US13189RAC07

LEGAL MATTERS

Certain legal matters will be passed upon for the Initial Purchasers by Sidley Austin Brown & Wood LLP, New York, New York and Sidley Austin Brown & Wood in London, England. Certain legal matters will be passed upon for the Collateral Manager by Dechert LLP, London, England. Certain matters with respect to Irish law will be passed upon for the Issuer by Matheson Ormsby Prentice, Dublin, Ireland.

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UNDERWRITING

Subject to the terms and conditions set forth in the Purchase Agreement (the "Purchase Agreement") dated April 19, 2005 among the Issuers, Goldman, Sachs & Co. ("GS & Co."), Société Générale ("Société Générale") and Barclays Bank PLC ("Barclays", and together with GS & Co. and Société Générale, the "Initial Purchasers"), the Issuers have agreed to sell to the Initial Purchasers and the Initial Purchasers severally (not jointly) agreed to purchase all of the Class S Notes, Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes (collectively, the "Purchased Notes").

Under the terms and conditions of the Purchase Agreement, the Initial Purchasers are committed to take and pay for all the Purchased Notes to be offered by the Initial Purchasers, if any are taken. Furthermore, under the terms and conditions of the Purchase Agreement, each Initial Purchaser will be entitled to an underwriting discount on the Purchased Notes and GS & Co. will be entitled to a fixed structuring fee based upon the aggregate principal amount of the Notes (other than the Class Z Notes).

The Purchased Notes purchased from the Issuers by each Initial Purchaser will be offered by it from time to time for sale in negotiated transactions or otherwise at varying prices to be determined at the time of sale plus accrued interest, if any, from the Closing Date.

The Securities have not been and will not be registered under the Securities Act for offer or sale as part of their distribution and may not be offered or sold within the United States or to, or for the account or benefit of, a U.S. Person or a U.S. resident (as determined for purposes of the Investment Company Act, a "U.S. Resident") except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act.

The Issuers have been advised by each Initial Purchaser that (a) it proposes to resell the Purchased Notes outside the United States, directly or through one or more selling agents, in offshore transactions in reliance on Regulation S and in accordance with applicable law and (b) it proposes to resell the Purchased Notes in the United States only to Qualified Institutional Buyers in reliance on Rule 144A, each of which is not a broker-dealer which owns and invests on a discretionary basis less than \$25 million in securities of issuers that are not affiliated persons of the broker-dealer and is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, if investment decisions with respect to the plan are made by the beneficiaries of the plan, purchasing for their own accounts or for the accounts of Qualified Institutional Buyers. Each Initial Purchaser's discount will be the same for the Regulation S Securities and the Rule 144A Securities within each Class of Purchased Notes.

Each Initial Purchaser has acknowledged and agreed that it will not offer, sell or deliver any Regulation S Securities purchased by it to, or for the account or benefit of, any U.S. Person or U.S. Resident (as determined for purposes of the Investment Company Act) as part of its distribution at any time and that it will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Regulation S Securities purchased by it a confirmation or other notice setting forth the prohibition on offers and sales of the Regulation S Securities within the United States or to, or for the account or benefit of, any U.S. Person or U.S. Resident.

With respect to the Purchased Notes initially sold pursuant to Regulation S, until the expiration of (x) 40 days after the commencement of the distribution of the offering of the Regulation S Securities by the Initial Purchasers, with respect to offers or sales of the Regulation S Securities and (y) one year after the commencement of the distribution of the Class E Notes and Combination Securities, with respect to offers or sales of the Class E Notes and Combination Securities purchased by the Initial Purchasers, an offer or sale of such Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

Each Initial Purchaser has represented and agreed that (i) it has not offered or sold and, prior to the expiry of six months from the Closing Date, will not offer or sell any Purchased Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments, whether as principal or agent, for purposes of their businesses or otherwise in circumstances which

have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended (the “Regulations”); (ii) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 of the United Kingdom (the “FSMA”) and any applicable secondary legislation made under FSMA with respect to anything done by it in relation to the Purchased Notes in, from or otherwise involving the United Kingdom; and (iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Purchased Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuers.

The Securities may not be offered or sold by means of any document other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to the Securities may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation or subscription or purchase, of the Securities may not be circulated or distributed, nor may the Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than under circumstances in which such offer, sale or invitation does not constitute an offer or sale, or invitation for subscription or purchase, of the Securities to the public in Singapore.

The Securities have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”) and the Securities may not be offered or sold in Japan or to, or for the benefit 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 resale, 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 laws, regulations and ministerial guidelines of Japan.

The Securities may not be offered or sold in Ireland except in circumstances where such offer constitutes an offer of a type described in Article 2 of Council Directive No. 89/298/EEC. In addition, no action may be taken in Ireland in connection with the Securities which might constitute a breach of Section 9(1), 23(1), 23(6) or 23(7) of the Investment Intermediaries Act 1995. The Securities may not be offered or sold in Ireland or elsewhere by means of any document prior to application for listing of the Securities being made and the Irish Stock Exchange having approved the relevant listing particulars in accordance with the European Communities (Transferable Securities and Stock Exchange) Regulations 1992 (the “EC Regulations”), unless such document complies with the provisions of the Irish Companies Acts 1963 to 2003 (the “Irish Companies Acts”), and thereafter by means of any document other than (i) the relevant listing particulars and/or (ii) a form of application issued in connection with the Securities which indicates where relevant listing particulars can be obtained or inspected and which is issued with the relevant listing particulars. Any actions taken in respect of the Securities in, from, or otherwise involving, Ireland must comply with all applicable provisions of the Irish Companies Acts and the EC Regulations. The Issuer has complied with and will comply with all applicable provisions of the Irish Companies Acts and the EC Regulations with respect to anything done by it in relation to the Securities.

The Securities may not be offered or sold in the People's Republic of China (excluding Hong Kong, Macau and Taiwan) directly or indirectly. This Offering Circular and any other documents or agreements produced in connection with the issue of the Securities do not constitute an offer or solicitation of offer in the People's Republic of China, and this Offering Circular and any other documents or agreements produced in connection with the issue of the Securities are for the attention of the specific addressee only and must not be distributed within the People's Republic of China.

Buyers of Regulation S Securities sold by any Initial Purchaser, directly or through any selling agent, may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the purchase price.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Securities, or the possession, circulation or distribution of this offering circular or any other material relating to the Issuers or the Securities, in any jurisdiction where action for such 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.

The Securities are a new issue of securities with no established trading market. The Issuers have been advised by each Initial Purchaser that such Initial Purchaser may make a market in the Securities but is not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Securities. There can be no assurance that any secondary market for any of the Securities will develop, or, if a secondary market does develop, that it will provide the Holders of the Securities with liquidity of investment or that it will continue for the life of the Securities.

Application will be made to have all the Securities (other than the Class Z Notes) listed for trading on the Irish Stock Exchange.

The Issuers have agreed to indemnify the Initial Purchasers, the Collateral Manager and the Trustee against certain liabilities, including in the case of the Initial Purchasers, liabilities under the Securities Act, or to contribute to payments they may be required to make in respect thereof. In addition, the Issuers have made certain representations and warranties to the Initial Purchasers and have agreed to reimburse the Initial Purchasers for certain of its expenses.

Each Initial Purchaser may, from time to time as principal or through one or more investment funds that it manages, make investments in the equity securities of one or more of the issuers of Collateral Assets with the result that one or more of such issuers may be or may become controlled by such Initial Purchaser.

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Certain Definitions

“AAA/Aaa Jurisdictions” means jurisdictions whose unguaranteed, unsecured and otherwise, unsupported long-term U.S. Dollar denominated sovereign debt obligations are rated “Aaa” by Moody’s and “AAA” by S&P.

“ABS Automobile Securities” means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Asset-Backed Securities) on the cash flow from installment sale loans made to finance the purchase of, or from leases of, automobiles or light duty trucks or medium duty trucks, generally having the following characteristics: (i) the loans or leases may have varying contractual maturities; (ii) the loans or leases are obligations of numerous borrowers or lessors and accordingly represent a very diversified pool of obligor credit risk; (iii) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; and (iv) such leases typically provide for the right of the lessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

“ABS Car Rental Receivable Securities” means Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from leases and subleases of vehicles to car rental systems and their franchisees, generally having the following characteristics: (i) the leases and subleases have varying contractual maturities; (ii) the subleases are obligations of numerous franchisees and accordingly represent a diversified pool of obligor credit risk; (iii) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee or third party of the underlying vehicle; and (iv) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

“ABS 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 such Asset-Backed Securities) on the cash flow from balances outstanding under revolving consumer credit card accounts, generally having the following characteristics: (i) the accounts have standardized payment terms and require minimum monthly payments; (ii) the balances are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (iii) 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.

“ABS Equipment Lease Securities” means Asset-Backed Securities that entitle their holders 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 small-, mid- and large-ticket leases and subleases of equipment (other than automobiles, trucks, buses and planes) 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 the leases and subleases is primarily determined by a contractual payment schedule, with early termination of the leases and subleases predominantly dependent upon the disposition to a lessee, sublessee or third party of the underlying equipment; and (4) the 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.

“ABS Insurance-Linked Securities” means Asset-Backed Securities that generally entitle the holders thereof to receive payments that depend on the cash flow from qualified investments and a reinsurance agreement or risk swap agreement, generally having the following characteristics: (1) the payment of interest and the repayment of principal is linked to insurance related losses that result from natural events such as seismic events, windstorms or other weather-related events that occur in a specified location during a specified time; and (2) if a covered natural event causes insured losses in excess of a specified amount investors may lose all or a portion of the principal amount of their securities.

“ABS Non-Performing Loan Securities” means Asset-Backed Securities that entitle the holders thereof to receive payments that depend on (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) the cash flow from receivables supported by non-performing loan securitizations.

“ABS Other Securities” means a Structured Finance Security that cannot reasonably otherwise be classified under the CMBS Security, RMBS Security, REIT Debt Security, Interest Only Security or Synthetic Security Categories or under the ABS Automobile Security, ABS Student Loan Security, ABS Small Business Loan Security, ABS Non-Performing Loan Security, ABS Timeshare Security, ABS Car Rental Receivable Security, ABS Equipment Lease Security or ABS Credit Card Security Subcategories but excluding ABS Securities which are classified under an Approved Subcategory.

“ABS Small Business Loan Securities” means Asset-Backed Securities that entitle the holders thereof to receive payments that depend on (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Asset-Backed Securities) on the cash flow from loans made to finance small business loans. The proceeds of the loans are used to finance business, most of which are privately owned. The proceeds of the loans are typically used by these businesses for working capital growth, acquisitions and recapitalizations. The obligors on the loans are holding or operating companies primarily in the healthcare, finance, business services, manufacturing, real estate, retail and media sections. Some of these loans may have been originated pursuant to Section 7(a) of the Small Business Act, (“SBA”) 15 United States Code 636(a), generally having the following characteristics: (i) the loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; (ii) the repayment stream on such loans is determined by a contractual payment schedule; and (iii) a significant percentage (generally above 95%) of the repayment stream thereof is guaranteed by the United States Small Business Administration. Other loans represent the non-guaranteed portions of SBA financings.

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

“ABS Timeshare Securities” means Asset-Backed Securities that entitle the holders thereof to receive payments that depend on (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Asset-Backed Securities) the cash flow from time share credits/contracts with respect to vacation homes, condominiums or other real estate properties.

“Account Control Agreement” means the securities account control agreement dated the Closing Date among the Issuer, the Collateral Agent and the Securities Intermediary, as the same may be amended, supplemented or otherwise modified from time to time.

“Accounts” means collectively, the Collection Account, the Payment Account, the Securities Lending Account, the Expense Reserve Account, the Hedge Termination Receipts Account, the Hedge Replacement Account, the Hedge Collateral Account, the Collateral Account, the Synthetic Security Collateral Account, the Default Swap Collateral Account and the Hedge Cashflow Swap Reserve Account.

“Actual Rating” means with respect to any Collateral Asset, Class of Securities, Eligible Investment or Synthetic Security Counterparty, the actual expressly monitored outstanding rating assigned (or determined) by a Rating Agency without reference to any other rating by another Rating Agency, and which rating by its terms addresses the full scope of the payment promise of the obligor on such Collateral Asset (other than in the case of Haircut Assets), after taking into account any applicable guarantee or insurance policy or if no such rating is available from a Rating Agency, any “credit estimate” or “shadow rating” assigned by such Rating Agency;

provided, however, that in the event the Collateral Manager requests that either Rating Agency issue a shadow rating or credit estimate in connection with a Haircut Asset, the Actual Rating with respect to such portion of the Collateral Asset will be such shadow rating or credit estimate irrespective of any actual, expressly monitored rating which may be assigned by such Rating Agency with respect to such Collateral Asset; *provided further* that the Actual Rating of (a) any Synthetic Security by Moody's shall be determined based upon the rating assigned to the related Reference Obligation and the related Synthetic Security Counterparty and (b) any Form-Approved Synthetic Security which is not rated by either Rating Agency (or for which such rating is not determined pursuant to clause (a)) will be the rating assigned to the Reference Obligation or, if such Form-Approved Synthetic Security is a Default Swap and the Issuer holds a Default Swap Collateral Account related thereto, the lower of the rating assigned to the Reference Obligation or the rating assigned to such Default Swap. For purposes of this definition, (i) the rating assigned by Moody's or S&P to a Collateral Asset, Class of Securities, Eligible Investment or Synthetic Security Counterparty placed on watch for possible downgrade by such Rating Agency will be deemed to have been downgraded by such Rating Agency by two subcategories, except that the rating for an RMBS Manufactured Housing Loan Security which is placed on watch for possible downgrade by S&P will be deemed to have been downgraded by S&P by two subcategories, (ii) the rating assigned by Moody's or S&P to a Collateral Asset, Class of Securities, Eligible Investment or Synthetic Security Counterparty placed on watch for possible upgrade by such Rating Agency will be deemed to have been upgraded by such Rating Agency by two subcategories and (iii) the rating of an RMBS Agency Security will be the rating assigned by a Rating Agency to the agency that guarantees such RMBS Agency Security.

"Adjusted Net Outstanding Portfolio Collateral Balance" means, on any Measurement Date, the Net Outstanding Portfolio Collateral Balance reduced by the excess, if any, of (i) the Statistical Loss Amount over (ii) the product of (a) a scheduled amount based on the most recent Payment Date as follows:

Closing Date – May 2006:	\$7,541,000
August 2006 – May 2007:	\$6,848,000
August 2007 – May 2008:	\$6,156,000
August 2008 – May 2009:	\$5,467,000
August 2009 – May 2010:	\$4,784,000
August 2010 and thereafter:	\$4,100,000

and (b) the lesser of 1 or a fraction the numerator of which is the Net Outstanding Portfolio Collateral Balance as of such Measurement Date and the denominator of which is \$650,000,000.

"Administrative Expenses" means amounts due or accrued with respect to any Payment Date and payable, whether by way of indemnification or otherwise, by the Issuer and/or the Co-Issuer to (i) the Trustee pursuant to the Trust Deed or any co-trustee appointed pursuant to the Trust Deed; (ii) the Corporate Administrator pursuant to the Corporate Administration Agreement, the Collateral Agent (and any Receiver appointed by it under the Floating Charge Deed (as such term is defined therein)) pursuant to the Security Agreement or the Floating Charge Deed, the Collateral Administrator pursuant to the Collateral Administration Agreement, the Note Agents pursuant to the Note Agency Agreement and the Depository pursuant to the Depository Agreement; (iii) the independent accountants, agents (including the Note Agents) and counsel of the Issuer for fees and expenses (including amounts payable in connection with the preparation of tax forms on behalf of the Issuers); (iv) the Collateral Manager or Manx (or any of the Collateral Manager's Affiliates or Partners pursuant to the Collateral Management Agreement by way of indemnity) pursuant to the Collateral Management Agreement or Manx Agreement (other than the Collateral Management Fee and the Manx Fee) whether by way of indemnity or otherwise, and including, without limitation, (a) any value added tax (together with interest and penalties, if any) payable in respect of the Collateral Management Fee and/or the Manx Fee which value added tax was not invoiced on or before the Payment Date on which the related fee was first payable, and (b) any fees and expenses incurred in connection with an Auction; (v) the Irish Stock Exchange and any other stock exchange listing Securities (other than the Class Z Notes) at the request of the Issuer; (vi) the agents appointed for service of process; (vii) the Rating Agencies for fees and expenses in connection with any rating (including the fees payable to the Rating Agencies for the monitoring of any rating or credit estimate) of the Notes, including fees and expenses, if any, due or accrued in connection with any rating of the Collateral Assets; (viii) any other person in respect of any governmental fee, charge or tax in relation to the Issuer or the Co-Issuer; (ix) to the liquidator(s) of the Issuer for the fees and expenses of liquidating the Issuer following the redemption of all of the Securities; and (x) any other person in respect of any other fees or expenses (including

indemnities and fees relating to the provision of the Issuer's registered office) permitted under the Transaction Documents; *provided* that Administrative Expenses shall not include (a) any amounts due or accrued with respect to the actions taken on or in connection with the Closing Date, (b) amounts payable in respect of the Securities, (c) amounts payable under any Hedge Agreement and (d) any Collateral Management Fee payable pursuant to the Collateral Management Agreement or any Manx Fee payable pursuant to the Manx Agreement.

