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DISCLAIMER

Attached please find an electronic copy of the Offering Circular dated March 29, 2005 (the "Offering Circular") relating to the offering by Huntington CDO, Ltd. (the "Issuer") and Huntington CDO, Inc. (the "Co-Issuer") of certain Notes (the "Notes") and Preference Shares (the "Preference Shares", together with the Notes, the "Offered Securities").

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

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

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

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

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

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, EFFECTIVE FROM THE DATE OF COMMENCEMENT OF DISCUSSIONS, RECIPIENTS OF THIS OFFERING CIRCULAR AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF ANY SUCH RECIPIENT MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL INCOME TAX TREATMENT AND TAX STRUCTURE OF THIS OFFERING AND ALL MATERIALS OF ANY KIND, INCLUDING OPINIONS OR OTHER TAX ANALYSES, THAT ARE PROVIDED TO THE RECIPIENTS RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. HOWEVER, THIS AUTHORIZATION TO DISCLOSE SUCH TAX TREATMENT AND TAX STRUCTURE DOES NOT PERMIT DISCLOSURE OF INFORMATION IDENTIFYING THE ISSUER, THE CO-ISSUER, THE COLLATERAL MANAGER OR ANY OTHER PARTY TO THE TRANSACTION, THIS OFFERING OR THE PRICING (EXCEPT TO THE EXTENT PRICING IS RELEVANT TO THE TAX STRUCTURE OR TAX TREATMENT) OF THIS OFFERING.

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OFFERING CIRCULAR

U.S.$461,750,000 Class A-1A First Priority Senior Secured Floating Rate Notes Due 2040
U.S.$250,000 Class A-1B First Priority Senior Secured Floating Rate Notes Due 2040
U.S.$112,000,000 Class A-2 Second Priority Senior Secured Floating Rate Notes Due 2040
U.S.$70,000,000 Class B Third Priority Senior Secured Floating Rate Notes Due 2040
U.S.$26,500,000 Class C-1 Fourth Priority Senior Secured Floating Rate Deferrable Notes Due 2040
U.S.$5,000,000 Class C-2 Fourth Priority Senior Secured Fixed Rate Deferrable Notes Due 2040
29,500 Preference Shares with an Aggregate Liquidation Preference of U.S.$1,000 Per Share

U.S.$1,250,000 Class P-1 Principal Protected Notes Due 2040
U.S.$10,000,000 Class P-2 Principal Protected Notes Due 2040
U.S.$35,000,000 Class P-3 Principal Protected Notes Due 2040

Backed by a Portfolio of Asset-Backed Securities and Synthetic Securities

Huntington CDO, Ltd.
Huntington CDO, Inc.

Huntington CDO, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the "**Issuer**"), and Huntington CDO, Inc., a Delaware corporation (the "**Co-Issuer**" and, together with the Issuer, the "**Co-Issuers**"), will issue U.S.$461,750,000 Class A-1A First Priority Senior Secured Floating Rate Notes Due 2040 (the "**Class A-1A Notes**"), U.S.$250,000 Class A-1B First Priority Senior Secured Floating Rate Notes Due 2040 (the "**Class A-1B Notes**", and, together with the Class A-1A Notes, the "**Class A-1 Notes**"), U.S.$112,000,000 Class A-2 Second Priority Senior Secured Floating Rate Notes Due 2040 (the "**Class A-2 Notes**" and, together with the Class A-1 Notes, **the** "**Class A Notes**"), U.S.$70,000,000 Class B Third Priority Senior Secured Floating Rate Notes Due 2040 (the "**Class B Notes**"), U.S.$26,500,000 Class C-1 Fourth Priority Senior Secured Floating Rate Deferrable Notes Due 2040 (the "**Class C-1 Notes**"), U.S.$5,000,000 Class C-2 Fourth Priority Senior Secured Fixed Rate Deferrable Notes Due 2040 (the "**Class C-2 Notes**" and, together with the Class C-1 Notes, the "**Class C Notes**", and, the Class C Notes together with the Class A Notes and the Class B Notes, the "**Secured Notes**"). Concurrently with the issuance of the Secured Notes, the Issuer will issue U.S.$1,250,000 Class P-1 Principal Protected Notes Due 2040 (the "**Class P-1 Notes**"), U.S.$10,000,000 Class P-2 Principal Protected Notes Due 2040 (the "**Class P-2 Notes**") and U.S.$35,000,000 Class P-3 Principal Protected Notes Due 2040 (the "**Class P-3 Notes**", and together with the Class P-1 Notes and Class P-2 Notes, the "**Class P Notes**", and, together with the Secured Notes, the "**Notes**"). The Notes will be issued and secured pursuant to an Indenture dated as of March 29, 2005 (the "**Indenture**") between the Issuer, the Co-Issuer and Wells Fargo Bank, National Association, as trustee (the "**Trustee**"). Concurrently with the issuance of the Notes, the Issuer will issue 29,500 Preference Shares with an aggregate liquidation preference of U.S.$1,000 per share (as more fully described herein, the "**Preference Shares**") pursuant to the Memorandum and Articles of Association of the Issuer (the "**Issuer Charter**") and in accordance with a Preference Share Paying Agency Agreement dated as of March 29, 2005 (the "**Preference Share Paying Agency Agreement**") between the Issuer and Wells Fargo Bank, National Association, as preference share paying agent (in such capacity, the "**Preference Share Paying Agent**") and Walkers SPV Limited, as preference share registrar (in such capacity, the "**Preference Share Registrar**"). The Notes and the Preference Shares being offered hereby are referred to herein as the "**Offered Securities**". The collateral securing the Notes will be managed by Western Asset Management Company ("Western Asset" or the "Collateral Manager"), a registered investment adviser under the Investment Advisers Act of 1940.

It is a condition to the issuance of the Offered Securities that the Class A-1 Notes be rated "Aaa" by Moody's Investors Service, Inc. ("**Moody's**"), "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**Standard & Poor's**") and "AAA" by Fitch Ratings ("**Fitch**", and together with Moody's and Standard & Poor's, the "**Rating Agencies**"), that the Class A-2 Notes be rated "Aaa" by Moody's, "AAA" by Standard & Poor's and "AAA" by Fitch, that the Class B Notes be rated at least "Aa2" by Moody's, at least "AA" by Standard and Poor's and at least "AA" by Fitch and that the Class C Notes be rated at least "Baa2" by Moody's, at least "BBB" by Standard & Poor's and at least "BBB" by Fitch. It is a condition to the issuance of the Offered Securities that the Class P Notes be rated "Aaa" by Moody's (the rating assigned to the Class P Notes relating only to ultimate repayment of the principal amount of the Class P Notes on the Class P Stated Maturity Date). The Preference Shares will not be rated. Application will be made to the Irish Stock Exchange for the Secured Notes to be listed on the Daily Official List. Application will be made to list the Preference Shares on the Channel Islands Stock Exchange. There can be no assurance that listing on the Irish Stock Exchange with respect to the Secured Notes, or on the Channel Islands Stock Exchange with respect to the Preference Shares, will be granted.

(cover continued on overleaf)

Merrill Lynch & Co.

The date of this Offering Circular is March 29, 2005.

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(continued from cover)

SEE "RISK FACTORS" IN THIS FINAL OFFERING CIRCULAR FOR A DESCRIPTION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE OFFERED SECURITIES. THE PLEDGED ASSETS OF THE ISSUER ARE THE SOLE SOURCE OF PAYMENTS ON THE OFFERED SECURITIES. THE OFFERED SECURITIES DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, THE TRUSTEE, THE COLLATERAL MANAGER, MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, OR ANY OF THEIR RESPECTIVE AFFILIATES.

THE OFFERED SECURITIES BEING OFFERED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE **"SECURITIES ACT"**), UNDER APPLICABLE STATE SECURITIES LAWS OR UNDER THE LAWS OF ANY OTHER JURISDICTION. NEITHER THE ISSUER, THE CO-ISSUER NOR THE POOL OF COLLATERAL SECURING THE NOTES HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, IN RELIANCE ON THE EXEMPTION PROVIDED BY SECTION 3(c)(7) THEREOF. THE OFFERED SECURITIES ARE BEING OFFERED (A) IN THE UNITED STATES IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO QUALIFIED PURCHASERS (AS DEFINED HEREIN) WHO ARE ALSO (I) **"QUALIFIED INSTITUTIONAL BUYERS"** (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (II) ACCREDITED INVESTORS WITHIN THE MEANING OF RULE 501(a) UNDER THE SECURITIES ACT; AND (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S (**"REGULATION S"**) UNDER THE SECURITIES ACT TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S). EACH ORIGINAL PURCHASER OF A NOTE WILL BE DEEMED TO MAKE, AND EACH ORIGINAL PURCHASER OF A PREFERENCE SHARE OR CLASS P NOTE BY ITS EXECUTION OF AN INVESTOR APPLICATION FORM (AN **"INVESTOR APPLICATION FORM"**) WILL MAKE OR BE DEEMED TO MAKE, CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS, WARRANTIES AND CERTIFICATIONS. SEE "TRANSFER RESTRICTIONS".

The Offered Securities are offered by Merrill Lynch, Pierce, Fenner & Smith Incorporated (**"Merrill Lynch"** or the **"Initial Purchaser"**) from time to time in individually negotiated transactions at varying prices to be determined at the time of sale, subject to prior sale, when, as, and if issued. The Initial Purchaser reserves the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that the Offered Securities will be delivered on or about March 29, 2005 (the **"Closing Date"**), in the case of the Secured Notes, Regulation S Class P Notes and Regulation S Global Preference Shares, through the facilities of The Depository Trust Company (**"DTC"**) and in the case of the Definitive Preference Shares and the Rule 144A Class P Notes, in the offices of Merrill Lynch, Pierce, Fenner & Smith Incorporated, against payment therefor in immediately available funds. It is a condition to the issuance of the Offered Securities that all Offered Securities are issued concurrently.

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NOTICE TO NEW HAMPSHIRE RESIDENTS

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

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

THE SECURED NOTES ARE LIMITED RECOURSE OBLIGATIONS OF THE CO-ISSUERS AND ARE PAYABLE SOLELY FROM THE COLLATERAL DEBT SECURITIES AND OTHER COLLATERAL PLEDGED BY THE ISSUER TO SECURE THE SECURED NOTES. THE CLASS P NOTES ARE LIMITED RECOURSE OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE APPLICABLE CLASS P BENEFICIAL ASSETS. NONE OF THE PREFERENCE SHAREHOLDERS, MEMBERS, OFFICERS, DIRECTORS, MANAGERS OR INCORPORATORS OF THE ISSUER, THE CO-ISSUER, THE TRUSTEE, THE COLLATERAL ADMINISTRATOR, THE COLLATERAL MANAGER, ANY RATING AGENCY, THE SHARE TRUSTEE, THE INITIAL PURCHASER, ANY HEDGE COUNTERPARTY, ANY OF THEIR RESPECTIVE AFFILIATES OR ANY OTHER PERSON OR ENTITY WILL BE OBLIGATED TO MAKE PAYMENTS ON THE SECURED NOTES OR THE CLASS P NOTES. CONSEQUENTLY, THE SECURED NOTEHOLDERS MUST RELY SOLELY ON AMOUNTS RECEIVED IN RESPECT OF THE COLLATERAL DEBT SECURITIES AND OTHER COLLATERAL PLEDGED TO SECURE THE SECURED NOTES FOR THE

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PAYMENT OF PRINCIPAL THEREOF AND INTEREST THEREON AND THE CLASS P NOTEHOLDERS MUST RELY SOLELY ON AMOUNTS RECEIVED IN RESPECT OF THE CLASS P BENEFICIAL ASSETS FOR ANY AMOUNTS PAYABLE IN RESPECT THEREOF.

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, EFFECTIVE FROM THE DATE OF COMMENCEMENT OF DISCUSSIONS, RECIPIENTS OF THIS OFFERING CIRCULAR AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF ANY SUCH RECIPIENT MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL INCOME TAX TREATMENT AND TAX STRUCTURE OF THIS OFFERING AND ALL MATERIALS OF ANY KIND, INCLUDING OPINIONS OR OTHER TAX ANALYSES, THAT ARE PROVIDED TO THE RECIPIENTS RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. HOWEVER, THIS AUTHORIZATION TO DISCLOSE SUCH TAX TREATMENT AND TAX STRUCTURE DOES NOT PERMIT DISCLOSURE OF INFORMATION IDENTIFYING THE ISSUER, THE CO-ISSUER, THE COLLATERAL MANAGER OR ANY OTHER PARTY TO THE TRANSACTION, THIS OFFERING OR THE PRICING (EXCEPT TO THE EXTENT PRICING IS RELEVANT TO TAX STRUCTURE OR TAX TREATMENT) OF THIS OFFERING.

AN INVESTMENT IN THE OFFERED SECURITIES IS NOT SUITABLE FOR ALL INVESTORS AND IS APPROPRIATE ONLY FOR AN INVESTOR CAPABLE OF (A) ANALYZING AND ASSESSING THE RISKS ASSOCIATED WITH DEFAULTS, LOSSES AND RECOVERIES ON, REINVESTMENT OF PROCEEDS OF AND OTHER CHARACTERISTICS OF ASSETS SUCH AS THOSE INCLUDED IN THE COLLATERAL AND (B) BEARING SUCH RISKS AND THE FINANCIAL CONSEQUENCES THEREOF AS THEY RELATE TO AN INVESTMENT IN THE OFFERED SECURITIES. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN OFFERED SECURITIES FOR AN INDEFINITE PERIOD OF TIME.

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

THE OFFERED SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION, AND NONE OF THE FOREGOING AUTHORITIES HAS CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS FINAL OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS DOCUMENT WILL COMPRISE THE LISTING DOCUMENT FOR THE PURPOSE OF THE LISTING OF THE PREFERENCE SHARES ON THE CHANNEL ISLANDS STOCK EXCHANGE. NEITHER THE ADMISSION OF THE PREFERENCE SHARES TO THE OFFICIAL LIST, NOR THE APPROVAL OF THIS LISTING DOCUMENT PURSUANT TO THE LISTING REQUIREMENTS OF THE CHANNEL ISLANDS STOCK EXCHANGE SHALL CONSTITUTE A WARRANTY OR REPRESENTATION BY THE CHANNEL ISLANDS STOCK EXCHANGE AS TO THE COMPETENCE OF THE SERVICE PROVIDERS TO OR ANY OTHER PARTY CONNECTED WITH THE ISSUER, THE ADEQUACY AND ACCURACY OF INFORMATION CONTAINED IN THIS LISTING DOCUMENT OR THE SUITABILITY OF THE ISSUER FOR INVESTMENT OR FOR ANY OTHER PURPOSE.

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This Offering Circular has been prepared by the Co-Issuers solely for use in connection with the offering of the Offered Securities described herein (the **"Offering"**). The Co-Issuers disclaim any obligation to update such information and do not intend to do so. Neither the Initial Purchaser nor any of its affiliates make any representation or warranty as to, have independently verified or assume any responsibility for, the accuracy or completeness of the information contained herein. Neither the Collateral Manager nor any of its affiliates make any representation or warranty as to, have independently verified or assume any responsibility for, the accuracy or completeness of the information contained herein (other than the information set forth in the sections entitled "The Collateral Manager—Western Asset Management Company" and "The Collateral Manager—Biographies"). None of the Hedge Counterparties, any of their guarantors or any of their respective affiliates make any representation or warranty as to, have independently verified or assume any responsibility for, the accuracy and completeness of the information contained herein. No other party to the transactions described herein makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy and completeness of the information contained herein. Nothing contained in this Offering Circular is or should be relied upon as a promise or representation as to future results or events. The Trustee has not participated in the preparation of this Offering Circular and assumes no responsibility for its contents.

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

This Offering Circular contains summaries of certain documents. The summaries do not purport to be complete and are qualified in their entirety by reference to such documents, copies of which will be made available to offerees upon request. Requests and inquiries regarding this Offering Circular or such documents should be directed to the Initial Purchaser at Merrill Lynch, Pierce, Fenner & Smith Incorporated at 4 World Financial Center, New York, New York 10080; Attention: Global Structured Credit Products.

The Co-Issuers will make available to any offeree of the Offered Securities, prior to the issuance thereof, the opportunity to ask questions of and to receive answers from the Co-Issuers or a person acting on their behalf concerning the terms and conditions of the Offering, the Co-Issuers or any other relevant matters and to obtain any additional information to the extent the Co-Issuers possess such information or can obtain it without unreasonable expense.

Although the Initial Purchaser may from time to time make a market in any Class of Notes or the Preference Shares, the Initial Purchaser is not under an obligation to do so. In the event that the Initial Purchaser commences any market-making, the Initial Purchaser may discontinue the same at any time. There can be no assurance that a secondary market for any Class of the Notes or the Preference Shares will develop, or if a secondary market does develop, that it will provide the holders of such Offered Securities with liquidity of investment or that it will continue for the life of such Offered Securities. The Offered Securities may be issued at varying prices.

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

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

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

NOTICE TO FLORIDA RESIDENTS

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

NOTICE TO CONNECTICUT RESIDENTS

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

NOTICE TO GEORGIA RESIDENTS

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

NOTICE TO RESIDENTS OF AUSTRIA

THIS OFFERING CIRCULAR IS NOT A PROSPECTUS UNDER THE AUSTRIAN CAPITAL MARKETS ACT OR THE AUSTRIAN INVESTMENT FUNDS ACT. THIS FINAL OFFERING CIRCULAR HAS NOT BEEN EXAMINED BY A PROSPECTUS AUDITOR AND NO PROSPECTUS ON THE PRIVATE PLACEMENT OF THE OFFERED SECURITIES HAS BEEN PUBLISHED OR WILL BE PUBLISHED IN AUSTRIA. THE OFFERED SECURITIES ARE OFFERED IN AUSTRIA ONLY TO A RESTRICTED AND SELECTED NUMBER OF PROFESSIONAL AND SOPHISTICATED INDIVIDUAL INVESTORS, AND NO PUBLIC OFFERING OF THE OFFERED SECURITIES IN AUSTRIA IS BEING MADE OR IS INTENDED TO BE MADE. THE OFFERED SECURITIES CAN ONLY BE ACQUIRED FOR A COMMITMENT EXCEEDING 50,000 EUROS OR ITS EQUIVALENT VALUE IN ANY FOREIGN CURRENCY. THE INTERESTS ISSUED BY THE CO-ISSUERS ARE NOT OFFERED IN AUSTRIA, AND THE CO-ISSUERS ARE NOT AND WILL NOT BE REGISTERED AS A FOREIGN INVESTMENT FUND IN AUSTRIA.

NOTICE TO RESIDENTS OF BELGIUM

THE OFFERED SECURITIES MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED IN OR FROM BELGIUM AS PART OF THEIR INITIAL DISTRIBUTION OR AT ANY TIME THEREAFTER, DIRECTLY OR INDIRECTLY, OTHER THAN TO PERSONS OR ENTITIES MENTIONED IN ARTICLE 3 OF

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THE ROYAL DECREE OF JANUARY 9, 1991 RELATING TO THE PUBLIC CHARACTERISTIC OF OPERATIONS CALLING FOR SAVINGS AND ON THE ASSIMILATION OF CERTAIN OPERATIONS TO A PUBLIC OFFER (BELGIAN OFFICIAL JOURNAL OF JANUARY 12, 1991). THEREFORE, THE OFFERED SECURITIES ARE EXCLUSIVELY DESIGNED FOR CREDIT INSTITUTIONS, STOCK EXCHANGE COMPANIES, COLLECTIVE INVESTMENT FUNDS, COMPANIES OR INSTITUTIONS, INSURANCE COMPANIES AND/OR PENSION FUNDS ACTING FOR THEIR OWN ACCOUNT ONLY.

NOTICE TO MEMBERS OF THE PUBLIC IN THE CAYMAN ISLANDS

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

NOTICE TO RESIDENTS OF DENMARK

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

NOTICE TO RESIDENTS OF FINLAND

THIS OFFERING CIRCULAR HAS BEEN PREPARED FOR PRIVATE INFORMATION PURPOSES OF INTERESTED INVESTORS ONLY. IT MAY NOT BE USED FOR AND SHALL NOT BE DEEMED A PUBLIC OFFERING OF THE OFFERED SECURITIES. THE RAHOITUSTARKASTUS HAS NOT AUTHORIZED ANY OFFERING OF THE SUBSCRIPTION OF THE OFFERED SECURITIES; ACCORDINGLY, THE OFFERED SECURITIES MAY NOT BE OFFERED OR SOLD IN FINLAND OR TO RESIDENTS THEREOF EXCEPT AS PERMITTED BY FINNISH LAW. THIS OFFERING CIRCULAR IS STRICTLY FOR PRIVATE USE BY ITS HOLDER AND MAY NOT BE PASSED ON TO THIRD PARTIES.

NOTICE TO RESIDENTS OF FRANCE

THE OFFERED SECURITIES HAVE NOT BEEN AND WILL NOT BE OFFERED, MARKETED, DISTRIBUTED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY IN THE REPUBLIC OF FRANCE OR TO THE PUBLIC IN THE REPUBLIC OF FRANCE OTHER THAN TO QUALIFIED INVESTORS (INVESTISSEURS QUALIFIES) ACTING FOR THEIR OWN ACCOUNT AND/OR A LIMITED CIRCLE OF INVESTORS (CERCLE RESTREINT D'INVESTISSEURS), ALL AS DEFINED IN AND IN ACCORDANCE WITH ARTICLE L. 411-2 OF THE FRENCH CODE MONÉTAIRE ET FINANCIER AND DÉCRET NO. 98-880 DATED 1 OCTOBER 1998.

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

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

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

NOTICE TO RESIDENTS OF GERMANY

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

INFORMATION AS TO PLACEMENT WITHIN GERMANY

THE OFFERED SECURITIES WILL NOT BE OFFERED OR SOLD IN THE FEDERAL REPUBLIC OF GERMANY OTHER THAN IN ACCORDANCE WITH THE GERMAN SECURITIES SALES PROSPECTUS ACT OF DECEMBER 13, 1990 OF THE FEDERAL REPUBLIC OF GERMANY, AS AMENDED *(WERTPAPIERVERKAUFSPROSPEKTGESETZ)*, THE GERMAN INVESTMENT ACT OF DECEMBER 15, 2003 OF THE FEDERAL REPUBLIC OF GERMANY, AS AMENDED *(INVESTMENTGESETZ)* AND ANY OTHER LEGAL OR REGULATORY REQUIREMENTS APPLICABLE IN THE FEDERAL REPUBLIC OF GERMANY GOVERNING THE ISSUE, OFFER AND SALE OF SECURITIES. UPON THE REQUEST OF A GERMAN INVESTOR, THE ISSUER WILL (I) MAKE AVAILABLE TO THE GERMAN INVESTORS THE INFORMATION REQUIRED PURSUANT TO § 5 (1) SENTENCE 1 NOS. 1 AND 2 IN CONNECTION WITH SENTENCE 2, § 5 (1) SENTENCE 1 NO. 4 AND § 5 (3) SENTENCE 1 OF THE INVESTMENTSTEUERGESETZ (THE "GERMAN INVESTMENT TAX ACT"), (II) FURNISH TO THE GERMAN FEDERAL TAX OFFICE *(BUNDESAMT FÜR FINANZEN)* UPON ITS REQUEST WITHIN THREE MONTHS PROOF OF THE CORRECTNESS OF THE INFORMATION REFERRED TO UNDER CLAUSE (I) ABOVE IN ACCORDANCE WITH § 5 (1) SENTENCE 1 NO. 5 OF THE GERMAN INVESTMENT TAX ACT AND (III) MAKE THE PUBLICATION IN THE ELECTRONIC EDITION OF THE FEDERAL GAZETTE *(ELEKTRONISCHER BUNDESANZEIGER)* REQUIRED PURSUANT TO § 5 (1) SENTENCE 1 NO. 3 OF THE GERMAN INVESTMENT TAX ACT IN THE GERMAN LANGUAGE. ALL PROSPECTIVE GERMAN INVESTORS ARE URGED TO SEEK INDEPENDENT TAX ADVICE. THE INITIAL PURCHASER DOES NOT GIVE TAX ADVICE.

NOTICE TO RESIDENTS OF HONG KONG

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

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INVITATION OR DOCUMENT RELATING TO THE OFFERED SECURITIES OTHER THAN (I) IN RESPECT OF OFFERED SECURITIES TO BE DISPOSED OF TO PERSONS OUTSIDE HONG KONG OR ONLY TO PERSONS WHOSE BUSINESS INVOLVES THE ACQUISITION, DISPOSAL OR HOLDING OF SECURITIES, WHETHER AS PRINCIPAL OR AGENT, OR (II) IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN INVITATION TO THE PUBLIC WITHIN THE MEANING OF THE PROTECTION OF INVESTORS ORDINANCE (CHAPTER 335 OF THE LAWS OF HONG KONG).

NOTICE TO RESIDENTS OF JAPAN

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

NOTICE TO RESIDENTS OF THE NETHERLANDS

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

NOTICE TO RESIDENTS OF SINGAPORE

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

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NOTICE TO RESIDENTS OF SWITZERLAND

THE CO-ISSUERS HAVE NOT BEEN AUTHORIZED BY THE SWISS FEDERAL BANKING COMMISSION AS A FOREIGN INVESTMENT FUND UNDER ARTICLE 45 OF THE SWISS FEDERAL LAW ON INVESTMENT FUNDS OF 18 MARCH 1994. ACCORDINGLY, THE OFFERED SECURITIES MAY NOT BE OFFERED OR DISTRIBUTED ON A PROFESSIONAL BASIS IN OR FROM SWITZERLAND, AND NEITHER THIS OFFERING CIRCULAR NOR ANY OTHER OFFERING MATERIALS RELATING TO THE OFFERED SECURITIES MAY BE DISTRIBUTED IN CONNECTION WITH ANY SUCH OFFERING OR DISTRIBUTION. THE OFFERED SECURITIES MAY, HOWEVER, BE OFFERED AND THIS OFFERING CIRCULAR MAY BE DISTRIBUTED IN SWITZERLAND ON A PROFESSIONAL BASIS TO A LIMITED NUMBER OF PROFESSIONAL INVESTORS IN CIRCUMSTANCES SUCH THAT THERE IS NO PUBLIC OFFER.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

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

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with the sale of the Offered Securities, each of the Co-Issuers (or the Issuer, in the case of the Preference Shares) will be required to furnish, upon request of a holder of an Offered Security, to such holder and a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request such Co-Issuer is neither subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3—2(b) under the Exchange Act. Such information may be obtained from (a) in the case of the Notes, the Trustee or (b) in the case of the Preference Shares, the Preference Share Paying Agent, to the extent such information is provided to the Trustee or the Preference Share Paying Agent or is in their possession. It is not contemplated that either of the Co-Issuers will be such a reporting company or so exempt.