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

"Affiliate" or "Affiliated" means with respect to a Person, (a) any other Person who, directly or indirectly, is in control of, or controlled by, or is under common control with, such Person or (b) any other Person who is a director, officer or employee or designated member or partner (i) of such Person, (ii) of any subsidiary or parent company of such Person or (iii) of any Person described in (a) above. For the purposes of this definition, control of a Person shall mean the power, direct or indirect, whether by contract or otherwise (A) to vote more than 50% of the share capital or similar rights of ownership or control of such Person, or (B) to direct or cause the direction of the Management and policies of such Person.

"Agency" means Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Government National Mortgage Association.

"Aggregate Calculation Amount of Defaulted Obligations and Deferred Interest PIK Bonds" means the least of (a) the Aggregate Moody's Recovery Value of all Defaulted Obligations and Deferred Interest PIK Bonds, (b) the Aggregate S&P Recovery Value of all Defaulted Obligations and Deferred Interest PIK Bonds, and (c) the aggregate of the Market Values of all Defaulted Obligations and Deferred Interest PIK Bonds.

"Aggregate Moody's Recovery Value" means, with respect to Defaulted Obligations and Deferred Interest PIK Bonds, the aggregate of (a) the Moody's Recovery Rate for each such Collateral Asset multiplied by (b) the Principal Balance of such Collateral Asset.

"Aggregate Outstanding Amount" means, with respect to any of the Securities, the aggregate principal amount of such Securities outstanding at the date of determination.

"Aggregate Principal Amount" means the aggregate of the Principal Balances of all Collateral Assets and Eligible Investments purchased with Principal Proceeds and the amount of any cash which constitutes Principal Proceeds and all accrued interest purchased with Principal Proceeds.

"Aggregate Principal Balance" means, when used with respect to Collateral Assets, the sum of the Principal Balances of all the Collateral Assets on the date of determination.

"Aggregate S&P Recovery Value" means, with respect to each Defaulted Obligation and each Deferred Interest PIK Bond, the aggregate of (a) the S&P Recovery Rate for such Collateral Asset multiplied by (b) the Principal Balance of such Collateral Asset.

“Alternative Debt Test” means a test that is satisfied with respect to a Collateral Asset if, on the date the Issuer acquires a Collateral Asset, each of the following is satisfied: (i) such Collateral Asset is in the form of a note or other debt instrument and is treated as debt for corporate law purposes in the jurisdiction of the issuer of such Collateral Asset, (ii) the documents pursuant to which such Collateral Asset was offered, if any, do not require that any holder thereof treat such Collateral Asset other than as debt for tax purposes, (iii) such Collateral Asset bears interest at a fixed rate per annum or at a rate based upon a customary floating rate index plus or minus a spread, (iv) such Collateral Asset has a fixed maturity occurring no later than the Payment Date in May 2040, (v) such Collateral Asset has an Actual Rating or Implied Rating of at least “Baa3” by Moody’s and is rated at least “BBB-” by S&P as to ultimate payment of principal and interest and (vi) the issuer of such Collateral Asset is treated as a corporation or grantor trust for U.S. federal income tax purposes; *provided* that, in the case of a Collateral Asset in the form of a beneficial interest in a trust that is treated (as evidenced by an opinion of counsel or a reference to an opinion of counsel in documents pursuant to which such Collateral Asset was offered) as a grantor trust for U.S. federal income tax purposes (and not as a partnership or association taxable as a corporation), any of the conditions specified in clauses (i), (ii), (iii) and (iv) may be satisfied by reference to each asset held pursuant to such grantor trust arrangement rather than by reference to such beneficial ownership interests.

“Applicable Amount for Interest Only Securities” means an amount calculated on each Determination Date, equal to the interest payments expected to be received in the related Due Period on an Interest Only Security based on the credit rating of the securities of the other classes of the same issue from which payments on such Interest Only Security are stripped (the “Stripped Classes”), such amount being (i) if all of the Stripped Classes have been assigned an Actual Rating at the time of such calculation of at least investment grade by each Rating Agency that rated such Stripped Class (“Investment-Grade Stripped Classes”), 100% of such expected interest payments and (ii) in each other case, the percentage (as calculated by the Issuer) of such expected interest payments equal to a fraction, the numerator of which is the aggregate principal balance of the Investment-Grade Stripped Classes and the denominator of which is the aggregate principal balance of all Stripped Classes.

“Applicable Recovery Rate” means, with respect to any Collateral Asset on any Measurement Date, the lesser of (a) the Moody’s Recovery Rate and (b) the S&P Recovery Rate; *provided* that in the event any Haircut Asset becomes a Defaulted Obligation, the Applicable Recovery Rate for such Haircut Asset will be as assigned by the applicable Rating Agency that would result in the lowest recovery amount.

“Approved Subcategory” means a Subcategory of ABS Securities, RMBS Securities or CMBS Securities (i) with respect to which more than 80% by principal balance of the underlying assets were not originated in the United States or (ii) any other Subcategory designated by the Collateral Manager after the Closing Date as an “Approved Subcategory” in a notice to the Trustee *provided* that each Rating Agency has confirmed in writing (either privately or in a publicly available document) to the Issuer, the Trustee and the Collateral Manager that such designation has been recognized by such Rating Agency as a classification of a separate Subcategory.

“Asset-Backed Securities” or “ABS Securities” means Structured Finance Securities that cannot otherwise be classified as CMBS Securities, RMBS Securities, REIT Debt Securities, Static Structured Product CDO Securities or Interest Only Securities.

“Assumed Reinvestment Rate” means on any day, LIBOR as of the most recent LIBOR Determination Date less 0.250% per annum.

“Auction Redemption Price” means (i) with respect to the Class A-1 Notes, an amount equal to the outstanding principal amount of the Class A-1 Notes plus accrued and unpaid interest thereon at the applicable Class A-1 Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Auction Payment Date, (ii) with respect to the Class A-2 Notes, an amount equal to the outstanding principal amount of the Class A-2 Notes plus accrued and unpaid interest thereon at the Class A-2 Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Auction Payment Date, (iii) with respect to the Class B Notes, an amount equal to the outstanding principal amount of the Class B Notes plus accrued and unpaid interest thereon at the Class B Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Auction Payment Date, (iv) with respect to the Class C Notes, an amount equal to the outstanding principal amount of the Class C Notes plus accrued and unpaid interest thereon at the Class C Note Interest Rate (including Deferred Interest and Defaulted Interest and interest on Deferred Interest and

Defaulted Interest) to but excluding the Auction Payment Date and (v) with respect to the Class D Notes, an amount equal to the outstanding principal amount of the Class D Notes plus accrued and unpaid interest thereon at the Class D Note Interest Rate (including Deferred Interest and Defaulted Interest and interest on Deferred Interest and Defaulted Interest) to but excluding the Auction Payment Date.

“Bespoke Security” means a security and issued in a single-tranche synthetic collateralized debt transaction, commonly referred to as a “bespoke” tranche, involving an interest in, and exposure to, a pool of RMBS Securities, CMBS Securities, REIT Debt Securities on other forms of debt, equity or credit default protection that relate substantially to commercial and/or real estate properties.

“Calculation Amount” means, with respect to any Defaulted Obligation or Deferred Interest PIK Bonds at any time, the lesser of (a) the Market Value of such Defaulted Obligation or Deferred Interest PIK Bond or (b) the Applicable Recovery Rate multiplied by the Principal Balance of such Defaulted Obligation or Deferred Interest PIK Bond. For purposes of determining the Calculation Amount, the Principal Balance of a Defaulted Obligation or Deferred Interest PIK Bond shall be deemed to be its outstanding principal amount.

“Category” means with respect to a Collateral Asset, the classification of such Collateral Asset as an Asset-Backed Security, Commercial Mortgage-Backed Security, Residential Mortgage-Backed Security, REIT Debt Security, Interest Only Security or Synthetic Security.

“CDO of CDO Securities” means CDO Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing of timely distribution of proceeds to holders of the CDO Securities) on the market value of, credit exposure to, or cash flow from, a portfolio with respect to which the aggregate principal balance of other CDO Securities comprise more than 35% of the aggregate principal balance of such portfolio.

“CDO Securities” means collateralized debt obligations, collateralized bond obligations or collateralized loan obligations (including, without limitation, any synthetic collateralized debt obligations or collateralized loan obligations); *provided, however*, that RMBS CDO Securities and CMBS CDO Securities shall not constitute CDO Securities.

“Certificate of Formation” means the certificate of formation of the Co-Issuer dated April 14, 2005 as the same may be amended from time to time.

“Class A Adjusted Overcollateralization Amount” means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance minus the aggregate outstanding principal amount of the Class A Notes after giving effect to payments to be made on the succeeding Payment Date in accordance with the Priority of Payments.

“Class A/S Note Break-Even Loss Rate” means the maximum percentage of defaults that the Proposed Portfolio can sustain after giving effect to S&P’s assumptions on recoveries, defaults and timing and to the Priority of Payments such that sufficient funds will remain for the payment of principal of the Class S Notes and Class A Notes in full by their respective Stated Maturities and the timely payment of interest on the Class S Notes and the Class A Notes.

“Class A/S Note Loss Differential” means with respect to any Measurement Date, the rate obtained by subtracting the Class A/S Note Scenario Default Rate from the Class A/S Note Break-Even Loss Rate.

“Class A/S Note Scenario Default Rate” means an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with S&P’s rating of the Class S Notes, the Class A-1 Notes and the Class A-2 Notes on the Closing Date, determined by application of the S&P CDO Monitor.

“Class A-1 Overcollateralization Ratio” means, as of any Measurement Date, the ratio (expressed as a percentage) obtained by dividing (i) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (ii) the sum of the aggregate outstanding principal amount of the Class A-1 Notes.

“Class A-1 Note Minimum Interest Amount” means, as of any Redemption Date, an amount equal to the sum of, for each Payment Date since the Closing Date, of the interest that would have otherwise accrued on the Class A-1 Notes on such Payment Date had the Class A-1 Notes accrued interest at a per annum rate equal to 0.10%.

“Class B Adjusted Overcollateralization Amount” means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance minus the aggregate outstanding principal amount of the Class A Notes and the Class B Notes after giving effect to payments to be made on the succeeding Payment Date in accordance with the Priority of Payments.

“Class B Adjusted Overcollateralization Ratio” means with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance divided by the sum of the aggregate outstanding principal amount of the Class A Notes and Class B Notes, after giving effect to payments to be made on the succeeding Payment Date in accordance with the Priority of Payments.

“Class B Note Break-Even Loss Rate” means the maximum percentage of defaults that the Proposed Portfolio can sustain after giving effect to S&P’s assumptions on recoveries, defaults and timing and to the Priority of Payments such that sufficient funds will remain for the payment of principal of the Class B Notes in full by their Stated Maturity and the timely payment of interest on such Class B Notes.

“Class B Note Loss Differential” means with respect to any Measurement Date, the rate obtained by subtracting the Class B Note Scenario Default Rate from the Class B Note Break-Even Loss Rate.

“Class B Note Scenario Default Rate” means an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with S&P’s rating of the Class B Notes on the Closing Date, determined by application of the S&P CDO Monitor.

“Class C Adjusted Overcollateralization Amount” means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance minus the aggregate outstanding principal amount of the Class A Notes, Class B Notes, and Class C Notes after giving effect to payments to be made on the succeeding Payment Date in accordance with the Priority of Payments.

“Class C Adjusted Overcollateralization Ratio” means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance divided by the sum of the aggregate outstanding principal amount of the Class A Notes, the Class B Notes and the Class C Notes (including Class C Deferred Interest) after giving effect to payments to be made on the succeeding Payment Date in accordance with the Priority of Payments.

“Class C Note Break-Even Loss Rate” means the maximum percentage of defaults that the Proposed Portfolio can sustain after giving effect to S&P’s assumptions on recoveries, defaults and timing and to the Priority of Payments such that sufficient funds will remain for the payment of principal of the Class C Notes in full by their Stated Maturity and for the ultimate payment of interest on such Class C Notes.

“Class C Note Loss Differential” means, with respect to any Measurement Date, the rate obtained by subtracting the Class C Note Scenario Default Rate from the Class C Note Break-Even Loss Rate.

“Class C Note Scenario Default Rate” means an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with S&P’s rating of the Class C Notes on the Closing Date, determined by application of the S&P CDO Monitor.

“Class D Adjusted Overcollateralization Amount” means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance minus the aggregate outstanding principal amount of the Class A Notes, Class B Notes, Class C Notes, and Class D Notes after giving effect to payments to be made on the succeeding Payment Date in accordance with the Priority of Payments.

“Class D Adjusted Overcollateralization Ratio” means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance divided by the sum of the aggregate outstanding principal

amount of the Class A Notes, the Class B Notes, the Class C Notes (including Class C Deferred Interest) and the Class D Notes (including Class D Deferred Interest) after giving effect to payments to be made on the succeeding Payment Date in accordance with the Priority of Payments.

“Class D Note Break-Even Loss Rate” means the maximum percentage of defaults that the Proposed Portfolio can sustain after giving effect to S&P’s assumptions on recoveries, defaults and timing and to the Priority of Payments such that sufficient funds will remain for the payment of principal of the Class D Notes in full by their Stated Maturity and for the ultimate payment of interest on such Class D Notes.

“Class D Note Loss Differential” means, with respect to any Measurement Date, the rate obtained by subtracting the Class D Note Scenario Default Rate from the Class D Note Break-Even Loss Rate.

“Class D Note Scenario Default Rate” means an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with S&P’s rating of the Class D Notes on the Closing Date, determined by application of the S&P CDO Monitor.

“Class E Note Component Percentage” means, as of any date of determination, a fraction (expressed as a percentage) (i) the numerator of which is equal to the aggregate principal amount of the Class E Notes allocable to, and represented by, the Combination Securities and (ii) the denominator of which is equal to the aggregate principal amount of the Class E Notes (including the Class E Note Component).

“Class S Notes Amortizing Principal Amount” means, with respect to any Payment Date commencing with the Payment Date in August 2005, \$250,000, plus the aggregate amount of any Class S Notes Amortizing Principal Amounts that were due on any prior Payment Date and not paid on one or more prior Payment Dates, plus accrued interest on any such unpaid amount from the prior Payment Date (with the amount of such accrued interest being added to the Class S Notes Amortizing Principal Amount for such Payment Date).

“Class Z Note Component Percentage” means, as of any date of determination, a fraction (expressed as a percentage) (i) the numerator of which is equal to the aggregate principal amount of the Class Z Notes allocable to, and represented by, the Combination Securities and (ii) the denominator of which is equal to the aggregate principal amount of the Class Z Notes (including the Class Z Note Component).

“CMBS CDO Securities” means securities (other than CMBS RE-REMIC Securities) that are backed entirely by CMBS Securities, REIT Debt Securities and other forms or debt, equity or credit default protection that relate substantially to commercial properties.

“CMBS Conduit Securities” means Commercial Mortgage-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Commercial Mortgage-Backed Securities) on the cash flow from a pool of commercial mortgage loans generally having the following characteristics: (i) the commercial mortgage loans have varying contractual maturities; (ii) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (iii) the commercial mortgage loans are obligations of a limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; and (iv) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors; however, in the case of loans bearing interest at a fixed rate, such loans or securities typically include significant or complete prepayment protection.

“CMBS Credit Tenant Lease Securities” means Commercial Mortgage-Backed Securities (other than CMBS Large Loan Securities, CMBS Franchise Securities, CMBS CDO Securities and CMBS Conduit Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Commercial Mortgage-Backed Securities) on the cash flow from a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties leased to corporate tenants (or on the cash flow from such leases). They generally have the following characteristics: (i) the commercial mortgage loans or leases have varying contractual maturities; (ii) the commercial

mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (iii) the leases are secured by leasehold interests; (iv) the commercial mortgage loans or leases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (v) payment thereof can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans or termination of leases depending on numerous factors specific to the particular obligors or lessees and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; and (vi) the creditworthiness of such corporate tenants is an important factor in any decision to invest in these securities.

“CMBS Franchise Securities” means Commercial Mortgage-Backed Securities (other than CMBS Credit Tenant Securities, CMBS Conduit Securities, CMBS CDO Securities and CMBS Large Loan Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Commercial Mortgage-Backed Securities) on the cash flow from (a) a pool of franchise loans made to operators of franchises that provide oil, gasoline, restaurant or food services and provide other services related thereto and (b) leases or subleases of equipment to such operators for use in the provision of such goods and services. Such securities generally have the following characteristics: (1) the loans, leases or subleases have varying contractual maturities; (2) the loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the obligations of the lessors or sublessors of the equipment may be secured not only by the leased equipment but also the related real estate; (4) the loans, leases and subleases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment of the loans can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; (6) the repayment stream on the leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, a sublessee or third party of the underlying equipment; and (7) such leases and subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payment at the end of the lease term.