FORWARD LOOKING STATEMENTS

Any projections, forecasts and estimates contained herein are forward looking statements and are based upon certain assumptions specified herein. Projections are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the projections will not materialize or will vary significantly from actual results.

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Accordingly, the projections are only an estimate. Actual results may vary from the projections, and the variations may be material.

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

None of the Issuer, the Co-Issuer, the Collateral Manager, the Trustee, the Initial Purchaser, the Preference Share Paying Agent, 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.

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SUMMARY

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

CERTAIN GENERAL TERMS

Issuer:	Huntington CDO, Ltd.
Co-Issuer (with respect to the Secured Notes only):	Huntington CDO, Inc.
Collateral Manager:	Western Asset Management Company
Initial Purchaser:	Merrill Lynch, Pierce, Fenner & Smith Incorporated acting in its individual capacity and through its affiliates. Sales of the Offered Securities to purchasers in the United States of America will be made through Merrill Lynch, Pierce, Fenner & Smith Incorporated.
Trustee/Custodian/Preference Share Paying Agent/Collateral Administrator:	Wells Fargo Bank, National Association
Closing Date:	March 29, 2005.
Ramp-Up Completion Date:	The date that is the earlier of (i) 120 days following the Closing Date and (ii) the date that the Collateral Manager designates in writing as the Ramp-Up Completion Date, so long as on such date the Aggregate Principal Balance of the Collateral Debt Securities (excluding for such purpose (a) any prepayments of principal on Collateral Debt Securities after the Closing Date and (b) any U.S. Agency Securities purchased with Uninvested Proceeds) held by the Issuer, together with the aggregate amount of unpaid interest accrued thereon prior to the respective dates of purchase thereof, is at least equal to U.S.$700,000,000.
Payment Dates:	February 5, May 5, August 5, and November 5 of each calendar year (adjusted as described herein in the case of non-Business Days), commencing on August 5, 2005.
Expected Proceeds:	The gross proceeds from the issuance of the Offered Securities will be approximately U.S.$705,000,000. The net proceeds from the issuance of the Secured Notes and Preference Shares (including the Class P Preference Shares), together with an upfront payment of U.S.$7,100,000 received from the Initial Interest Rate Hedge Counterparty on the Closing Date in connection with the Initial Interest Rate Hedge Agreement, will be approximately U.S.$701,500,000 after payment of organizational and structuring fees and expenses of the Co-Issuers, including, without limitation (i) the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser and the Collateral Manager, (ii) the expenses, fees and commissions incurred in connection with the acquisition by the Issuer of the Collateral Debt Securities included in the Portfolio, (iii) the expenses, fees and commissions incurred in connection with the acquisition by the Issuer of the Class P Beneficial Assets, (iv) the expenses of offering the Offered Securities (including underwriting fees and structuring fees and (v) the initial deposits into the Expense Reimbursement Account. The proceeds of the issuance of the Class P

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Notes will be used to purchase the Class P Treasury Strips, the Class P Preference Shares and fund the initial deposit into the Class P Reserve Account, all for the sole benefit of the Class P Noteholders.

Use of Proceeds: Net proceeds will be used by the Issuer to purchase on the Closing Date a diversified portfolio of Asset-Backed Securities and Synthetic Securities the Reference Obligations of which may be Asset-Backed Securities. REIT Securities, or Corporate Debt Securities that, in each case, satisfy the investment criteria set forth in the Indenture and described herein.

GENERAL TERMS OF THE SECURED NOTES

Security	Principal Amount	Stated Maturity Date	Interest Rate	Ratings (Moody's/S&P/Fitch)
Class A-1A First Priority Senior Secured Floating Rate Notes	U.S.$461,750,000	November 5, 2040	LIBOR[1] + .27%	Aaa/AAA/AAA
Class A-1B First Priority Senior Secured Floating Rate Notes	U.S.$250,000	November 5, 2040	LIBOR[1] + .27%	Aaa/AAA/AAA
Class A-2 Second Priority Senior Secured Floating Rate Notes	U.S.$112,000,000	November 5, 2040	LIBOR[1] + .50%	Aaa/AAA/AAA
Class B Third Priority Senior Secured Floating Rate Notes	U.S.$70,000,000	November 5, 2040	LIBOR[1] + .67%	Aa2/AA/AA
Class C-1 Fourth Priority Senior Secured Floating Rate Deferrable Notes	U.S.$26,500,000	November 5, 2040	LIBOR[1] + 2.65%[2]	Baa2/BBB/BBB
Class C-2 Fourth Priority Senior Secured Fixed Rate Deferrable Notes	U.S.$5,000,000	November 5, 2040	7.166%[2]	Baa2/BBB/BBB

Minimum Denomination: U.S.$250,000 and integral multiples of U.S.$1,000 in excess thereof.

Seniority: *First*, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes, *fourth*, Class C Notes; *provided* that principal of the Class C-1 Notes will be paid with Interest Proceeds prior to the payment of principal of the Class A Notes and Class B Notes on any Payment Date after the Preference Shareholders have received an annualized Dividend Yield of 13%. See "Description of the Notes—Priority of Payments".

Security for the Secured Notes: The Secured Notes will be limited recourse debt obligations of the Co-Issuers secured solely by a pledge of the Collateral by the Issuer to the Trustee for the benefit of the holders from time to time of the Secured Notes, the Collateral Manager, the Trustee and each Hedge Counterparty

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1 LIBOR is three-month LIBOR (except with respect to the first Interest Period) calculated as described herein and computed on the basis of a year of 360 days and actual number of days elapsed.

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

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(collectively, the **"Secured Parties"**) pursuant to the Indenture.

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

Principal Repayment: Principal Proceeds will be applied on each Payment Date to pay principal of each Class of Secured Notes in accordance with the Priority of Payments.

Mandatory Redemption: Each Class of Secured Notes shall, on any Payment Date, be subject to mandatory redemption if any Coverage Test is not satisfied on the related Determination Date. Any such redemption will be affected, *first,* from Interest Proceeds, *then,* from Principal Proceeds, as described below under "Description of the Notes—Priority of Payments".

If either Class A/B Coverage Test is not satisfied on the Determination Date related to any Payment Date, as described under "Description of the Notes—Mandatory Redemption", Interest Proceeds and, to the extent Interest Proceeds are insufficient, Principal Proceeds, will be used to pay principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes and *third*, the Class B Notes, in accordance with the Priority of Payments and to the extent necessary to cause such Coverage Test to be satisfied.

If either Class C Coverage Test is not satisfied on the Determination Date related to any Payment Date, as described under "Description of the Notes—Mandatory Redemption", Interest Proceeds and, to the extent Interest Proceeds are insufficient, Principal Proceeds, will be used to pay principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes and, *fourth*, the Class C Notes (including any Class C Deferred Interest), in accordance with the Priority of Payments and to the extent necessary to cause such Coverage Test to be satisfied.

No later than seven Business Days after the Ramp-Up Completion Date, the Issuer will request that each Rating Agency confirm that it has not reduced or withdrawn the ratings assigned by it on the Closing Date to the Secured Notes (a **"Rating Confirmation"**). If the Issuer is unable to obtain a Rating Confirmation prior to the first Determination Date following the Ramp-Up Completion Date (a **"Rating Confirmation Failure"**), on the next Payment Date and on each subsequent Payment Date, the Issuer will apply, *first*, Uninvested Proceeds, *second*, Principal Proceeds and, *third*, Interest Proceeds, in accordance with the Priority of Payments, to (i) the repayment of the Notes (a **"Rating Confirmation Failure Redemption"**), (ii) to purchase additional Collateral Debt Securities or (iii) to effect a combination of (i) and (ii), in each case, to the extent necessary to receive a Rating Confirmation from each Rating Agency with respect to the Secured Notes.

If, on any Payment Date, until the Class C-1 Notes have been paid in full, the holders of the Preference Shares (**"Preference Shareholders"**) have received distributions on the Preference Shares sufficient to achieve an annualized Dividend Yield of 13% per annum, all remaining Interest Proceeds will be applied to pay principal of the Class C-1 Notes in accordance with the Priority of Payments.

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

Listing: Application will be made to the Irish Stock Exchange for the Secured Notes to be admitted to the Daily Official List. See "Listing and General Information". The issuance and settlement of the Notes on the Closing Date are not conditioned on the listing of any of the Notes on any exchange and there can be no guarantee that such application will be granted.

GENERAL TERMS OF THE CLASS P NOTES

Security	Principal Amount	Ratings* (Moody's)	Class P Stated Maturity Date
Class P-1 Principal Protected Note	U.S.$1,250,000	Aaa	November 5, 2040
Class P-2 Principal Protected Note	U.S.$10,000,000	Aaa	November 5, 2040
Class P-3 Principal Protected Note	U.S.$35,000,000	Aaa	November 5, 2040

Minimum Denomination: U.S.$250,000 and integral multiples of U.S.$1,000 in excess thereof.

General: The Class P-1 Notes represent an economic interest in (a) that portion of a stripped treasury bond that evidences debt obligations of the government of the United States of America and that is secured by its full faith and credit entitling the bearer to principal only of U.S.$1,250,000 upon maturity of the bond on May 15, 2020 and bearing CUSIP number " 912833KZ2" (the **"Class P-1 Treasury Strip"**) and (b) 600 Preference Shares with an aggregate liquidation preference of U.S.$600,000 (the **"Class P-1 Preference Shares"**).

The Class P-2 Notes represent an economic interest in (a) that portion of a stripped treasury bond that evidences debt obligations of the government of the United States of America and that is secured by its full faith and credit entitling the bearer to principal only of U.S.$10,000,000 upon maturity of the bond on May 15, 2020 and bearing CUSIP number "912833KZ2" (the **"Class P-2 Treasury Strip"**) and (b) 4,770 Preference Shares with an aggregate liquidation preference of U.S.$4,770,000 (the **"Class P-2 Preference Shares"**).

The Class P-3 Notes represent an economic interest in (a) that portion of a stripped treasury bond that evidences debt obligations of the government of the United States of America

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*This rating shall apply only to the payment of principal and is based solely on the likelihood that payments in respect of the Class P Treasury Strips will be sufficient to make payments of principal on the Class P Notes prior to the applicable Class P Stated Maturity Date. The payment of any distributions in respect of the Class P Preference Shares is not rated.

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and that is secured by its full faith and credit entitling the bearer to principal only of U.S.$35,000,000 upon maturity of the bond on May 15, 2015 and bearing CUSIP number " 912833KE9" (the **"Class P-3 Treasury Strip"** and, together with the Class P-1 Treasury Strips and Class P-2 Treasury Strips, the **"Class P Treasury Strips"**) and (b) 12,430 Preference Shares with an aggregate liquidation preference of U.S.$12,430,000 (the **"Class P-3 Preference Shares"** and, together with the Class P-1 Preference Shares and Class P-2 Preference Shares, the **"Class P Preference Shares"** and, together with the Class P Treasury Strips and the rights of the Class P Noteholders in respect of the Class P Reserve Account, the **"Class P Beneficial Assets"**).

Interest Payments on the Class P Notes:

The Class P Notes will not bear interest at a set rate but Class P Noteholders will be entitled to a *pro rata* share of all amounts distributed to the Preference Shareholders proportionate to the number of Preference Shares comprising the Class P Preference Shares to which each such Class P Noteholder is entitled in respect of its Class P Notes.

Distributions on the Class P Preference Shares represented by a Class P Note and amounts standing to the credit of the Class P Reserve Account are the only sources for interest payments on the Class P Notes.

Principal Payments on the Class P Notes:

On each Payment Date, upon the written direction of any Class P Noteholder, (i) the Trustee will sell a face amount of the Treasury Strip to which such Class P Noteholder is entitled in an amount equal to such Class P Noteholder Principal Amortization Amount at the then-current price of such Class P Treasury Strip, (ii) the Trustee will distribute the proceeds of such sale to the applicable Class P Noteholder and (iii) the outstanding principal amount of such Class P Note will be reduced by such Principal Amortization Amount. Upon the Class P Stated Maturity Date of each Class P Note, the Trustee will distribute to the applicable Class P Noteholders all amounts received in respect of the Class P Treasury Strips to which such Class P Noteholder is entitled in respect of its Class P Note. The only source of funds for principal payments on the Class P Notes are the sale proceeds of the applicable Class P Treasury Strips prior to the Class P Stated Maturity Date and on the Class P Stated Maturity Date, amounts received by the Issuer as payments of principal in respect of the applicable Class P Treasury Strips.

Redemption of the Class P Notes:

Each Class P Note will be redeemed on the later of the redemption of the Preference Shares and the final liquidation or "in kind" distribution of the applicable Class P Treasury Strip in respect of such Class P Note.

GENERAL TERMS OF THE PREFERENCE SHARES

Aggregate Liquidation Preference: U.S.$29,500,000 (U.S.$1,000 per share).

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Rating:	Not rated.
Minimum Trading Lot:	250 Preference Shares (U.S.$250,000 aggregate liquidation preference) (and increments of one Preference Share in excess thereof), subject to certain limited exceptions as described under "Form, Denomination, Registration and Transfer".
Status:	The Preference Shares will constitute part of the issued share capital of the Issuer and will not be secured.
Distributions:	On each Payment Date, to the extent funds are available therefor, Interest Proceeds remaining after the payment of interest on the Secured Notes and certain other amounts in accordance with the Priority of Payments will be paid to the Preference Share Paying Agent for distribution to the Preference Shareholders; *provided* that on each Payment Date, until the Class C-1 Notes have been paid in full, the amount of Interest Proceeds released from the lien of the Indenture for payment to the Preference Shareholders will be limited to the amount necessary to permit the Preference Shareholders to achieve on such Payment Date an annualized Dividend Yield of 13% per annum on the aggregate liquidation preference of the Preference Shares. After the Secured Notes have been paid in full, Principal Proceeds remaining after the payment of certain other amounts will be paid to the Preference Share Paying Agent for distribution to the Preference Shareholders. The Preference Share Paying Agent will distribute any funds received by it for distribution to the Preference Shareholders on the date on which such funds are received, subject to certain conditions set forth in the Preference Share Paying Agency Agreement and provisions of Cayman Islands law governing the declaration and payment of dividends.
Redemption of the Preference Shares:	The Preference Shares are expected to be redeemed following the Stated Maturity of the Notes unless redeemed prior thereto in connection with an Optional Redemption, Tax Redemption or Auction Call Redemption. Following the liquidation of the Collateral, any funds remaining after the redemption of the Notes and the payment of all other obligations of the Co-Issuers (other than amounts payable by the Issuer in respect of the Preference Shares) will be distributed to the Preference Shareholders and it is expected that the Preference Shares will be redeemed.
Listing:	Application will be made to list the Preference Shares on the Channel Islands Stock Exchange. See "Listing and General Information". The issuance and settlement of the Preference Shares on the Closing Date are not conditioned on the listing of the Preference Shares on such exchange and there can be no guarantee that such application will be granted.
Class P Preference Shares:	All information in this Offering Circular pertaining to the Preference Shares shall equally apply to any Preference Shares comprising the Class P Preference Shares with respect to the Class P Notes. Each Class P Noteholder shall have the right to receive distributions on the Preference Shares and to vote on any matter and to consent to or waive any provision that the Preference Shareholders have the right to vote on, consent to or waive, based on its pro rata share of the specified number of Class P Preference Shares that are Class P Beneficial Assets of its Class P Note.

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DESCRIPTION OF THE COLLATERAL

Collateral Securing the Secured Notes:

Pursuant to the Indenture, the Secured Notes, together with the Issuer's obligations to the Secured Parties, will be secured by: (i) the Collateral Debt Securities; (ii) the rights of the Issuer under the Hedge Agreements; (iii) amounts on deposit in the Initial Deposit Account, the Collection Account, the Expense Reimbursement Account, the Semi-Annual Interest Reserve Account, any Reclassified Security Account and the Eligible Investments purchased with funds on deposit in such accounts; (iv) the rights of the Issuer under the Collateral Management Agreement and the Collateral Administration Agreement; (v) the Issuer's right to investment income in any Synthetic Security Counterparty Account and to any amounts contained in any Synthetic Security Issuer Account and (vi) all proceeds of the foregoing (collectively, the **"Collateral"**). In the event of any realization on the Collateral, proceeds will be allocated to the payment of each Class of Secured Notes in accordance with the Priority of Payments.

Acquisition and Disposition of Collateral Debt Securities:

On the Closing Date, the Issuer will have purchased (or entered into agreements to purchase for settlement following the Closing Date) Collateral Debt Securities having an Aggregate Principal Balance of not less than U.S.$600,000,000. Any net proceeds from the issuance of the Secured Notes and the Preference Shares not used to purchase Collateral Debt Securities on the Closing Date will be deposited by the Trustee in the Initial Deposit Account pending the use of such proceeds for the purchase of additional Collateral Debt Securities or U.S. Agency Securities designated by the Collateral Manager, as described herein, and, in certain limited circumstances described herein, for the payment of the Notes. The Issuer expects that, no later than the Ramp-Up Completion Date, it will have purchased Collateral Debt Securities having an aggregate par amount of approximately U.S.$700,000,000 (regardless of whether the amount has since been reduced as a result of scheduled principal payments or principal prepayments) (the **"Required Amount"**) and satisfying the criteria described under "Security for the Secured Notes."

The Collateral Debt Securities purchased by the Issuer will, on the date of commitment to purchase, have the characteristics and satisfy the criteria set forth herein under "Security for the Secured Notes". Although the Issuer expects that the Collateral Debt Securities purchased by it will, on the Ramp-Up Completion Date, satisfy the Collateral Quality Tests, the Standard & Poor's CDO Monitor Test and Coverage Tests described herein, there is no assurance that such tests will be satisfied on such date. Failure to satisfy the Collateral Coverage Tests following the Closing Date may result in the repayment or redemption of a portion of the Secured Notes (according to the priority specified in the Priority of Payments). See "Description of the Secured Notes—Coverage Test Redemption".

Except as provided herein with respect to Credit-Risk Securities, Credit-Improved Securities and Defaulted Securities after the Reinvestment Period, no investment will be made in Collateral Debt Securities after the termination of the Reinvestment Period. Unless terminated earlier as described herein, the Reinvestment Period will terminate at the end of the Collection Period preceding the Payment

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Date occurring in May 2008.

Security for the Class P Notes:

The Issuer will use the proceeds of the issuance of the Class P Notes to purchase the Class P Treasury Strips and the Class P Preference Shares and to fund the initial deposit into the Class P Reserve Account on the Closing Date. Payment of principal of the Class P Notes will be secured by the pledge of the Class P Beneficial Assets, which will be the sole source of payments of principal of the Class P Notes.

Interest payments on the Class P Notes will be based solely on distributions on the Preference Shares comprising the Class P Preference Shares and distributions made from a reserve account in the name of the Trustee established on the Closing Date for the benefit of the Class P Noteholders (the "**Class P Reserve Account**"), which will entitle all of the Class P Notes to a pro rata share of U.S.$400,000, to be distributed on Payment Dates occurring from the first Payment Date through to the Payment Date occurring in May 2006. See "Description of the Class P Notes—the Class P Reserve Account."

The Class P Beneficial Assets will not constitute Collateral Debt Securities or Eligible Investments purchased with cash or with the proceeds of Collateral Debt Securities and will not be included in the calculation of the Collateral Coverage Tests and will not be available to make payments on the Class A Notes, Class B Notes or Class C Notes or distributions on the Preference Shares.

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RISK FACTORS

An investment in the Offered Securities involves certain risks. Prospective investors should carefully consider the following factors, in addition to the matters set forth elsewhere in this Offering Circular, prior to investing in the Offered Securities. Any risks in these Risk Factors that are stated to apply to the Preference Shares shall equally apply to the Class P Notes to the extent of the Class P Preference Shares attributable to such Class P Notes. In addition, there are specific risk factors attributable to the Class P Notes. Prospective investors in the Class P Notes should review the additional risk factors set forth under "Description of the Class P Notes—Risk Factors".

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

Limited-Recourse Obligations. The Secured Notes are limited-recourse obligations of the Co-Issuers. The Secured Notes are payable solely from the Collateral Debt Securities and other Collateral pledged by the Issuer to secure the Secured Notes. None of the security holders, members, officers, directors, managers or incorporators of the Issuer, the Co-Issuer, the Trustee, the Collateral Administrator, any Rating Agency, the Share Trustee, the Preference Share Paying Agent, the Collateral Manager, the Collateral Administrator, the Initial Purchaser, any of their respective Affiliates and any other person or entity will be obligated to make payments on the Secured Notes. Consequently, the Secured Noteholders must rely solely on amounts received in respect of the Collateral Debt Securities and other Collateral pledged to secure the Secured Notes for the payment of principal thereof and interest thereon. There can be no assurance that the distributions on the Collateral Debt Securities and other Collateral pledged by the Issuer to secure the Secured Notes will be sufficient to make payments on any Class of Secured Notes, in particular after making payments on more Senior Classes of Secured Notes and certain other required amounts ranking Senior to such Class. The Issuer's ability to make payments in respect of any Class of Secured Notes will be constrained by the terms of the Secured Notes of Classes more Senior to such Class and the Indenture. If distributions on the Collateral are insufficient to make payments on the Secured Notes, no other assets will be available for payment of the deficiency and, following liquidation of all the Collateral, the obligations of the Co-Issuers to pay such deficiencies will be extinguished and will not thereafter revive. The Class P Notes are secured only by the Class P Treasury Strips and will have no recourse to the Collateral Pledged to the Issuer to secure the Secured Notes. The Class P Notes will be limited recourse debt obligations of the Issuer, except to the extent of the Class P Preference Shares, which constitute equity interests in the Issuer. The Class P Notes will be secured solely by the pledge of the Class P Treasury Strips to the Trustee for the benefit of the applicable Class P Noteholders. The Preference Shares will be part of the issued share capital of the Issuer and will not be secured.

Subordination of each Class of Subordinate Secured Notes. No payment of interest on any Class of Secured Notes will be made until all accrued and unpaid interest on the Secured Notes of each Class that is Senior to such Class and that remain outstanding has been paid in full. Except under the limited circumstances described herein, no payment of principal of any Class of Secured Notes will be made until all principal of, and all accrued and unpaid interest on, the Secured Notes of each Class that is Senior to such Class and that remain outstanding have been paid in full. See "Description of the Notes—Priority of Payments" generally and for a description of those circumstances where Subordinate Secured Notes will receive payments of principal prior to the payment of principal on more Senior Secured Notes. If an Event of Default occurs, so long as any Secured Notes are outstanding, the holders of the most Senior Class of Secured Notes then outstanding will be entitled to determine the remedies to be exercised under the Indenture. So long as any Senior Class of Secured Notes remains outstanding, failure to make payment in respect of interest on the Class C Notes on any Payment Date by reason of the Priority of Payments will not constitute an Event of Default under the Indenture. In the event of any realization on the Collateral, proceeds will be allocated to the Notes and other amounts in accordance with the Priority of Payments. See "Description of the Notes—The Indenture" and "—Priority of Payments". Remedies pursued by the holders of the Class or Classes of Secured Notes entitled to determine the exercise of such remedies could be adverse to the interest of the holders of the other Classes of Secured Notes. To the extent that any losses are suffered by any of the holders of any Secured

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Notes, such losses will be borne *first*, by the holders of the Class C Notes, *second* by the holders of the Class B Notes, *third*, by the holders of the Class A-2 Notes and, *fourth*, by the holders of the Class A-1 Notes.

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

Yield Considerations. The yield to each holder of the Preference Shares will be a function of the purchase price paid by such holder for the Preference Shares and the timing and amount of dividends and other distributions made in respect of the Preference Shares during the term of the transaction. Each prospective purchaser of the Preference Shares should make its own evaluation of the yield that it expects to receive on the Preference Shares. Prospective investors should be aware that the timing and amount of dividends and other distributions will be affected by, among other things, the performance of the Collateral Debt Securities purchased by the Issuer. Each prospective investor should consider the risk that an Event of Default will result in a lower yield on the Preference Shares than that anticipated by the investor. In addition, if the Issuer fails either Coverage Test, amounts that would otherwise be distributed as dividends to the holders of the Preference Shares on any Payment Date may be paid to other investors in accordance with the Priority of Payments. Each prospective purchaser should consider that any such adverse developments could result in its failure to recover fully its initial investment in the Preference Shares. Furthermore, pursuant to the Priority of Payments, dividends to the Preference Shareholders will be subject to a cap so long as any Class C-1 Notes are outstanding. See "Description of the Notes—Priority of Payments".

Limited Security for the Class P Notes. The Class P Notes are secured solely by the Class P Treasury Strips with respect to principal payments and the Class P Reserve Account with respect to any other distributions. The Class P Notes are not secured by the Collateral Debt Securities or the other collateral securing the Secured Notes. As such and pursuant to the Priority of Payments, the Holders of the Class P Notes (with respect to distributions on the Class P Preference Shares) and the Holders of the Preference Shares will rank behind all of the creditors, whether secured or unsecured and known or unknown, of the Issuer, including, without limitation, the Holders of the Secured Notes and the Collateral Manager and any judgment creditors. Except with respect to the obligations of the Issuer to make payments pursuant to the Priority of Payments, the Issuer does not expect to have any creditors. Moreover, payments in respect of the Preference Shares (including the Class P Preference Shares) are subject to certain requirements imposed by Cayman Islands law. Any amounts to be paid by the Trustee as dividends or other distributions on the Preference Shares (including the Class P Preference Shares) will be payable only if the Issuer has sufficient distributable profits. In addition, such distributions (including any distribution upon redemption of the Preference Shares, including the Class P Preference Shares) will be payable only to the extent that the Issuer is and remains solvent after such distributions are paid. Under Cayman Islands law, a company is generally deemed to be solvent if it is able to pay its debts in the ordinary course of its business as they become due.

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

Nature of the Collateral. The Collateral is subject to credit, liquidity, interest rate, market operations, fraud, structural, legal and other risks. In addition, a significant portion of the Collateral Debt Securities included in the Collateral will be acquired by the Issuer after the Closing Date, and, accordingly, the financial performance of

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the Issuer may be affected by the price and availability of Collateral Debt Securities to be purchased. The amount and nature of the Collateral Debt Securities included in the Collateral have been established to withstand certain assumed deficiencies in payment occasioned by defaults in respect of the Collateral Debt Securities. See "Ratings of the Secured Notes". If any deficiencies exceed such assumed levels, however, payment in respect of the Offered Securities could be adversely affected. To the extent that a default occurs with respect to any Collateral Debt Security included in the Collateral and the Issuer (upon the advice of the Collateral Manager) sells or otherwise disposes of such Collateral Debt Security, it is not likely that the proceeds of such sale or disposition will be equal to the amount of principal and interest owing to the Issuer in respect of such Collateral Debt Security.