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

“CMBS RE-REMIC Securities” means securities that represent an interest in a real estate mortgage investment conduit backed by CMBS Securities.

“CMBS Securities” or “Commercial Mortgage-Backed Securities” means securities backed by obligations (including certificates of participation in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, nursing homes and senior living centers and shall include, without limitation, CMBS Conduit Securities, CMBS Credit Tenant Lease Securities, CMBS Large Loan Securities, CMBS RE-REMIC Securities, CMBS CDO Securities and CMBS Single Asset Securities.

“CMBS Single Asset Securities” means CMBS Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such CMBS Securities) on the cash flow from a mortgage or mortgages on a single real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, nursing homes and senior living centers.

“Collateral Account” means a single, segregated trust account, designated as the “Collateral Account” established by the Collateral Agent into which account, collateral will be deposited from time to time pursuant to the Security Agreement.

“Collateral Administrator” means Wells Fargo Bank, National Association, as collateral administrator pursuant to the Collateral Administration Agreement, or any successor collateral agent thereunder.

“Collateral Administration Agreement” means the agreement among the Issuer, the Collateral Manager and the Collateral Administrator, dated the Closing Date as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

“Collateral Management Fee” means, collectively, the Base Collateral Management Fee, the Subordinate Collateral Management Fee and the Incentive Collateral Management Fee.

“Collection Account” means a trust account, which may be a subaccount of the Collateral Account, designated as the “Collection Account,” established pursuant to the Security Agreement with the Securities Intermediary in the name of the Collateral Agent for the benefit of the Secured Parties and which may be divided into subaccounts for administrative purposes.

“Corporate CDO Securities” means CDO Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the CDO Securities) on the market value of, credit exposure to, or cash flow from, a portfolio with respect to which the aggregate principal balance of Corporate Securities or collateralized loan obligations or any combination of the foregoing, included therein is greater than 10% of the aggregate principal balance of such portfolio.

“Corporate Securities” means publicly issued or privately placed debt obligations of corporate issuers which are not REIT Debt Securities.

“Currency Swap Collateral” means any cash, securities or other collateral delivered and/or pledged by a Currency Swap Counterparty to or for the benefit of the Issuer, including, without limitation, any up-front payment of cash or delivery of securities made by the Currency Swap Counterparty to satisfy or secure its payment obligations pursuant to the terms of the related Currency Swap Agreement.

“Currency Swap Receipt Amount” means, with respect to the Currency Swap Agreements and any Payment Date, the amount, if any, then payable to the Issuer by the Currency Swap Counterparties, including any amounts so payable in respect of a termination of any Currency Swap Agreement.

“Current Actual Balance” means the current outstanding principal balance of any Collateral Asset (without application of any haircut or reduction in balance) less any capitalized or deferred interest that is included in such balance.

“Current Interest Rate” means, as of any Measurement Date, with respect to any Collateral Asset which is a Fixed Rate Security, the stated rate at which interest accrues on such Fixed Rate Asset.

“Current Portfolio” means the portfolio (measured by Principal Balance) of Collateral Assets, Principal Proceeds held as cash and Eligible Investments purchased with Principal Proceeds, on any Measurement Date, existing immediately prior to the sale, maturity or other disposition of a Collateral Asset or immediately prior to the acquisition of a Collateral Asset, as the case may be.

“Deemed Floating Asset Hedge” means an interest rate swap having a notional amount (or scheduled notional amounts) approximately equal to the Principal Balance (as it may be reduced by expected amortization) of the related Fixed Rate Security; *provided* that, (w) at the time of entry into the Deemed Floating Asset Hedge, the principal payments on the Fixed Rate Security comprising a Deemed Floating Collateral Asset will not extend beyond 15 years after the Closing Date, (x) the Rating Agencies and the Collateral Agent are notified prior to the Issuer’s entry into a Deemed Floating Asset Hedge, and will be provided with the identity of the hedge counterparty and copies of the hedge documentation and notional schedule, (y) such Deemed Floating Asset Hedge shall require satisfaction of the Rating Agency Condition to the extent the applicable master agreement or schedule attached thereto is not a Form-Approved Hedge Agreement and (z) such Deemed Floating Asset Hedge is priced at then-current market rates.

“Deemed Floating Collateral Asset” means a Fixed Rate Security at the time of entry into a Deemed Floating Asset Hedge with respect to such Fixed Rate Security; *provided* that at the time of entry into the Deemed Floating Asset Hedge the average life of the Deemed Floating Collateral Asset must not increase or decrease by more than one year from its expected average life if it were to prepay at either 200% or 50% of its pricing speed.

“Default Swap” means a credit default swap entered into by the Issuer and any Synthetic Security Counterparty, evidenced by the related ISDA Master Agreement and a confirmation which satisfies the Eligibility Criteria at the time of grant thereof.

“Defaulted Hedge Termination Payments” means any termination payment required to be made by the Issuer to a Hedge Counterparty pursuant to a Hedge Agreement in the event of a termination of such Hedge Agreement (other than a termination for illegality or tax event) in respect of which such Hedge Counterparty is the sole Defaulting Party or sole Affected Party (each, as defined in the applicable Hedge Agreement).

“Defaulted Interest” means any interest due and payable in respect of (i) any Class S Note, Class A Note or Class B Note, (ii) if there are no Class S Notes, Class A Notes or Class B Notes outstanding, any Class C Note or (iii) if there are no Class S Notes, Class A Notes, Class B Notes or Class C Notes outstanding, any Class D Note, which, in any such case, is not punctually paid or duly provided for on the applicable Payment Date.

“Defaulted Obligation” means any Collateral Asset with respect to which:

(i) there has occurred and is continuing for the lesser of 3 Business Days and any applicable grace period (other than with respect to any Collateral Asset which has reached its stated maturity date as to which no 3 Business Day period or grace period shall apply), a default with respect to the payment of interest or principal on such Collateral Asset; *provided*, the Collateral Asset shall not constitute a Defaulted Obligation if and when such default has been cured through the payment of all past due interest and principal; *provided further, however*, that, notwithstanding the foregoing, any Collateral Asset that is in default with respect to the payment of interest or principal as of the Determination Date shall be considered a Defaulted Obligation unless such default has been cured through the payment of all past due interest and principal within 3 Business Days after the Determination Date;

(ii) if such Collateral Asset is a Synthetic Security, either (a) the related Reference Obligation or Reference Obligor would be a Defaulted Obligation were it a Collateral Asset, (b) such Synthetic Security is in default pursuant to its terms or (c) the Synthetic Security Counterparty is downgraded below the specified level pursuant to its terms;

(iii) any bankruptcy, insolvency or receivership proceeding has been initiated in connection with the issuer of such Collateral Asset and is unstayed and undismissed; *provided*, that, if such proceeding is an involuntary proceeding, the condition of this clause (iii) will not be satisfied until the earliest of the following: (I) the issuer consents to such proceeding, (II) an order for relief under the United States Bankruptcy Code, or any similar order under a proceeding not taking place under the United States Bankruptcy Code, has been entered, and (III) such proceeding remains unstayed and undismissed for 45 days;

(iv) such Collateral Asset has an S&P Rating (as defined in Appendix D) of “CC” or lower or a rating of “D” or “SD” or has had its rating withdrawn after being rated “CC” or lower or “D” or “SD”;

(v) the Collateral Manager knows the issuer thereof is in default as to payment of principal and/or interest on another obligation (and such default has not been cured through the payment of all past due interest and principal), but only if one of conditions (I) or (II) is met: (I) (A) both such other obligation and the Collateral Asset are full recourse unsecured obligations and the other obligation is senior to or pari passu with the Collateral Asset in right of payment or (B) (x) such other obligation is a full recourse secured obligation and the Collateral Asset is a full recourse unsecured obligation or (y) the Collateral Asset is a full recourse unsecured obligation and the other obligation is senior to or pari passu (except that it is secured) with the Collateral Asset in right of payment; or (II) all of the following conditions (A), (B) and (C) are satisfied: (A) both such other obligation and the Collateral Asset are full recourse secured obligations secured by common collateral; (B) the security interest securing the other obligation is senior to or pari passu with the security interest securing the Collateral Asset; and (C) the other obligation is senior to or pari passu with the Collateral Asset in right of payment, except that a Collateral Asset shall not constitute a “Defaulted Obligation” under this clause (v) if the Collateral Manager has notified each Rating Agency in writing of its decision not to treat the Collateral Asset as a Defaulted Obligation, and the Rating Agency Condition has been satisfied; or

(vi) the principal amount of such Collateral Asset has been written down or reduced pursuant to the terms of the Underlying Instruments as a result of an allocation of realized losses or otherwise;

provided that, a Haircut Asset will be considered a Defaulted Obligation if the related Collateral Asset becomes a Defaulted Obligation (as described above) *provided further that*, even if none of the foregoing items (i-vi) have occurred, the Collateral Manager may declare any Collateral Asset to be a Defaulted Obligation if, in the Collateral Manager’s reasonable business judgment, the credit quality of the issuer of such Collateral Asset (or, in the case of a Synthetic Security, the credit quality of the counterparty or issuer of the Reference Obligation with respect thereto) has significantly deteriorated such that there is a reasonable expectation of payment default as of the next scheduled payment date with respect to such Collateral Asset.

“Deferred Interest PIK Bond” means a PIK Bond with respect to which interest thereon has been deferred and capitalized more than once in the last 12 monthly periods.

“Deliverable Obligation” means a debt obligation that may be or is delivered to the Issuer upon the occurrence of a “credit event” under a Synthetic Security that would satisfy the Eligibility Criteria; *provided however*, that the debt obligation need not satisfy clauses (xi), (xvii) and (xxii) of the General Eligibility Criteria and clause (ii) of the Interest Only Security Eligibility Criteria and Profile Tests and may be delivered to the Issuer notwithstanding the fact that the delivery of such Collateral Asset may cause the Issuer to fail a Collateral Profile Test.

“Distribution Compliance Period” means the period ending on (i) in the case of the Securities (other than the Class E Notes and Combination Securities), the end of the 40-day period commencing on the later of the commencement of the offering of the Securities and the Closing Date or (ii) in the case of the Class E Notes and Combination Securities, the end of the one-year period commencing on the later of the commencement of the offering of the Securities and the Closing Date.

“Exception Payment Date” means a Payment Date with respect to an Optional Redemption, Tax Redemption or redemption due to an Event of Default resulting in acceleration of the Securities and liquidation of the Collateral.

“Excess Double B Calculation Amount” means with respect to each Collateral Asset in the Excess Double B Rated Pool, the product of (i) the Principal Balance of each such Collateral Asset which corresponds to the Excess Double B Rated Pool and (ii) 0.90.

“Excess Double B Rated Moody’s Asset” means any Collateral Asset with an Actual Rating or Implied Rating from Moody’s greater than or equal to “Ba3” but less than “Baa3,” but only if and to the extent the aggregate Principal Balance of such Collateral Assets is in excess of 20% of the Net Outstanding Portfolio Collateral Balance calculated without regard to clause (iii) or (iv) of the definition of Net Outstanding Portfolio Collateral Balance.

“Excess Double B Rated Pool” means (i) the Excess Double B Rated Moody’s Assets if (A) is greater than (B) where (A) is equal to the sum of the products of (I) the Principal Balance of each Excess Double B Rated Moody’s Asset and (II) 100% minus the Moody’s Recovery Rate for each Excess Double B Rated Moody’s Asset, and (B) is equal to the greater of (I) the sum of the products of (x) the Principal Balance of each Excess Double B Rated S&P Asset and (y) 100% minus the S&P Recovery Rate for each Excess Double B Rated S&P Asset and (II) the aggregate par balance of the Excess Double B Rated S&P Assets minus the aggregate of the Market Value for each Excess Double B Rated S&P Asset or (ii) otherwise, the Excess Double B Rated S&P Assets.

“Excess Double B Rated S&P Asset” means any Collateral Asset with an Actual Rating or Implied Rating from S&P greater than or equal to “BB-” but less than “BBB-,” but only if and to the extent the aggregate Principal Balance of such Collateral Assets is in excess of 10% of the Net Outstanding Portfolio Collateral Balance calculated without regard to clause (iii) or (iv) of the definition of Net Outstanding Portfolio Collateral Balance.

“Excess Single B Calculation Amount” means, with respect to each Collateral Asset in the Excess Single B Rated Pool, the product (i) of the Principal Balance of each such Collateral Asset which corresponds to the Excess Single B Rated Pool and (ii) 0.70.

“Excess Single B Rated Moody’s Asset” means any Collateral Asset with an Actual Rating or Implied Rating from Moody’s greater than “Caal” but less than “Ba3”, but only if and to the extent the aggregate Principal Balance of such Collateral Asset is in excess of 5% of the Net Outstanding Portfolio Collateral Balance calculated without regard to clause (iii) or (iv) of the definition of Net Outstanding Portfolio Collateral Balance.

“Excess Single B Rated Pool” means (i) the Excess Single B Rated Moody’s Assets if (A) is greater than (B) where (A) is equal to the sum of the products of (I) the Principal Balance of each Excess Single B Rated Moody’s Asset and (II) 100% minus the Moody’s Recovery Rate for each Excess Single B Rated Moody’s Asset, and (B) is equal to the greater of (I) the sum of the products of (x) the Principal Balance of each Excess Single B Rated S&P Asset and (y) 100% minus the S&P Recovery Rate for each Excess Single B Rated S&P Asset and (II) the aggregate par balance of the Excess Single B Rated S&P Assets minus the aggregate of the Market Value for each Excess Single B Rated S&P Asset or (ii) otherwise, the Excess Single B Rated S&P Assets.

“Excess Single B Rated S&P Asset” means any Collateral Asset with an Actual Rating or Implied Rating from S&P greater than “CCC+” but less than “BB-”, but only if and to the extent the aggregate Principal Balance of such Collateral Asset is in excess the lesser of (i) 5% and (ii) if the Aggregate Principal Amount of Collateral Assets that are Excess Double B Rated S&P Assets is greater than 5% of the Net Outstanding Portfolio Collateral Balance Calculation without regard to clause (iii) or (iv) of the definition of Net Outstanding Portfolio Collateral Balance, (x) 5% minus (y) the excess of the Aggregate Principal Amount of Collateral Assets that are Excess Double B Rated S&P Assets over 5%, of the Net Outstanding Portfolio Collateral Balance calculated without regard to clause (iii) or (iv) of the definition of Net Outstanding Portfolio Collateral Balance.

“Extraordinary Resolution” means, with respect to a Class of Securities, a resolution passed at a meeting of Holders of such Class of Securities duly convened and held in accordance with the terms of the Trust Deed and the Conditions by, in the case of Reserved Matters, the Holders of 100% of the Outstanding Securities of such Class, and otherwise not less than the lesser of (i) the Holders of 75% of the aggregate principal amount of each affected Class of Securities then Outstanding actually voting on such resolution and (ii) a SupraMajority of such Class of Securities.

“Fixed Payment Rate” will equal the fixed rate that the Issuer agrees to pay on the Deemed Floating Asset Hedge at the time such swap is executed.

“Fixed Rate Assets” means the aggregate Principal Balance of Collateral Assets that are Fixed Rate Securities less the aggregate Principal Balance of Deemed Floating Collateral Assets.

“Fixed Rate Security” means any Collateral Asset which is not a Floating Rate Security; *provided* that the Collateral Manager may reclassify any Fixed Rate Security as a Floating Rate Security (i) if such reclassification satisfies the Rating Agency Condition or (ii) if it has a related balance guaranteed swap.

“Floating Charge Deed” means the deed dated on or about the Closing Date between the Issuer and the Collateral Agent pursuant to which the Issuer gives a floating charge over all of its assets to the extent that such assets are not covered by the security given pursuant to the Security Agreement.

“Floating Rate Assets” means the aggregate Principal Balance of Collateral Assets that are Floating Rate Securities.

“Floating Rate Security” means any Collateral Asset, the interest rate on which resets pursuant to an index after the date of purchase by the Issuer; *provided* that the Collateral Manager may reclassify any Floating Rate Security as a Fixed Rate Security (i) if such reclassification satisfies the Rating Agency Condition or (ii) if it has a related balance guaranteed swap.

“Form-Approved Currency Swap Agreement” means a Currency Swap Agreement which the Issuer may enter into without satisfaction of the Rating Agency Condition in the specific instance because the documentation conforms to a form which has satisfied the Rating Agency Condition as a Form-Approved Currency Swap Agreement (as certified to the Trustee by the Collateral Manager); *provided*, that, notwithstanding the fact that the Rating Agency Condition shall have been satisfied in connection with the documentation of any such Currency Swap Agreement, either Rating Agency, upon 30 days notice to the Issuer, the Trustee and the Collateral Manager may declare that, commencing on the date specified in such notice (such date not earlier than the date of such notice), Currency Swap Agreements proposed to be acquired by the Issuer using such documentation shall not constitute Form-Approved Currency Swap Agreements.

“Form-Approved Hedge Agreement” means a Deemed Floating Asset Hedge with respect to which the related Fixed Rate Security or any Floating Rate Security could be purchased by the Issuer without satisfaction of the Rating Agency Condition in the specific instance because the documentation conforms to a form which has satisfied the Rating Agency Condition as a Form-Approved Hedge Agreement (as certified to the Trustee by the Collateral Manager) and which shall include any Hedge Agreement substantially in the form of the Hedge Agreement in effect on the Closing Date; *provided*, that, notwithstanding the fact that the Rating Agency Condition shall have been satisfied in connection with the documentation of any such Hedge Agreement, either Rating Agency, upon 30 days notice to the Issuer, the Trustee and the Collateral Manager may declare that, commencing on the date specified in such notice (such date not earlier than the date of such notice), Hedge Agreements proposed to be acquired by the Issuer using such documentation shall not constitute Form-Approved Hedge Agreements.

“Form-Approved Synthetic Security” means a Synthetic Security (a) the Reference Obligation of which, if it were a Collateral Asset, could be purchased by the Issuer without any required action by the Rating Agencies or as to which the Rating Agency Condition is satisfied, (b) the documentation of which conforms (but for the amount and timing of periodic payments, the name of the Reference Obligation, the notional amount, the effective date, the termination date and other similarly necessary changes) to a form which has satisfied the Rating Agency Condition as a Form-Approved Synthetic Security (as certified to the Trustee by the Collateral Manager) and (c) for which the Issuer has provided each Rating Agency with written notice of the purchase of such Synthetic Security and each Rating Agency has provided the Issuer with written acknowledgement of such notice at least 5 Business Days prior to such purchase; *provided*, that the S&P Recovery Rate or the Moody’s Recovery Rate, as applicable, for such Synthetic Security shall be zero until provided by such Rating Agency to the Collateral Manager or the Trustee; *provided, further* that, notwithstanding the fact that the Rating Agency Condition shall have been satisfied in connection with the documentation of any such Synthetic Security, either Rating Agency, upon 30 days notice to the Issuer, the Trustee and the Collateral Manager may declare that, commencing on the date specified in such notice (such date not earlier than the date of such notice), Synthetic Securities proposed to be acquired by the Issuer using such documentation shall not constitute Form-Approved Synthetic Securities.

“Haircut Asset” means a Collateral Asset that is a Senior Obligation and has received an Actual Rating of at least “A-” by S&P or “A3” by Moody’s with respect to less than 100% of the Original Actual Balance of such Collateral Asset. For purposes of calculating the interest received or expected to be received on such Collateral Asset, the interest will not exceed the actual interest due times the ratio of the Principal Balance of the Haircut Asset divided by the Current Actual Balance.

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

“Hedge Cashflow Swap Reserve Account” means a single, segregated trust account, designated as the “Hedge Cashflow Swap Reserve Account,” established by the Collateral Agent pursuant to the Security Agreement in the name of the Collateral Agent for the benefit of the Secured Parties and which may be divided into subaccounts for administrative purposes.

“Hedge Cashflow Swap Reserve Account Deposit Amount” means, with respect to any Payment Date, the product of (i) 0.50 and (ii) the excess, if any, of (a) the aggregate amount of all proceeds (other than Principal Proceeds) collected with respect to Semiannual Pay Collateral Assets during the related Due Period over (b) the aggregate amount of all Scheduled Distributions (other than Scheduled Distributions that will constitute Principal Proceeds) that are expected to be collected with respect to Semiannual Pay Collateral Assets during the immediately following Due Period.

“Hedge Cashflow Swap Reserve Account Withdrawal Amount” means, with respect to any Payment Date, the product of (i) 0.50 and (ii) the excess, if any, of (a) the aggregate amount of all Scheduled Distributions (other than Scheduled Distributions that will constitute Principal Proceeds) that are expected to be collected with respect to Semiannual Pay Collateral Assets during the immediately following Due Period over (b) the aggregate amount of all Proceeds (other than Principal Proceeds) collected with respect to Semiannual Pay Collateral Assets during the Due Period related to the current Payment Date.

“Hedge Collateral” means, any cash, securities or other collateral delivered and/or pledged by a Hedge Counterparty to or for the benefit of the Issuer, including, without limitation, any up-front payment of cash or delivery of securities made by the Hedge Counterparty to satisfy or secure its payment obligations pursuant to the terms of the related Hedge Agreement.

“Hedge Counterparties” means Interest Rate Swap Counterparties (including any counterparties to Deemed Floating Asset Hedges), Cashflow Swap Counterparties and Currency Swap Counterparties.

“Hedge Receipt Amount” means, with respect to the Hedge Agreements and any Payment Date, any hedge receipts, including any other amounts so payable in respect of a termination of any Hedge Agreement.

“Implied Rating” means, in the case of a rating of a Collateral Asset by a Rating Agency, a rating that is determined by reference to any publicly available, fully monitored rating by another rating agency that, by its terms, addresses the full scope of the payment promise of the obligor.

“Initial Interest Rate Swap Counterparty” means AIG Financial Products Corp. and any permitted successors or assigns.

“Insured Securities” means securities (other than RMBS Agency Securities) which have the benefit of a financial guarantee insurance policy, or surety bond or corporate guarantee insuring or guaranteeing the timely payment of interest (if rated “AA-” or higher) or the ultimate payment of interest (if rated “A+,” “A” or “A-”) and the ultimate payment of principal.

“Interest Only Security” means any security that does not provide for the payment of principal.

“Issue” of a Collateral Asset means any such Collateral Asset issued by the same issuer, having the same terms and conditions (as to, among other things, coupon, maturity, security and subordination) and otherwise being fungible with one another.

“Liquidation Proceeds” with respect to any Optional Redemption or Tax Redemption include, without duplication, (i) all Sale Proceeds from Collateral Assets sold in connection with such redemption, (ii) the aggregate amount received by the Issuer on or prior to the Business Day immediately preceding the relevant Payment Date from the termination of any Hedge Agreement in connection with such redemption, and (iii) cash and Eligible Investments on deposit in the Accounts, to the extent available therefor, including any amounts designated by the Collateral Manager as retained for reinvestment (and also including any payments received under any Hedge Agreements on or prior to the day preceding the Payment Date, in each case as determined by the Collateral Manager.

“Majority” means with respect to any Class or Classes of Notes, the Holders of more than 50% of the aggregate outstanding principal amount of such Class or Classes of Notes.

“Margin Stock” means any asset that constitutes “margin stock” as defined in Regulation U issued by the Board of Governors of the Federal Reserve System; *provided*, that “Margin Stock” shall not include any equity security received pursuant to an offer by an issuer of a Defaulted Obligation.

“Measurement Date” means any of the following: (i) the Closing Date; (ii) any date upon which a sale, purchase or substitution of Collateral Assets (giving effect to such sale, purchase or substitution) occurs; (iii) each Determination Date; (iv) any date the rating of a Collateral Asset is downgraded or upgraded or a Collateral Asset becomes a Defaulted Obligation; and (v) with reasonable notice to the Issuer, any other Business Day that either Rating Agency or the Holders of at least a SupraMajority of any Class of Notes requests be a Measurement Date; *provided* that, if any such date would otherwise fall on a day that is not a Business Day, the relevant Measurement Date will be the first following day that is a Business Day.

“Minimum Class A Adjusted Overcollateralization Amount” means the Class A Adjusted Overcollateralization Amount must be at least \$25,000,000.

“Minimum Class B Adjusted Overcollateralization Amount” means the Class B Adjusted Overcollateralization Amount must be at least \$15,000,000.

“Minimum Class C Adjusted Overcollateralization Amount” means the Class C Adjusted Overcollateralization Amount must be at least \$10,000,000.

“Minimum Class D Adjusted Overcollateralization Amount” means the Class D Adjusted Overcollateralization Amount must be at least \$5,000,000.

“Moody’s Recovery Rate” means, with respect to a Collateral Asset, an amount equal to the percentage for such Collateral Asset set forth in the recovery rate assumptions for Moody’s attached as Part II of Appendix E hereto, *provided, however*, that (A) Defaulted Obligations which exceed 2.5% of the Aggregate Principal Amount and have been defaulted for more than one year will be deemed to have a Moody’s Recovery Rate of 0%, (B) Defaulted Obligations which exceed 1.00% of the Aggregate Principal Amount and have been defaulted for more than 2 years shall be deemed to have a Moody’s Recovery Rate of 0%; and (C) Defaulted Obligations which have been defaulted for more than 3 years shall be deemed to have a Moody’s Recovery Rate of 0%; *provided further* that the foregoing limits on the percentage of the Aggregate Principal Amount which may consist of Defaulted

Obligations, shall not include any Haircut Assets that are Defaulted Obligations and which are current in interest payments due on the related Principal Balance of the Haircut Asset assuming a full interest payment on the underlying Collateral Asset.

“Mortgage-Backed Securities” means any Residential Mortgage-Backed Securities or Commercial Mortgage-Backed Securities.

“Moving Treasury Average” means the twelve-month average monthly yield on U.S. Treasury Securities adjusted to a constant maturity of one-year, as published by the Federal Reserve Board in the Federal Reserve Statistical Release “Selected Interest Rates (H.15).”

“Municipal Securities” means industrial development bonds, industrial revenue bonds, special revenue bonds and other special obligations of state and local governments, governmental agencies or governmental authorities (excluding general obligation bonds).

“Mutual Fund Fee Securities” means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of brokerage fees and costs relating to various mutual funds, generally having the following characteristics: (1) the brokerage arrangements have standardized payment terms and require minimum payments; (2) the brokerage fees and costs arise out of numerous mutual funds and accordingly represent a very diversified pool of credit risk; and (3) the collection of brokerage fees and costs can vary substantially from the contractual payment schedule (if any), with collection depending on numerous factors specific to the particular mutual funds, interest rates and general economic matters.

“Net Outstanding Portfolio Collateral Balance” means, on any Measurement Date, an amount equal to (i) the aggregate Principal Balance on such Measurement Date of all Collateral Assets, *plus* (ii) the aggregate Principal Balance of all Principal Proceeds held as cash and Eligible Investments purchased with Principal Proceeds, plus accrued and unpaid interest purchased with Principal Proceeds, *minus* (iii) the aggregate Principal Balance on such Measurement Date of all Collateral Assets that are (A) Defaulted Obligations, (B) Deferred Interest PIK Bonds, (C) in the Excess Double B Rated Pool, (D) in the Excess Single B Rated Pool and (E) Triple C Rated Assets, *plus* (iv) the Aggregate Calculation Amount of Defaulted Obligations and Deferred Interest PIK Bonds, the Excess Double B Calculation Amount for the Excess Double B Rated Pool, the Excess Single B Calculation Amount for the Excess Single B Rated Pool and the Triple C Calculation Amount, *minus* (v) the aggregate of the products of (a) the Principal Balance of each Collateral Asset other than a Defaulted Obligation, Deferred Interest PIK Bond, Collateral Asset in the Excess Double B Rated Pool, Excess Single B Rated Pool or Triple C Rated Asset that is expected to be paid after the Stated Maturity of the Class D Notes and (b) one minus the Applicable Recovery Rate for such Collateral Asset, *minus* (vi) any appraisal reductions applicable to any class of CMBS (other than any CMBS which are Defaulted Obligations) held by the Issuer to the extent such appraisal reduction is intended to reduce the interest payable to such Collateral Asset and only in proportion to such interest reduction and, without duplication, any portion of the Principal Balance that has been written down as a result of a “realized loss,” “collateral support deficit,” “additional trust fund expense” or other event that under the terms of such Collateral Asset results in a writedown of the principal balance *minus* (vii) any portion of the Principal Balance of a Collateral Asset which is comprised of principal carryforward amounts, *minus* (viii) the greater of (x) zero and (y) the sum of the products of (i) the outstanding principal amount of any Non-U.S. Dollar Denominated Asset *less* the notional balance of the applicable Currency Swap Agreement for such Non-U.S. Dollar Denominated Asset and (ii) the mark-to-market value, as reasonably determined by the Collateral Manager (to the Issuer, expressed in a positive or negative term) of the related Currency Swap Agreement divided by the notional balance of the Currency Swap Agreement. If a Currency Swap Agreement has terminated or matured it shall be assumed that for purposes of calculating the amount described in clause (viii)(y)(ii) hereof, that a currency swap agreement exists with the same terms as the original currency swap agreement and that such assumed currency swap agreement has a notional balance equal to the notional balance of the related Non-U.S. Dollar Denominated Assets and the same remaining expected amortization and maturity of such Non-U.S. Dollar Denominated Assets at the time of calculation. For purposes of calculating the Net Outstanding Portfolio Collateral Balance (x) the allocation of Collateral Assets that are equity securities or Interest Only Securities shall be zero and (y) the allocation of Collateral Assets in the Excess Double B Rated Pool and the Excess Single B Rated Pool among the affected Collateral Assets shall be to those with the lowest Applicable Recovery Rate.

“Non-U.S. Dollar Denominated Asset” means a Collateral Asset payable in Pounds Sterling, Canadian Dollars, Danish Kroners or Euro.

“Non-U.S. Securities” means securities that (a) represent obligations outside of the United States or (b) are issued outside of the United States by issuers other than issuers organized under the laws of a commonly used domicile for a structured product transaction; and (c) are obligations of, or issued out of, a G7 country.

“Obligor” means, with respect to any Collateral Asset, the entity or company that issued the asset. A unique Obligor represents all assets backed by a unique pool of underlying collateral. For the avoidance of doubt, two Collateral Assets issued by the same trust or special purpose vehicle but paid interest and principal cashflows in expected circumstances from different pools, subgroups, or combinations of underlying loans will be treated as separated Obligors, even if there are unusual circumstances in which cashflows from one subgroup of underlying loans may be used to pay liabilities collateralized by another subgroup of underlying loans.

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

“Optional Redemption Price” means (i) with respect to the Class S Notes, an amount equal to the outstanding principal amount of the Class S Notes plus accrued and unpaid interest thereon at the Class S Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Redemption Date, (ii) with respect to the Class A-1 Notes, an amount equal to the outstanding principal amount of the Class A-1 Notes plus accrued and unpaid interest thereon at the applicable Class A-1 Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Redemption Date, (iii) with respect to the Class A-2 Notes, an amount equal to the outstanding principal amount of the Class A-2 Notes plus accrued and unpaid interest thereon at the Class A-2 Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Redemption Date, (iv) with respect to the Class B Notes, the outstanding principal amount of the Class B Notes plus accrued and unpaid interest thereon at the Class B Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Redemption Date, (v) with respect to the Class C Notes, the outstanding principal amount of the Class C Notes plus accrued and unpaid interest thereon at the Class C Note Interest Rate (including Class C Deferred Interest and Defaulted Interest and interest on Deferred Interest and Defaulted Interest) to but excluding the Redemption Date and (vi) with respect to the Class D Notes, the outstanding principal amount of the Class D Notes plus accrued and unpaid interest thereon at the Class D Note Interest Rate (including Class D Deferred Interest and Defaulted Interest and interest on Deferred Interest and Defaulted Interest) to but excluding the Redemption Date.

“Original Actual Balance” means the outstanding principal balance of any Collateral Asset at the time of purchase by the Issuer (without application of any haircut or reduction in balance) less any capitalized or deferred interest included in such balance.

“Original Haircut” equals 100% minus the highest percentage of the Original Actual Balance that was rated or shadow rated by either Rating Agency.

“Original Issuance Amount” means, with respect to any Collateral Asset, such Collateral Asset together with all other classes or tranches of obligations issued or incurred by the issuer as part of the initial issuance of such Collateral Asset (or authorized for issuance if such Collateral Asset is issued under a shelf registration statement or medium-term note program).

“Outstanding” or “outstanding” means, with respect to the Notes or any Class of Securities, as of any date of determination, all of the Securities or such Class of Securities, as the case may be, theretofore authenticated and delivered under the Trust Deed except:

(i) Securities theretofore canceled by the Note Registrar or delivered to the Note Registrar for cancellation;

(ii) Securities or portions thereof for whose payment or redemption funds in the necessary amount have been theretofore irrevocably deposited with the Trustee or any Note Paying Agent in trust for the Holders of such Securities; *provided*, that, if such Securities or portions thereof are to be redeemed, notice of such redemption has been duly given pursuant to the Trust Deed or provision therefor satisfactory to the Trustee has been made;

(iii) Securities in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to the Trust Deed, unless proof satisfactory to the Trustee is presented that any such Notes are held by a holder in due course;

(iv) Securities alleged to have been mutilated, destroyed, lost or stolen for which replacement Securities have been issued pursuant to the Trust Deed;

(v) in connection with any waiver, (a) all Securities (if any) held by the Trustee and its affiliates if the relevant waiver relates to a default arising primarily from any act or omission of the Trustee and (b) all Securities (if any) held by the Collateral Manager and its affiliates if the relevant waiver relates to a default arising primarily from any act or omission of the Collateral Manager;

(vi) in connection with the termination of the Trustee or the termination for cause of the Collateral Manager, as applicable, (a) all Securities (if any) held by the Trustee and its affiliates if the termination relates to a default arising primarily from any act or omission of the Trustee and (b) all Notes (if any) held by the Collateral Manager and its affiliates if the relevant termination relates to a default arising primarily from any act or omission of the Collateral Manager;

(vii) Securities which have become void as a result of not having been surrendered for payment within ten years of the earlier of (i) the Stated Maturity Date (or in the case of the Class Z Notes, the Combination Securities Maturity Date), (ii) the Redemption Date relating to such Security or (iii) the Auction Payment Date, as applicable; and

(viii) any Global Note to the extent it has been exchanged for Definitive Notes pursuant to the Trust Deed and the terms of such Global Note.

provided, that in determining whether the Holders of the requisite aggregate outstanding principal amount have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Issuer or the Co-Issuer or any other obligor upon the Securities or any Affiliate thereof shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities that the Trustee knows to be so owned shall be so disregarded. Securities so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Issuer, the Co-Issuer, the Collateral Manager or any other obligor upon the Securities or any Affiliate of the Issuer, the Co-Issuer, the Collateral Manager or such other obligor.