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

Although the Issuer is required to use its best commercial efforts to invest Uninvested Proceeds in Collateral Debt Securities after the Closing Date, the Issuer may find that, as a practical matter, these investment opportunities are not available to it for a variety of reasons, including the limitations imposed by the Eligibility Criteria, the Collateral Quality Tests and, with respect to Synthetic Securities, the requirement that the Rating Condition be satisfied. At any time there may be a limited universe of investments that would satisfy the Eligibility Criteria given the other investments in the Issuer's portfolio. As a result, the Issuer may at times find it difficult to purchase suitable investments. See "Security for the Secured Notes". Although the Issuer expects that, on or prior to the Ramp-Up Completion Date, it will be able to purchase sufficient Collateral Debt Securities that satisfy the Eligibility Criteria, the Collateral Quality Tests, the Standard & Poor's CDO Monitor Test and Coverage Tests described herein, there is no assurance that such limitations and tests will be satisfied on such date. Failure to satisfy such tests by such date may result in the repayment or redemption of a portion of the Notes in accordance with the Priority of Payments. See "Description of the Secured Notes – Coverage Test Redemption" and " – Rating Confirmation Failure Redemption."

The ability of the Issuer to sell Collateral Debt Securities prior to maturity is subject to certain restrictions under the Indenture. Notwithstanding such restrictions and satisfaction of the conditions set forth in the Indenture, sales and purchases of Collateral Debt Securities could result in losses to the Issuer, which losses could affect the timing and amount of payments in respect of the Offered Securities or result in the reduction in or withdrawal of the rating of any or all of the Secured Notes by one or more of the Rating Agencies.

Asset-Backed Securities. Most of the Collateral Debt Securities acquired by the Issuer will consist of Asset-Backed Securities, which includes, without limitation, certain Specified Types of Asset Backed Securities described in Annex B hereto. **"Asset-Backed Securities"** means any obligation (i) that is either (A) a registered security that is primarily serviced by the cashflows of a discrete pool of receivables or other financial assets either fixed or revolving, and that, by its terms converts into cash within a finite period of time, plus any rights or other assets designed to assure the servicing or timely distribution of proceeds to the holders thereof or (B) a registered "asset-backed security" as such term may be defined from time to time in the "General Instructions to Form S-3 Registration Statement" promulgated under the Securities Act and (ii) that, when granted to the Trustee under the Indenture, satisfies the applicable Eligibility Criteria. See "Security for the Notes—Collateral Debt Securities—Asset-Backed Securities".

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

An Asset-Backed Security is typically created by the sale of assets or collateral to a conduit, which becomes the legal issuer of the Asset-Backed Securities. The securitization conduit or issuer is generally a bankruptcy-remote vehicle such as a grantor trust or other special-purpose entity. Interests in or other securities issued by the trust or special-purpose entity, which give the holder thereof the right to certain cash flows arising from the Collateral Debt Securities, are then sold to investors through an investment bank or other securities

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underwriter. Each Asset-Backed Security has a servicer (often the originator of the collateral) that is responsible for collecting the cash flows generated by the securitized assets—principal, interest and fees net of losses and any servicing costs as well as other expenses—and for passing them along to the investors in accordance with the terms of the securities. The servicer processes the payments and administers the assets in the pool. In addition, a credit-rating agency often will analyze the policies and operations of the originator and servicer, as well as the structure, underlying pool of assets, expected cash flows and other attributes of the securities. Before assigning a rating to the issue, the rating agency will also assess the extent of loss protection provided to investors by the credit enhancements associated with the issue.

Asset-Backed Securities carry coupons that can be fixed or floating. The spread will vary depending on the credit quality of the underlying collateral, the degree and nature of credit enhancement and the degree of variability in the cash flows emanating from the securitized assets.

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

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

Credit risk is an important issue in Asset-Backed Securities because of the significant credit risks inherent in the underlying collateral and because issuers are primarily private entities. Credit risk arises from losses due to defaults by the borrowers in the underlying collateral or the issuer's or servicer's failure to perform. These two elements can overlap as, for example, in the case of a servicer who does not provide adequate credit-review scrutiny to the serviced portfolio, leading to higher incidence of defaults. Market risk arises from the cash-flow characteristics of the security, which for many Asset-Backed Securities tend to be predictable. The greatest variability in cash flows comes from credit performance, including the presence of wind-down or acceleration features designed to protect the investor if credit losses in the portfolio rise well above expected levels. Interest-rate risk arises for the issuer from the relationship between the pricing terms on the underlying collateral and the terms of the rate paid to security holders and from the need to mark to market the excess servicing or spread account proceeds carried on the balance sheet. Liquidity risk can arise from increased perceived credit risk. Liquidity can also become a significant problem if concerns about credit quality, for example, lead investors to avoid the securities issued by the relevant special-purpose entity. Some securitization transactions may include a "liquidity facility," which requires the facility provider to advance funds to the relevant special-purpose entity should liquidity problems arise. However, where the originator is also the provider of the liquidity facility, the originator may experience similar market concerns if the assets it originates deteriorate and the ultimate practical value of the liquidity facility to the transaction may be questionable. Operations risk arises through the potential for misrepresentation of asset quality or terms by the originating institution, misrepresentation of the nature and current value of the assets by the servicer and inadequate controls over disbursements and receipts by the servicer.

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

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firm—within a single securitization or across a number of them—means that credit and operational risk can accumulate into significant concentrations with respect to one or a small number of firms.

Often Asset-Backed Securities are structured to reallocate the risks entailed in the underlying collateral (particularly credit risk) into security tranches that match the desires of investors. For example, senior subordinated security structures give holders of senior tranches greater credit risk protection (albeit at lower yields) than holders of subordinated tranches. Under this structure, at least two classes of Asset-Backed Securities are issued, with the senior Class having a priority claim on the cash flows from the underlying pool of assets. The subordinated Class must absorb credit losses on the collateral before losses can be charged to the senior portion. Because the senior Class has this priority claim, cash flows from the underlying pool of assets must first satisfy the requirements of the senior class. Only after these requirements have been met will the cash flows be directed to service the subordinated class. A significant portion of the Collateral may consist of Asset-Backed Securities that are subordinate in right of payment and rank junior to other securities that are secured by or represent an ownership interest in the same pool of assets. In addition, many of the Asset-Backed Securities included in the Collateral may have been issued in transactions that have structural features that divert payments of interest and/or principal to more senior classes when the delinquency or loss experience of the pool exceeds certain levels. As a result, such securities have a higher risk of loss as a result of delinquencies or losses on the Collateral Debt Securities. In certain circumstances, payments of interest may be reduced or eliminated for one or more payment dates. Additionally, as a result of cash flow being diverted to payments of principal on more senior classes, the average life of such securities may lengthen. Subordinate Asset-Backed Securities generally do not have the right to call a default or vote on remedies following a default unless more senior securities have been paid in full. As a result, a shortfall in payments to subordinate investors in Asset-Backed Securities will generally not result in a default being declared on the transaction and the transaction will not be restructured or unwound. Furthermore, because subordinate Asset-Backed Securities may represent a relatively small percentage of the size of the asset pool being securitized, the impact of a relatively small loss on the overall pool may disproportionately affect the holders of such subordinate security.

Asset-Backed Securities often use various forms of credit enhancements to transform the risk-return profile of the underlying collateral, including third-party credit enhancements, recourse provisions, overcollateralization and various covenants. Third-party credit enhancements include standby letters of credit, collateral or pool insurance, or surety bonds from third parties. Recourse provisions are guarantees that require the originator to cover any losses up to a contractually agreed-upon amount. Overcollateralization is another form of credit enhancement that covers a predetermined amount of potential credit losses. It occurs when the value of the Collateral Debt Securities exceeds the face value of the securities. A similar form of credit enhancement is the cash-collateral account, which is established when a third party deposits cash into a pledged account. Cash-collateral accounts provide credit protection to investors of a securitization by eliminating "event risk," or the risk that the credit enhancer will have its credit rating downgraded or that it will not be able to fulfill its financial obligation to absorb losses.

A portion of the Asset-Backed Securities acquired by the Issuer may be backed by sub-prime mortgages. Asset-Backed Securities backed by sub-prime mortgages may be subject to the additional risk arising as a result of using less restrictive underwriting standards during origination than the underwriting standards for agency programs such as Fannie Mae. Sub-prime mortgages are also subject to greater risk of divergence in credit performance than prime mortgages. In addition, servicer performance has a greater impact on the performance of sub-prime mortgage products than other mortgage products due to the higher rate of delinquencies and the fact that returning delinquent loans to performing status is generally preferred to foreclosure.

Residential Mortgage-Backed Securities. Asset-Backed Securities may include Residential Asset-Backed Securities. Residential Asset-Backed Securities 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 "Maturity, Prepayment and 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. 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.

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Residential mortgage loans 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.

At any one time, the portfolio of Residential Asset-Backed Securities 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, the related mortgaged properties may have a more limited market than those securing average-sized residential mortgage loans.

Commercial Mortgage-Backed Securities. Asset-Backed Securities may include Commercial Mortgage-Backed Securities. Commercial Mortgage-Backed Securities are securities backed by obligations (including participation interests 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, apartments, cooperatives, nursing homes and senior living centers. Commercial Mortgage-Backed Securities have been issued in public and private transactions by a variety of public and private issuers using a variety of structures, including senior and subordinated classes. Risks affecting real estate investments include general economic conditions, the condition of financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The cyclicality and leverage associated with real estate-related investments have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other investments. In addition, commercial mortgage loans generally are non-recourse loans, 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. In some cases, the properties securing commercial mortgage loans may be subject to additional debt that may affect the related borrower's ability to refinance the loan and/or result in reduced cash flow and deferred maintenance. Additional risks may be presented by the type and use of a particular commercial property. For instance, commercial properties that operate as hospitals and nursing homes may present special risks to lenders due to the significant governmental regulation of the ownership, operation, maintenance and financing of health care institutions. Hotel and motel properties are often operated pursuant to franchise, management or operating agreements which may be terminable by the franchisor or operator; and the transferability of a hotel's operating, liquor and other licenses upon a transfer of the hotel, whether through purchase or foreclosure, is subject to local law requirements. All of these factors increase the risks involved with commercial real estate lending. Commercial properties tend to be unique and are more difficult to value than single-family residential properties. 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 or related borrowers 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 or the existence of independent income or assets of the borrower. 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; acts of war; acts of terrorism; and social unrest and civil disturbances. The value of

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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.

A commercial property may not readily be converted to an alternative use in the event that the operation of such commercial property for its original purpose becomes unprofitable. In such cases, the conversion of the commercial property to an alternative use would generally require substantial capital expenditures. Thus, if the borrower becomes unable to meet its obligations under the related commercial mortgage loan, the liquidation value of any such commercial property may be substantially less, relative to the amount outstanding on the related commercial mortgage loan, than would be the case if such commercial property were readily adaptable to other uses. The exercise of remedies and successful realization of liquidation proceeds may be highly dependent on the performance of Commercial Mortgage-Backed Securities servicer's or special servicers, of which there may be a limited number and which may have conflicts of interest in any given situation.

Commercial Mortgage-Backed Securities may pay fixed or floating rates of interest. Fixed rate Commercial Mortgage-Backed Securities, like all fixed-income securities, generally decline in value as interest rates rise. Moreover, although generally the value of fixed-income securities increases during periods of falling interest rates, this inverse relationship may not be as marked in the case of Commercial Mortgage-Backed Securities 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.

Mortgage loans underlying a Commercial Mortgage-Backed Securities issue may lack regular amortization of principal, resulting in a single "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.

REIT Debt Securities. A portion of the Collateral Debt Securities included in the Collateral may consist of REIT Debt Securities. REIT Debt Securities are generally unsecured. Investments in REIT Debt Securities involve special risks. In particular, real estate investment trusts 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,

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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 Debt Security) or participate in the restructuring of such obligation.

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 Securities or Credit Risk Collateral Debt Securities.

Synthetic Securities. A portion of the Collateral Debt Securities may consist of Synthetic Securities, the Reference Obligations of which are Asset-Backed Securities, Corporate Debt Securities, or REIT Debt Securities. Investments in such types of assets through the purchase of Synthetic Securities present risks in addition to those resulting from direct purchases of such Collateral Debt Securities. With respect to Synthetic Securities, the Issuer will usually have a contractual relationship only with the counterparty of such Synthetic Security, and not the Reference Obligor on the Reference Obligation. The Issuer generally will have no right directly to enforce compliance by the Reference Obligor with the terms of either the Reference Obligation or any rights of set-off against the Reference Obligor, nor will the Issuer generally have any voting or other consensual rights of ownership with respect to the Reference Obligation. The Issuer will not directly benefit from any collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation. In addition, in the event of the insolvency of the counterparty, the Issuer will be treated as a general creditor of such counterparty, and will not have any claim of title with respect to the Reference Obligation. Consequently, the Issuer will be subject to the credit risk of the counterparty as well as that of the Reference Obligor. As a result, concentrations of Synthetic Securities entered into with any one counterparty will subject the Secured Notes to an additional degree of risk with respect to defaults by such counterparty as well as by the Reference Obligor. One or more Affiliates of the Initial Purchaser may act as counterparty with respect to all or a portion of the Synthetic Securities, which relationship may create certain conflicts of interest. See "—Conflicts of Interest Involving the Initial Purchaser" below.

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

Collateral Purchase After the Closing Date. It is anticipated that on the Closing Date, a portion of the proceeds from the issuance and sale of the Offered Securities will be used to purchase Collateral Debt Securities. However, a significant portion of the proceeds from the issuance and sale of the Offered Securities will be invested in Collateral Debt Securities that will not have been purchased and may not have been identified by the Collateral Manager on the Closing Date. Purchasers of the Offered Securities will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by the Collateral Manager (on behalf of the Issuer) and, accordingly, will be dependent upon the judgment and ability of the Collateral Manager in investing and managing the proceeds of the Secured Notes and Preference Shares and in identifying investments over time. No assurance can be given that the Collateral Manager (on behalf of the Issuer) will be successful in obtaining suitable investments or that, if such investments are made, the objectives of the Issuer will be achieved.

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Reinvestment Risk. Subject to the limits described under "Security for the Secured Notes—Acquisition and Disposition of Collateral Debt Securities", Principal Proceeds resulting from the sale of any Collateral Debt Securities may be reinvested in substitute Collateral Debt Securities during the Reinvestment Period and Principal Proceeds resulting from the sale of Defaulted Securities, Credit-Risk Securities and Credit-Improved Securities may be reinvested in substitute Collateral Debt Securities after the Reinvestment Period. The impact, including any adverse impact, of such sale or potential reinvestment on the holders of the Securities would be magnified with respect to the Preference Shares and the Class P Notes by the leveraged nature of the Preference Shares and the Class P Notes and with respect to the respective Classes of Secured Notes by the leveraged nature of such respective Classes of Secured Notes. See "Description of the Secured Notes—Reinvestment Period."

The earnings with respect to such substitute Collateral Debt Securities will depend, among other factors, on reinvestment rates available in the marketplace at the time and on the availability of investments satisfying the Eligibility Criteria and acceptable to the Collateral Manager. The need to satisfy such Eligibility Criteria and identify acceptable investments may require the purchase of substitute Collateral Debt Securities having lower yields than those initially acquired or require that Principal Proceeds be maintained temporarily in cash or Eligible Investments, which may reduce the yield on the Collateral. Further, issuers of Collateral Debt Securities may be more likely to exercise any rights they may have to redeem such obligations when interest rates or spreads are declining. Any decrease in the yield on the Collateral Debt Securities will have the effect of reducing the amounts available to make payments of principal and interest on the Secured Notes and distributions on the Preference Shares (including the Preference Shares related to the Class P Notes as described herein). After the last day of the Reinvestment Period, the Issuer will only be entitled to purchase additional Collateral Debt Securities with Principal Proceeds received by the Issuer from the sale of Credit-Risk Securities, Credit-Improved Securities and Defaulted Securities.

Rating Confirmation Failure; Mandatory Redemption. The Issuer will notify the Trustee, each Rating Agency and each Hedge Counterparty in writing within seven Business Days after the Ramp-Up Completion Date (such notification, a **"Ramp-Up Notice"**). The Issuer will request that each Rating Agency confirm to the Issuer that it has not reduced or withdrawn the rating (including private or confidential ratings, if any) assigned by it on the Closing Date to any Class of Notes (a **"Rating Confirmation"**). If the Issuer is unable to obtain a Rating Confirmation from each Rating Agency prior to the first Determination Date following the Ramp-Up Completion Date (a **"Rating Confirmation Failure"**), on the next Payment Date and on each subsequent Payment Date, the Issuer will apply, *first,* Uninvested Proceeds, *second,* Principal Proceeds, and *third*, Interest Proceeds, in each case in accordance with the Priority of Payments, to (i) the repayment of the Secured Notes (a **"Rating Confirmation Redemption"**), (ii) to purchase additional Collateral Debt Securities, or (iii) to effect a combination of (i) and (ii), in each case, to the extent necessary to receive a Rating Confirmation from each Rating Agency with respect to the Notes. See "Description of the Secured Notes—Coverage Test Redemption", " – Rating Confirmation Failure Redemption", and "—Priority of Payments". The notional amount of the Interest Rate Hedge Agreement may be reduced in connection with a redemption of Notes on any Payment Date by reason of any Rating Confirmation Failure by an amount proportionate to the principal amount of Secured Notes so redeemed.

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

International Investing. A limited portion of the Collateral Debt Securities included in the Collateral may consist of obligations organized in an Eligible SPV Jurisdiction or obligations of a Qualifying Foreign Obligor. Moreover, subject to compliance with certain of the Eligibility Criteria described herein, collateral securing Asset-Backed Securities may consist of obligations of issuers or borrowers organized under the laws of various jurisdictions other than the United States of America. Investing outside the United States of America may involve greater risks than investing in the United States of America. These risks may include: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; and (iii) the difficulty of enforcing legal

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rights in a non-U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws. Moreover, non-U.S. companies may not be subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies.

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

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

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 non-U.S. countries. The economies of individual non-U.S. countries may also differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resource self-sufficiency and balance of payments position.

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

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

Although the officers and employees of the Collateral Manager will devote as much time to the Issuer as the Collateral Manager deems appropriate, the officers and employees may have conflicts in allocating their time and services among the Issuer and the Collateral Manager's and its Affiliates' other accounts. In addition, the Collateral Manager and its Affiliates, in connection with their other business activities, may acquire material

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non-public confidential information that may restrict the Collateral Manager from purchasing securities or selling securities for itself or its clients (including the Issuer) or otherwise using such information for the benefit of its clients or itself.

The Indenture and the Collateral Management Agreement place significant restrictions on the Collateral Manager's ability to advise the Issuer to buy or sell securities for inclusion in the Collateral, and the Collateral Manager is subject to compliance with such restrictions. Accordingly, during certain periods or in certain specified circumstances, the Issuer may be unable to buy or sell securities or to take other actions that the Collateral Manager might consider in the best interest of the Issuer, the Preference Shareholders and the Noteholders.

The Collateral Manager currently serves and may in the future serve as collateral manager of other companies organized to invest in assets similar to Collateral Debt Securities. 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 collateral manager, or for its clients or Affiliates. Some of the Asset-Backed Securities purchased by the Issuer on the Closing Date may be purchased from portfolios of Asset-Backed Securities held by one or more of the Collateral Manager and its Affiliates and clients. The Issuer will purchase Asset-Backed Securities from the Collateral Manager or any such client or Affiliate on the Closing Date only to the extent (i) such purchases are made at fair market value and otherwise on arm's length terms and (ii) the Collateral Manager determines that such purchases are consistent with the investment guidelines and objectives of the Issuer, the restrictions contained in the Indenture and applicable law.

The Collateral Manager, its Affiliates and client accounts for which the Collateral Manager or its Affiliates act as investment adviser may at times own Preference Shares or Secured Notes of one or more other Classes. At any given time, the Collateral Manager and its Affiliates will not be entitled to vote the Secured Notes or Preference Shares held by any of such Collateral Manager, its Affiliates and accounts for which such Collateral Manager or any Affiliate thereof acts as investment adviser (and for which such Collateral Manager or such Affiliate has discretionary authority) with respect to any assignment or termination of, any of the express rights or obligations of the Collateral Manager under the Collateral Management Agreement or the Indenture (including the exercise of any rights to remove the Collateral Manager or terminate the Collateral Management Agreement), or any amendment or other modification of the Collateral Management Agreement or the Indenture increasing the rights or decreasing the obligations of the Collateral Manager. However, at any given time the Collateral Manager and its Affiliates will be entitled to vote Secured Notes or Preference Shares held by them and by such accounts with respect to all other matters.

The appropriate allocation among the Issuer and funds or accounts managed by the Collateral Manager or its Affiliates of expenses and fees generated in the course of evaluating and making investments often may not be clear, especially when more than one fund participates.

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

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Purchase of Collateral Debt Securities. All of the Collateral Debt Securities purchased by the Issuer on the Closing Date will be purchased from a portfolio of Collateral Debt Securities selected by the Collateral Manager and held by Merrill Lynch International (**"MLI"**), an affiliate of the Initial Purchaser, pursuant to the warehouse agreement. Some of the Collateral Debt Securities subject to a warehouse agreement may have been originally acquired by the Initial Purchaser from the Collateral Manager or one of its affiliates or clients and some of the Collateral Debt Securities subject to the warehouse agreement may include securities issued by a fund or other entity owned or managed by the Collateral Manager. The Issuer will purchase Collateral Debt Securities included in such warehouse portfolio only to the extent that such purchases are consistent with the investment guidelines of the Issuer, the restrictions contained in the Indenture and the Collateral Management Agreement and applicable law. The purchase price payable by the Issuer for such Collateral Debt Securities will be based on the purchase price paid when such Collateral Debt Securities were acquired under the warehouse agreement, accrued and unpaid interest on such Collateral Debt Securities as of the Closing Date and gains or losses incurred in connection with hedging arrangements entered into with respect to such Collateral Debt Securities. Accordingly, the Issuer will bear the risk of market changes subsequent to the acquisition of such Collateral Debt Securities and related hedging arrangements as if it had acquired such Collateral Debt Securities directly at the time of purchase by MLI of such Collateral Debt Securities and not the Closing Date. The Collateral Manager is entitled to a fee upon the termination of the warehouse agreement pursuant to the terms thereof on the Closing Date.

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

Ramp-Up Period/Reinvestment Period Purchases. The amount of Collateral Debt Securities purchased on the Closing Date and the amount and timing of the purchase of additional Collateral Debt Securities prior to the Ramp-Up Completion Date, will affect the return to holders of, and cash flows available to make payments on, the Offered Securities. Reduced liquidity and lower volumes of trading in certain Collateral Debt Securities, in addition to restrictions on investment contained in the Eligibility Criteria, could result in periods during which the Issuer is unable to be fully invested in Collateral Debt Securities. During any such period, excess cash is expected to be invested in Eligible Investments. Because of the short term nature and credit quality of Eligible Investments, the interest rates payable on Eligible Investments tend to be significantly lower than the rates the Issuer would expect to earn on Collateral Debt Securities. The longer the period before investment or reinvestment in Collateral Debt Securities, the greater the adverse impact may be on aggregate Interest Proceeds collected and distributed by the Issuer, resulting in a lower yield than could have been obtained if the net proceeds associated with the Offering were immediately invested and remained invested at all times.

In addition, the timing of the purchase of Collateral Debt Securities prior to the last day of the Reinvestment Period, the amount of any purchased accrued interest, the scheduled interest payment dates of the Collateral Debt Securities and the amount of the net proceeds associated with the Offering invested in lower-yielding Eligible Investments until reinvested in Collateral Debt Securities, may have a material impact on the amount of Interest Proceeds collected during any Collection Period, which could adversely affect interest payments on Secured Notes and distributions on Preference Shares.

Whether or not the Issuer has succeeded in acquiring Collateral Debt Securities having an aggregate Principal Balance of U.S.$700,000,000 by the Ramp-Up Completion Date, to the extent that the Uninvested Proceeds in the Initial Deposit Account are not invested on or before the Ramp-Up Completion Date, such Uninvested Proceeds will be deposited in the Collection Account and applied as Principal Proceeds; *provided* that so long as the Aggregate Principal Balance of the Collateral Debt Securities is not less than U.S.$700,000,000 (the **"Required Amount"**) and the Collateral Quality Tests, the Coverage Tests and the Eligibility Criteria are satisfied, the Collateral Manager may, in its sole discretion, direct the Trustee to apply up to U.S.$5,000,000 of the remaining Uninvested Proceeds to the Collection Account as Interest Proceeds.

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Dependence on the Collateral Manager and Key Personnel and Prior Investment Results. The performance of the portfolio of Collateral Debt Securities depends heavily on the skills of the Collateral Manager in analyzing and selecting the Collateral Debt Securities. As a result, the Issuer will be highly dependent on the financial and managerial experience of the Collateral Manager and certain of the officers and employees of the Collateral Manager to whom the task of selecting and monitoring the Collateral has been assigned or delegated. Employment arrangements between those officers and employees and the Collateral Manager may exist from time to time, but the Issuer is not, and will not be, a direct beneficiary of such arrangements, and any such arrangements are in any event subject to change without the consent of the Issuer. The prior investment results of the Collateral Manager and the persons associated with the Collateral Manager or any other entity or person described herein are not indicative of the Issuer's future investment results. The nature of, and risks associated with, the Issuer's future investments may differ substantially from those investments and strategies undertaken historically by such persons and entities. There can be no assurance that the Issuer's investments will perform as well as the past investments of any such persons or entities. See "The Collateral Manager" and "The Collateral Management Agreement".

Investment Company Act. Neither of the Co-Issuers has been registered with 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 law of a jurisdiction other than the United States of America or any state thereof (a) whose investors resident in the United States of America are solely "qualified purchasers" (within the meaning given to such term in the Investment Company Act and the regulations of the SEC thereunder) or certain transferees thereof identified in Rule 3c-6 under the Investment Company Act and (b) which do not make a public offering of their securities in the United States of America. Counsel for the Co-Issuers will opine, in connection with the issuance of the Offered Securities, that neither of the Co-Issuers is on the Closing Date an investment company required to be registered under the Investment Company Act (assuming, for the purposes of such opinion, that the Offered Securities are sold in accordance with the terms of the Indenture, the Preference Share Documents and the Purchase Agreement). No opinion or no-action position has been requested of the SEC.