"Par Value Differential" means on any date the excess, if any, of (i) the Net Outstanding Portfolio Collateral Balance as of such date over (ii) the Aggregate Outstanding Amount of the Class A Notes, Class B Notes, Class C Notes and Class D Notes as of such date.

"Partners" means, with respect to the Collateral Manager, those persons who are members of the Collateral Manager from time to time.

"Payment Account" means a segregated trust account, designated as the "Payment Account," established pursuant to the Security Agreement with the Securities Intermediary in the name of the Collateral Agent for the benefit of the Secured Parties and which may be divided into subaccounts for administrative purposes.

“Permitted Offer” means an offer (i) pursuant to the terms of which the offeror offers to acquire a debt obligation (including a Collateral Asset) in exchange for consideration consisting solely of cash in an amount equal to or greater than the full face amount of such debt obligation plus any accrued and unpaid interest and (ii) as to which the Collateral Manager has determined in its reasonable business judgment that the offeror has sufficient access to financing to consummate the offer.

“Person” means an individual, corporation (including a business trust), partnership (including any limited partnership or any limited liability partnership), joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated association or government or any agency or political subdivision thereof.

“PIK Bond” means (i) a CDO Security on which the deferral of interest does not constitute an event of default pursuant to the terms of the related Underlying Instruments (while any other senior debt obligation is outstanding if so provided by the indenture or other Underlying Instruments) or (ii) a Collateral Asset as to which the payment amounts reset less frequently than the interest rate.

“Principal Balance” means, with respect to any Collateral Asset or Eligible Investment, as of any date of determination, the outstanding principal amount of such Collateral Asset or Eligible Investment; subject to the following exceptions: (i) the Principal Balance of a Synthetic Security shall be the amount specified as such in the Synthetic Security; (ii) the Principal Balance of a Collateral Asset received upon acceptance of an offer to exchange a Collateral Asset for such Collateral Asset shall be deemed to be the percentage of the outstanding principal amount equal to the lower of the amount equal to the Applicable Recovery Rate times the outstanding principal amount and the Market Value of such Collateral Asset until such time as Proceeds are first received when due with respect to such Collateral Asset; (iii) the Principal Balance of each Defaulted Obligation and Deferred Interest PIK Bond shall be deemed to be zero except (A) for purposes of (1) the Calculation Amount, the Principal Balance of a Defaulted Obligation or Deferred Interest PIK Bond shall be its outstanding principal amount without giving effect to any deferred or capitalized interest, (2) any Collateral Profile Tests, the Principal Balance of Defaulted Obligations and Deferred Interest PIK Bonds shall equal the outstanding amount of each such Collateral Asset and (3) any Collateral Quality Tests, the Principal Balance of Defaulted Obligations and Deferred Interest PIK Bonds shall be determined by reference to each such Collateral Quality Test, (B) for purposes of determining whether an Event of Default described in clause (vi) of the definition thereof has occurred, Defaulted Obligations and Deferred Interest PIK Bonds shall be included at the outstanding amount of such securities, (C) for purposes of calculating any trustee fees, the Collateral Management Fee and the Manx Fee, the Principal Balance of each Defaulted Obligation or Deferred Interest PIK Bond shall equal the Applicable Recovery Rate for each such Defaulted Obligation and Deferred Interest PIK Bond and (D), as otherwise expressly indicated; (iv) as of any date of determination, the Principal Balance of any Step-Up Bonds shall be deemed to be the accreted value of such Step-Up Bonds on such date of determination (but such amount shall not be greater than par); (v) the Principal Balance of any cash shall be the amount of such cash, but any cash posted by a Securities Lending Counterparty pursuant to a Securities Lending Agreement shall have a Principal Balance of zero; (vi) the Principal Balance of any Collateral Assets and any Eligible Investments in which the Collateral Agent does not have a first priority perfected security interest shall be deemed to be zero (other than Collateral Assets loaned to a Securities Lending Counterparty; *provided* that no default has occurred under the related Securities Lending Agreement); (vii) the Principal Balance of any Collateral Asset that is an equity security or an Interest Only Security shall be deemed to be zero; (viii) the Principal Balance of a PIK Bond that is currently deferring interest or has deferred and capitalized interest that is currently unpaid shall be calculated without regard to any such deferred and capitalized interest; (ix) the Principal Balance of any Default Swap Collateral shall be deemed to be zero as long as the related Synthetic Security is outstanding; (x) the Principal Balance of a Non-U.S. Dollar Denominated Asset shall equal the product of the outstanding principal balance of such Collateral Asset and the applicable exchange rate set forth in the applicable Currency Swap Agreement and (xi) the Principal Balance of any Haircut Asset will equal the greater of (a) zero and (b)(i) the Current Actual Balance of such Haircut Asset minus (ii) the product of the Original Actual Balance of such Haircut Asset and the Original Haircut.

“Principal Proceeds” means, with respect to any Due Period, the sum (without duplication) of: (i) the net proceeds from the sale of Securities (including any net proceeds from any subsequent issuance of Securities); (ii) all payments of principal on the Collateral Assets and Eligible Investments received in cash by the Issuer during such Due Period, including principal payments received on any Default Swap Collateral if the related Synthetic Security has terminated and the Issuer has no further payment obligations thereunder, prepayments or mandatory sinking

fund payments, or payments in respect of optional redemptions, exchange offers, tender offers, (other than payments of principal of Eligible Investments acquired with Proceeds other than Principal Proceeds), Unscheduled Principal Payments and recoveries on Defaulted Obligations; (iii) all payments of interest on the Collateral Assets and Eligible Investments received in cash by the Issuer during such Due Period to the extent such payments constitute proceeds from accrued interest purchased with Principal Proceeds (subject to the proviso below); (iv) Sale Proceeds received by the Issuer during such Due Period (excluding accrued interest on sold or disposed of Collateral Assets or Eligible Investments other than accrued interest that was purchased with Principal Proceeds (subject to the proviso below)) including any proceeds from the sale of any interest rate caps; (v) all interest, amendment, waiver, late payment fees, restructuring and other fees and commissions collected in cash during the related Due Period in respect of Defaulted Obligations; (vi) any up-front payment to the Issuer in connection with entering into any Hedge Agreement and any proceeds resulting from the termination, replacement, partial reduction or liquidation of any Hedge Agreement, to the extent such proceeds exceed the cost of entering into a replacement Hedge Agreement; (vii) all payments received in cash by the Issuer during such Due Period that represent call, prepayment or redemption premiums (including prepayment premiums on Interest Only Securities unless such Interest Only Security at the time of purchase by the Issuer was collateralized by more than 50 loans), if prior to the end of the Reinvestment Period; (viii) after the Reinvestment Period, with respect to any Collateral Asset, any call, prepayment or redemption premiums (including prepayment premiums on Interest Only Securities unless such Interest Only Security at the time of purchase by the Issuer was collateralized by more than 50 loans), received but not in excess of the purchase premium paid thereon; and (ix) after the Closing Date, the amount equal to the excess, if any, of (a) the par amount of Collateral Assets sold, principal payments and any recoveries on Defaulted Obligations in such Due Period minus the discount to par realized from the sale of Credit Risk Obligations and Defaulted Obligations and the discount to par realized on any recoveries on Defaulted Obligations in such Due Period over (b) the Principal Balance of Collateral Assets purchased in such Due Period and Eligible Investments acquired with Principal Proceeds in such Due Period which remain outstanding on the related Determination Date for such Due Period (provided, however, that the sum of (i) the excess of the aggregate of all prior Payment Dates of the amounts described in sub-clause (b) of this clause (ix) and (ii) the excess of the Aggregate Principal Amount on the Closing Date over \$650,000,000 over the aggregate for all prior Payment Dates of the amounts described in sub-clause (a) of this clause (ix) will be applied to reduce the excess of amounts described in sub-clause (a) over amounts described in sub-clause (b) of this clause (ix) to, but not less than zero; *provided, however*, that with respect to a Collateral Asset purchased on the Closing Date, the Collateral Manager may elect, in its sole discretion, to exclude from Principal Proceeds all or any portion of interest received with respect to such Collateral Asset (whether as an interest payment actually received by the Issuer or as a portion of Sale Proceeds representing accrued but unpaid interest that would otherwise be included in Principal Proceeds). For avoidance of doubt, with respect to a Collateral Asset, Principal Proceeds (i) will include (a) the interest payment actually received on the first payment date of such Collateral Asset occurring after the date of acquisition by the Issuer, but only to the extent such interest payment represents accrued interest outstanding on such Collateral Asset at the time it was acquired, and (b) if such Collateral Asset is sold prior to the first payment date of such Collateral Asset occurring after the date of acquisition by the Issuer, that portion of the Sale Proceeds representing compensation to the Issuer for accrued but unpaid interest on such sold Collateral Asset, but only to the extent that such amount represents accrued interest outstanding on such Collateral Asset at the time it was acquired by the Issuer; and (ii) will not include (a) any interest payment actually received with respect to such Collateral Asset on any payment date of such Collateral Asset other than the first payment date of such Collateral Asset occurring after the date of acquisition by the Issuer, and (b) if such Collateral Asset is sold after the first payment date of such Collateral Asset occurring after the date of acquisition by the Issuer, any portion of the Sale Proceeds representing compensation to the Issuer for accrued but unpaid interest.

“Proceeds” means, with respect to any Due Period, without duplication, all amounts received by the Collateral Agent with respect to the Collateral Assets (excluding amounts received on any related Synthetic Security Collateral for so long as the related Synthetic Security remains outstanding unless otherwise provided in the related Synthetic Security and excluding any payments of interest on Collateral Assets subject to the Cashflow Swap Agreements), all amounts received as amendment, waiver, late payment fees and commissions collected during the Due Period on Collateral Assets, all amounts received with respect to Eligible Investments in the Accounts, any amounts to be released or withdrawn on the related Payment Date from the Expense Reserve Account and the Hedge Cashflow Swap Reserve Account and all amounts received under any Hedge Agreements relating to the Due Period, including Principal Proceeds.

“Proposed Portfolio” means the portfolio (measured by Principal Balance) of Collateral Assets and Principal Proceeds held as cash and Eligible Investments purchased with Principal Proceeds, on any Measurement Date, resulting from the sale, maturity or other disposition of a Collateral Asset or a proposed acquisition of a Collateral Asset, as the case may be.

“Qualifying Foreign Country” means Australia, Austria, Belgium, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, New Zealand, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, The Netherlands or the United Kingdom, so long as the unguaranteed, unsecured and otherwise unsupported long-term U.S. Dollar-denominated sovereign debt obligations of such country have Actual Ratings assigned to it equal to or better than “Aa2” by Moody’s and “AA-” by S&P.

“Qualifying Foreign Obligor” means a corporation, partnership, limited liability company or other entity organized in a Qualifying Foreign Country; *provided, however*, that issuers of Structured Finance Obligations that are special purpose vehicles or similar bankruptcy remote issuance vehicles relying solely on revenues originated in the United States or in Qualifying Foreign Countries and which are organized in the Cayman Islands, Bermuda, Luxembourg, Ireland, the British Virgin Islands, the Netherlands Antilles, the Channel Islands or any other commonly used jurisdiction for structured product transactions, *provided* that such other jurisdiction has satisfied the Rating Agency Condition (in each such case, so long as such jurisdiction imposes no or nominal taxes on the income of entities organized therein) will be considered to be Qualifying Foreign Obligors.

“Quarterly Asset Amount” means, with respect to any Payment Date, the Aggregate Principal Amount on the first day of the related Due Period.

“Rating Agency Condition” means, with respect to any action taken or to be taken under the Transaction Documents, a condition that is satisfied when one or both Rating Agencies, as applicable, has confirmed in writing to the Issuer and the Collateral Manager that such action will not result in the immediate withdrawal, reduction or other adverse action with respect to any then-current rating (including any private or confidential rating) of the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes by such Rating Agency. As specified in the Transaction Documents, the Rating Agency Condition may apply only with respect to a particular Rating Agency, and Holders of a Class of Notes may waive satisfaction of the Rating Agency Condition with respect to their Class of Securities. Unless otherwise specified, if a provision requires satisfaction of the Rating Agency Condition, it shall be presumed that such Rating Agency Condition must be satisfied with regard to both Rating Agencies. If the Holders of Notes of a Class representing 100% of the Aggregate Outstanding Amount of the Notes of such Class consent, by written resolution, to waive, either permanently or on a one-time basis, the Rating Agency Condition with respect to their Class of Notes, Rating Agency Condition shall be waived accordingly.

“Reference Obligation” means a Residential Mortgage Backed Security, Commercial Mortgage Backed Security, REIT Debt Security or Asset Backed Security upon which a Synthetic Security is based and that satisfies the criteria set forth in the definition of Synthetic Security.

“Reference Obligor” means the obligor on a Reference Obligation.

“Registered” means, with respect to any debt obligation or debt security, a debt obligation or debt security that is issued after July 18, 1984, and that is in registered form within the meaning of Section 881(c)(2)(B)(i) of the Code and the Treasury regulations promulgated thereunder.

“Reinvestment Period” means the period from the Closing Date and ending on the first to occur of (i) the end of the Due Period related to the Payment Date in May 2010, (ii) the Payment Date immediately following the date that the Collateral Manager notifies the Trustee in writing that it has determined that investments in additional Collateral Assets within the foreseeable future would either be impractical or not beneficial, (iii) the occurrence of an Event of Default resulting in the acceleration of the Securities and (iv) the Par Value Differential is less than \$6,500,000 on any Measurement Date.

“REIT Debt Security” means a security issued by publicly held real estate investment trusts (as defined in Section 856 of the Code or any successor provision).

“REIT Hotel and Leisure Debt Security” means a REIT Debt Security issued by publicly held real estate investment trusts (as defined in Section 856 of the Code or any successor provision) that invest primarily in hotels and other lodging properties, golf courses and resorts.

“REIT Industrial Security” means a REIT Debt Security issued by publicly held real estate investment trusts (as defined in Section 856 of the Code or any successor provision) that invest primarily in industrial commercial properties.

“REIT Multi-family Security” means a REIT Debt Security issued by publicly held real estate investment trusts (as defined in Section 856 of the Code or any successor provision) that invest primarily in multi-family residential properties.

“REIT Office Security” means a REIT Debt Security issued by publicly held real estate investment trusts (as defined in Section 856 of the Code or any successor provision) that invest primarily in office commercial properties.

“REIT Other Security” means a REIT Other Security issued by publicly held real estate investment trusts (as defined in Section 856 of the Code or any successor provision) that invest primarily in securities other than REIT Industrial Securities, REIT Multi-family Securities, REIT Office Securities and REIT Retail Securities.

“REIT Retail Security” means a REIT Debt Security issued by publicly held real estate investment trusts (as defined in Section 856 of the Code or any successor provision) that invest primarily in retail commercial properties.

“Replacement Hedge Counterparty Ratings Requirement” shall mean (x) with respect to a Currency Swap Agreement and a replacement Hedge Counterparty, a requirement that such Hedge Counterparty has (i) a long-term senior unsecured debt rating of at least “Aa3” by Moody’s and a short-term unsecured debt rating from Moody’s of at least “P-1” (in each case, not on credit watch with negative implications) and (ii) (a) if such Hedge Counterparty has a short-term issuer credit rating by S&P, a short-term rating issuer credit by S&P of not lower than “A-1+” or (b) if such Hedge Counterparty does not have a short-term issuer credit rating by S&P, a long-term issuer credit rating by S&P of not lower than “AA-” and (y) with respect to an Interest Rate Swap Agreement or a Cashflow Swap Agreement and a replacement Hedge Counterparty, a requirement that such Hedge Counterparty (i) has a long-term senior unsecured debt rating that is at least “A+” from S&P and a short-term rating of at least “A-1” from S&P and (ii) (a) has a long-term senior unsecured debt rating from Moody’s of at least “Aa3”, if such Hedge Counterparty or its guarantor has a long-term senior unsecured debt rating only or (b) has a long-term senior unsecured debt rating of at least “A1” from Moody’s and a short-term senior unsecured debt rating of at least “P-1” from Moody’s; provided, however, that the Replacement Hedge Counterparty Ratings Requirement standard set forth in any then existing (1) Currency Swap Agreement shall be permitted to apply if the related Hedge Counterparty shall enter into an Interest Rate Swap Agreement or Cashflow Swap Agreement with the Issuer upon satisfaction of the Rating Agency Condition and (2) Cashflow Swap Agreement or Interest Rate Swap Agreement shall be permitted to apply if the related Hedge Counterparty shall enter into a Currency Swap Agreement with the Issuer upon satisfaction of the Rating Agency Condition.