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

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

The Preference Share Documents provide that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any beneficial owner of Restricted Definitive Preference Shares (A) is a U.S. Person (within the meaning of Regulation S under the Securities Act) and (B) is not both (i) a Qualified Institutional Buyer (or an Accredited Investor that purchased such Restricted Definitive Preference Share in connection with the

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initial distribution thereof) and (ii) a Qualified Purchaser, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Restricted Definitive Preference Shares (or interest therein) to a person that is both a Qualified Institutional Buyer and a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30day period, (a) upon direction from the Issuer, the Preference Share Paying Agent, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Preference Share to be transferred in a commercially reasonable sale (conducted by the Collateral Administrator in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Preference Share Paying Agent and the Issuer, in connection with such transfer, that such person is a both (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser and (b) pending such transfer, no further payments will be made in respect of such Preference Share held by such beneficial owner.

Mandatory Repayment of the Secured Notes. If any Coverage Tests are not met, Interest Proceeds and, in certain cases described herein, Principal Proceeds, to the extent funds are available in accordance with the Priority of Payments and to the extent necessary to restore the Coverage Tests to compliance, will be used to repay principal of the Secured Notes in accordance with the Priority of Payments. Any of these events could result in elimination, deferral or reduction in the interest payments or principal repayments due to the holders of the Secured Notes, which could adversely impact the returns of the holders of the Secured Notes. See "Description of the Secured Notes—Principal" and "—Priority of Payments".

If the Issuer is unable to obtain a Rating Confirmation from each relevant Rating Agency by the first Determination Date following the Ramp-Up Completion Date, the Issuer will be required to apply Uninvested Proceeds and, to the extent that Uninvested Proceeds are insufficient to redeem the Notes to the extent necessary to obtain a Rating Confirmation, Interest Proceeds and, to the extent that Interest Proceeds are insufficient to redeem the Secured Notes to the extent necessary to obtain a Rating Confirmation, Principal Proceeds, in each case in accordance with the Priority of Payments, to the repayment of principal of, at the option of the Collateral Manager on behalf of the Issuer, either (1) *first,* the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes and *fourth*, the Class C Notes, in each case to the extent necessary to obtain a Rating Confirmation from each relevant Rating Agency, or (2) each Class of Secured Notes in any order and amount as proposed by the Collateral Manager (and approved by an act of the holders of 100% of the Aggregate Outstanding Amount of each Class of Secured Notes whose payment entitlement would vary from that provided in the foregoing clause) on behalf of the Issuer and pursuant to which a Rating Confirmation from each Rating Agency is received.

The foregoing could result in an elimination, deferral or reduction in the payments in respect of interest or the principal repayments made to the holders of one or more Classes of Secured Notes that are Subordinate to any other outstanding Class of Secured Notes, which could adversely impact the returns of such holders. In addition, if, on any Payment Date until the Class C-1 Notes have been paid in full, the Preference Shareholders have received distributions on the Preference Shares sufficient to achieve an annualized Dividend Yield of 13% per annum, any excess amount of Interest Proceeds will be applied to pay principal of the Class C-1 Notes. See "Description of the Notes—Principal," "—Mandatory Redemption" and "—Priority of Payments—Interest Waterfall".

Auction Call Redemption. In addition, if the Secured Notes have not been redeemed in full prior to the Payment Date occurring in May 2013, then an auction of the Collateral Debt Securities will be conducted and, provided that certain conditions are satisfied, the Collateral Debt Securities will be sold and the Secured Notes will be redeemed (in whole, but not in part) on such Payment Date. If such conditions are not satisfied and the auction is not successfully conducted on such Payment Date, the Trustee will conduct auctions on a quarterly basis until the conditions to an Auction Call Redemption are satisfied, following which Secured Notes will be redeemed in full. See "Description of the Secured Notes—Auction Call Redemption". Each Hedge Agreement will terminate upon an Auction Call Redemption.

Optional Redemption. Subject to certain conditions described herein, the Issuer may redeem the Secured Notes on any Payment Date (such redemption an **"Optional Redemption"**) in whole, at the direction of a Majority-in-Interest of Preference Shareholders at the applicable Redemption Price therefor, *provided* that no Optional Redemption may occur prior to the Payment Date occurring in May 2008. See "Description of the Notes—Optional Redemption and Tax Redemption". The Hedge Agreements will terminate upon any Optional Redemption.

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An Optional Redemption of the Secured Notes could require the Collateral Manager to liquidate positions on behalf of the Issuer more rapidly than would otherwise be desirable, which could adversely affect the realized value of the obligations sold. The provisions for the Optional Redemption of the Secured Notes provide a form of liquidity for the holders of the Preference Shares. There can be no assurance that it will be possible for the holders of the Preference Shares to exercise any Optional Redemption of the Secured Notes as a result of the conditions that must be satisfied in connection therewith, or that, upon such redemption, the amounts available to effect such Optional Redemption of the Secured Notes would permit any payment to be made on the Preference Shares after all other required payments have been made. Interests of the holders of the Preference Shares in determining whether to elect to require an Optional Redemption of the Secured Notes may be different from the interests of the holders of the Secured Notes in such respect. The holders of the Secured Notes may not be able to invest the proceeds of the redemption of their Secured Notes in one or more comparable investments providing a return equal to or greater than the return such holders of the Secured Notes expected to obtain from their investment in the Secured Notes.

Tax Redemption. Subject to satisfaction of certain conditions, the Issuer may redeem the Secured Notes, in whole but not in part, on a Payment Date in connection with a Tax Redemption subject to satisfaction of the Tax Materiality Condition. See "Description of the Notes—Optional Redemption and Tax Redemption". The Hedge Agreements will terminate upon any Tax Redemption.

Interest Rate Risk. The Secured Notes are denominated in U.S. Dollars and, in the case of Floating Rate Notes, bear interest at a rate based on LIBOR as determined on the relevant LIBOR Determination Date. A portion of the Collateral Debt Securities included in the Collateral will be obligations that bear interest at fixed rates. Accordingly, the Floating Rate Notes are subject to interest rate risk to the extent that there is an interest rate mismatch between the floating rate at which interest accrues on the Secured Notes and the rates at which interest accrues on fixed rate Collateral Debt Securities included in the Collateral. In addition, a portion of the Collateral Debt Securities included in the Collateral may be obligations that pay interest more frequently than quarterly. Accordingly, a difference in the rates payable for one-month LIBOR or two-month LIBOR versus three-month LIBOR could adversely impact the ability of the Issuer to make payments on the Secured Notes. Further, any payments of principal of or interest on Pledged Collateral Debt Securities received during a Collection Period will be reinvested in Eligible Investments maturing not later than the Business Day immediately preceding the next Payment Date. There is no requirement that Eligible Investments bear interest at LIBOR, and the interest rates available for Eligible Investments are inherently uncertain. As a result of these mismatches, an increase in three-month LIBOR could adversely impact the ability of the Issuer to make payments on the Secured Notes (including by reason of a decline in the value of previously issued fixed rate Collateral Debt Securities as LIBOR increases). In addition, any payments of principal of or interest on Collateral Debt Securities received during a Collection Period will be reinvested in Eligible Investments maturing not later than the Business Day immediately preceding the next Payment Date. There is no requirement that Eligible Investments bear interest at LIBOR, and the interest rates available for Eligible Investments are inherently uncertain. To mitigate a portion of such interest rate or payment mismatches, the Issuer will on the Closing Date enter into an Interest Rate Hedge Agreement and may enter into additional Hedge Agreements after the Closing Date (including Asset-Specific Hedge Agreements) provided the Rating Condition has been met. However, there can be no assurance that the Collateral Debt Securities included in the Collateral and Eligible Investments, together with the Hedge Agreements, will in all circumstances generate sufficient Interest Proceeds to make timely payments of interest on the Secured Notes. Moreover, the benefits of a Hedge Agreement may not be achieved in the event of the early termination of a Hedge Agreement, including termination upon the failure of the related Hedge Counterparty to perform its obligations thereunder, or if additional hedge transactions are not entered into. See "Security for the Secured Notes-The Hedge Agreements".

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

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

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

Distributions on the Preference Shares; Investment Term; Non-Petition Agreement. Prior to the payment in full of the Secured Notes and all other amounts owing under the Indenture, the terms of the Preference Share Documents will entitle Holders of the Preference Shares to receive distributions only to the extent permissible under the Indenture and Cayman Islands law (as described herein). The timing and amount of distributions payable on Preference Shares and the duration of the Preference Shareholders' investment in the Issuer therefor will be affected by the average life of the Secured Notes. See "Average Life of the Secured Notes and Prepayment Considerations" above. The original purchasers of Preference Shares and Class P Notes will be required to covenant in an Investor Application Form or will otherwise be deemed to have covenanted (and each transferee of Preference Shares and Class P Notes will be required to covenant in a transfer certificate or will otherwise be deemed to have covenanted) that it will not cause the filing of a petition in bankruptcy against the Issuer before one year and one day have elapsed since the payment in full of the Notes or, if longer, the applicable preference period then in effect. If such provision failed to be effective to preclude the filing of a petition under applicable bankruptcy laws, then the filing of such a petition could result in one or more payments on the Secured Notes made during the period prior to such filing being deemed to be preferential transfers subject to avoidance by the bankruptcy trustee or similar official exercising authority with respect to the Issuer's bankruptcy estate.

Dispositions of Defaulted Securities, Credit-Risk Securities, Credit-Improved Securities and Written-Down Securities. The Issuer may, at the direction of the Collateral Manager, sell any Defaulted Security, Written- Down Security, Credit-Risk Security or Credit-Improved Security at any time subject to the limitations described in "Security for the Notes—Acquisition and Disposition of Collateral Debt Securities". Although procedures relating to the sale of Defaulted Securities, Credit-Risk Securities, Credit-Improved Securities and Written-Down Securities held by the Issuer are set forth in the Indenture, the Collateral Manager will not be able to exercise discretion outside of those procedures in connection with such sales and the Issuer will not be able to sell any other Collateral Debt Securities included in the Collateral in response to changes in related credit or market risks.

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

Withholding on the Offered Securities. The Issuer expects that payments of principal and interest in respect of the Secured Notes and distributions in respect of, and return of capital on, the Preference Shares ordinarily will not be subject to any withholding tax in the Cayman Islands, the United States of America or any other jurisdiction. In the event that withholding or deduction of any taxes is required by law in any jurisdiction, neither Co-Issuer shall be under any obligation to make any additional payments to the holders of the Secured Notes, the Class P Notes or the Preference Shares in respect of such withholding or deduction. See "Certain Tax Considerations".

Tax Treatment of Holders of Preference Shares, Class C Notes and Class P Notes. Because the Issuer will be a passive foreign investment company, a U.S. person holding Preference Shares (including the Preference Shares related to the Class P Notes in the manner described herein) may be subject to additional taxes unless it elects to treat the Issuer as a qualified electing fund and to recognize currently its proportionate share of the Issuer's

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income. The Issuer also may be a controlled foreign corporation, in which case U.S. persons holding Preference Shares could be subject to different tax treatments. See "Certain Tax Considerations".

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

The Issuer intends to treat the Class P Notes, and the Indenture requires that holders agree to treat the Class P Notes, as direct ownership of the Class P Preference Shares and Class P Treasury Strips attributable to the Class P Notes for U.S. federal income tax purposes. Prospective purchasers of Class P Notes should therefore review the discussion in this Offering Circular of the tax treatment of the Preference Shares and Class P Treasury Strips. See "Certain Tax Considerations."

Legislation and Regulations In Connection With the Prevention of Money Laundering. The USA PATRIOT Act, effective as of October 26, 2001, requires broker-dealers registered with the SEC and the National Association of Securities Dealers (**"NASD"**) such as the Initial Purchaser, to establish and maintain anti-money laundering programs. With respect to the content of those programs, the NASD has issued a rule that requires broker-dealers to establish and maintain anti-money laundering programs similar to those currently in place at U.S. banks. On April 23, 2002, the United States Department of the Treasury (the **"Treasury Department"**) issued regulations pursuant to the USA PATRIOT Act that, as amended, exempt "investment companies" such as the Issuer from the anti-money laundering requirements set out thereunder for an indefinite period of time, pending the issuance of a final rule. On September 18, 2002, the Treasury Department issued proposed regulations that, if enacted in their current form, will compel certain "unregistered investment companies" to undertake certain activities including establishing, maintaining and periodically testing an anti-money laundering compliance program, and designating and training personnel responsible for that compliance program.

As part of the rulemaking process, the Treasury Department is considering the appropriate definition of, and exceptions to, the term "unregistered investment company". The Treasury Department may, in its final rule, define such term in such a way as to include the Issuer. In addition, in April 2003, the Treasury Department issued proposed regulations that would require certain investment advisers to establish anti-money laundering programs. The Issuer will continue to monitor the ambit of the proposed regulations, and of the exceptions thereto, and will take all necessary steps (if any) required to comply with those regulations once they are finalized and made effective. It is possible that legislation or regulation could be promulgated which will require the Collateral Manager or other service providers to the Issuer to share information with governmental authorities with respect to investors in the Offered Securities in connection with the establishment of anti-money laundering procedures or require the Issuer to implement additional restrictions on the transfer of the Offered Securities. The Issuer reserves the right to request such information as is necessary to verify the identity of the Holder of an Offered Security and the source of the payment of subscription monies, or as is necessary to comply with any customer identification programs required by the Treasury Department or by any other governmental or self-regulatory agency. Legislation and/or regulations could require the Issuer to implement additional restrictions on the transfer of the Offered Securities. In the event of delay or failure by the applicant to produce any information required for verification purposes, an application for or transfer of the Offered Securities and the subscription monies relating thereto may be refused.

The Issuer and the Collateral Administrator are subject to anti-money laundering legislation in the Cayman Islands pursuant to the Proceeds of Criminal Conduct Law (2001 Revision) (the **"PCCL"**). Pursuant to the PCCL the Cayman Islands government enacted The Money Laundering Regulations (2003 Revision), which impose specific requirements with respect to the obligation "to know your client". Except in relation to certain categories of institutional investors, the Issuer will require a detailed verification of each investor's identity and the source of the payment used by such investor for purchasing the Offered Securities in a manner similar to the obligations imposed under the laws of other major financial centers. In addition, if any person who is resident in the Cayman Islands knows or has a suspicion that a payment to the Issuer (by way of investment or otherwise) contains the proceeds of criminal conduct, that person must report such suspicion to the Cayman Islands authorities pursuant to the PCCL. If the Issuer were determined by the Cayman Islands government to be in violation of the PCCL or The Money

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Laundering Regulations (2003 Revision), the Issuer could be subject to substantial criminal penalties. Such a violation could materially adversely affect the timing and amount of payments by the Issuer to the Holders of the Offered Securities.

ERISA Considerations. See "ERISA Considerations" herein.

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

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

Certain Considerations Relating to the Cayman Islands. The Issuer is an exempted company incorporated with limited liability under the laws of the Cayman Islands. As a result, it may not be possible for purchasers of the Offered Securities to effect service of process upon the Issuer within the United States of America or to enforce against the Issuer in United States courts judgments predicated upon the civil liability provisions of the securities law of the United States of America. The Issuer has been advised by Walkers, its legal advisor in the Cayman Islands, that the United States of America and the Cayman Islands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters and that a final judgment for the payment of money rendered by any Federal or state court in the United States of America based on civil liability, whether or not predicated solely upon United States securities laws, would, therefore, not be automatically enforceable in the Cayman Islands and there is doubt as to the enforceability in the Cayman Islands, in original actions or in actions for the enforcement of judgments of the United States courts, of liabilities predicated solely upon United States securities laws. The Issuer currently plans to appoint Corporation Service Company, 1133 Avenue of the Americas, Suite 3100, New York, NY 10036 as its agent in New York for service of process.

Significant Fees Reduce Proceeds Available for Purchase of Collateral Debt Securities. On the Closing Date, the Co-Issuers will use a portion of the gross proceeds from the offering to pay various fees and expenses, including expenses, fees and commissions incurred in connection with the acquisition of the Collateral, structuring and placement agency fees payable to Merrill Lynch and legal, accounting, rating agency and other fees. Closing fees and expenses reduce the amount of the gross proceeds of the offering available to purchase Collateral and, therefore, the return to purchasers of the Securities. Rating agencies will consider the amount of net proceeds available to purchase Collateral in determining any ratings assigned by them to the Offered Securities.

Interest Rate Risk. The Offered Securities are subject to interest rate risk. The Collateral Debt Securities held by the Issuer may bear interest at a fixed or floating rate. In addition, to the extent the Collateral Debt Securities bear interest at a floating rate, the interest rate on such Collateral Debt Securities may adjust more frequently or less frequently, on different dates and based on different indices than the interest rate on the Secured

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Notes. As a result of the foregoing, there could be an interest rate or basis mismatch between the interest payable on the Collateral Debt Securities held by the Issuer, on the one hand, and interest payable on the Secured Notes, on the other hand. Moreover, as a result of such mismatches, an increase or decrease in the level or levels of the floating rate indices could adversely impact the Issuer's ability to make payments on the Secured Notes or distributions in respect of the Preference Shares.

DESCRIPTION OF THE SECURED NOTES

The Notes will be issued pursuant to the Indenture. The following summary describes certain provisions of the Secured Notes and the Indenture. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture. Copies of the Indenture may be obtained by the holders of the Notes upon request to the Trustee at Wells Fargo Bank, National Association, 9062 Old Annapolis Road, Columbia, Maryland, 21045, Attention: CDO Trust Services –Huntington CDO.

Status and Security

The Secured Notes will be limited-recourse debt obligations of the Co-Issuers. All of the Class A-1 Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-2 Notes are entitled to receive payments *pari passu* among themselves, all of the Class B Notes are entitled to receive payments *pari passu* among themselves and all of the Class C Notes are entitled to receive payments *pari passu* among themselves. Except as otherwise described in the Priority of Payments, the relative order of seniority of payment of each Class of Secured Notes on each Payment Date is as follows: *first*, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes and *fourth*, Class C Notes with (a) each Class of Secured Notes (other than the Class C Notes) in such list being **"Senior"** to each other Class of Secured Notes that follows such Class of Secured Notes in such list and (b) each Class of Secured Notes (other than the Class A-1 Notes) in such list being **"Subordinate"** to each other Class of Secured Notes that precedes such Class of Secured Notes in such list; *provided* that, except as otherwise provided in the Interest Waterfall, the Class C-1 Notes and Class C-2 Notes are entitled to receive payments *pari passu* among themselves. No payment of interest on any Class of Secured Notes will be made until all accrued and unpaid interest on each Class of Secured Notes that is Senior to such Class and that remain outstanding has been paid in full. Except as otherwise described herein, and subject to, the Priority of Payments with respect to Interest Proceeds, no payment of principal of any Class of Secured Notes will be made until all principal of, and all accrued and unpaid interest on, each Class of Secured Notes that is Senior to such Class and that remain outstanding have been paid in full. See "Description of the Notes—Priority of Payments".

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

Payments of principal of and interest on the Secured Notes will be made solely from the proceeds of the Collateral, in accordance with the priorities described under "Priority of Payments" herein. If the amounts received in respect of the Collateral (net of certain expenses) are insufficient to make payments on the Secured Notes, no other assets will be available for payment of the deficiency and, following liquidation of all the Collateral, the obligations of the Co-Issuers to pay any such deficiency will be extinguished and will not thereafter revive.

Interest

The Class A-1 Notes will bear interest at a floating rate *per annum* equal to LIBOR *plus* 0.27%. The Class A-2 Notes will bear interest at a floating rate *per annum* equal to LIBOR *plus* 0.50%. The Class B Notes will bear interest at a floating rate *per annum* equal to LIBOR *plus* 0.67%. The Class C-1 Notes will bear interest at a floating rate *per annum* equal to LIBOR *plus* 2.65%. The Class C-2 Notes will bear interest at a fixed rate *per annum* equal to 7.166%. Interest on the Floating Rate Notes will be computed on the basis of a 360-day year and the actual number of days elapsed. Interest on the Fixed Rate Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months.

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Interest will accrue on the Aggregate Outstanding Amount of each Class of Secured Notes (determined as of the first day of each Interest Accrual Period and after giving effect to any redemption or other payment of principal occurring on such day) during each related Interest Accrual Period.

Other than with respect to the first Payment Date, accrued and unpaid interest will be payable quarterly in arrears on each Payment Date, if and to the extent that funds are available on such Payment Date in accordance with the Priority of Payments set forth herein. With respect to the first Payment Date, interest will accrue from the Closing Date to and excluding the first Payment Date (at which time LIBOR will be reset). All interest accrued from the Closing Date to the first Payment Date will be paid to the extent funds are available on such Payment Date and in accordance with the Priority of Payments.

Payments of interest on the Secured Notes will be payable in U.S. dollars in arrears on each Payment Date.

So long as any Class of Secured Notes is outstanding, if a Coverage Test applicable to such Class of Secured Notes is not satisfied on any Determination Date relating to any Payment Date, then certain funds that would otherwise be used to make certain payments in respect of items in the "Priority of Payments—Interest Waterfall" that are subordinate to such Class will be used instead to redeem each Class of Notes in the order of priority specified in the Priority of Payments, until each applicable Coverage Test is satisfied. See "—Priority of Payments" below. So long as any more Senior Class of Secured Notes remains outstanding, failure to make payment in respect of interest on the Class C Notes on any Payment Date by reason of the Priority of Payments will not constitute an Event of Default under the Indenture.

Any interest on the Class C Notes that is not paid as aforesaid or otherwise by operation of the Priority of Payments will be deferred as Class C Deferred Interest and will be payable on the next subsequent Payment Date on which funds are available pursuant to the Priority of Payments; *provided* that no accrued interest on the Class C Notes may be deferred and become Class C Deferred Interest unless a more Senior Class of Secured Notes is then outstanding. The Class C Deferred Interest will be capitalized and added to the Aggregate Outstanding Amount of the Class C Notes and will accrue interest thereon and such interest will be payable as currently due to the extent funds are available pursuant to the Priority of Payments. Upon the payment of Class C Deferred Interest on any subsequent Payment Date, the Class C Deferred Interest will be reduced by the amount of such payment.

Interest will cease to accrue on each Secured Note or, in the case of a partial repayment, on such part, from the Final Maturity Date unless payment of principal is improperly withheld or unless default is otherwise made with respect to such payments. To the extent lawful and enforceable, any due and unpaid interest on any Secured Note will accrue at the interest rate applicable to such Secured Note until paid.

Determination of LIBOR

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

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

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

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

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

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

(v) If the Calculation Agent is required but is unable to determine a rate in accordance with any of the procedures described in clauses (i), (ii) or (iv) above, LIBOR with respect to such Interest Accrual Period shall be the arithmetic mean of the Base Rate for each day during such Interest Accrual Period. For purposes of clauses (i), (iii), (iv) and (v) above, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point. For the purposes of clause (ii) above, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one thirty-second of a percentage point.

Notwithstanding any of the foregoing provisions, with respect to the determination of the interest rate for the Floating Rate Notes for the first Interest Accrual Period, LIBOR shall be determined in accordance with the foregoing provisions two Business Days prior to the Closing Date and, as so determined, will remain in effect until the day preceding August 5, 2005.

As used herein:

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

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

"Designated Maturity" means (i) for the first Collection Period, the number of calendar days from, and including the Closing Date to, but excluding, the first Payment Date and (ii) for each Collection Period after the first Collection Period, three months.

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

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

"Reference Banks" means four major banks in the London interbank market, selected by the Calculation Agent (after consultation with the Collateral Manager) whose rates are used by the Calculation Agent in determining LIBOR if the LIBOR rate does not appear on Telerate Page 3750 (or such other page as may replace such Telerate Page 3750 for the purpose of displaying comparable rates), as reported by Bloomberg Financial Markets Commodities News.

"Reference Dealers" means three major dealers in the secondary market for U.S. Dollar certificates of deposit, selected by the Calculation Agent (after consultation with the Collateral Manager).

For so long as any Class of Floating Rate Notes remains outstanding, the Issuer will at all times maintain an agent appointed to calculate LIBOR in respect of each Interest Accrual Period. As soon as possible after 11:00 a.m. (London time) on each LIBOR Determination Date, but in no event later than the Business Day immediately following each LIBOR Determination Date, the Trustee will calculate the interest rate for each Class of Floating Rate Notes for the related Interest Accrual Period and the amount of interest payable for such Interest Accrual Period (in each case rounded to the nearest cent, with half a cent being rounded upward) on the related Payment Date and will communicate such rates and amounts and the related Payment Date to the Co-Issuers, the Trustee, each Paying Agent (other than the Preference Share Paying Agent), DTC, Euroclear, Clearstream the Irish Stock Exchange (if and for as long as the Notes are listed thereon) and each Hedge Counterparty and such information will be promptly published by the Calculation Agent in the Daily Official List (if and for so long as any Secured Notes are listed on the Irish Stock Exchange).

If and for so long as any Class of Secured Notes is listed on the Irish Stock Exchange and for so long as the rules of such stock exchange so require, the Trustee will inform the Irish Stock Exchange of the principal amounts outstanding of each Class of Secured Notes following each Payment Date and if any Class of Secured Notes does not receive scheduled payments of principal or interest on a Payment Date and the Trustee will arrange for such information to be published in the Irish Stock Exchange's Daily Official List.

If and for so long as any Class of Secured Notes are listed on the Irish Stock Exchange and the rules of such exchange shall so require, the Co-Issuers will have a paying agent in Ireland.

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

Principal

Each Class of Secured Notes will mature at the Stated Maturity. However, the Secured Notes may be paid in full or in part prior to their Stated Maturity. With respect to each Class of Secured Notes, the earlier of the Stated Maturity and the Payment Date on which the Aggregate Outstanding Amount of such Class of Secured Notes is paid in full, including the Redemption Date or an Event of Default and an acceleration of the Secured Notes, is referred to herein as the **"Final Maturity Date"**. See "Risk Factors—Average Lives of the Secured Notes and Prepayment Considerations" and "Maturity, Prepayment and Yield Considerations". Any payment of principal with respect to any Class of Secured Notes (including any payment of principal made in connection with a Coverage Test Redemption, a Rating Confirmation Failure Redemption, an Optional Redemption, a Tax Redemption, or an Auction Call Redemption) will be made by the Trustee on a *pro rata* basis on each Payment Date among the

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Secured Notes of such Class according to the respective Aggregate Outstanding Amount thereof outstanding immediately prior to such payment.

Payments of principal may be made on the Secured Notes during the Reinvestment Period only in the following circumstances (subject, in each case, to the Priority of Payments): (i) in connection with a Coverage Test Redemption, (ii) in connection with a Rating Confirmation Failure Redemption, (iii) principal on the Class C-1 Notes may be paid prior to payments of principal on the Class A Notes and Class B Notes out of Interest Proceeds remaining on a Payment Date after the Preference Shareholders have received an annualized Dividend Yield of 13% and (iv) in connection with a Tax Redemption. After the Reinvestment Period, Principal Proceeds will be applied on each Payment Date in accordance with the Priority of Payments to pay principal of each Class of Secured Notes, with principal of a Class of Secured Notes being paid prior to the payment of principal of each other Subordinate Class of Secured Notes then outstanding; *provided* that Principal Proceeds received by the Issuer from the sale of a Credit-Risk Security, Credit-Improved Security or Defaulted Security may be used to purchase additional Collateral Debt Securities after the last day of the Reinvestment Period. See "Description of the Notes—Priority of Payments".

Reinvestment Period

The **"Reinvestment Period"** is the period from the Closing Date and ending on the first to occur of (i) the Payment Date immediately following the date that the Collateral Manager notifies the Trustee and each Hedge Counterparty in writing that, in light of the composition of Collateral Debt Securities, general market conditions and/or other factors (including any change in U.S. Federal tax law requiring tax to be withheld on payments to the Issuer with respect to obligations or securities held by the Issuer), the Collateral Manager (in its sole discretion) has determined that investments in additional Collateral Debt Securities within the foreseeable future would either be impractical or not beneficial; (ii) the end of the Collection Period preceding the Payment Date occurring in May 2008; (iii) an acceleration of the maturity of the Notes (unless such acceleration has subsequently been rescinded and annulled, in which case the Reinvestment Period shall be reinstated upon such rescission or annulment); and (iv) the Discretionary Sale Percentage is reduced to 0%.

After the last day of the Reinvestment Period, all Principal Proceeds will be applied on each Payment Date in accordance with the Priority of Payments. In addition, Interest Proceeds will be applied to pay principal of the Secured Notes during and after the Reinvestment Period in the following circumstances (subject, in each case, to the Priority of Payments): (a) upon the failure of the Issuer to meet either Coverage Test, (b) in the event of a Rating Confirmation Failure, (c) so long as any Class C-1 Notes are outstanding, on any Payment date after the Preference Shareholders have received an annualized Dividend Yield of 13%, to the payment of principal of the Class C-1 Notes and (d) for the payment of Class C Deferred Interest.

Coverage Test Redemption

Each Class of Secured Notes shall, on any Payment Date, be subject to mandatory redemption in the event that any Coverage Test applicable to any Class of Notes is not satisfied on the related Determination Date (the **"Coverage Test Redemption"**). Any such redemption will be effected in accordance with the Priority of Payments described herein to the extent necessary to cause each applicable Coverage Test to be satisfied. Except under the limited circumstances described herein, any such redemption will be applied to each outstanding Class of Secured Notes in accordance with its relative seniority and will otherwise be effected in accordance with the Priority of Payments.

Rating Confirmation Failure Redemption

No later than seven Business Days after the Ramp-Up Completion Date, the Issuer will request that each Rating Agency confirm that it has not reduced or withdrawn the ratings assigned by it on the Closing Date to the Notes (a **"Rating Confirmation"**). If the Issuer is unable to obtain a Rating Confirmation prior to the first Determination Date following the Ramp-Up Completion Date (a **"Rating Confirmation Failure"**), on the next Payment Date and on each subsequent Payment Date, the Issuer, at the direction of the Collateral Manager, will apply, *first*, Uninvested Proceeds, *second*, Principal Proceeds and, *third*, Interest Proceeds to (i) the repayment of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, and the Class C Notes, in that order (a **"Rating Confirmation Failure Redemption"**), (ii) to purchase additional Collateral Debt Securities or (iii) to effect a

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combination of (i) and (ii), in each case to the extent necessary to receive a Rating Confirmation from each Rating Agency with respect to the Notes.

Optional Redemption and Tax Redemption

Subject to certain conditions described herein, the Issuer may redeem the Secured Notes (such redemption, an **"Optional Redemption"**), in whole but not in part, at the direction of the holders of not less than (i) the Majority-in-Interest of Preference Shareholders, from Sale Proceeds and all other funds in each Account (other than any Hedge Counterparty Collateral Account, any Synthetic Security Issuer Account, any Synthetic Security Counterparty Account and the Class P Reserve Account) on such Payment Date, as specified by the Issuer, at the written direction of a Majority-in-Interest of Preference Shareholders, at the applicable Redemption Price (exclusive of installments of principal and interest due on or prior to such date, payment of which shall have been made or duly provided for, to the Holders of the Notes as provided in this Indenture); *provided* that (i) no such Optional Redemption may be effected prior to the Payment Date occurring in May 2008, (ii) the Sale Proceeds and all Cash and Eligible Investments credited to each Account (other than any Hedge Counterparty Collateral Account, any Synthetic Security Issuer Account, any Synthetic Security Counterparty Account and the Class P Reserve Account) on the relevant Payment Date must be at least equal to the Total Senior Redemption Amount and (iii) such Sale Proceeds are used to make such a redemption.

Upon the occurrence of a Tax Event and if the Tax Materiality Condition is satisfied, the Secured Notes shall be redeemable by the Issuer on any Payment Date in whole but not in part (A) at the written direction of a Majority of any Affected Class or (B) at the direction of a Majority-in-Interest of Preference Shareholders (such redemption, a **"Tax Redemption"**) from Sale Proceeds and all other funds in each Account (other than any Hedge Counterparty Collateral Account, any Synthetic Security Issuer Account, any Synthetic Security Counterparty Account and the Class P Reserve Account) on such Payment Date at the applicable Redemption Price (exclusive of installments of principal and interest due on or prior to such date, payment of which shall have been made or duly provided for, to the Holders of the Secured Notes as provided in the Indenture); *provided* that (x) the Sale Proceeds therefrom and all cash and Eligible Investments credited to each Account (other than any Hedge Counterparty Collateral Account, any Synthetic Security Issuer Account, any Synthetic Security Counterparty Account and the Class P Reserve Account) on the relevant Payment Date must be at least equal to the Total Senior Redemption Amount and (y) such Sale Proceeds are used to make such a redemption.

In the event of an Optional Redemption or Tax Redemption, unless a Majority-in-Interest of Preference Shareholders have directed the Issuer to redeem the Preference Shares on such Payment Date, the amount of Collateral Debt Securities sold in connection with such Optional Redemption or Tax Redemption shall not exceed the amount necessary for the Issuer to obtain the Total Senior Redemption Amount.

Auction Call Redemption

In accordance with the procedures set forth in the Indenture (the **"Auction Procedures"**), the Trustee shall, at the expense of the Issuer, conduct an auction (an **"Auction"**) of the Collateral Debt Securities on the Payment Date occurring in May 2013 if the Secured Notes have not been redeemed in full; *provided* that (a) for any Payment Date on or after May 2013 but before the Payment Date occurring in May 2015, the Preference Shareholders have received an IRR of 10% (including any anticipated distributions from the Auction Call Redemption on such Payment Date) and (b) for any Payment Date on or after May 2015, the Preference Shareholders have received an IRR of 2% (including any anticipated distributions from the Auction Call Redemption on such Payment Date). The Auction shall be conducted not later than ten Business Days prior to (1) the Payment Date occurring May 5, 2013 and (2) if the Secured Notes are not redeemed in full on the prior Payment Date, each Payment Date thereafter until the Secured Notes have been redeemed in full in accordance with the provisions of Section 9.6(a) of the Indenture (each such date, an **"Auction Date"**). Any of the Preference Shareholders, the Collateral Manager, the Trustee or their respective affiliates may, but shall not be required to, bid at the Auction. The Trustee shall sell and transfer all of the Collateral Debt Securities (which may be divided into up to eight subpools) to the highest bidder therefor (or the highest bidder for each subpool) at the Auction; *provided* that:

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

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(ii) the Trustee has received bids for the Collateral Debt Securities from at least two qualified bidders identified by the Trustee in consultation with the Collateral Manager (including the winning qualified bidder) for (x) the purchase of all of the Collateral Debt Securities as a single pool or (y) the purchase of subpools that in the aggregate constitute all of the Collateral Debt Securities;

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

(iv) the bidder(s) who offered the highest auction price for the Collateral Debt Securities (or the related subpools) enter(s) into a written agreement with the Issuer (which the Issuer shall execute if the conditions set forth in (i) through (iii) above are satisfied, which execution shall constitute certification by the Issuer that such conditions have been satisfied) that obligates the highest bidder (or the highest bidder for each subpool) to purchase all of the Collateral Debt Securities (or the relevant subpool) with the closing of such purchase (and full payment in cash to the Trustee) to occur on or prior to the sixth Business Day following the relevant Auction Date.

Provided that all of the conditions set forth in clauses (i) through (iv) have been met, the Trustee shall sell and transfer the Collateral Debt Securities (or the related subpool), without representation, warranty or recourse, to such highest bidder (or the highest bidder for each subpool, as the case may be) in accordance with and upon completion of the Auction Procedures. The Trustee shall deposit the purchase price for the Collateral Debt Securities in the Collection Accounts and (x) redeem the Secured Notes in whole but not in part at the applicable Redemption Price (exclusive of installments of principal and interest due on or prior to such date, *provided* payment of which shall have been made or duly provided for, to the Holders of the Secured Notes as provided in the Indenture), (y) pay the remaining portion of the Redemption Amount in accordance with the Priority of Payments and (z) make a payment to the Preference Share Paying Agent for distribution to the Preference Shareholders in an amount equal to any portion of such purchase price remaining after the application contemplated by the foregoing clauses (x) and (y), in each case on the Payment Date immediately following the relevant Auction Date (such redemption, an **"Auction Call Redemption"**).

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

Redemption Price

The amount payable in connection with any Optional Redemption, Tax Redemption, or Auction Call Redemption of any Note (with respect to each Class of Secured Notes, the **"Redemption Price"**) will be an amount equal to (i) the Aggregate Outstanding Amount of such Secured Note being redeemed *plus* accrued interest (including any Defaulted Interest) thereon, and (ii) with respect to the Class C Notes, any unpaid Class C Deferred Interest, to the extent that funds are available therefor in accordance with the Priority of Payments.

Redemption Procedures

In the event of any Optional Redemption, Tax Redemption or Auction Call Redemption, the Issuer shall, at least 30 days (but not more than 90 days) prior to the scheduled Redemption Date (unless the Trustee, upon direction from the Issuer or the Collateral Manager on behalf of the Issuer and each Hedge Counterparty shall agree

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to a shorter notice period), notify the Trustee, each Hedge Counterparty, each Rating Agency, the Holders of the Secured Notes of the Controlling Class, the Preference Share Paying Agent and each Paying Agent of such Redemption Date, the applicable Record Date, the principal amount of each Class of Secured Notes to be redeemed on such Redemption Date and the Redemption Price of such Notes in accordance with the Indenture.

The Secured Notes shall not be redeemed pursuant to an Optional Redemption, Tax Redemption or Auction Call Redemption unless at least six Business Days before the scheduled Redemption Date, the Issuer shall have furnished to the Trustee, the Holders of the Secured Notes of the Controlling Class and each Hedge Counterparty, an officer's certificate stating that the Issuer has entered into a binding agreement or agreements with a financial institution or institutions whose long term unsecured debt obligations (other than such obligations whose rating is based on the credit of a person other than such institution) have a credit rating from each Rating Agency at least equal to the rating of any Secured Notes then Outstanding or whose short term unsecured debt obligations have a credit rating of "P-1" by Moody's (and, if rated "P-1", not be on watch for possible downgrade by Moody's), "A-1" by Standard & Poor's and "F1" by Fitch to sell, not later than the Business Day immediately preceding the scheduled Redemption Date, all or part of the Collateral Debt Securities at a sale price (including in such price the sale of accrued interest) which, when added to all cash and Eligible Investments maturing on or prior to the scheduled Redemption Date credited to each Account (other than any Hedge Counterparty Collateral Account, any Synthetic Security Issuer Account, any Synthetic Security Counterparty Account and the Class P Reserve Account) on the relevant Payment Date, is at least equal to an amount sufficient to pay (in accordance with the Priority of Payments) the Total Senior Redemption Amount.

Notwithstanding the foregoing, in connection with any Tax Redemption, Holders of at least 100% of the Aggregate Outstanding Amount of an Affected Class of Secured Notes may elect to receive less than 100% of the portion of the Total Senior Redemption Amount that would otherwise be payable to Holders of such Affected Class (and the Total Senior Redemption Amount will be reduced accordingly).

Cancellation

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

Payments

Notice of redemption having been given as aforesaid, the Secured Notes so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after the Redemption Date (unless the Issuer shall default in the payment of the Redemption Price and accrued interest, if any) such Secured Notes shall cease to bear interest on the Redemption Date. Upon final payment on a Secured Note to be redeemed, the Holder shall present and surrender such Note at the place specified in the notice of redemption on or prior to such Redemption Date; *provided* that if there is delivered to the Co Issuers and the Trustee (i) in the case of a Holder that is not a Qualified Institutional Buyer, such security or indemnity as may be required by them to save each of them harmless and (ii) an undertaking thereafter to surrender such Secured Note, then, in the absence of notice to the Co Issuers and the Trustee that the applicable Secured Note has been acquired by a bona fide purchaser, such final payment shall be made without presentation or surrender. Installments of interest on Secured Notes of a Class so to be redeemed whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Secured Notes, or one or more predecessor Secured Notes, registered as such at the close of business on the relevant Record Date according to the terms and provisions of the Indenture.

If any Secured Note called for redemption shall not be paid upon surrender thereof for redemption, the principal thereof shall, until paid, bear interest from the Redemption Date at the applicable Note Interest Rate for each successive Interest Period the Note remains Outstanding.

Installments of principal and interest due on or prior to a Redemption Date shall continue to be payable to the Holders of such Notes as of the relevant Record Dates according to their terms. The election of the Issuer to redeem any Notes pursuant to an Optional Redemption or Tax Redemption shall be evidenced by an order of the Issuer in made accordance with the requirements of the Indenture directing the Trustee to make the payment to the Paying Agent of the Redemption Price of all of the Secured Notes to be redeemed from funds in the Collection Account in accordance with the Priority of Payments. The Issuer shall deposit, or cause to be deposited, the funds

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required for an Optional Redemption in the Collection Account on or before the fifth Business Day prior to the Redemption Date or, if later, upon receipt. The Issuer shall set the Redemption Date and the applicable Record Date and give notice thereof to the Trustee pursuant to the Indenture.

Any amounts applied to the redemption of the Secured Notes pursuant to an Optional Redemption, Tax Redemption or Auction Call Redemption shall be applied to the Class A-1 Notes, Class A-2 Notes, Class B Notes or Class C Notes, respectively, in each case, pro rata in accordance with the Aggregate Outstanding Amounts of such Class of Secured Notes on the date of such redemption.

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

Priority of Payments

With respect to any Payment Date, collections received during each Collection Period in respect of the Collateral will be divided into Interest Proceeds and Principal Proceeds and applied in the priority set forth below under "—Interest Waterfall" and "—Principal Waterfall", respectively (collectively, the **"Priority of Payments"**).

Interest Waterfall

On each Payment Date (other than the Final Maturity Date), Interest Proceeds with respect to the related Collection Period will be distributed in the order of priority set forth below:

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

(2) (A) *first*, to the payment to the Trustee an amount up to 0.005% of the Net Outstanding Collateral Debt Security Balance for the first day of the related Collection Period; (B) *second*, to the payment, in the following order, to the Trustee, Collateral Administrator, the Preference Share Paying Agent, the Note Registrar, the Administrator, the Rating Agencies and the accountants of any fixed accrued and unpaid Administrative Expenses; (C) *third*, to the payment, in the following order, to the Trustee, Collateral Administrator, the Preference Share Paying Agent, the Note Registrar, the Administrator, the Rating Agencies, the accountants, the Collateral Manager and any other third parties of any other accrued and unpaid Administrative Expenses, provided that the aggregate amount of all payments made pursuant to subclause (B) above and this subclause (C) do not, on such Payment Date, exceed U.S.$100,000; and (D) *fourth*, if the balance of the Expense Reimbursement Account on the related Determination Date is less than U.S.$100,000, for deposit to the Expense Reimbursement Account of an amount equal to the lesser of (x) the amount by which U.S.$100,000 exceeds the aggregate amount of payments made under subclauses (B) and (C) above on such Payment Date and (y) such amount as would have caused the balance of the Expense Reimbursement Account to equal U.S.$100,000 immediately after such deposit;

(3) to the payment to the Collateral Manager of the Senior Collateral Management Fee and any Senior Collateral Management Fee that has accrued and was not paid on a prior Payment Date;

(4) to the payment to each Hedge Counterparty of the Periodic Hedge Payment Amount (and any interest thereon), if any, that is then due and owing by the Issuer to such Hedge Counterparty pursuant to the related Hedge Agreements on such Payment Date;

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(5) to the payment of any Issuer Default Termination Amount, if any;

(6) to the payment of *first*, the accrued and unpaid interest (including any Defaulted Interest) on such Payment Date on the Class A-1 Notes and, *second,* the accrued and unpaid interest (including any Defaulted Interest) on such Payment Date on the Class A-2 Notes;

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

(8) (A) *first*, if either Class A/B Coverage Test is not satisfied on the related Determination Date and if any Class A Notes or Class B Notes remain outstanding, to the payment of principal of, *first*, the Class A-1 Notes, *second*, to the Class A-2 Notes and *third*, the Class B Notes, in each case either until such Notes are paid in full or to the extent necessary to cause each of the Class A/B Coverage Tests to be satisfied and (B) *second,* upon the occurrence of a Rating Confirmation Failure (after application of, first, Uninvested Proceeds and, second, Principal Proceeds pursuant to the Principal Waterfall), to the payment of principal of, *first,* the Class A-1 Notes, *second*, the Class A-2 Notes, and *third,* the Class B Notes, to the extent necessary to receive a Rating Confirmation or as otherwise directed by the Collateral Manager and approved by the Rating Agencies;

(9) to the payment of the accrued and unpaid interest that is payable with respect to the Class C Notes on such Payment Date (including (i) so long as no Class A Notes or Class B Notes are outstanding, Defaulted Interest with respect to the Class C Notes and (ii) interest accrued on any Class C Deferred Interest, if any, but excluding any Class C Deferred Interest);

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

(11) to the payment of the Class C Deferred Interest;

(12) to the payment of amounts referred to in clause (2) under this Interest Waterfall, in the same order of priority specified therein, to the extent such amounts were not paid pursuant to such clause (2) (whether as the result of the limitations on amounts set forth therein or otherwise);

(13) to the payment of the Collateral Manager of the Subordinate Collateral Management Fee and any Subordinate Collateral Management Fee that was payable but was not paid on a prior Payment Date;

(14) until the Class C-1 Notes have been paid in full, to the payment to the Preference Share Paying Agent for distribution to the Preference Shareholders as a dividend on the Preference Shares pursuant to the Preference Share Documents until the Preference Shareholders have received an annualized Dividend Yield of 13%;

(15) to the payment of principal of the Class C-1 Notes until the Aggregate Outstanding Amount of the Class C-1 Notes is reduced to zero;

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

(17) the remainder to the Preference Share Paying Agent for distribution to the Preference Shareholders as a dividend on the Preference Shares pursuant to the Preference Share Documents.

Principal Waterfall

On each Payment Date (other than the Final Maturity Date), Principal Proceeds received with respect to the related Collection Period will be distributed in the order of priority set forth below:

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(1) to the payment of the amounts referred to in clauses (1) to (7) in the Interest Waterfall, in the same order of priority specified therein, but only to the extent not paid in full thereunder;

(2) after the last day of the Reinvestment Period, to the payment of (a) first, the Aggregate Outstanding Amount of the Class A-1 Notes until the Class A-1 Notes have been paid in full, (b) second, the Aggregate Outstanding Amount of the Class A-2 Notes until the Class A-2 Notes have been paid in full and (c) third, the Aggregate Outstanding Amount of the Class B Notes until the Class B Notes have been paid in full;

(3) prior to the last day of the Reinvestment Period, if either Class A/B Coverage Test or Class C Coverage Test is not satisfied on the related Determination Date, and if any Class A Notes or Class B Notes remain Outstanding, first, to the payment of principal of the Class A-1 Notes, second, to the payment of principal of the Class A-2 Notes, and third, to the payment of the Class B Notes, until each of the Class A/B Coverage Tests and Class C Coverage Tests are satisfied or each such Class is paid in full;

(4) so long as no Class A Notes or Class B Notes are Outstanding, to the payment of the amounts referred to in clause (9) under the Interest Waterfall, but only to the extent not paid in full thereunder;

(5) after the last day of the Reinvestment Period, to the payment of (a) the Aggregate Outstanding Amount of the Class C Notes (including any Class C Deferred Interest) until the Class C Notes have been paid in full;

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

(7) prior to the last day of the Reinvestment Period, all remaining Principal Proceeds to the purchase of additional Collateral Debt Securities on such Payment Date or to the Collection Account for investment in additional Collateral Debt Securities on a later date;

(8) (a) to the payment of amounts referred to in clause (12) in the Interest Waterfall, in the same order of priority specified therein, but only to the extent not paid in full thereunder; and then (b) to the payment of amounts referred to in clause (13) in the Interest Waterfall, but only to the extent not paid in full thereunder; and (c) *then* to the payment of amounts in clause (16) in the Interest Waterfall, but only to the extent not paid in full thereunder; and

(9) the remainder, to be paid to the Preference Share Paying Agent for distribution to the Preference Shareholders as a dividend on the Preference Shares or as a payment on redemption or repurchase of the Preference Shares as provided in the Preference Share Documents.

Upon prior written notice delivered to the Trustee at least two Business Days prior to any Determination Date, the Collateral Manager may, in its sole discretion, elect to defer payment to it of any Senior Collateral Management Fee and Subordinate Collateral Management Fee which would otherwise be payable to the Collateral Manager on such Payment Date. Any Senior Collateral Management Fee and Subordinate Collateral Management Fee so deferred will be paid on the next succeeding Payment Date to the extent funds are available for such purpose in accordance with the Priority of Payments and shall not accrue interest; *provided* that any Subordinate Collateral Management Fee to which the Collateral Manager is entitled on any Payment Date that is not paid to the Collateral Manager because the Collateral Manager, in its sole discretion, has instructed the Trustee that it wishes to defer payment of such fees until a subsequent Payment Date, will accrue interest at the rate of LIBOR and such fees, together with any interest thereon, will be payable on the next Payment Date specified by the Collateral Manager on which funds are available therefor in accordance with the Priority of Payments.

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

The Coverage Tests

The Coverage Tests applicable to a Class of Secured Notes will be used primarily to determine whether and to what extent Interest Proceeds may be used to pay items in the Interest Waterfall that are subordinate to such Class and whether and to what extent Principal Proceeds may be reinvested in Collateral Debt Securities. In the event that any of the Class A/B Coverage Tests are not satisfied on any Determination Date relating to a Payment Date, then funds that would otherwise be used to make interest payments in respect of the Class C Notes will be used instead to redeem, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, and *third*, the Class B Notes, in each case, until each applicable Coverage Test is satisfied. If the Class C Coverage Tests are not satisfied on any Determination Date relating to a Payment Date, then funds that would otherwise be used to pay certain amounts pursuant to the Priority of Payments will be used to redeem, *first*, the Class A Notes, *second*, the Class B Notes, and, *third*, the Class C Notes, until the Class C Coverage Tests are satisfied. See "Description of the Notes—Priority of Payments—Interest Waterfall".

The **"Class A/B Coverage Tests"** will consist of the Class A/B Overcollateralization Test and the Class A/B Interest Coverage Test. The **"Class C Coverage Tests"** will consist of the Class C Overcollateralization Test and the Class C Interest Coverage Test. For purposes of the Class A/B Coverage Tests and the Class C Coverage Tests (collectively, the **"Coverage Tests"**), unless otherwise specified, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation.

The Class A/B Overcollateralization Test

The **"Class A/B Overcollateralization Ratio"** is, as of any Measurement Date, the number (expressed as a percentage) calculated by *dividing* (i) the Net Outstanding Collateral Debt Security Balance on such Measurement Date *by* (ii) the Aggregate Outstanding Amount of the Class A Notes and Class B Notes as of such Measurement Date.

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 103.7%.

The Class C Overcollateralization Test

The **"Class C Overcollateralization Ratio"** is, as of any Measurement Date, the number (expressed as a percentage) calculated by *dividing* (i) the Net Outstanding Collateral Debt Security Balance on such Measurement Date *by* (ii) the Aggregate Outstanding Amount of the Class A Notes, the Class B Notes and the Class C Notes (plus any Class C Deferred Interest) as of such Measurement Date.

The **"Class C Overcollateralization Test"** will be satisfied on any Measurement Date on which any Class C Notes remain outstanding if the Class C Overcollateralization Ratio on such Measurement Date is equal to or greater than 101.38%.

The Class A/B Interest Coverage Test and the Class C Interest Coverage Test:

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

(a) an amount equal to (i) the aggregate amount of Interest Proceeds received and scheduled distributions representing payment of interest to be received during the related Collection Period with respect to

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Collateral Debt Securities and Eligible Investments (whether such Eligible Investments were purchased with Interest Proceeds or Principal Proceeds) *plus* (ii) the amount, if any, scheduled to be paid to the Issuer by the Interest Rate Hedge Counterparty under the Interest Rate Hedge Agreements on the Payment Date relating to such Collection Period *minus* (iii) the amount, if any, scheduled to be applied pursuant to paragraphs (1), (2), (3) and (4) of the Priority of Payments of Interest Proceeds on the immediately succeeding Payment Date; *by*

(b) an amount equal to (i) in the case of the Class A/B Interest Coverage Ratio, the aggregate of the scheduled interest on the Class A Notes (including any Defaulted Interest) and the Class B Notes (including any Defaulted Interest) payable on the immediately succeeding Payment Date; or (ii) in the case of the Class C Interest Coverage Ratio, the aggregate of the scheduled interest on the Class A Notes (including any Defaulted Interest), the Class B Notes (including any Defaulted Interest) and the Class C Notes (including (A) so long as no Class A Notes or Class B Notes are outstanding, Defaulted Interest with respect to the Class C Notes and (B) interest accrued on any Class C Deferred Interest, if any, but excluding any Class C Deferred Interest) payable on the immediately succeeding Payment Date.

For the purpose of determining compliance with any Interest Coverage Test, there will be excluded (i) all payments of interest on Defaulted Securities, (ii) any payments of interest on Deferred Interest PIK Bonds and (iii) any payment, including any amount payable to the Issuer by the Interest Rate Hedge Counterparty, that will not be made in cash or received when due, as determined by the Collateral Manager in its reasonable judgment.

The **"Class A/B Interest Coverage Test"** will be satisfied on any Measurement Date, from and after the Ramp-Up Completion Date and on which any Class A Notes or Class B Notes remain outstanding, if the Class A/B Interest Coverage Ratio as of such Measurement Date is equal to or greater than 110%.

The **"Class C Interest Coverage Test"** will be satisfied on any Measurement Date, from and after the Ramp-Up Completion Date and on which any Class C Notes remain outstanding, if the Class C Interest Coverage Ratio as of such Measurement Date is equal to or greater than 105%.