“Residential Mortgage-Backed Securities” or “RMBS Securities” means securities that represent interests in pools of residential mortgage loans secured by 1- to 4-family residential mortgage loans and shall include, without limitation, RMBS Residential Prime Mortgage Securities, RMBS Residential Alt-A Mortgage Securities, RMBS Residential B/C Mortgage Securities, RMBS Home Equity Loan Securities, RMBS Agency Securities and RMBS CDO Securities.

“Restricted ABS Asset Type” means, in the context of Moody’s Asset Type Classifications, an ABS Security of the following types: (i) oil; (ii) project finance; (iii) recreational vehicles or (iv) restaurant and food services.

“RMBS Agency Security” means a security issued and fully and unconditionally guaranteed by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or the Government National Mortgage Association.

“RMBS CDO Securities” means securities that are backed entirely by RMBS Securities.

“RMBS Home Equity Loan Securities” means Residential Mortgage-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Mortgage-Backed Securities) on the cash flow from residential mortgage loans with home equity characteristics as it relates to the loans’ FICO credit scores, loan-to-value ratios, loan balance sizes, lien priority status, documentation standards, use of mortgage insurance, weighted average coupon, delinquency status, and other characteristics of the loans, secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by 1- to 4-family residential real estate, the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used).

“RMBS Manufactured Housing Loan Securities” means Residential Mortgage-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Mortgage-Backed Securities) on the cash flow from manufactured housing (also known as mobile homes and prefabricated homes) installment sales contracts and installment loan agreements, generally having the following characteristics: (i) the contracts and loan agreements have varying, but typically lengthy contractual maturities; (ii) the contracts and loan agreements are secured by the manufactured homes and, in certain cases, by mortgages and/or deeds of trust on the real estate to which the manufactured homes are deemed permanently affixed; (iii) the contracts and/or loans are obligations of a large number of obligors and accordingly represent a relatively diversified pool of obligor credit risk; (iv) repayment thereof can vary substantially from the contractual payment schedule, with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (v) in some cases, obligations are fully or partially guaranteed by a governmental agency or instrumentality.

“RMBS Residential Alt-A Mortgage Securities” means Residential Mortgage-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Mortgage-Backed Securities) on the cash flow from residential mortgage loans of Alt-A quality as it relates to the loans’ FICO credit scores, loan-to-value ratios, loan balance sizes, lien priority status, documentation standards, use of mortgage insurance, weighted average coupon, delinquency status, and other characteristics of the loans, secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by 1- to 4-family residential real estate, the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used).

“RMBS Residential B/C Mortgage Securities” means Residential Mortgage-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Mortgage-Backed Securities) on the cash flow from residential mortgage loans of subprime quality as it relates to the loans’ FICO credit scores, loan-to-value ratios, loan balance sizes, lien priority status, documentation standards, use of mortgage insurance, weighted average coupon, delinquency status, and other characteristics of the loans, secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by 1- to 4-family residential real estate, the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used).

“RMBS Residential Prime Mortgage Securities” means Residential Mortgage-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Mortgage-Backed Securities) on the cash flow from residential mortgage loans of prime quality as it relates to the loans’ FICO credit scores, loan-to-value ratios, loan balance sizes, lien priority status, documentation standards, use of mortgage insurance, weighted average coupon, delinquency status, and other characteristics of the loans, secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by 1- to 4-family residential real estate, the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used).

“S&P Recovery Rate” means, with respect to a Collateral Asset on any Measurement Date, an amount equal to the percentage for such Collateral Asset set forth in the S&P Recovery Rate Matrix attached as Part III of Schedule A to the Security Agreement, as partially reproduced in Appendix E hereto, in (x) the applicable table set forth therein and (y) the row in such table opposite the S&P Rating (determined in accordance with procedures prescribed by S&P for such Collateral Asset on such Measurement Date or, in the case of a Defaulted Obligation, the S&P Rating immediately prior to default).

“Sale Proceeds” means all amounts representing Proceeds (including accrued interest) from the sale or other disposition of any Collateral Asset or Eligible Investment received during such Due Period, net of any reasonable amounts expended by the Collateral Manager or the Collateral Agent in connection with such sale or other disposition.

“Scheduled Distribution” means with respect to any Collateral Asset or Eligible Investment, in respect of each due date, the scheduled payment of principal, interest, dividend, premium and/or other amount due on such date with respect to such Collateral Asset or Eligible Investment, as the case may be, determined in accordance with the assumptions set out in the Collateral Management Agreement.

“Semiannual Pay Collateral Assets” means a Collateral Asset that provides for periodic payments of interest on a semiannual basis.

“Senior Obligation” means a Collateral Asset which at time of issuance has an Actual Rating of at least “AA-” by S&P or at least “Aa3” by Moody’s.

“Servicer” means, with respect to any CMBS Security, RMBS Security or ABS Security, the entity that, absent any default, event of default or similar condition (however described), is primarily responsible for monitoring and otherwise administering the cashflows from which payments to investors in such Collateral Assets are made. To the degree that multiple entities are a party to this responsibility for a given Collateral Asset, the Servicer will be deemed to be the entity most directly involved in maximizing the cashflow of the assets through the management and resolution of delinquent and defaulted assets.

“Spread” of a Collateral Asset that is a Floating Rate Asset or a Decmed Floating Collateral Asset, as of any Measurement Date, will equal any of (i) if such security is a LIBOR based (but not limited to one-month LIBOR) Floating Rate Asset, the stated margin at which interest accrues on such Floating Rate Asset, (ii) if such security is a Floating Rate Asset that bears interest based on a non-LIBOR based floating rate index, the stated spread shall be deemed to be the greater of (a) zero and (b) the then-current base rate applicable to such Floating Rate Asset plus the rate at which such Floating Rate Asset pays interest in excess of such base rate minus LIBOR for the applicable period, or (iii) if such security is a Decmed Floating Collateral Asset, the Weighted Average Decmed Floating Rate minus the Weighted Average Fixed Payment Rate.

“Static Structured Product CDO Security” means a CDO Security that is backed by a static pool of RMBS Securities, CMBS Securities, REIT Debt Securities or other forms of debt, equity or credit default protection that relate substantially to commercial and/or residential properties.

“Statistical Loss Amount” means, as of any Measurement Date, the sum of, for each Collateral Asset, the product of (i) the Principal Balance of such Collateral Asset and (ii) the Moody Expected Loss Rate for such Collateral Asset. For purposes of the Calculation of the Statistical Loss Rate on any Measurement Date, Defaulted Obligations, Excess Double B Rated Moody’s Assets, Excess Single B Rated Moody’s Assets, Triple C Rated Assets and for any Collateral Asset the principal balance expected to be paid in full after the May 2040 Payment Date shall be excluded.

“Step-Down Bond” means a security which by the terms of the related Underlying Instrument provides for a decrease, in the case of a fixed rate security, in the per annum interest rate on such security or, in the case of a floating rate security, in the spread over the applicable index or benchmark rate, solely as a function of the passage of time; *provided* that a Step-Down Bond shall not include any such security providing for payment of a constant rate of interest at all times after the date of calculation. In calculating any Collateral Quality Test defined herein by

reference to the spread (in the case of a floating rate Step-Down Bond) or coupon (in the case of a fixed rate Step-Down Bond) of a Step-Down Bond, the spread or coupon on any date shall be deemed to be the lowest spread or coupon, respectively, scheduled to apply to such Step-Down Bond on or after such date. A Step-Down Bond will be treated as a zero-coupon bond once and if it declines to a zero interest rate.

“Step-Up Bond” means a security which by the terms of the related Underlying Instrument provides for an increase, in the case of a fixed rate security, in the per annum interest rate on such security or, in the case of a floating rate security, in the spread over the applicable index or benchmark rate, solely as a function of the passage of time; *provided* that a Step-Up Bond shall not include any such security providing for payment of a constant rate of interest at all times after the date of calculation. In calculating any Collateral Quality Test defined herein by reference to the spread (in the case of a floating rate Step-Up Bond) or coupon (in the case of a fixed rate Step-Up Bond) of a Step-Up Bond, the spread or coupon on any date shall be deemed to be the spread or coupon stated to be payable in cash and in effect on such date. A Step-Up Bond will be treated as a zero-coupon bond until such time as it has a positive interest rate and will be carried at accreted value until the final stepped-up rate is in effect.

“Structured Finance Security” means any security that is an asset-backed security, enhanced equipment trust certificate, collateralized bond obligation, collateralized loan obligation or similar instrument.

“Structured Settlement Securities” means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from receivables representing the right of litigation claimants to receive future scheduled payments under settlement agreements that are funded by annuity contracts, which receivables may have varying maturities.

“Subcategory” means, with respect to a Collateral Asset, the classification of a Collateral Asset within a Category as a specific type of Commercial Mortgage-Backed Security, Residential Mortgage-Backed Security and ABS Security and including any Approved Subcategories.

“SupraMajority” means with respect to any Class of Securities, the Holders of more than 66-2/3% of the aggregate outstanding principal amount of such Class of Securities.

“Synthetic Security” means any derivative financial instrument with respect to a debt instrument, whether in the form of a swap transaction or otherwise, purchased, or entered into, by the Issuer with or from a Synthetic Security Counterparty which investment, unless otherwise specified or approved by each of the Rating Agencies or constituting a Form-Approved Synthetic Security, contains equivalent probability of default, recovery upon default (or a specific percentage thereof) and expected loss characteristics as those of the related Reference Obligation (without taking account of such considerations as they relate to the Synthetic Security Counterparty), but which will contain a maturity, interest rate and other non-credit characteristics which may be different than the Reference Obligation to which the credit risk of the Synthetic Security relates; *provided*, that the Issuer shall at no time during any taxable year of the Issuer hold a Synthetic Security which (1) is not either (a) treated as debt for U.S. federal income tax purposes or (b) a security (as defined in Section 2(a)(36) of the Investment Company Act) other than any security which represents an interest in an entity treated as a grantor trust or a partnership for U.S. federal income tax purposes, unless less than 10% of the gross income of the Issuer for such taxable year will be derived from Synthetic Securities not described in (a) or (b) or (2) is treated as insurance or as a financial guarantee for tax or regulatory purposes, where the Issuer is the seller of insurance or a financial guarantor, as the case may be, unless (in the case of (1) or (2)) the Issuer has obtained an opinion or advice of counsel to the effect that the acquisition, disposition or ownership by the Issuer of such Synthetic Security will not cause the Issuer to be treated as engaged in a United States trade or business or subject to United States income tax on a net basis; *provided* that (a) such Synthetic Security shall provide that no Reference Obligation or other Deliverable Obligation may be delivered to the Issuer in settlement of the Synthetic Security if delivery thereof to the Issuer or transfer thereof by the Issuer to a third party would require or cause the Issuer to assume, or subject the Issuer to, any obligation or liability (other than immaterial, nonpayment obligations) and (b) each Synthetic Security contains appropriate limited recourse and non-petition provisions (to the extent that the Issuer has contractual payment or other obligations to the Synthetic Security Counterparty) equivalent (*mutatis mutandis*) to those contained in the Security Agreement; *provided further*, that if the Synthetic Security is not a Form-Approved Synthetic Security, the Rating Agency Condition shall have been satisfied.

“Synthetic Security Counterparty” means an entity required to make payments on a Synthetic Security pursuant to the terms of such Synthetic Security or any guarantee thereof to the extent that a Reference Obligor makes payments on a related Reference Obligation, (i) which entity, or the long-term senior unsecured debt of such entity, shall meet the Synthetic Security Counterparty Required Ratings; *provided, however*, that for purposes of determining the rating of a Synthetic Security Counterparty, a Synthetic Security Counterparty that is placed on “credit watch” with negative implications by Moody’s or S&P shall be deemed to have a rating one notch below its then-current rating and if such Synthetic Security Counterparty is placed on “credit watch” with positive implications such Synthetic Security Counterparty shall be deemed to have a rating one notch above its then-current rating and (ii) with respect to which the Rating Agency Condition has been satisfied.

“Tax Event” means (i) the adoption of, or a change in, any tax statute (including the Code), treaty, regulation (whether temporary or final), rule, ruling, practice, procedure or judicial decision or interpretation which results or will result in withholding tax payments representing in excess of 3% of the aggregate interest due and payable on the Collateral Assets during the Due Period in which such event occurs as a result of the imposition of U.S. or other withholding tax with respect to which the obligors are not required to make gross-up payments that cover the full amount of such withholding taxes on an after-tax basis, (ii) the adoption of, or change in, any tax statute (including the Code), treaty, regulation (whether temporary or final), rule, ruling, practice, procedure or judicial decision or interpretation which results or will result in taxation of the Issuer’s net income in an amount equal to 3% or more of the net income of the Issuer during any Due Period in which such event occurs, (iii) a final determination by a taxing authority or court of competent jurisdiction that the Issuer is engaged in a trade or business in the United States, (iv) a final determination by a court of competent jurisdiction that the Issuer is, for United Kingdom tax purposes, either resident in the United Kingdom or carrying on a trade in the United Kingdom through a United Kingdom permanent establishment and subject to United Kingdom corporation tax on the profits of that trade or (v) an event whereby the Collateral Manager will be required by HM Customs and Excise on or after the Closing Date to account for any United Kingdom value added tax in relation to the services provided by the Collateral Manager to the Issuer pursuant to the Collateral Management Agreement, and such requirement to account for United Kingdom value added tax is confirmed to be correct by an opinion of reputable tax counsel located in the United Kingdom, and the Collateral Manager notifies the Issuer, the Collateral Administrator and the Trustee in writing that it wishes such event to be treated as a Tax Event.

“Tax Lien Securities” means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of tax obligations owed by businesses and individuals to state and municipal governmental taxing authorities, generally having the following characteristics: (1) the obligations have standardized payment terms and require minimum payments; (2) the tax obligations are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (3) the repayment stream on the obligation is primarily determined by a payment schedule entered into between the relevant tax authority and obligor, with early repayment on such obligation predominantly dependent upon interest rates and the income of the obligor following the commencement of amortization.

“Tax Redemption Price” means (i) with respect to the Class S Notes, an amount equal to the outstanding principal amount of the Class S Notes plus accrued and unpaid Interest thereon at the Class S Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Redemption Date, (ii) with respect to the Class A-1 Notes, an amount equal to the outstanding principal amount of the Class A-1 Notes plus (a)(1) if the related Redemption Date is prior to the last day of the Non-Call Period, the excess, if any, of (x) \$719,500 over (y) the excess, if any, of the Class A-1 Note Minimum Interest Amount as of such Redemption Date over \$210,000 and (2) if the related Redemption Date is on or after the last day of the Non-Call Period, \$0 plus (b) accrued and unpaid interest thereon at the applicable Class A-1 Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Redemption Date and (2) if the related Redemption Date is on or after the last day of the Non-Call Period, \$0 and (b) accrued and unpaid interest thereon at the applicable Class A-1 Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Redemption Date, (iii) with respect to the Class A-2 Notes, an amount equal to the outstanding principal amount of the Class A-2 Notes plus accrued and unpaid interest thereon at the Class A-2 Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the Redemption Date, (iv) with respect to the Class B Notes, an amount equal to the outstanding principal amount of the Class B Notes plus accrued and unpaid interest thereon at the Class B Note Interest Rate (including Defaulted Interest and interest on Defaulted Interest) to but excluding the

Redemption Date, (v) with respect to the Class C Notes, the outstanding principal amount of the Class C Notes plus accrued and unpaid interest thereon at the Class C Note Interest Rate (including Deferred Interest and Defaulted Interest and interest on Deferred Interest and Defaulted Interest) but excluding the Redemption Date and (vi) with respect to the Class D Notes, the outstanding principal amount of the Class D Notes plus accrued and unpaid interest thereon at the Class D Note Interest Rate (including Deferred Interest and Defaulted Interest and interest on Deferred Interest and Defaulted Interest) but excluding the Redemption Date.

“Terms and Conditions of the Securities” or “Conditions” means the Terms and Conditions of the Securities attached as Schedule 4 to the Trust Deed.

“Transaction Documents” means the Trust Deed, the Master Definitions Schedule, the Note Agency Agreement, the Security Agreement, the Floating Charge Deed, the Collateral Management Agreement, the Manx Agreement, the Hedge Agreements, the Securities Lending Agreements, the Corporate Administration Agreement, the Depository Agreement, the Collateral Administration Agreement and the Account Control Agreement.

“Treasury” means the United States Department of the Treasury.

“Triple C Calculation Amount” means the sum of the products of (i) the Principal Balance of each Triple C Rated Asset and (ii) 50%.

“Triple C Rated Asset” mean any Collateral Asset with an Actual Rating from S&P of less than “B-” or with an Actual Rating from Moody’s of less than “B3”.

“Trustee Acts” means the Trustee Act 1925 of England and Wales and the Trustee Act 2000 of England and Wales.

“Underlying Instruments” means the indenture or other agreement pursuant to which a Collateral Asset or Eligible Investment has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Collateral Asset or Eligible Investment or of which holders of such Collateral Asset or Eligible Investment are the beneficiaries.

“Underlying Obligor” means each of the borrowers and/or guarantors under or in respect of an Underlying Instrument or, as the case may be, the borrowers who have the underlying obligations to repay the amount borrowed under the relevant Underlying Instrument.

“Unscheduled Principal Payments” means any proceeds received by the Issuer from a prepayment or redemption (in whole but not in part) by the obligor of a Collateral Asset prior to the stated maturity date of such Collateral Asset; *provided, however*, that Unscheduled Principal Payments shall be limited to (in the context of a RMBS Security, Principal Proceeds relating to a redemption or repayment of such RMBS Security in full prior to the stated maturity date thereof and (ii) in the context of a CMBS Security, Principal Proceeds relating to a redemption or repayment of such CMBS Security in full prior to the stated maturity thereof.

“Weighted Average Deemed Floating Rate” will equal a number obtained by (i) summing the products obtained by multiplying (a) the current interest rate on each Collateral Asset that is a Deemed Floating Collateral Asset (excluding all Defaulted Obligations and Deferred Interest PIK Bonds) by (b) the Principal Balance of each such Collateral Asset and (ii) dividing such sum by the Aggregate Principal Balance of all Collateral Assets that are Deemed Floating Collateral Assets (excluding all Defaulted Obligations and Deferred Interest PIK Bonds).

“Weighted Average Fixed Payment Rate” will equal a number obtained by (i) summing the products obtained by multiplying (a) the Fixed Payment Rate on the associated swap applicable to each Deemed Floating Collateral Asset (excluding all Defaulted Obligations and Deferred Interest PIK Bonds) by (b) the Principal Balance of each such Collateral Asset and (ii) dividing such sum by the Aggregate Principal Balance of all Collateral Assets that are Deemed Floating Collateral Assets (excluding all Defaulted Obligations and Deferred Interest PIK Bonds).

“Weighted Average Life” means as of any Measurement Date for any Collateral Asset the number obtained by (i) for such Collateral Asset (other than Defaulted Obligations and Deferred Interest PIK Bonds), multiplying each expected principal payment by the number of years (rounding to the nearest hundredth) from the Measurement Date until such expected principal payment (including any payment of deferred or capitalized interest) is due; (ii) summing the product calculated pursuant to clause (i) for such Collateral Asset; and (iii) dividing the sum calculated pursuant to clause (ii) by the sum of all principal payments (including capitalized interest) scheduled to be received on such Collateral Asset on and after such Measurement Date; *provided, however*, that the Collateral Manager shall use prepayment assumptions and calculate the Weighted Average Life of a Collateral Asset based upon assumptions deemed reasonable in its judgment based on market conditions at the time of such calculation.

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Calculation of Moody's Diversity Score

The "Diversity Score" means a single number that indicates collateral concentration implied by types and ratings of the Collateral Assets and is calculated as described in the following paragraphs. A higher Diversity Score reflects a more diverse portfolio. For purposes of calculating the Moody's Diversity Test, (i) a Synthetic Security shall be included as a Collateral Asset having the characteristics of the Reference Obligation, (ii) the Diversity Score will be calculated for each Synthetic Security assuming that the Reference Obligor with respect to such Synthetic Security is the obligor of such Synthetic Security for purposes of calculating the Diversity Score, (iii) Defaulted Obligations and Interest Only Securities shall be disregarded and (iv) the Principal Balance of a Deferred Interest PIK Bond shall be deemed to be equal to its outstanding principal amount without regard to any deferred and capitalized interest.

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

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

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

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

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

The portfolio of Collateral Assets used to calculate the alternative Diversity Score shall not include Collateral Assets with a Moody's Rating lower than "Caa3", Defaulted Obligations, CMBS RE-REMIC Securities and CDO Securities (and RMBS CDO Securities and CMBS CDO Securities) that entitle the holders thereof to receive payments that do not depend primarily on RMBS Securities, CMBS Securities and REIT Debt Obligations.

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 Collateral Assets is lower than the default correlation among below investment-grade Collateral Assets. Finally, the cross correlation of defaults among various types of Collateral Assets plays an important role as well. In order to take account of issuer concentration and vintage effects, the following assumptions apply:

- (a) If two Collateral Assets are guaranteed by the same guarantor, assume the maximum theoretical correlation between them pursuant to the calculation below.
- (b) If two Collateral Assets are managed by the same investment adviser, assume the maximum theoretical correlation between them pursuant to the calculation below.
- (c) If two Collateral Assets are issued in the same transaction and neither of them is guaranteed, assume the maximum theoretical correlation between them pursuant to the calculation below.

$$\text{MaximumCorrelation} = \frac{[\text{Min}(P_i, P_j) - (P_i, P_j)]}{\sqrt{P_i(1 - P_i) P_j(1 - P_j)}}$$

- (d) If two Collateral Assets are issued in the same transaction and only one of them is guaranteed, then no adjustment need be made.
- (e) If two Collateral Assets are not supported by the same collateral and are of different Specified Types, then no adjustment need be made.
- (f) If two Collateral Assets are not supported by the same collateral and are of the same Specified Type and the same Person transferred, or arranged for the transfer of, such collateral to the issuer or issuers of such Collateral Assets, assume that the correlation between them is (x) 2.5 times the theoretical correlation between them as assigned by Moody's Diversity Score Model if they are issued within one year of one another, (y) 1.5 times the theoretical correlation between them as assigned by Moody's Diversity Score Model if they are not issued within one year of one another but are issued within two years of one another and (z) otherwise, 1.0 times the theoretical correlation as assigned by Moody's Diversity Score Model; provided that the result shall in no event be higher than the maximum theoretical correlation.

For the purposes of determining the maximum theoretical correlation described in clauses (a), (b), (c) and (f) above, use the following calculation:

$$\rho_{ij} = \frac{[\text{Min}(P_i, P_j) - (P_i * P_j)]}{\sqrt{P_i * (1 - P_i) * P_j * (1 - P_j)}}$$

- (g) If two Collateral Assets are market-value CDO Securities of the same Specified Type, assume the maximum theoretical correlation between them.
- (h) If the security is a written-down security, use a written down value as specified in the definition of "Principal Balance" as set forth in the Master Definitions Schedule.
- (i) shall be determined based on the definition of "Principal Balance" as set forth in the Master Definitions Schedule.
- (j) For the expected loss calculation, if the Average Life of the security falls between two values, then the expected loss is calculated using a linear interpolation method.
- (k) For the expected loss calculation, an expected loss of 100% will be applied to Collateral Assets with a current Moody's Rating less than "Caa3".
- (l) The Moody's Rating used in the Moody's Recovery Rate Matrix is the initial rating at the time of issuance of each individual Collateral Asset. The Moody's Rating used in the expected loss calculation is the Moody's Rating on the Measurement Date.

In addition, Moody's will adjust the Diversity Score to account for single Servicer concentrations as follows:

(A) if a Servicer (or, if an affiliate of such Servicer is required to perform the obligations of such Servicer, such affiliate) is rated "Aa3" or higher by Moody's and the aggregate principal balance of all Collateral Assets serviced by such Servicer (together with the aggregate principal balance of any Synthetic Securities the Reference Obligations of which are such securities) exceeds 15% of the Net Outstanding Portfolio Collateral Balance (such percentage in excess of 15%, for purposes of this clause (A), the "Excess Percentage"), then if the Excess Percentage is (i) more than 5% but less than 12.5%, the default correlation

of the amount by which the Excess Percentage is above shall be multiplied by 1.0, (ii) 12.5% or more but less than 25%, the default correlation of the amount by which the Excess Percentage is above shall be multiplied by 1.1 and (iii) 25% or more of the Net Outstanding Portfolio Collateral Balance, the default correlation of the amount by which the Excess Percentage is above shall be multiplied by 1.2;

(B) if a Servicer or (or, if an affiliate of such Servicer is required to perform the obligations of such Servicer, such affiliate) is rated below "Aa3" and above "A3" by Moody's and the aggregate principal balance of all Collateral Assets serviced by such Servicer (together with the aggregate principal balance of any Synthetic Securities the Reference Obligations of which are such securities) exceeds 10.5% of the Net Outstanding Portfolio Collateral Balance (such percentage in excess of 10.5%, for purposes of this clause (B), the "Excess Percentage"), then if the Excess Percentage is (i) more than 5% of the Net Outstanding Portfolio Collateral Balance, the default correlation of the amount by which the Excess Percentage is above shall be multiplied by 1.2, (ii) 12.5% or more but less than 25%, the default correlation of the amount by which the Excess Percentage is above shall be multiplied by 1.25 and (iii) 25% or more, the default correlation of the amount by which the Excess Percentage is above shall be multiplied by 1.3;

(C) if a Servicer (or, if an affiliate of such Servicer is required to perform the obligations of such Servicer, such affiliate) is rated below "A3" by Moody's and the aggregate principal balance of all Collateral Assets serviced by such Servicer (together with the aggregate principal balance of any Synthetic Securities the Reference Obligations of which are such securities) exceeds 7.5% of the Net Outstanding Portfolio Collateral Balance (such percentage in excess of 7.5%, for purposes of this clause (C), the "Excess Percentage"), then if the Excess Percentage is (i) more than 5% of the Net Outstanding Portfolio Collateral Balance, the default correlation of the amount by which the Excess Percentage is above shall be multiplied by 1.4, (ii) 12.5% or more but less than 25%, the default correlation of the amount by which the Excess Percentage is above shall be multiplied by 1.4 and (iii) 25% or more, the default correlation of the amount by which the Excess Percentage is above shall be multiplied by 1.5; provided that, for clauses (A) through (C) above, with respect to any one single Servicer, the aggregate principal balance of all Collateral Assets serviced by such Servicer (together with the aggregate principal balance of any Synthetic Securities the Reference Obligations of which are such securities) may equal up to 30% with no corresponding adjustment to the Diversity Score.

Moody's applies the above formula to calculate the Diversity Score of the portfolio.

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Calculation of Moody's Maximum Rating Distribution and Moody's Rating

The "Moody's Maximum Rating Distribution" on any Measurement Date is the number obtained by dividing (i) the summation of the series of products obtained for any Collateral Asset that is not a Defaulted Obligation by multiplying (a) the Principal Balance on such Measurement Date of each such Collateral Asset by (b) its respective Moody's Rating Factor on such Measurement Date by (ii) the aggregate Principal Balance on such Measurement Date of all Collateral Assets that are not Defaulted Obligations and rounding the result up to the nearest whole number. For purposes of the Moody's Maximum Rating Distribution, the Principal Balance of a Deferred Interest PIK Bond shall be deemed to be equal to its outstanding principal amount without regard to any deferred and capitalized interest.

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

Moody's Rating	Moody's Rating Factor	Moody's Rating	Moody's Rating Factor
Aaa	1	Ba1	940
Aa1	10	Ba2	1,350
Aa2	20	Ba3	1,780
Aa3	40	B1	2,220
A1	70	B2	2,720
A2	120	B3	3,490
A3	180	Caa1	4,770
Baa1	260	Caa2	6,500
Baa2	360	Caa3	8,070
Baa3	610	Ca or lower	10,000

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

The following definition of "Moody's Rating" has been provided to the Issuer and capitalized terms used therein with respect to types of securities and Specified Types have the meanings ascribed thereto by Moody's.

The "Moody's Rating" of any Collateral Asset will be determined as follows (subject to revision by Moody's):

- (i) if such Collateral Asset has an expressly monitored outstanding rating assigned by Moody's, which rating by its terms addresses the full scope of the payment promise of the obligor of such Collateral Asset (other than with respect to a Haircut Asset), the Moody's Rating shall be such rating, or if such Collateral Asset is not rated by Moody's, but the Issuer or the Collateral Manager on behalf of the Issuer has requested that Moody's assign a rating to such Collateral Asset, the Moody's Rating shall be the rating so assigned by Moody's; *provided* that for purposes of this definition, (i) the rating assigned by Moody's to (x) a Collateral Asset (other than a Structured Finance Obligation) placed on watch for possible downgrade by Moody's will be deemed to have been downgraded by one subcategory and (y) a Collateral Asset that is a Structured Finance Obligation which is placed on watch for possible downgrade by Moody's will be deemed to have been downgraded by two subcategories, (ii) the rating assigned by Moody's to a Collateral Asset placed on watch for possible upgrade by Moody's will be deemed to have been upgraded by one subcategory; and (iii) in connection with a requested rating for a Haircut Asset, the rating with respect to such portion of the Collateral Asset will be the assigned rating irrespective of any actual, expressly monitored rating which may be assigned to such Collateral Asset;

(ii) (a) if such Collateral Asset is not rated by Moody's but is rated by S&P, then the Moody's Rating of such Collateral Asset may be an Implied Rating determined by subtracting the number of subcategories from the Moody's equivalent rating according to the following table ("notching"):

ASSET CLASS	AAA to AA-	A+ to BBB-	Below BBB-
Asset Backed			
Agricultural and Industrial Equipment loans	1	2	3
Aircraft and Auto leases	2	3	4
Arena and Stadium Financing	1	2	3
Auto loan	1	2	3
Boat, Motorcycle, RV, Truck	1	2	3
Computer, Equipment and Small-ticket item leases	1	2	3
Consumer Loans	1	3	4
Credit Card	1	2	3
Cross-border transactions	1	2	3
Entertainment Royalties	1	2	3
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
Trade Receivables	2	3	4
	AAA	AA+ to BBB-	Below BBB-
Residential Mortgage Related			
Jumbo A	1	2	3
Alt-A or mixed pools	1	3	4
HEL (including Residential B&C)	1	2	3

(b) if such Collateral Asset is not rated by Moody's but is rated by Fitch, then the Moody's Rating of such Collateral Asset may be determined by subtracting the number of subcategories from the Moody's equivalent rating according to the following table:

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

(c) if such Collateral Asset is dual-rated Jumbo A or Alt-A, the Moody's Rating shall be the lower of the two ratings as determined in clauses (a) and (b) above, plus one-half of a subcategory;

(d) if such Collateral Asset is not rated by Moody's but is rated by S&P and Fitch and is a CMBS Security, the Moody's Rating of such Collateral Asset may be determined by subtracting the number of subcategories from the Moody's equivalent rating according to the following table:

	Tranche rated by Fitch and S&P; no tranche in deal rated by Moody's	Tranche rated by Fitch and/or S&P; at least one other tranche in deal rated by Moody's
Commercial Mortgage Backed Securities		
Conduit ¹	2 notches from lower of Fitch/S&P	1.5 ² notches from lower of Fitch/S&P
Credit Tenant Lease	Follow corporate notching practice	Follow corporate notching practice
Large Loan	<i>No notching permitted</i>	

(e) if such Collateral Asset is a CDO Security or ABS Insurance-Linked Security, no notching is permitted and the Moody's Rating must shall be the rating so assigned by Moody's;

provided that any ratings by S&P or Fitch used to determined a Moody's Ratings shall (a) address the full return of interest and principal; (b) be for the benefit of multiple investors and remain valid if the Collateral Asset is transferred to subsequent investors; (c) be actually expressly monitored ratings rather than any "credit estimate" or "shadow rating" and (d) be monitored through the life of the Collateral Asset; and *provided, further*, that (w) the aggregate Principal Balance of Collateral Assets that may be given a Moody's Rating based on Collateral Assets rated by both S&P and Fitch may not exceed 20% of the Aggregate Principal Amount, (x) the aggregate Principal Balance of Collateral Assets that may be given a Moody's Rating based on Collateral Assets rated by only one of S&P or Fitch may not exceed 10% of the Aggregate Principal Amount and (y) only Collateral Assets consisting of RMBS Residential A Mortgage Securities may be used to determine a Moody's Rating based on a Fitch rating and such Collateral Assets are subject to a 7.5% (by par) concentration limit, and (z) Asset-Backed Securities or Mortgage-Backed Securities, other than those listed in this paragraph (ii) and any RMBS Agency Securities, shall have the rating assigned by Moody's;

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

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

¹ For purposes of the "Moody's Rating", conduits are defined as fixed rate, sequential pay, multi-borrower transactions have 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.