No Gross-Up

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

The Indenture

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

Events of Default

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

(i) a default in the payment of any interest (A) on any Class A Note or Class B Note or (B) if there are no Class A Notes or Class B Notes outstanding, on any Class C Note, including any interest on the Class C Deferred Interest (but excluding Class C Deferred Interest previously due and deferred and capitalized as provided for in the Indenture), when the same becomes due and payable, in each case which default continues for a period of five Business Days (or, in the case of a payment default resulting solely from an administrative error or omission by the Trustee, the Collateral Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, seven days);

(ii) a default in the payment of principal of any Note when the same becomes due and payable at its Final Maturity Date (or, in the case of a payment default resulting solely from an administrative error or

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

(iii) the failure on any Payment Date to disburse amounts available in the Collection Account in accordance with the Priority of Payments (other than a default in payment described in clause (i) or (ii) above), which failure continues for a period of two Business Days (or, in the case of a failure resulting solely from an administrative error or omission by the Trustee, the Collateral Administrator, a Paying Agent (other than the Preference Share Paying Agent), the Collateral Manager or Note Registrar, seven days);

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

(v) a default in the performance, or breach, of any other covenant or other agreement (other than any covenant to meet the Eligibility Criteria, the Collateral Quality Tests, the Standard & Poor's CDO Monitor Test, or the Coverage Tests) of the Issuer or the Co-Issuer under the Indenture or any representation or warranty of the Issuer or the Co-Issuer made in the Indenture or in any certificate or other writing delivered pursuant thereto or in connection therewith proves to be incorrect in any material respect when made, and the continuation of such default or breach for a period of 30 consecutive days (or, if such default, breach or failure has an adverse effect on the validity, perfection or priority of the security interest granted under the Indenture, 15 consecutive days) after any of the Issuer, the Co-Issuer or the Collateral Manager has actual knowledge thereof or after written notice thereof to the Issuer and the Collateral Manager by the Trustee or to the Issuer, the Collateral Manager and the Trustee by the holders of at least 50% in Aggregate Outstanding Amount of Notes of the Controlling Class or by any Hedge Counterparty, in each case, specifying such default or breach and requiring it to be remedied and stating that it is a "notice of default" under the Indenture;

(vi) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) winding up, liquidation, reorganization or other relief in respect of the Issuer or the Co-Issuer or its debts, or of a substantial part of its assets, under any bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Issuer or the Co-Issuer or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days; or an order or decree approving or ordering any of the foregoing shall be entered; or the Issuer or its assets shall become subject to any event that, under the applicable laws of the Cayman Islands, has an analogous effect to any of the foregoing;

(vii) the Issuer or the Co-Issuer shall (i) voluntarily commence any proceeding or file any petition seeking winding up, liquidation, reorganization or other relief under any bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in Section 5.1(f) of the Indenture, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Issuer or the Co-Issuer or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing; or the Issuer shall cause or become subject to any event with respect to the Issuer that, under the applicable laws of the Cayman Islands, has an analogous effect to any of the foregoing; or

(viii) one or more final judgments being rendered against either of the Co-Issuers that exceed, in the aggregate, U.S.$5,000,000 (or such lesser amount as either Fitch or Moody's may specify) and which remain unstayed, undischarged and unsatisfied for 30 days after such judgment(s) becomes nonappealable, unless adequate funds have been reserved or set aside for the payment thereof.

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

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If an Event of Default occurs and is continuing (other than an Event of Default described in clause (vi) or (vii) under "Events of Default" above), (i) the Trustee (at the direction of the Holders of a Majority of the Controlling Class by notice to the Co-Issuers) or (ii) Holders of a Majority of the Controlling Class, by notice to the Co-Issuers and the Trustee, may (A) declare the principal of all of the Notes to be immediately due and payable, and upon any such declaration such principal, together with all accrued and unpaid interest thereon, and other amounts payable hereunder, shall become immediately due and payable and (B) terminate the Reinvestment Period. . If an Event of Default described in clause (vi) or (vii) above under "Events of Default" occurs, such an acceleration will occur automatically and without any further action and the Reinvestment Period will terminate. Notwithstanding the foregoing, if the sole Event of Default is an Event of Default described in clause (i) or clause (ii) above under "Events of Default" with respect to a default in the payment of any principal of or interest on the Secured Notes of a Class other than the Controlling Class, neither the Trustee nor the holders of such non-Controlling Class will have the right to declare such principal and other amounts to be immediately due and payable..

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

(A) the Trustee determines (on the basis of consultations with the Collateral Manager and in accordance with the assumptions prescribed by Section 1.2 of the Indenture) that the anticipated proceeds of a sale or liquidation of the Collateral (after deducting the reasonable expenses of such sale or liquidation) would be sufficient to discharge in full the amounts then due and unpaid on the Notes for principal and interest (including Class C Deferred Interest, Defaulted Interest and interest on Defaulted Interest, if any), due and unpaid Administrative Expenses, due and unpaid Senior Collateral Management Fee and Subordinate Collateral Management Fee, and any accrued and unpaid amounts payable by the Issuer pursuant to the Hedge Agreements, including termination payments, if any (assuming, for this purpose, that the related Hedge Agreement has been terminated by reason of an event of default or termination event thereunder with respect to the Issuer); or

(B) the holders of at least 66⅔ % in Aggregate Outstanding Amount of each Class of Notes, voting as a separate Class and each Hedge Counterparty (unless no early termination or liquidation payment, including any accrued and unpaid amounts, would be owing by the Issuer to such Hedge Counterparty upon the termination thereof by reason of an event of default or termination event under the related Hedge Agreement with respect to the Issuer), subject to the provisions hereof, direct in writing the sale and liquidation of the Collateral.

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

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

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

The holders of a majority in Aggregate Outstanding Amount of Secured Notes of the Controlling Class, acting together with the Hedge Counterparty (if such party is adversely affected thereby) as prescribed by the

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

No holder of a Note will have the right to institute any proceeding with respect to the Indenture unless (i) such holder previously has given to the Trustee written notice of an Event of Default, (ii) the holders of at least 25% in Aggregate Outstanding Amount of the Notes of the Controlling Class have made a written request upon the Trustee to institute such proceedings in its own name as Trustee and such holders have offered the Trustee indemnity satisfactory to it, (iii) the Trustee has for 30 days after receiving such notice failed to institute any such proceeding and (iv) no direction inconsistent with such written request has been given to the Trustee during such 30-day period by the holders of a majority in Aggregate Outstanding Amount of the Notes of the Controlling Class.

Notices

Notices to the Noteholders will be given by first-Class mail, postage prepaid, to the registered holders of the Notes at their address appearing in the Note Register or to the Preference Shareholders at their address appearing in the Preference Share Register, as applicable.

In addition, if and for so long as any Secured Notes are listed on the Irish Stock Exchange and so long as the rules of such stock exchange so require, notices to the Holders of such Secured Notes shall also be published in the Irish Stock Exchange's Daily Official List.

Modification of the Indenture

With the consent of (x) the holders of not less than a majority of the Aggregate Outstanding Amount of each Class of Notes adversely affected thereby and a majority of Preference Shares (if the Preference Shares are adversely affected thereby) and (y) the consent of the Hedge Counterparties (to the extent required by the related Hedge Agreement), the Trustee and Co-Issuers may enter into one or more supplemental indentures to add any provisions to, or change in any manner or eliminate any of the provisions of, the Indenture or modify in any manner the rights of the holders of the Notes of such Class or the Preference Shares or the Hedge Counterparties under the Indenture; *provided* that (a) any such supplemental indenture shall be entered into only upon satisfaction of the Rating Condition and (b) that no such supplemental indenture shall, without the written consent of the Holder of each Outstanding Note and each Preference Shareholder (if the Preference Shares would be adversely affected) (which consent shall be evidenced by an Officer's Certificate of the Issuer certifying that such consent has been obtained and in which event satisfaction of the Rating Condition shall not be required, but notice shall be given to the Rating Agencies) and each Hedge Counterparty (to the extent required pursuant to the terms of the relevant Hedge Agreement):

(a) change the Stated Maturity of the principal of or the due date of any installment of interest on any Note, reduce the principal amount thereof or the Note Interest Rate thereon, or the Redemption Price with respect thereto, or change the earliest date on which the Issuer may redeem any Note, change the provisions of the Indenture relating to the application of proceeds of any Collateral to the payment of principal of or interest on the Notes or change any place where, or the coin or currency in which, any Note or the principal thereof or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the applicable Redemption Date);

(b) reduce the percentage of the Aggregate Outstanding Amount of Holders of Notes of each Class whose consent is required for the authorization of any such supplemental indenture or for any waiver of compliance with certain provisions of the Indenture or certain Defaults hereunder or their consequences provided for in the Indenture;

(c) impair or adversely affect the Collateral except as otherwise expressly permitted in the Indenture;

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(d) permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any part of the Collateral or terminate such lien on any property at any time subject hereto (other than in connection with the sale thereof in accordance with this Indenture) or deprive the Holder of any Note of the security afforded by the lien of the Indenture;

(e) reduce the percentage of the Aggregate Outstanding Amount of Holders of Notes of each Class whose consent is required to request that the Trustee preserve the Collateral or rescind the Trustee's election to preserve the Collateral pursuant to Section 5.5 or to sell or liquidate the Collateral pursuant to Section 5.4 or 5.5 of the Indenture;

(f) modify any of the provisions of Section 8.2 of the Indenture, except to increase any such percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Note affected thereby;

(g) modify the definition of the term "Outstanding", Sections 11.1 or 13.1 of the Indenture;

(h) change the permitted minimum denominations of any Class of Notes; or

(i) modify any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of interest on or principal of any Secured Note or the rights of the Holders of Notes to the benefit of any provisions for the redemption of such Secured Notes contained herein; *provided* that any change to the Eligibility Criteria, the Collateral Coverage Tests, or the Collateral Quality Tests that indirectly affects such calculation shall not require an additional consent under this clause (i), if such change to the Eligibility Criteria, the Collateral Coverage Tests, or the Collateral Quality Tests has already received the consent or approval by the required Holders of the Secured Notes and/or Preference Shares under the Indenture.

Notwithstanding any of the foregoing, the Co-Issuers and the Trustee shall not enter into any supplemental indenture or amendment hereto if the effect of such supplemental indenture or amendment would be to limit or otherwise change any of the rights of the Holders of the Preference Shares to direct a redemption of the Notes pursuant to Section 9 of the Indenture.

Unless notified by holders of a majority in Aggregate Outstanding Amount of any Class of Notes, the majority of Preference Shares or the Hedge Counterparties that such Class of Notes, the Preference Shares or the Hedge Counterparties will be adversely affected, the Trustee may conclusively rely upon an opinion of counsel as to whether or not such Class of Notes, the Preference Shares or the Hedge Counterparties would be adversely affected by such change (after giving notice of such change to the holders of such Class of Notes, the Preference Shareholders and the Hedge Counterparties to the extent required pursuant to the terms of the relevant Hedge Agreement). Such determination shall be conclusive and binding on all present and future holders of the Notes, the Preference Shareholders and the Hedge Counterparties.

The Co-Issuers and the Trustee may also enter into supplemental indentures without obtaining the consent of holders of any Class of Notes, the Preference Shareholders, any Hedge Counterparty (except to the extent required by the related Hedge Agreement) (except to the extent required by the related Hedge Agreement), in order to, among other things, (i) correct or amplify the description of any property at any time subject to the lien created by the Indenture, or to better assure, convey and confirm unto the Trustee any property subject or required to be subject to the lien created by the Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations) or to subject to the lien created by the Indenture any additional property, (ii) evidence the succession of any person to the Issuer or the Co-Issuer and the assumption by such successor of the covenants in the Indenture and the Notes, (iii) add to the covenants of the Co-Issuers or the Trustee for the benefit of the holders of all of the Notes or to surrender any right or power conferred upon the Co-Issuers, (iv) convey, transfer, assign, mortgage or pledge any property to or with the Trustee, (v) evidence and provide for the acceptance of appointment by a successor trustee and to add to or change any of the provisions of the Indenture as shall be necessary to facilitate the administration of the trust under the Indenture by more than one Trustee, pursuant to the requirements of the Indenture, (vi) take any action necessary or helpful to prevent the Issuer from becoming subject to any withholding or other taxes or assessment or to reduce the risk that the Issuer will be engaged in a U.S. trade or business or otherwise subject to U.S. income tax on a net income basis, (vii) otherwise correct any inconsistency,

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defect or ambiguity in the Indenture, (viii) modify the restrictions on and procedures for resales and other transfers of the Notes to reflect any changes in applicable law or regulation (or the interpretation thereof), including, without limitation, modifications necessary to comply with the USA PATRIOT Act (to the extent it is applicable to the Issuer) or to enable the Co-Issuers to rely upon any less restrictive exemption from registration under the Securities Act or the Investment Company Act or to remove restrictions on resale and transfer to the extent not required thereunder, (ix) make any changes required by any stock exchange on which any Notes or Preference Shares are listed, in each case in order to permit or maintain such listing; (x) conform the Indenture to the Offering Circular related to the Offered Securities; (xi) accommodate, modify or amend existing and/or replacement Hedge Agreements or to enter into one or more interest rate hedge agreements or accommodate, modify, or amend existing and/or replacement hedge agreements or to enter into one or more interest rate hedge agreements or accommodate, modify, or amend such interest rate hedge agreements or replacements thereof; (xii) to modify the calculation relating to the Coverage Tests and the Collateral Quality Tests in order to correspond with published changes in the guidelines, methodology or standards established by the Rating Agencies; or (xiii) make any modification which the Collateral Manager deems necessary in order to correct or clarify the provisions hereof relating to the Coverage Tests, the Collateral Quality Tests or any of the provisions of the Indenture relating to the sale of, and investment in, Collateral (including the definitions relating thereto); *provided* that, in each such case, (a) such action shall not, as evidenced by an opinion of counsel, adversely affect in any material respect the interests of the Secured Parties or the Preference Shareholders and (b) the Rating Condition has been satisfied. The Trustee may not enter into any supplemental indenture described in clause (v), (vii), (viii), (xi) or (xii) of this paragraph without the written consent of the Collateral Manager. In addition, none of the Trustee, Issuer or Co-Issuer may enter into any supplemental indenture without the written consent of the Collateral Manager if such supplemental indenture alters the rights or obligations of the Collateral Manager in any respect (including, without limitation, the timing, amount, priority and methodology for calculating any amount payable to the Collateral Manager) or materially expands or restricts the Collateral Manager's discretion (including without limitation with respect to the purchase or sale of Collateral Debt Securities), and the Collateral Manager will not be bound by any such supplemental indenture unless the Collateral Manager has consented thereto. The Collateral Manager shall be bound to follow any amendment or supplement to this Indenture only upon receipt of written notice of such amendment or supplement.

Promptly after the execution by the Co-Issuers and the Trustee of any supplemental indenture, the Trustee, at the expense of the Co-Issuers, as applicable, shall mail to the Holders of the Notes, the Collateral Manager, the Preference Share Paying Agent, the Irish Paying Agent (if and for so long as any Class of Notes is listed on the Irish Stock Exchange) and each Rating Agency (so long as any Class of Secured Notes is Outstanding) a copy thereof.

Modification of Certain Other Documents

Prior to entering into any amendment to the Collateral Management Agreement, the Collateral Administration Agreement or the Hedge Agreements, the Issuer is required by the Indenture to provide written evidence that the entry by the Issuer into such amendment satisfies the Rating Condition. Prior to entering into any waiver in respect of any of the foregoing agreements, the Issuer is required to provide each Rating Agency, the Hedge Counterparties and the Trustee with written notice of such waiver. The amendment to and waiver of provisions of the Collateral Management Agreement are also subject to additional restrictions as described herein under "The Collateral Management Agreement". The Hedge Counterparty and any Asset-Specific Hedge Counterparty will be express third party beneficiaries of the Indenture.

Consolidation, Merger or Transfer of Assets

Neither of the Co-Issuers may consolidate with, merge into, or transfer or convey all or substantially all its assets to, any other corporation, partnership, trust or other person or entity.

Petitions for Bankruptcy

The Indenture provides that the holders of the Secured Notes (other than the Controlling Class of Notes) agree not to cause the filing of a petition for winding up or a petition in bankruptcy against the Issuer or the Co-Issuer before 183 days have elapsed since the final payments to the holders of the Controlling Class of Notes or, if longer, the applicable preference period then in effect.

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Satisfaction and Discharge of Indenture

The Indenture will be discharged with respect to the Secured Notes upon delivery to the Trustee for cancellation of all of the Secured Notes, or, within certain limitations (including the obligation to pay principal and interest, including Defaulted Interest), upon deposit with the Trustee of funds sufficient for the payment or redemption thereof and the payment by the Issuer of all other amounts due under the Secured Notes, the Indenture, the Hedge Agreements, the Collateral Administration Agreement, the Administration Agreement, the Preference Share Paying Agency Agreement, and the Collateral Management Agreement.

Trustee

Wells Fargo Bank, National Association will be the Trustee under the Indenture. The Co-Issuers, the Collateral Manager and their respective Affiliates may maintain other banking relationships in the ordinary course of business with the Trustee. The payment of the fees and expenses of the Trustee is solely the obligation of the Issuer. The Trustee and its Affiliates may receive compensation in connection with the investment of trust assets in certain Eligible Investments as provided in the Indenture. The Trustee fee for any Payment Date shall not be less than U.S.$10,000. Eligible Investments may include investments for which the Trustee and/or its Affiliates provide services. The Indenture contains provisions for the indemnification of the Trustee and its officers, directors, employees and agents for any loss, liability or expense incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture. Pursuant to the Indenture, the Issuer has granted to the Trustee a lien senior to that of the Noteholders to secure payment by the Issuer of the compensation and expenses of the Trustee and any sums the Trustee may be entitled to receive as indemnification by the Issuer under the Indenture (subject to the dollar limitations set forth in the Priority of Payments with respect to any Payment Date), which lien the Trustee is entitled to exercise only under certain circumstances. In the Indenture, the Trustee will agree not to cause the filing of a petition for winding up or a petition in bankruptcy against the Co-Issuers for nonpayment to the Trustee of amounts payable thereunder until at least one year and one day, or if longer, the applicable preference period then in effect, after the payment in full of all of the Secured Notes.

Tax Characterization of the Notes

The Issuer intends to treat the Secured Notes as indebtedness of the Issuer for U.S. Federal, state and local income tax purposes. The Indenture will provide that each Holder, by accepting a Secured Note, agrees to such treatment, to report all income (or loss) in accordance with such characterization, and not to take any action inconsistent with such treatment.

Governing Law

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

The Administration Agreement, the Issuer Charter, the Preference Shares and certain documents relating to the Issuer will be governed by, and construed in accordance with, the laws of the Cayman Islands.

Note Valuation Report; Noteholder Reports

Not later than the Business Day preceding the related Payment Date, the Trustee shall make available on its website, initially located at www.cdolink.com, to the holders of the Notes, the Preference Shareholders, the Collateral Administrator, the Hedge Counterparty, the Collateral Manager and each Rating Agency a report (the "**Note Valuation Report**") setting forth certain information regarding the payments due to the holders of the Notes on such Payment Date. The Note Valuation Report shall include a report for the Class P Notes, stating amounts that will be due to the Class P Noteholders on the Payment Date related to such Note Valuation Report. In addition, not later than the eighth Business Day after the second day of each calendar month (excluding any month as to which a Note Valuation Report is rendered), commencing with the eighth Business Day after the second day of September, 2005, the Issuer shall make available to each Rating Agency and the Trustee, who shall forward a copy to the Collateral Manager, the Hedge Counterparties and any holder of a Note requesting a copy thereof in writing, a

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monthly report (the "**Monthly Report**") containing additional information with respect to the Collateral Debt Securities included in the Collateral. Pursuant to the Collateral Administration Agreement, the Monthly Report and the Note Valuation Report will be prepared by the Collateral Administrator.

DESCRIPTION OF THE CLASS P NOTES

Overview

The Issuer will issue three classes of Class P Notes due November 5, 2040 (the **"Class P-1 Notes"**, **"Class P-2 Notes"** and **"Class P-3 Notes"**, collectively, the **"Class P Notes"**). The Class P Notes will be issued by the Issuer pursuant to the Indenture. Each Class P Note will consist of two components: (a) a principal-only security described below and (b) certain Preference Shares allocable to and represented by the applicable Class P Note.

The number of Preference Shares included in the Class P Preference Shares is included in, and is not in addition to, the number of Preference Shares issued by the Issuer as described elsewhere in this Offering Circular. The Preference Shares included in the Class P Preference Shares will not be separately issued and will be represented by the relevant certificates evidencing the Class P Notes.

The Holders of Class P Notes will be treated as Holders of the Preference Shares, to the extent of the Class P Preference Shares, for purposes of any requests, demands, authorizations, directions, notices, consents, waivers or other actions under the Issuer Charter and Preference Share Paying Agency Agreement. The Holders of the Class P Notes will be entitled to vote, or to direct the voting of, the Class P Preference Shares represented by such Class P Notes.

Except as otherwise described in this section of the Offering Circular, the terms and conditions of the Class P Notes (including amounts due and payable thereunder) will be (a) with respect to the Class P Preference Shares, the terms and conditions of the Preference Shares and (b) with respect to the Class P Treasury Strips, the terms and conditions thereof. The Class P Treasury Strips do not bear interest but the Holders of the Class P Notes will be entitled to any payments of principal or sale proceeds received by the Issuer in respect thereof as described further below under "— Redemption of the Class P Notes".

Each Class of Class P Notes consist of the following Class P Beneficial Assets:

(A) The Class P-1 Notes consist of (a) that portion of a stripped treasury bond that evidences debt obligations of the government of the United States of America and that is secured by its full faith and credit, entitling the bearer to principal only of U.S.$1,250,000 upon maturity of the bond on May 15, 2020 and bearing CUSIP number " 912833KZ2" (the "**Class P-1 Treasury Strip**") and (b) 600 Preference Shares with an aggregate liquidation preference of U.S.$600,000 (the "**Class P-1 Preference Shares**").

(B) The Class P-2 Notes consist of (a) that portion of a stripped treasury bond that evidences debt obligations of the government of the United States of America and that is secured by its full faith and credit, entitling the bearer to principal only of U.S.$10,000,000 upon maturity of the bond on May 15, 2020 and bearing CUSIP number " 912833KZ2" (the "**Class P-2 Treasury Strip**") and (b) 4,770 Preference Shares with an aggregate liquidation preference of U.S.$4,770,000 (the "**Class P-2 Preference Shares**").

(C) The Class P-3 Notes consist of (a) that portion of a stripped treasury bond that evidences debt obligations of the government of the United States of America and that is secured by its full faith and credit, entitling the bearer to principal only of U.S.$35,000,000 upon maturity of the bond on May 15, 2015 and bearing CUSIP number " 912833KE9" (the "**Class P-3 Treasury Strip**" and, together with the Class P-1 Treasury Strip and Class P-2 Treasury Strip, the "**Class P Treasury Strips**") and (b) 12,430 Preference Shares with an aggregate liquidation preference of U.S.$12,430,000 (the "**Class P-3 Preference Shares**" and, together with the Class P-1 Preference Shares and Class P-2 Preference Shares, the "**Class P Preference Shares**" and, together with the Class P Treasury Strips, the "**Class P Beneficial Assets**").

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Use of Proceeds

The Issuer will use the proceeds of the issuance of the Class P Notes to purchase the Class P Treasury Strips and the Class P Preference Shares and to fund the initial deposit into the Class P Reserve Account on the Closing Date.

Rating

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

Risk Factors

General

An investment in the Class P Notes involves certain risks. In addition to the risks particular to Class P Notes described in the following two paragraphs, the risk of ownership of the Class P Notes will be (a) with respect to the Class P Preference Shares, the risks of ownership of the Preference Shares and (b) with respect to the Class P Treasury Strips, the risk of ownership of the Class P Treasury Strips. See "Risk Factors".

Transfer of Components

The Class P Beneficial Assets are not separately transferable. See "—Exchange of Class P Notes for Class P Treasury Strips and Preference Shares".

Limited Liquidity

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

Authorized Amount

The aggregate principal amount of Class P-1 Notes that may be issued under the Indenture may not exceed U.S.$1,250,000, the aggregate principal amount of Class P-2 Notes that may be issued under the Indenture may not exceed U.S.$10,000,000 and the aggregate principal amount of Class P-3 Notes that may be issued under the Indenture may not exceed U.S.$35,000,000, excluding, in each case, Class P Notes issued upon registration of, transfer of, or in exchange for, or in lieu of, other Class P Notes in accordance with the Indenture.

Status and Security

The Class P Notes are limited recourse obligations of the Issuer, payable solely from the applicable Class P Beneficial Assets and following the redemption of the Preference Shares and the final realization of the Class P Treasury Strips, any claims of the Class P Noteholders and the other Secured Parties shall be extinguished. All of the Class P-1 Notes are entitled to receive payments pari passu among themselves. All of the Class P-2 Notes are entitled to receive payments pari passu among themselves. All of the Class P-3 Notes are entitled to receive payments pari passu among themselves. No recourse may be had against any Officer, member, director, manager, security holder or incorporator of the Issuer, the Trustee, the Administrator, any Rating Agency, the Collateral Manager, the Initial Purchaser or any of their respective successors or assigns for the payment of any amounts payable under the Class P Notes or the Indenture.

The Class P Notes will be secured solely to the extent of the Class P Beneficial Assets.

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Interest

The Class P Notes will not bear a stated rate of interest. The Holders of Class P Notes will be entitled to receive all proceeds in respect of the Class P Treasury Strips and the Class P Preference Shares, if, and to the extent, funds are available for such purposes as described below under "—Payments". The Class P Treasury Strips do not pay interest but entitle the holders thereof of principal payments in the principal amount of such Treasury Strip upon the stated maturity thereof. The Class P Notes are also entitled to receive payments from the Class P Reserve Account in the manner set forth herein.

Aggregate Initial Principal Amount and Class P Stated Maturity

The Class P Notes shall have the designation, aggregate initial principal amount and Stated Maturity as follows:

Designation	Aggregate Initial Principal Amount	Face Amount, maturity and CUSIP Number of Treasury Strip	Preference Shares represented by each Class P Note	Class P Stated Maturity
Class P-1 Notes	U.S.$1,250,000	U.S.$1,250,000, maturing May 15, 2020 CUSIP No: 912833KZ2	600 Preference Shares	November 5, 2040
Class P-2 Notes	U.S.$10,000,000	U.S.$10,000,000, maturing May 15, 2020 CUSIP No: 912833KZ2	4,770 Preference Shares	November 5, 2040
Class P-3 Notes	U.S.$35,000,000	U.S.$35,000,000, maturing May 15, 2015 CUSIP No: 912833KE9	12,430 Preference Shares	November 5, 2040

The Aggregate Initial Principal Amount of the Class P Notes of any class is equal to the face amount of the Class P Treasury Strip represented by the Class P Notes of such class. On each Payment Date, the aggregate principal amount of a Class P Note may be reduced at the option of the Holder of such Class P Note by the partial redemption of the applicable Class P Treasury Strip, as described herein. With respect to the Class P-3 Notes, the first 8% return on the face amount of the Class P-3 Notes shall be considered interest payments on the Class P-3 Notes and any excess return above 8% on the outstanding principal amount of the Class P-3 Notes shall be considered a return of principal of the Class P-3 Notes.