² A 1.5 notch haircut implies, for example, that if the S&P/Fitch rating were BBB., then the Moody's Rating would be halfway between the Baa3 and Ba1 rating factors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) rated "B3" by Moody's, the Moody's Rating of such corporate guarantee shall be "B2";

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

(1) rated “Baa3” or higher by Moody’s, the Moody’s Rating of such corporate guarantee shall be one rating subcategory above the rating of the other security; or

(2) rated “Ba1” or lower by Moody’s, the Moody’s Rating of such corporate guarantee shall also be one rating subcategory above the rating of the other security; or

(i) if the Collateral Asset is a subordinated obligation of the guarantor or obligor and the other security is also a subordinated obligation, the Moody’s Rating of such corporate guarantee or obligation shall be the rating of the other security;

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

(a) (1) if such corporate obligation or guarantee is rated by S&P, then the Moody’s Rating of such corporate obligation or guarantee will be (x) one subcategory below the Moody’s equivalent of the rating assigned by S&P if such security is rated “BBB–” or higher by S&P and (y) two subcategories below the Moody’s equivalent of the rating assigned by S&P if such security is rated “BB+” or lower by S&P; *provided* that the Aggregate Principal Amount that may be given a rating based on an S&P rating as provided in this subclause (a)(1) may not exceed 10% of the Aggregate Principal Amount; and

(2) if such corporate obligation or guarantee is not rated by S&P but another security or obligation of the guarantor is rated by S&P (a “parallel security”), then the Moody’s equivalent of the rating of such parallel security will be determined in accordance with the methodology set forth in subclause (a)(1) above, and the Moody’s Rating of such corporate obligation or guarantee will be determined in accordance with the methodology set forth in clause (ii) above (for such purpose treating the parallel security as if it were rated by Moody’s at the rating determined pursuant to this subclause (2)); *provided* that no notching is permitted under this subclause (2) based upon a rating by S&P with a “1”, “r”, “t”, “p”, “pi”, “t”, “c” or “+” qualifier;

(b) if such corporate obligation or guarantee is not rated by Moody’s or S&P, and no other security or obligation of the guarantor is rated by Moody’s or S&P, then the Issuer or the Collateral Manager, on behalf of the Issuer, may present such corporate obligation or guarantee to Moody’s for an estimate of such Collateral Asset’s rating factor, from which its corresponding Moody’s rating may be determined, which shall be its Moody’s Rating;

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

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

(e) if a debt security or obligation of the guarantor has been in default during the past two years, the Moody's Rating of such Collateral Asset will be "Ca".

(v) If a rating assigned to such Collateral Asset by Moody's is on "credit watch" with negative implications, then the rating of such Collateral Asset will be one subcategory below the rating then assigned to such Collateral Asset by Moody's.

(vi) If a rating assigned to such Collateral Asset by Moody's is on "credit watch" with positive implications, then the rating of such Collateral Asset will be one subcategory above the rating then assigned to such Collateral Asset by Moody's.

Determination of S&P Rating

The following definition of S&P Rating has been provided to the Issuer by S&P and the asset classes have the meanings ascribed thereto by S&P.

“S&P Rating” of any Collateral Asset will be determined as follows:

- (a) (1) if S&P has assigned a rating to such Collateral Asset either publicly or privately, the S&P Rating shall be the rating assigned thereto by S&P; *provided, however*, that if the rating assigned to such Collateral Asset by S&P is on the then-current credit rating watch list with negative implications, then the rating of such Collateral Asset will be one subcategory below the rating then assigned to such Collateral Asset by S&P and if the rating assigned to such Collateral Asset by S&P is on the then-current credit rating watch list with positive implications, then the rating of such Collateral Asset will be one subcategory above the rating then assigned to such Collateral Asset by S&P;
- (2) if such Collateral Asset is not rated by S&P (other than an RMBS Security), then the Issuer or the Collateral Manager on behalf of the Issuer may apply to S&P for a confidential credit estimate, which shall be the S&P Rating of such Collateral Asset; *provided* that pending receipt from S&P of such estimate, such Collateral Asset shall have an S&P Rating of “CCC-” if the Collateral Manager believes that such estimate will be at least “CCC-”; or
- (3) if such Collateral Asset is not rated by S&P and neither the Issuer nor the Collateral Manager obtains an S&P Rating for such Collateral Asset pursuant to subclause (2) above, then the S&P Rating of such Collateral Asset may be implied only by reference to the chart set forth below so long as such referenced rating is a publicly monitored rating; *provided* that if such Collateral Asset is not rated by S&P, and no other security or obligation of the issuer or the obligor is rated by S&P and neither the Issuer nor the Collateral Manager obtains an S&P Rating for such Collateral Asset pursuant to this clause (a) then no more than 20% of the Aggregate Principal Amount may imply an S&P Rating pursuant to this clause (a)(3).
- (b) if such Collateral Asset is a Synthetic Security, the S&P Rating of such Synthetic Security shall be the rating assigned thereto by S&P in connection with the acquisition thereof by the Issuer upon the request of the Issuer or the Collateral Manager.

Asset classes are eligible for notching if they are not first loss tranches or combination securities. If the security is publicly rated by two agencies, notch down as shown below will be based on the lowest rating. If publicly rated only by one agency, then notch down what is shown below based on the public rating.

	Issued prior to 8/1/01 and the current rating is investment grade	Issued prior to 8/1/01 and the current rating is non investment grade	Issued after 8/1/01 and the current rating is investment grade	Issued after 8/1/01 and the current rating is non investment grade
1. <u>CONSUMER ABS</u>	-1	-2	-2	-3
Automobile Loan Receivable Securities				
Automobile Lease Receivable Securities				
Car Rental Receivable Securities				
Credit Card Securities				
Healthcare Securities				
Student Loan Securities				

	Issued prior to 8/1/01 and the current rating is investment grade	Issued prior to 8/1/01 and the current rating is non investment grade	Issued after 8/1/01 and the current rating is investment grade	Issued after 8/1/01 and the current rating is non investment grade
2. <u>COMMERCIAL ABS</u>	-1	-2	-2	-3
Cargo Securities				
Equipment Leasing Securities				
Aircraft Leasing Securities				
Small Business Loan Securities				
Restaurant and Food Services Securities				
Tobacco Litigation Securities				
3. <u>Non-RE-REMIC RMBS</u>	-1	-2	-2	-3
Manufactured Housing Loan Securities				
4. <u>Non-RE-REMIC CMBS</u>	-1	-2	-2	-3
CMBS – Conduit				
CMBS - Credit Tenant Lease				
CMBS - Large Loan				
CMBS - Single Borrower				
CMBS - Single Property				
5. <u>REITs</u>	-1	-2	-2	-3
REIT - Multifamily and Mobile Home Park				
REIT – Retail				
REIT – Hospitality				
REIT – Office				
REIT – Industrial				
REIT - Healthcare				
REIT – Warehouse				
REIT - Self Storage				
REIT - Mixed Use				
6. <u>SPECIALTY STRUCTURED</u>	-3	-4	-3	-4
Stadium Financings				
Project Finance				
Future Flows				
7. <u>RESIDENTIAL MORTGAGES</u>	-1	-2	-2	-3
Residential “A”				
Residential “B/C”				
Home equity loans				
8. <u>REAL ESTATE OPERATING COMPANIES</u>	-1	-2	-2	-3

Recovery Rate Assumptions

Standard and Poor's Recovery Rate Matrix

The following information has been provided to the Issuer by S&P and the asset classes and related capitalized terms have the meanings ascribed thereto by S&P.

A. If the Collateral Asset is the senior-most tranche of securities issued by the issuer of such Collateral Asset*:

Collateral Asset Rating at the time of Measurement Date

	<u>Stress Case Equal to AAA rating</u>	<u>Stress Case Equal to AA rating</u>	<u>Stress Case Equal to A rating</u>	<u>Stress Case Equal to BBB rating</u>	<u>Stress Case Equal to BB rating</u>	<u>Stress Case Equal to B rating</u>	<u>Stress Case Equal to CCC rating</u>
AAA	80.0%	85.0%	90.0%	90.0%	90.0%	90.0%	90.0%
AA	70.0%	75.0%	85.0%	90.0%	90.0%	90.0%	90.0%
A	60.0%	65.0%	75.0%	85.0%	90.0%	90.0%	90.0%
BBB	50.0%	55.0%	65.0%	75.0%	85.0%	85.0%	85.0%
BB	45.0%	50.0%	55.0%	65.0%	75.0%	75.0%	75.0%
B	25.0%	30.0%	50.0%	55.0%	65.0%	65.0%	50.0%
CCC	0.0%	0.0%	0.0%	0.0%	5.0%	10.0%	10.0%

B. If the Collateral Asset is not the senior-most tranche of securities issued by the issuer of such Collateral Asset*:

Collateral Asset Rating at the time of Measurement Date

	<u>Stress Case Equal to AAA rating</u>	<u>Stress Case Equal to AA rating</u>	<u>Stress Case Equal to A rating</u>	<u>Stress Case Equal to BBB rating</u>	<u>Stress Case Equal to BB rating</u>	<u>Stress Case Equal to B rating</u>	<u>Stress Case Equal to CCC rating</u>
AAA	65.0%	70.0%	80.0%	85.0%	85.0%	85.0%	85.0%
AA	55.0%	65.0%	75.0%	80.0%	80.0%	80.0%	80.0%
A	40.0%	45.0%	55.0%	65.0%	80.0%	80.0%	80.0%
BBB	30.0%	35.0%	40.0%	45.0%	50.0%	60.0%	70.0%
BB	10.0%	10.0%	10.0%	25.0%	35.0%	40.0%	50.0%
B	2.5%	5.0%	5.0%	10.0%	10.0%	20.0%	25.0%
CCC	0.0%	0.0%	0.0%	0.0%	2.5%	5.0%	5.0%

* If the Collateral Asset is a Project Finance Security, or an ABS Future Flow Security, the recovery rate for such Collateral Asset will be zero until a recovery rate is assigned by S&P and if such Collateral Asset is a Synthetic Security or Insured Security (other than a monoline insurer as set forth in paragraph D below), the recovery rate will be determined by S&P on a case by case basis. If the Collateral Asset is a REIT Debt Security, the recovery rate will be 40%.

C. If the underlying instruments of the Collateral Assets permit more than 20% of the underlying collateral by principal amount to be non-U.S. assets, the recovery rate will be assigned by S&P upon the acquisition of such asset by the Issuer.

D. If the Collateral Asset has its payment obligations guaranteed by a primary monoline insurer, then

(1) The recovery rate is 44% if the primary insurer is one of the following entities:

ACA Financial Guaranty Corp.

Ambac Assurance Corp.

Asset Guaranty Insurance Co.

Financial Guaranty Insurance Co.

Financial Security Assurance Inc.

MBIA Insurance Corps.

XL Capital Assurance Inc.

(2) Otherwise, the recovery rate will be assigned by S&P upon the acquisition of such Collateral Asset by the Issuer.

Moody's Recovery Rate Assumptions

The following information has been provided to the Issuer by Moody's and the capitalized terms used therein and not otherwise defined with respect to types of securities have the meanings ascribed thereto by Moody's.

For Diversified Securities¹, the recovery rate is assumed as follows:

Tranche as % of capital structure at issuance	Rating of a Tranche at Issuance					
	Aaa	Aa	A	Baa	Ba	B
greater than 70%	85%	80%	70%	60%	50%	40%
greater than 10% and less than or equal to 70%	75%	70%	60%	50%	40%	30%
less than or equal to 10%	70%	65%	55%	45%	35%	25%

For Residential Mortgage-Backed Securities, the recovery rate is assumed as follows:

Tranche as % of capital structure at issuance	Rating of a Tranche at Issuance					
	Aaa	Aa	A	Baa	Ba	B
greater than 70%	85%	80%	65%	55%	45%	30%
greater than 10% and less than or equal to 70%	75%	70%	55%	45%	35%	25%
greater than 5% and less than or equal to 10%	65%	55%	45%	40%	30%	20%
greater than 2% and less than or equal to 5%	55%	45%	40%	35%	25%	15%
less than or equal to 2%	45%	35%	30%	25%	15%	10%

For Undiversified Securities², the recovery rate is assumed as follows:

Tranche as % of capital structure at issuance	Rating of a Tranche at Issuance					
	Aaa	Aa	A	Baa	Ba	B
greater than 70%	85%	80%	65%	55%	45%	30%
greater than 10% and less than or equal to 70%	75%	70%	55%	45%	35%	25%
greater than 5% and less than or equal to 10%	65%	55%	45%	35%	25%	15%
greater than 2% and less than or equal to 5%	55%	45%	35%	30%	20%	10%
less than or equal to 2%	45%	35%	25%	20%	10%	5%

For Low-Diversity CDOs³, the recovery rate is assumed as follows:

Tranche as % of capital structure at issuance	Rating of a Tranche at Issuance					
	Aaa	Aa	A	Baa	Ba	B
greater than 70%	80%	75%	60%	50%	45%	30%
greater than 10% and less than or equal to 70%	70%	60%	55%	45%	35%	25%
greater than 5% and less than or equal to 10%	60%	50%	45%	35%	25%	15%
greater than 2% and less than or equal to 5%	50%	40%	35%	30%	20%	10%
less than or equal to 2%	30%	25%	20%	15%	7%	4%

For High-Diversity CDOs⁴, the recovery rate is assumed as follows:

Tranche as % of capital structure at issuance	Rating of a Tranche at Issuance					
	Aaa	Aa	A	Baa	Ba	B
greater than 70%	85%	80%	65%	55%	45%	30%
greater than 10% and less than or equal to 70%	75%	70%	60%	50%	40%	25%
greater than 5% and less than or equal to 10%	65%	55%	50%	40%	30%	20%
greater than 2% and less than or equal to 5%	55%	45%	40%	35%	25%	10%
less than or equal to 2%	45%	35%	30%	25%	10%	5%

Using such recovery rate assumptions, a High-Diversity CDO would have a diversity score of 20 or higher and a Low-Diversity CDO would have a diversity score of less than 20.

The Moody's Recovery Rate for Corporate Securities is 30% for corporate bonds issued by U.S. obligors and for other issuers such amount as determined in consultation with Moody's. The Moody's Recovery Rate for REIT unsecured debt securities is 40% (other than for mortgage and healthcare related REIT debt securities, for which it is 10%).

The Recovery Rate for a Haircut Asset that is shadow rated by Moody's for a balance less than its applicable balance for applying such Recovery Rate will be determined at the time such Haircut Asset receives a shadow rating.

The Recovery Rate for ABS Passenger Airline Enhanced Equipment Trust Certificates will be the greater of (x) 30% and (y) the Recovery Rate Assigned by Moody's.

The Recovery Rate for ABS Future Flow Securities, Project Finance Securities will be 0% until the Rating Agency Condition with respect to Moody's is satisfied.

1 "Diversified Securities" means: (i) ABS Automobile Securities; (ii) ABS Car Rental Receivable Securities; (iii) ABS Credit Card Securities; (iv) ABS Student Loan Securities; and (v) any other type of Collateral Assets that are designated as Diversified Securities after the Closing Date by Moody's and notified to the Collateral Agent and the Collateral Manager.

2 "Undiversified Securities" means any Commercial Mortgage-Backed Securities and CDO Securities and those Collateral Assets not included in Diversified Securities and any other type of Asset-Backed Securities that are designated as Undiversified Securities after the Closing Date by Moody's and notified to the Collateral Agent and the Collateral Manager.

3 "Low-Diversity CDOs" means CDO Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the CDO Securities) on the cash flow from a portfolio of commercial and industrial bank loans, asset-backed securities, mortgage-backed securities or corporate debt securities or any combination of the foregoing, generally having the following characteristics: (1) the bank loans and debt securities have varying contractual maturities; (2) the loans and securities are obligations of a pool of obligors or issuers that represent a relatively undiversified pool of obligor credit risk having a Moody's diversity score of 20 or lower; (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual bank loans or debt securities depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of loans or securities bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (4) proceeds from such repayments can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional bank loans and/or debt securities.

4 "High-Diversity CDOs" means CDO Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the

CDO Securities) on the cash flow from a portfolio of commercial and industrial bank loans, asset-backed securities, mortgage-backed securities or corporate debt securities or synthetic securities or any combination of the foregoing, generally having the following characteristics: (1) the bank loans and debt securities have varying contractual maturities; (2) the loans and securities are obligations of obligors or issuers that represent a relatively diversified pool of obligor credit risk having a Moody's diversity score higher than 20; (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual bank loans or debt securities depending on numerous factors specific to the particular issuers or obligors and on whether, in the case of loans or securities bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (4) proceeds from such repayments can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional bank loans and/or debt securities.

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**Limits For
Securities Lending/Synthetic Security Counterparties**

Long-term Senior Unsecured Debt Rating of Securities Lending/Synthetic Security Counterparties		Individual Securities Lending/Synthetic Security Counterparty Limit	Aggregate Securities Lending/Synthetic Counterparty Limit
Moody's	S&P		
Aaa	AAA	3%	15%
Aa1	AA+	3%	12%
Aa2	AA	2½%	10%
Aa3	AA-	2½%	8%
A1	A+	1%	3%
A2	A	1%	2%

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CAMBER 3 plc
CAMBER 3 LLC

U.S.\$10,000,000
Class S Floating Rate Notes Due 2015

U.S.\$422,500,000
Class A-1 Floating Rate Notes Due 2040

U.S.\$110,500,000
Class A-2 Floating Rate Notes Due 2040

U.S.\$45,500,000
Class B Floating Rate Notes Due 2040

U.S.\$26,000,000
Class C Deferrable Floating Rate Notes Due 2040

U.S.\$19,500,000
Class D Deferrable Floating Rate Notes Due 2040

U.S.\$26,000,000
Class E Notes Due 2040

U.S.\$50,000,000
Class Z Notes Due 2012

U.S.\$50,000,000
Combination Securities

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

OFFERING CIRCULAR

Goldman, Sachs & Co.
SG Corporate & Investment Banking
Barclays Capital