Denominations

The Class P-1 Notes will be issuable in a minimum denomination of U.S.$600,000 and will be offered only in such minimum denomination or an integral multiple of U.S.$1,000 in excess thereof. The Class P-2 Notes and Class P-3 Notes will be issuable in minimum denomination of U.S.$750,000 and will only be offered in such minimum denomination or an integral multiple of U.S.$1,000 in excess thereof. After issuance any Class P Note may fail to be in compliance with the minimum denomination requirement as a result of partial amortization of the Class P Notes as provided for herein.

Class P Notes issued upon transfer, exchange or replacement of other Class P Notes shall be issued in authorized denominations reflecting the original aggregate principal amount of the Class P Notes so transferred, exchanged or replaced, but shall represent only the Aggregate Outstanding Amount of the Class P Notes so transferred, exchanged or replaced. If any Class P Note is divided into more than one Class P Note in accordance with the Indenture, the original principal amount of such Class P Note shall be proportionately divided among the Class P Notes delivered in exchange therefor and shall be deemed to be the original aggregate principal amount of such subsequently issued Class P Notes.

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Payments

The Indenture provides that on each Payment Date on which payments, if any, are made on the Preference Shares, portions of such payments will be allocated to each class of Class P Notes in the proportion that the number of Preference Shares represented by the Class P Preference Shares in respect of such class bears to the total number of Preference Shares, including the Class P Preference Shares (such ratio, expressed as a percentage, the "**Class P Preference Shares Percentage**"). The Class P Preference Shares Percentage in respect of each class of Class P Notes will be allocated to the Holders of such Class P Notes in accordance with their respective Pro Rata Shares. On each Payment Date on which any distribution is made from the Class P Reserve Account, such distribution shall be made to the Class P Noteholders in accordance with their respective Pro Rata Shares in respect of all of the Class P Notes. On each Payment Date on which any portion of a Class P Treasury Strip is sold as described under "—Redemption of Class P Notes", the proceeds of each such sale shall paid to the Class P Noteholder directing such sale. After the aggregate principal amount of any Class P Note is reduced to zero, the Holder of such Class P Note will be continue to be entitled to receive distributions in respect of such Class P Note in accordance with its Pro Rata Share.

"**Pro Rata Share**" means, in respect of a Holder of Class P Notes of any class, a percentage equal to (x) the aggregate initial principal amount of such Class P Notes on the Closing Date divided by (y) the aggregate initial principal amount of all of the Class P Notes of such class, provided that, in connection with a distribution of amounts held in the Class P Reserve Account, "Pro Rata Share" means a percentage equal to (x) the aggregate initial principal amount of such Class P Notes on the Closing Date divided by (y) the aggregate initial principal amount of all of the Class P Notes.

Redemption of Class P Notes

Each Class P Note shall be redeemed upon the later of the redemption of the Preference Shares and the final liquidation or distribution "in kind" of its Pro Rata Share of the Class P Treasury Strip related to such Class P Note.

Upon the written instructions of any Class P Noteholder given to the Trustee not later than two Business Days prior to any Payment Date, the Trustee shall, on the Business Day prior to such Payment Date, sell a portion of the related Class P Treasury Strip in an amount equal to the applicable Liquidation Percentage. If a sale of such Liquidation Percentage would not satisfy the minimum denomination requirement for transfers of such Class P Treasury Strip, the Trustee shall not sell any portion of the Treasury Strip in respect of such Payment Date. The Trustee shall, on the related Payment Date, distribute the proceeds of any such sale to the Class P Noteholder requesting such sale and the principal amount of such Class P Noteholder's Class P Note will be reduced by the face amount of the Class P Treasury Strip that was sold in connection with such redemption.

"**Liquidation Percentage**" means, in connection with a redemption of a Class P Note requested by a Class P Noteholder on any Payment Date, a percentage equal to the (x) the Principal Amortization Amount with respect to such redemption *divided by* (y) the aggregate face amount of such Class P Treasury Strip (or such lesser percentage as will satisfy the minimum denomination requirements for such Class P Treasury Strip).

"**Principal Amortization Amount**" means, in connection with a redemption of a Class P Note requested by a Class P Noteholder on any Payment Date, an amount equal to (x) the sum of (1) the amount of distributions to be made in respect of the Class P Preference Shares represented by the related Class P Note on such Payment Date *plus* (2) the amount of any distributions made in respect of such Class P Preference Shares on any prior Payment Dates in respect of which no redemption of the related Class P Treasury Strip was effected (or such lesser amount as is specified by such Class P Noteholder) *divided by* (y) one *minus* the Conversion Factor with respect to such Payment Date.

"**Conversion Factor**" means, with respect to any Payment Date, the market price for the related Class P Treasury Strip (as determined by the Trustee on the Business Day immediately preceding such Payment Date based on the highest of three quotations obtained from three major market makers in the related Class P Treasury Strip identified to the Trustee by the Collateral Manager and expressed as a percentage of the amount payable at maturity on such Class P Treasury Strip).

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If the Trustee retains any portion of a Class P Treasury Strip after the Payment Date on which the aggregate distributions made on the related Class P Preference Shares first equals or exceeds the aggregate initial principal amount of the related Class P Notes, the Trustee will, not later than such Payment Date, notify each Holder of such Class P Notes hat has an interest in such remaining portion of such Class P Treasury Strip that it holds such interest and shall, upon the written direction of such Class P Noteholder, deliver such duly completed documentation as is necessary to effect a transfer of the appropriate portion of such Class P Treasury Strip to such Class P Noteholder.

If (x) the Trustee is advised by any Holder of a Class P Note that such Holder is not permitted under applicable law or otherwise to receive, or would otherwise be materially and adversely affected if it were to receive, its remaining portion of the related Class P Treasury Strip "in kind" and such Holder has not appointed a nominee permitted to hold such remaining portion of the related Class P Treasury Strip on such Holder's behalf, (y) one or more Holders of the related Class P Notes otherwise fails to satisfy the conditions to an "in kind" distribution of the remaining portion of a Class P Treasury Strip or (z) a Class P Treasury Strip cannot (due to the minimum denomination and integral multiple requirements applicable to transfers of such Class P Treasury Strip) be distributed to the relevant Class P Noteholders "in kind", the Trustee shall sell the remaining portion of such Class P Treasury Strip and distribute the proceeds thereof to the Holder or Holders that would have otherwise been entitled to an "in kind" distribution of such remaining portion of the Treasury Strip. The date of any distribution of a portion of the Treasury Strip "in kind" or the proceeds of the liquidation of the portion of the Treasury Strip shall constitute a Redemption Date.

Class P Reserve Account

On or prior to the Closing Date, Wells Fargo Bank, National Association shall establish a Securities Account at its Corporate Trust Office in the name of the Trustee for the benefit of the Class P Noteholders (the "**Class P Reserve Account**"), in which the Trustee shall deposit on the Closing Date U.S.$400,000 from the proceeds of the issuance of the Class P Notes. On each Payment Date starting from the first Payment Date and ending on the Payment Date occurring in May 2006, the Trustee shall distribute U.S.$100,000 from the Class P Reserve Account to the Class P Noteholders in accordance with their Pro Rata Shares in respect of all of the Class P Notes. Amounts standing to the credit of the Class P Reserve Account shall be invested in Eligible Investments in accordance with the provisions of the Indenture. One Business Day prior to the Payment Date occurring in May 2006, the Trustee shall liquidate all Eligible Investments credited to the Class P Reserve Account and on the Payment Date occurring in May 2006, the Trustee shall distribute all proceeds of such Eligible Investments to the Class P Noteholders. The Trustee shall give to the Issuer and the Collateral Manager prompt notice if the Class P Reserve Account or any funds on deposit therein, or otherwise to the credit thereof, shall become subject to any writ, order, judgment, warranty of attachment, execution or similar process. Neither the Issuer nor any of the Secured Parties shall have any legal, equitable or beneficial interest in the Class P Reserve Account. The Class P Reserve Account shall remain at all times with a financial institution organized and doing business under the laws of the United States or any State thereof, authorized under such laws to exercise corporate trust powers and having a long-term debt rating of at least "Baa1" by Moody's (and, if rated "Baa1", not be on watch for possible downgrade by Moody's), at least "BBB+" by Standard & Poor's and at least "BBB+" by Fitch and a combined capital and surplus in excess of U.S.$250,000,000.

Surrender upon Final Payment

Pursuant to the Indenture, upon final payment due on the maturity or redemption of a Class P Note, the Class P Noteholder thereof is required to present and surrender such Class P Note at the Corporate Trust Office of the Trustee or at the office of any Paying Agent.

Repurchase and Cancellation of Class P Notes

Pursuant to the Indenture, the Issuer is not permitted to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the Class P Notes except upon the redemption of the Class P Notes in accordance with the terms of the Indenture and the Class P Notes. The Issuer is required to promptly deliver to the Trustee for cancellation all Class P Notes acquired by it pursuant to any payment, purchase, redemption, prepayment or other acquisition of Class P Notes pursuant to any provision of this Indenture and no Class P Notes may be issued in substitution or exchange for any such Class P Note.

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Exchange of Class P Notes for Class P Treasury Strips and Preference Shares

The components of the Class P Beneficial Assets are not separately transferable. However, pursuant to the Indenture, a Holder of any Class P Note may exchange such Class P Notes for its ratable share of the Class P Preference Shares and the Class P Treasury Strips represented by such Class P Note, provided that the aggregate principal amount of Class P Notes so exchanged may not be less than the minimum denomination applicable to the Class P Notes. Upon an exchange in accordance with these requirements, a Holder of Class P Notes shall receive its ratable share of (1) the Preference Shares allocated to the Class P Preference Share represented by such Class P Noteholder's Class P Notes and (2) the Treasury Strip represented by such Class P Note.

No exchange shall be made unless the Holder has delivered to the Trustee and to the Preference Share Paying Agent, a Rule 144A Transfer Certificate or a Regulation S Transfer Certificate (each as defined in the Indenture), as appropriate, and a certificate in the form of an exhibit to the Indenture and such documentation as may be required to effect a transfer of a portion of the Treasury Strip. The Trustee, upon surrender of the Class P Notes to be exchanged, with appropriate instructions, will convert and will direct the Issuer to issue Preference Shares in an amount equivalent to the Class P Preference Shares represented by the Class P Note being exchanged and the Issuer will instruct the Preference Share Registrar to enter such Holder's name on the Preference Share Register.

A Holder of Preference Shares (including a Holder that received Preference Shares upon exchange of a Class P Note) shall not have the right to exchange such Preference Shares for a Class P Note.

No service charge shall be made for any such exchange, but the Trustee, the Preference Share Registrar and the Preference Share Paying Agent may require payment of a sum sufficient to cover any tax or other government charge payable in connection therewith.

Paying Agents

Pursuant to the Indenture, the Issuer will appoint each of the Paying Agents as a paying agent for the payment on behalf of the Issuer of distribution in respect of the Class P Notes.

Notices

The Indenture provides that notices to the Holders of the Class P Notes will be given by first class mail, postage prepaid, to the registered Holders of the Class P Notes at their address appearing in the Class P Note Register.

Governing Law

The Indenture provides that each Class P Note shall be construed in accordance with, and each Class P Note and all matters arising out of or relating in any way whatsoever (whether in contract, tort or otherwise) to each Class P Note shall be governed by, and construed in accordance with, the law of the State of New York. Certain determinations regarding the rights of the Class P Noteholders to vote the Class P Preference Shares represented by the Class P Notes may be determined by the law of the Cayman Islands.

Tax Characterization

The Issuer intends, and each Class P Noteholder, by accepting a Class P Note, agrees to treat the Class P Notes as directly owning the Class P Preference Shares and the Class P Treasury Strips represented by such Class P Note, in each case, for U.S. Federal, state and local income tax purposes. Each of the Issuer, the Trustee and the Class P Noteholders further agrees not to take any action inconsistent with such treatment and to report all income (or loss) in accordance with such treatment.

DESCRIPTION OF THE PREFERENCE SHARES

The Preference Shares will be issued pursuant to the Memorandum and Articles of Association of the Issuer (the **"Issuer Charter"**) and in accordance with a Preference Share Paying Agency Agreement (the **"Preference Share Paying Agency Agreement"**) between Wells Fargo Bank, National Association, as preference

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share paying agent (in such capacity, the **"Preference Share Paying Agent"**), Walkers SPV Limited, as preference share registrar (in such capacity, the **"Preference Share Registrar"**), and the Issuer, and will be subscribed to in accordance with the terms of the Investor Application Forms for Preference Shares. The following summary describes certain provisions of the Preference Shares, the Issuer Charter, the Preference Share Paying Agency Agreement and the Investor Application Forms. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Issuer Charter, the Preference Share Paying Agency Agreement and the Investor Application Forms for Preference Shares. After the Closing Date, copies of the Issuer Charter, the Preference Share Paying Agency Agreement and the form of Investor Application Form for Preference Shares may be obtained by prospective investors upon request in writing to the Preference Share Paying Agent at Wells Fargo Bank, National Association, 9062 Old Annapolis Road, Columbia, Maryland, 21045, Attention: CDO Trust Services –Huntington CDO.

Status

The Issuer is authorized to issue 29,500 Preference Shares, par value U.S.$0.01 per share, at an issue price of U.S.$1,000 per share, having a liquidation preference of U.S.$1,000 per share. The Preference Shares are participating shares in the capital of the Issuer and will rank *pari passu* with respect to distributions.

Payments

On each Payment Date, to the extent funds are available therefor, Interest Proceeds will be released from the lien of the Indenture for payment to the Preference Share Paying Agent only after the payment of interest on the Notes and, in certain circumstances, principal due in respect of the Notes and the payment of certain other amounts in accordance with the Priority of Payments. So long as any Class C-1 Notes are outstanding, on any Payment Date on which the Preference Shareholders have received an annualized Dividend Yield of 13%, remaining Interest Proceeds will be applied to the payment of principal of the Class C-1 Notes.

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

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

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

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

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If either Coverage Test is not satisfied on the Determination Date related to any Payment Date, Interest Proceeds that would otherwise be distributed to Preference Shareholders on the related Payment Date (subject to the payment of certain other amounts prior thereto) will be used instead to repay principal of the Notes sequentially in direct order of seniority, to the extent and as described herein. In addition, if the Issuer is unable to obtain a Rating Confirmation from each relevant Rating Agency by the first Determination Date following the Ramp-Up Completion Date, funds that would otherwise be distributed to the Preference Shareholders (subject to the payment of certain other amounts prior thereto) will be used to redeem the Notes to the extent necessary (after the application of Uninvested Proceeds for such purpose) to obtain a Rating Confirmation from each Rating Agency. See "Description of the Notes—Priority of Payments".

Redemption of the Preference Shares

The Issuer Charter provides that the Preference Shares may be redeemed by the Issuer promptly following the Stated Maturity of the Notes and will be redeemed in connection with any earlier Optional Redemption, Tax Redemption or Auction Call Redemption. Following the liquidation of the Collateral, (a) any funds remaining after the redemption of the Notes and the payment of all other obligations of the Co-Issuers (other than amounts payable by the Issuer in respect of the Preference Shares) will be distributed to the Preference Shareholders and (b) the Preference Shares will be redeemed at a redemption price per share equal to (x) the proceeds from the liquidation of the assets of the Issuer minus the costs and expenses of such liquidation minus the amount required to establish adequate reserves to meet all contingent, unliquidated liabilities or obligations of the Issuer minus a payment to the holders of the ordinary shares of the Issuer an amount equal to U.S.$1.00 per share divided by (y) the number of Preference Shares.

Class P Preference Shares

All provisions in this Offering Circular relating to rights of the Holders of the Preference Shares shall be equally applicable to the Holders of the Class P Preference Shares represented by the Class P Notes.

THE ISSUER CHARTER

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

Notices

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

Voting Rights

Set forth below is a summary of certain matters with respect to which Preference Shareholders are entitled to vote. This summary is not meant to be an exhaustive list, and, subject to covenants made by each Preference Shareholder in the Investor Application Forms for Preference Shares (in the case of Original Purchasers of the Preference Shares) and in the transfer certificates (in the case of transferees of the Preference Shares), the Issuer Charter and The Companies Law (2004 Revision) of the Cayman Islands afford Preference Shareholders of the Issuer the right to vote on matters in addition to those mentioned below.

The Indenture

The Issuer is not permitted to enter into a supplemental indenture (other than a supplemental indenture that does not require the consent of Noteholders) without the consent of a Majority-in-Interest of Preference Shareholders. The Issuer is not permitted to enter into a supplemental indenture without the consent of all of the Preference Shareholders if such supplemental indenture would have the effect of (i) amending the manner in which the proceeds of the Collateral are applied on any Payment Date (including by amending any provision of the Priority of Payments or the manner in which principal of and interest on any Class of Notes is calculated); (ii) extending the Stated Maturity of any Class of Notes or changing the date on which any distribution in respect of the Preference Shares is payable; (iii) changing the earliest date on which each Class of the Notes may be redeemed; (iv) impairing

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or adversely affecting the Collateral (except as otherwise expressly permitted by the Indenture); (v) permitting the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any part of the Collateral; or (vi) changing the voting percentages required for any action to be taken, or any consent or waiver to be given, by the Preference Shareholders.

Preference Share Paying Agency Agreement

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

Modification of the Issuer Charter

As a general matter of Cayman Islands law, the Issuer Charter may be amended at any time by at least a Special-Majority-in-Interest of Preference Shareholders. However, each Original Purchaser of Preference Shares will be required to represent and agree in an Investor Application Form for Preference Shares (and each transferee of Preference Shares will be required to covenant in a transfer certificate) that any modification of the Issuer Charter affecting the terms of the Preference Shares will require the affirmative vote of all of the Preference Shareholders. Any amendment of the Issuer Charter not in accordance with the provisions of the Indenture will constitute an Event of Default under the Indenture.

Dissolution; Liquidating Distributions

The Issuer Charter provides that the Issuer will be wound up on the earliest to occur of (i) at any time on or after the date that is one year and two days after the Stated Maturity of the Notes, upon the Shareholders' determination to dissolve the Issuer, (ii) at any time after the sale or other disposition of all of the Issuer's assets, upon the Shareholders' determination to dissolve the Issuer, (iii) at any time after the Notes are paid in full, upon the Shareholders' determination to dissolve the Issuer and (iv) on the date of a winding up pursuant to the provisions of or as contemplated by the Companies Law of the Cayman Islands as then in effect. The Directors of the Issuer currently intend, if the Preference Shares are not redeemed at the option of a Majority-in-Interest of Preference Shareholders following the repayment in full of the Notes, to liquidate all of the Issuer's remaining investments in an orderly manner and distribute the proceeds of such liquidation to the Preference Shareholders. However, there can be no assurance that the Notes will be repaid before their Stated Maturity. See "Maturity, Prepayment and Yield Considerations" and "Risk Factors—Average Life and Prepayment Considerations".

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

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

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

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

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

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

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

Consolidation, Merger or Transfer of Assets

The Issuer may not consolidate with, merge into, or transfer or convey all or substantially all of its assets to, any other corporation, partnership, trust or other person or entity.

Petitions for Bankruptcy

Each Original Purchaser of Preference Shares will be required to covenant in an Investor Application Form (and each transferee of Preference Shares will be required to covenant in a transfer certificate) that it will not cause the filing of a petition in bankruptcy against the Issuer before one year and one day have elapsed since the payment in full of the Notes or, if longer, the applicable preference period then in effect.

Governing Law

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

The Administration Agreement, the Issuer Charter, the Preference Shares and certain documents relating to the Issuer will be governed by, and construed in accordance with, the laws of the Cayman Islands.

No Gross-Up

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

FORM, DENOMINATION, REGISTRATION, AND TRANSFER

Form of Offered Securities

Regulation S Global Notes. Notes that are sold or transferred outside the United States of America to persons that are not U.S. Persons will be represented by one or more permanent global notes (in the case of the Secured Notes a **"Regulation S Global Secured Note",** in the case of the Class P Notes a **"Regulation S Global Class P Note"** and together, the **"Regulation S Global Notes"**) in definitive, fully registered form, without interest coupons, and deposited with the Trustee as custodian for, and registered in the name of, The Depository Trust Company (**"DTC"**) or its nominee. By acquisition of a beneficial interest in a Regulation S Global Note, any purchaser thereof will be deemed to represent and warrant that (a) it is not a U.S. Person and is purchasing such beneficial interest for its own account and not for the account or benefit of a U.S. Person and (b) if in the future it decides to transfer such beneficial interest, it will transfer such interest only to a person that is not a U.S. Person in an offshore transaction in accordance with Regulation S or to a person who takes delivery in the form of a Rule 144A Global Note (or beneficial interest therein).

Regulation S Global Preference Shares. Preference Shares that are sold or transferred outside the United States of America to persons that are not U.S. Persons will be represented by one or more permanent global Preference Share certificates (each a **"Regulation S Global Preference Share"** and, collectively with the Regulation S Global Notes, the **"Regulation S Global Securities"**; the Regulation S Global Securities and Rule 144A Global Secured Notes are collectively referred to as the **"Global Securities"**) in definitive, fully registered form, without interest coupons, and deposited with the Trustee as custodian for, and registered in the name of, DTC or its nominee. By acquisition of a Regulation S Global Preference Share, any purchaser thereof will be required to represent and warrant in a transfer certificate or be deemed to represent and warrant that (a) it is not a U.S. Person and is purchasing such Regulation S Global Preference Share for its own account and not for the account or benefit

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of a U.S. Person and (b) if in the future it decides to transfer such Regulation S Global Preference Share, it will transfer such Regulation S Global Preference Share to a person that is not a U.S. Person only in an offshore transaction in accordance with Regulation S or to a person who takes delivery in the form of a Restricted Preference Share.

Rule 144A Global Secured Notes. Secured Notes that are sold or transferred to a U.S. Person or in the United States of America in reliance upon Rule 144A will be represented by one or more permanent global notes (**"Rule 144A Global Secured Notes"**) in definitive, fully registered form, without interest coupons, and deposited with the Trustee as custodian for, and registered in the name of, DTC or its nominee.

Restricted Definitive Preference Shares. Preference Shares that are sold or transferred to a U.S. Person or to a Person in the United States of America that is a Qualified Institutional Buyer in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A or to Accredited Investors in reliance upon another exemption from the registration requirements of the Securities Act will be represented by certificates (**"Restricted Definitive Preference Shares"**) in definitive, fully registered form, registered in the name of the legal and beneficial owner thereof. By acquisition of a Restricted Preference Share, any purchaser thereof will be required to represent and warrant in a transfer certificate that (A) it is (a) either a Qualified Institutional Buyer or an Accredited Investor and (b) a Qualified Purchaser and (B) if in the future it decides to transfer such Restricted Preference Share, it will transfer such Restricted Preference Share only to a person that is (a) either a Qualified Institutional Buyer or an Accredited Investor and (b) a Qualified Purchaser. Upon any transfer of a Restricted Preference Share to an Accredited Investor, in addition to the other conditions to transfer specified in the Indenture, the transferor, upon the reasonable request of the Trustee, the Initial Purchaser or the Collateral Manager, the transferor shall deliver or cause to be delivered to the Issuer and the Trustee an Opinion of Counsel stating that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Restricted Definitive Class P Notes. The Class P Notes initially sold or transferred in the United States or to U.S. Persons pursuant to Rule 144A of the Securities Act will be issued in the form of physical certificates in definitive, fully-registered form (each, a **"Restricted Definitive Class P Note"**). The Restricted Definitive Class P Note will be offered and may only be transferred in whole and not in part to (a) non-U.S. Persons in offshore transactions in reliance on Regulation S taking delivery of a Class P Note in the form of a Regulation S Global Class P Note or (b) in the United States to QIBs in reliance on an exemption from registration under the Securities Act provided by Rule 144A thereunder who are also Qualified Purchasers; *provided* that the Initial Purchase may sell a Class P Note to an investor that is an "accredited investor" pursuant to an exemption from registration under the Securities Act that is also a Qualified Purchaser. Transfers of Restricted Definitive Class P Notes may only be effected by delivery to the Trustee and the Issuer of the required written certifications from the proposed transferee regarding compliance with applicable transfer restrictions. See "Purchase and Transfer Restrictions" and "Certain ERISA Considerations."

Subject to the restrictions on transfer set forth in the Indenture and the Class P Notes, Holders of the Restricted Definitive Class P Notes may transfer or exchange such Class P Notes in whole but not in part (in a number equal to any authorized denomination) by surrendering such Class P Notes at the Corporate Trust Office of the Trustee or at the office of a transfer agent designated for such purpose in the Indenture, together with an executed instrument of assignment and an investor certificate substantially in the form attached to the Indenture. In exchange for any Restricted Definitive Class P Notes properly presented for transfer with all necessary accompanying documentation, the Trustee will, within five Business Days of such request if made at the Corporate Trust Office of the Trustee, or within ten Business Days if made at the office of a transfer agent designated for such purpose in the Indenture, deliver at the Corporate Trust Office of the Trustee or the office of the transfer agent as the case may be, to the transferee or send by first class mail at the risk of the transferee to such address as the transferee may request, a Restricted Definitive Class P Note, for a like number of Class P Notes as may be requested. The presentation for transfer of any Restricted Definitive Class P Note will not be valid unless made at the Corporate Trust Office of the Trustee or at the office of a transfer agent by the registered Holder in person, or by a duly authorized attorney in fact. The Holder of a Restricted Definitive Class P Note will not be required to bear the costs and expenses of effecting any transfer or registration of transfer, except that the relevant Holder will be required to bear (i) the expenses of delivery by other than regular mail (if any) and (ii) if the Issuer so requires, the payment of a sum sufficient to cover any duty, stamp tax or governmental charge or insurance charges that may be imposed in relation thereto.

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The Indenture permits the Issuer to demand that the Holder sell to a holder permitted under the Indenture any interest in a Restricted Definitive Class P Note held by such Holder who is determined not to have been a non-U.S. Person or both a Qualified Purchaser and a QIB at the time of acquisition of such certificate and, if the Holder does not comply with such demand within 30 days thereof, the Issuer may sell such Holder's interest in the certificate.

Transfer of Global Securities to Definitive Securities. Owners of beneficial interests in Global Securities will be entitled or required, as the case may be, under certain limited circumstances described under "Clearing System—Transfers and Exchanges for Definitive Securities", to receive physical delivery of certificated Preference Shares (**"Definitive Preference Shares"**) or certificated Notes (**"Definitive Notes"**; the Definitive Notes and Definitive Preference Shares are collectively referred to as the **"Definitive Securities"**), in each case, in definitive, fully registered form, registered in the name of the legal and beneficial holder thereof.

Definitive Secured Notes issued to persons that are not U.S. Persons and that are not held for the account or benefit of U.S. Persons are referred to herein as **"Regulation S Definitive Secured Notes"**, Definitive Class P Notes issued to persons that are not U.S. Persons and that are not held for the account or benefit of U.S. Persons are referred to herein as **"Regulation S Definitive Class P Notes"** and Definitive Preference Shares issued to persons that are not U.S. Persons and that are not held for the account or benefit of U.S. Persons are referred to herein as **"Regulation S Definitive Preference Shares."** Regulation S Definitive Secured Notes, Regulation S Definitive Class P Notes and Regulation S Definitive Preference Shares are referred to herein as **"Regulation S Definitive Securities"**. Definitive Notes issued to U.S. Persons or in the United States of America in reliance upon an exemption from the registration requirements of the Securities Act are referred to herein as **"Restricted Definitive Notes"** and Restricted Definitive Notes and Restricted Definitive Preference Shares are referred to herein as **"Restricted Definitive Securities"**.

Regulation S Definitive Securities and Regulation S Global Securities are herein referred to as **"Regulation S Securities"**. No owner of a beneficial interest in a Regulation S Global Security will be entitled to receive a Regulation S Definitive Security unless such person provides written certification that such Regulation S Definitive Security is beneficially owned by a person that is not a U.S. Person and is not held for the account or benefit of a U.S. Person. No owner of a beneficial interest in a Rule 144A Global Security will be entitled to receive a Restricted Definitive Security unless such person provides written certification that such Restricted Definitive Security is beneficially owned by it in reliance upon an exemption from the registration requirements of the Securities Act.

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

Transfer and Exchange of Secured Notes

Regulation S Global Secured Note to Rule 144A Global Secured Note. Transfers by a holder of a beneficial interest in a Regulation S Global Secured Note to a transferee who takes delivery of such interest in the form of a beneficial interest in a Rule 144A Global Secured Note will be made (a) only in accordance with the Applicable Procedures and (b) upon receipt by the Secured Note Registrar of written certifications from each of the transferor and the transferee of the beneficial interest in the form provided in the Indenture to the effect that, among other things, such transfer is being made:

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

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

Regulation S Global Secured Note to Regulation S Global Secured Note. The holder of a beneficial interest in a Regulation S Global Secured Note may transfer such interest to a transferee who takes delivery of such interest

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

Rule 144A Global Note to Regulation S Global Note. Transfers by a holder of a beneficial interest in a Rule 144A Global Note to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Note will be made only (a) in accordance with the Applicable Procedures and (b) upon receipt by the applicable Note Registrar of written certification from each of the transferor and the transferee in the form provided in the Indenture to the effect that, among other things, such transfer is being made to a person that is not a U.S. Person and that is not acquiring such beneficial interest for the account or benefit of a U.S. Person and that such transfer is being effected in an offshore transaction in accordance with Regulation S and in accordance with all other applicable securities laws of any relevant jurisdiction.

Rule 144A Global Note to Rule 144A Global Note. The holder of a beneficial interest in a Rule 144A Global Note may transfer such interest to a transferee who takes delivery of such interest in the form of a beneficial interest in a Rule 144A Global Note without the provision of written certification. Any such transfer may only be made (i) to a transferee that (A) is both (1) a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (2) a Qualified Purchaser and (B) is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle) and (ii) only in accordance with the Applicable Procedures. Any such transferee must be able to make the representations set forth under "Transfer Restrictions".

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

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

ERISA Restrictions on Transfers of Class P Notes. No sale, pledge or other transfer of a Class P Note may be made after the Initial Placement of the Class P Notes to a Benefit Plan Investor or a Controlling Person (both as defined herein). The Indenture permits the Issuer to require that any person acquiring Class P Notes (or a beneficial interest therein) after the Closing Date who is determined to be a Benefit Plan Investor or a Controlling Person to sell such Class P Note (or a beneficial interest therein) to a person who is not a Benefit Plan Investor or a Controlling Person and who meets all other applicable transfer restrictions and, if such holder does not comply with such demand within 30 days thereof, the Issuer may sell such holder's interest in such Class P Notes to a purchaser that is not a Benefit Plan Investor or a Controlling Person and that meets all other applicable transfer restrictions. See "ERISA Considerations."

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Transfer and Exchange of Preference Shares

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

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

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

Regulation S Global Preference Share to Regulation S Global Preference Share. The holder of a beneficial interest in a Regulation S Global Preference Share may transfer such interest to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Preference Share. Any such transfer may only be made to a person that is not a U.S. Person and that is not acquiring such beneficial interest for the account or benefit of a U.S. Person and any such transfer may only be effected in an offshore transaction in accordance with Regulation S and only in accordance with the Applicable Procedures. Any such transferee must be able to make the representations set forth under "Transfer Restrictions", including the representation that it is not a Benefit Plan Investor or a Controlling Person, and will be obligated to deliver a letter to such effect in the form attached to the Preference Share Paying Agency Agreement.

Restricted Preference Share to Regulation S Global Preference Share. Transfers or exchanges by a holder of a Restricted Preference Share to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Preference Share will be made only (a) in accordance with the Applicable Procedures and (b) upon receipt by the Preference Share Registrar of written certification from each of the transferor and transferee in the form provided in the Preference Share Paying Agency Agreement to the effect that, among other things, such transfer is being made to a person that is not a U.S. Person, that is not a Benefit Plan Investor or Controlling Person and that is not acquiring such beneficial interest for the account or benefit of a U.S. Person and that such transfer is being effected in an offshore transaction in accordance with Regulation S each Transferee will be obligated to deliver a letter to such effect in the form attached to the Preference Share Paying Agency Agreement.

Restricted Preference Share to Restricted Preference Share. Restricted Preference Shares may be exchanged or transferred in whole or in part in lots not less than 250 shares by surrendering such Restricted Preference Shares at the office of the Preference Share Registrar or the Preference Share Paying Agent with a written instrument of transfer and written certification from each of the transferor and the transferee in the form provided in the Preference Share Paying Agency Agreement. With respect to any transfer of a portion of Restricted Preference Shares, the transferor will be entitled to receive new Restricted Preference Shares representing the number of Preference Shares retained by the transferor after giving effect to such transfer. Restricted Preference Shares issued upon any such exchange or transfer (whether in whole or in part) will be made available at the office of the Preference Share Paying Agent.

Restricted Preference Shares issued upon any exchange or registration of transfer of securities shall represent the same interests, and be entitled to the same benefits, as the Restricted Preference Shares surrendered upon exchange or registration of transfer. No Restricted Preference Share may be transferred to a Benefit Plan Investor or a Controlling Person after the initial sale of the Preference Shares.

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ERISA Restrictions on Transfers of Preference Shares. No sale, pledge or other transfer of a Preference Share may be made after the Initial Placement of the Preference Shares to a Benefit Plan Investor or a Controlling Person (both as defined herein). The Preference Share Documents permit the Issuer to require that any person acquiring Preference Shares (or a beneficial interest therein) after the Closing Date who is determined to be a Benefit Plan Investor or a Controlling Person to sell such Preference Shares (or a beneficial interest therein) to a person who is not a Benefit Plan Investor or a Controlling Person and who meets all other applicable transfer restrictions and, if such holder does not comply with such demand within 30 days thereof, the Issuer may sell such holder's interest in such Preference Shares to a purchaser that is not a Benefit Plan Investor or a Controlling Person and that meets all other applicable transfer restrictions. See "ERISA Considerations."

Transfer and Exchange of Class P Notes

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

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

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

Regulation S Global Class P Notes to Regulation S Global Class P Notes. The holder of a beneficial interest in a Regulation S Global Class P Note may transfer such interest to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Class P Note. Any such transfer may only be made to a person that is not a U.S. Person and that is not acquiring such beneficial interest for the account or benefit of a U.S. Person and any such transfer may only be effected in an offshore transaction in accordance with Regulation S and only in accordance with the Applicable Procedures. Any such transferee must be able to make the representations set forth under "Transfer Restrictions", including the representation that it is not a Benefit Plan Investor or a Controlling Person, and will be obligated to deliver a letter to such effect in the form attached to the Indenture.

Restricted Class P Notes to Regulation S Global Class P Notes. Transfers or exchanges by a holder of a Restricted Class P Note to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Class P Note will be made only (a) in accordance with the Applicable Procedures and (b) upon receipt by the Class P Note Registrar of written certification from each of the transferor and transferee in the form provided in the Indenture to the effect that, among other things, such transfer is being made to a person that is not a U.S. Person, that is not a Benefit Plan Investor or Controlling Person and that is not acquiring such beneficial interest for the account or benefit of a U.S. Person and that such transfer is being effected in an offshore transaction in accordance with Regulation S each Transferee will be obligated to deliver a letter to such effect in the form attached to the Indenture.

Restricted Class P Note to Restricted Class P Note. Restricted Class P Notes may be exchanged or transferred in whole or in part in an Aggregate Principal Amount not less than U.S.$250,000 by surrendering such Restricted Class P Notes at the office of the Trustee with a written instrument of transfer and written certification from each of the transferor and the transferee in the form provided in the Indenture. With respect to any transfer of a portion of Restricted Class P Notes, the transferor will be entitled to receive new Restricted Class P Notes representing the number of Class P Notes retained by the transferor after giving effect to such transfer. Restricted

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Class P Notes issued upon any such exchange or transfer (whether in whole or in part) will be made available at the office of the Trustee.

Restricted Class P Notes issued upon any exchange or registration of transfer of securities shall represent the same interests, and be entitled to the same benefits, as the Restricted Class P Notes surrendered upon exchange or registration of transfer. No Restricted Class P Note may be transferred to a Benefit Plan Investor or a Controlling Person after the Initial Placement of the Class P Note.

ERISA Restrictions on Transfers of Preference Shares and Class P Notes. No sale, pledge or other transfer of a Preference Share or Class P Note may be made after the Initial Placement of the Preference Shares to a Benefit Plan Investor or a Controlling Person (both as defined herein). The Preference Share Documents permit the Issuer to require that any person acquiring Preference Shares or Class P Notes (or, in each case, a beneficial interest therein) after the Closing Date who is determined to be a Benefit Plan Investor or a Controlling Person to sell such Preference Shares (or a beneficial interest therein) to a person who is not a Benefit Plan Investor or a Controlling Person and who meets all other applicable transfer restrictions and, if such holder does not comply with such demand within 30 days thereof, the Issuer may sell such holder's interest in such Preference Shares to a purchaser that is not a Benefit Plan Investor or a Controlling Person and that meets all other applicable transfer restrictions. See "ERISA Considerations."

General

Note Registrars and Transfer Agent. Pursuant to the Indenture, Wells Fargo Bank, National Association has been appointed and will serve as the registrar with respect to the Secured Notes (in such capacity, the **"Secured Note Registrar"**) and with respect to the Class P Notes (in such capacity, the **"Class P Note Registrar"** and, collectively, the **"Note Registrars"**) and will provide for the registration of Notes and the registration of transfers of Notes in the register maintained by it (with respect to the Secured Notes, the **"Secured Note Register"**, and with respect to the Class P Notes, the **"Class P Note Register"** and, collectively, the **"Note Registers"**). Wells Fargo Bank, National Association has been appointed as a transfer agent with respect to all the Notes (in such capacity, a **"Transfer Agent"**). The Note Registrar will affect transfers between Global Notes and, along with the Transfer Agent, will affect exchanges and transfers of Definitive Notes. In addition, the Note Registrar will maintain in the applicable Note Register records of the ownership, exchange and transfer of any Note in definitive form. Transfers of beneficial interests in Global Notes will be affected in accordance with the Applicable Procedures.

Preference Share Registrar and Paying Agent. Wells Fargo Bank, National Association has been appointed as paying agent with respect to the Preference Shares (the **"Preference Share Paying Agent"**) and the Preference Share Paying Agent is also appointed as agent for the Issuer for a transfer of Preference Shares. Walkers SPV Limited has been appointed as the Preference Share Registrar. The Preference Share Registrar will provide for the registration of Preference Shares and the registration of transfers of Preference Shares in the register maintained by it (the **"Preference Share Register"**). Written instruments of transfer are available at the office of the Issuer and the office of the Preference Share Paying Agent. The Preference Share Registrar and the Preference Share Paying Agent will affect exchanges and transfers of Preference Shares. In addition, the Preference Share Registrar will maintain, in the Preference Share Register, records of the ownership, exchange and transfer of the Preference Shares in definitive form. Transfers of beneficial interests in Regulation S Global Preference Shares will be affected in accordance with the Applicable Procedures. No Definitive Preference Share may be transferred to a Benefit Plan Investor or a Controlling Person after the initial sale of the Preference Shares.

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

Minimum Denomination or Number. Each Class of Secured Notes will be issuable in minimum denominations of U.S.$250,000 and will be offered only in such minimum denomination or an integral multiple of U.S.$1,000 in excess thereof. After issuance, (i) a Secured Note may fail to be in compliance with the minimum denomination and integral multiple requirements stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments and (ii) Class C Notes may fail to be in an amount which is an integral multiple of U.S.$1,000 due to the addition to the principal amount thereof of Class C Deferred Interest. Preference

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Shares will be issuable in minimum lots of 250 Preference Shares (and increments of one Preference Share in excess thereof), subject to certain limited exceptions in respect of the initial issuance. Preference Shares may not be transferred if, after giving effect to such transfer, the transferee (or, if the transferor retains any Preference Shares, the transferor) would own less than 250 Preference Shares, subject to certain limited exceptions.

The Class P-1 Notes will be issuable in a minimum denomination of U.S.$600,000 and will be offered only in such minimum denomination or an integral multiple of U.S.$1,000 in excess thereof. The Class P-2 Notes and Class P-3 Notes will be issuable in minimum denomination of U.S.$750,000 and will only be offered in such minimum denomination or an integral multiple of U.S.$1,000 in excess thereof. After issuance any Class P Note may fail to be in compliance with the minimum denomination requirement as a result of partial amortization of the Class P Notes as provided for herein.

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

USE OF PROCEEDS

Net proceeds from the issuance of the Secured Notes and the Preference Shares (including Class P Preference Shares represented by the Class P Notes, which Preference Shares will not be separately issued) will be used by the Issuer to purchase, on the Closing Date, a diversified portfolio of Asset-Backed Securities and Synthetic Securities the Reference Obligations of which may be Asset-Backed Securities. REIT Securities, or Corporate Debt Securities that, in each case, satisfy the investment criteria set forth in the Indenture and described herein. Net proceeds from the issuance of the Class P Notes will be used by the Issuer to purchase the Class P Treasury Strips on the Closing Date and fund the initial deposit into the Class P Reserve Account. See "Security for the Secured Notes" and "Description of the Class P Notes".

RATINGS OF THE NOTES

It is a condition to the issuance of the Notes that the Class A-1 Notes, the Class A-2 Notes and the Class P Notes be rated "Aaa" by Moody's, "AAA" by Standard & Poor's and "AAA" by Fitch, that the Class B Notes be rated at least "Aa2" by Moody's, at least "AA" by Standard & Poor's and at least "AA" by Fitch, and that the Class C Notes be rated at least "Baa2" by Moody's, at least "BBB" by Standard & Poor's and at least "BBB" by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. The Class P Notes will be rated "Aaa" by Moody's with respect to ultimate payment of principal only.

For so long as any Class of Notes are listed on the Irish Stock Exchange and to the extent required by applicable stock exchange rules, the Co-Issuers will inform the Company Announcements Office of the Irish Stock Exchange if any rating assigned by the Rating Agencies to such Notes is reduced or withdrawn.

MATURITY, PREPAYMENT AND YIELD CONSIDERATIONS

The Stated Maturity of the Secured Notes is November 5, 2040. The Secured Notes will mature at their Stated Maturity unless redeemed or repaid prior thereto. However, the average lives of the Secured Notes and the Macaulay Duration of the Preference Shares may be less than the number of years until the Stated Maturity of the Secured Notes. Assuming (a) no Collateral Debt Securities default or are sold, (b) any optional redemption of the Collateral Debt Securities occurs in accordance with their respective terms, (c) all outstanding Secured Notes are redeemed on the Payment Date occurring in May 2013, (d) LIBOR for each future Interest Accrual Period equals the rate for such Interest Accrual Period based on the zero coupon swap curve with such rate initially to be equal to approximately 3.08%, (e) the average life of the Class A-1 Notes would be approximately 5.7 years from the Closing Date, (f) the average life of the Class A-2 Notes would be approximately 8.1 years from the Closing Date, (g) the average life of the Class B Notes would be approximately 8.1 years from the Closing Date, (h) the average life of the Class C-1 Notes would be approximately 6.3 years from the Closing Date, (i) the average life of the

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Class C-2 Notes would be approximately 8.1 years from the Closing Date and (j) the Macaulay Duration of the Preference Shares would be approximately 5.2 years. Such average lives of the Secured Notes and the Macaulay Duration of the Preference Shares are presented for illustrative purposes only. The assumed identity of the portfolio purchased by the Issuer and the other assumptions used to calculate such average lives of the Notes and the Macaulay Duration of the Preference Shares are necessarily arbitrary, do not necessarily reflect historical experience with respect to securities similar to the Collateral Debt Securities and do not constitute a prediction with respect to the rates or timing of receipts of Interest Proceeds or Principal Proceeds, the acquisition of Collateral Debt Securities on or prior to the last day of the Reinvestment Period or after the last day of the Reinvestment Period under the circumstances set forth herein, defaults, recoveries, sales, reinvestments, prepayments or optional redemptions to which the Collateral Debt Securities may be subject. Actual experience as to these matters will differ, and may differ materially, from that assumed in calculating the illustrative average lives and the Macaulay Duration set forth above, and consequently the actual average lives of the Secured Notes and the Macaulay Duration of the Preference Shares will differ, and may differ materially, from those set forth above. Accordingly, prospective investors should make their own determinations of the expected weighted average lives and maturity of the Notes and the Macaulay Duration of the Preference Shares and, accordingly, their own evaluation of the merits and risks of an investment in the Notes or the Preference Shares. See "Risk Factors—Projections, Forecasts and Estimates".

Average life refers to the average number of years that will elapse from the date of delivery of a security until each dollar of the principal of such security will be paid to the investor. The **"Macaulay Duration"** is the weighted average term-to-maturity (expressed in years) of the cash flows in respect of the Preference Shares, where the weights are the present values of each cash flow as a percentage of the present value of all cash flows to the Preference Shareholders. The cash flows are discounted at the internal rate of return to the Preference Shareholders for that scenario.

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

THE CO-ISSUERS

General

The Issuer was incorporated as an exempted company with limited liability and registered on February 2, 2005 in the Cayman Islands pursuant to the Issuer Charter and is in good standing under the Laws of the Cayman Islands. The registered office of the Issuer is at the offices of Walkers SPV Limited, P.O. Box 908GT, Walker House, Mary Street, George Town, Grand Cayman, Cayman Islands. The Issuer has no prior operating experience other than in connection with the acquisition of certain Collateral Debt Securities prior to the issuance of the Notes and the engagement of the Collateral Manager and the entering into of arrangements with respect thereto, and the Issuer will not have any substantial assets other than the Collateral pledged to secure the Notes and the Issuer's obligations to the Trustee. The entire authorized share capital of the Issuer will consist of (i) 1,000 ordinary shares, par value U.S.$1.00 (which will be held in trust for charitable purposes by Walkers SPV, a licensed trust company incorporated in the Cayman Islands (in such capacity, the **"Share Trustee"**) under the terms of a declaration of trust) and (ii) 29,500 Preference Shares, par value U.S.$0.01, issued at an issue price of U.S.$1,000 each.

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The Co-Issuer was incorporated on February 14, 2005 under the law of the State of Delaware and its registered office is at c/o Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware 19711. The sole director and officer of the Co-Issuer is Donald J. Puglisi. The Co-Issuer has no prior operating experience. It will not have any assets (other than its U.S.$1,000 of share capital owned by the Issuer) and will not pledge any assets to secure the Notes. The Co-Issuer will not have any interest in the Collateral Debt Securities or other assets held by the Issuer.

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

Walkers SPV Limited will act as the Administrator (in such capacity, the **"Administrator"**) of the Issuer. The office of the Administrator will serve as the general business office of the Issuer. Through this office and pursuant to the terms of an agreement by and between the Administrator and the Issuer, dated March 29, 2005 (the **"Administration Agreement"**), the Administrator will perform various management functions on behalf of the Issuer, including communications with the general public and the provision of certain clerical, administrative and other services until termination of the Administration Agreement. In consideration of the foregoing, the Administrator will receive various fees and other charges payable by the Issuer at rates provided for in the Administration Agreement and will be reimbursed for expenses.

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

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

Capitalization

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

Class A-1A Notes	U.S.$461,750,000
Class A-1B Notes	U.S.$250,000
Class A-2 Notes	U.S.$112,000,000
Class B Notes	U.S.$70,000,000
Class C-1 Notes	U.S.$26,500,000
Class C-2 Notes	U.S.$5,000,000
Total Debt	U.S.$675,500,000
Ordinary Shares	U.S.$1,000
Preference Shares	U.S.$29,500,000*
Total Equity	U.S.$29,501,000
Total Capitalization	U.S.$705,001,000**

*Includes Class P Preferred Shares represented by the Class P Notes. Class P Preferred Shares will not be separately issued

**The Class P Notes are not included in the capitalization of the Issuer

As of the Closing Date and after giving effect to the issuance of the Preference Shares, the authorized and issued share capital of the Issuer will be 1,000 ordinary shares, par value U.S.$1.00 per share and 29,500 Preference

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Shares (including Class P Preferred Shares represented by Class P Notes and which will not be separately issued), par value U.S.$0.01 per share (and with an aggregate liquidation preference of U.S.$1,000 per Preference Share).

The Issuer will not have any material assets other than the Collateral and the Class P Beneficial Assets.

The Co-Issuer will be capitalized only to the extent of its U.S.$1,000 of share capital, will have no assets other than its share capital and will have no debt other than as Co-Issuer of the Notes. As of the Closing Date and after giving effect to the issuance of the Co-Issuer's shares, the authorized and issued share capital of the Co-Issuer is 1,000 common shares, par value U.S.$1.00 per share.

Business

The Indenture and the Issuer Charter provide that the activities of the Issuer are limited to (i) acquisition and disposition of, and investment and reinvestment in, Collateral Debt Securities and Eligible Investments, (ii) the entering into of, and the performance of its obligations under, the Indenture, the Hedge Agreements, the Collateral Management Agreement, the Collateral Administration Agreement, the Notes and the Preference Share Paying Agency Agreement, (iii) the issuance and sale of the Notes and the Preference Shares, (iv) the pledge of the Collateral as security for its obligations in respect of the Notes and otherwise for the benefit of the Secured Parties, (v) ownership and management of the Co-Issuer and (vi) other activities incidental to the foregoing. The Issuer has no employees and no subsidiaries other than the Co-Issuer. The Co-Issuer will not undertake any business other than the co-issuance of the Secured Notes.

SECURITY FOR THE SECURED NOTES

General

The Collateral securing the Secured Notes will consist of: (i) the Collateral Debt Securities, (ii) the rights of the Issuer under the Hedge Agreements, (iii) amounts on deposit in the Initial Deposit Account, the Collection Account, the Semi-Annual Interest Reserve Account, the Expense Reimbursement Account and any Reclassified Security Account and Eligible Investments purchased with funds on deposit in such accounts; (iv) the rights of the Issuer under the Collateral Management Agreement and the Collateral Administration Agreement; (v) the Issuer's right to investment income in any Synthetic Security Counterparty Account and to any amounts contained in any Synthetic Security Issuer Account and (vi) all proceeds of the foregoing (collectively, the **"Collateral"**). On the Closing Date the Issuer will pledge the Collateral to the Trustee for the benefit of the Secured Parties.

The **"Collateral Debt Securities"** include any (i) Asset-Backed Security, (ii) Corporate Debt Security, (iii) REIT Debt Security, (iv) Synthetic Security and (v) prior to the Ramp-Up Completion Date, U.S. Agency Security purchased with Uninvested Proceeds.

Collateral Debt Securities—Asset-Backed Securities

"Asset-Backed Security" means any obligation that is either (i) a registered security that is primarily serviced by the cash flows of a discrete pool of receivables or other financial assets either fixed or revolving, and that, by its terms converts into cash within a finite period of time, *plus* any rights or other assets designed to assure the servicing or timely distribution of proceeds to the holders thereof or (ii) a registered "asset-backed security" as such term may be defined from time to time in the "General Instructions to Form S-3 Registration Statement" promulgated under the Securities Act that when granted to the Trustee hereunder, satisfies the applicable Eligibility Criteria.

For the purpose of determining compliance with the Eligibility Criteria, the Asset-Backed Securities to be pledged to the Trustee on Closing Date are divided into different **"Specified Types"** as set forth and described in Annex B.

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

"Residential Asset-Backed Securities" means Home Equity Loan Securities; Residential A Mortgage Securities; Residential B/C Mortgage Securities; and any other type of Asset-Backed Securities that becomes a

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Specified Type after the Closing Date and is designated as "Residential Asset-Backed Securities" in connection therewith.

"CDO Securities" means CDO Domestic Corporate Debt Securities and CDO Structured Product Securities; and any other type of Asset-Backed Securities that becomes a Specified Type after the Closing Date as described below and are designated as "CDO Securities" in connection therewith.

"Commercial Asset-Backed Securities" means Equipment Leasing Securities and Small Business Loan Securities; and any other type of Asset-Backed Securities that becomes a Specified Type after the Closing Date as described below and is designated as "Commercial Asset-Backed Securities" in connection therewith.

"Commercial Mortgage-Backed Securities" means CMBS Conduit Securities, CMBS Large Loan Securities and CMBS Credit Tenant Lease Securities; and any other type of Asset-Backed Securities that becomes a Specified Type after the Closing Date as described below and is designated as "Commercial Mortgage-Backed Securities" in connection therewith.

"Consumer Asset-Backed Securities" means Automobile Securities, Car Rental Fleet Securities, Credit Card Securities and Student Loan Securities; and any other type of Asset-Backed Securities that becomes a Specified Type after the Closing Date as described below and is designated as "Consumer Asset-Backed Securities" in connection therewith.

"Other Asset-Backed Securities" means any Security that is one of the following: (a) a Manufactured Housing Security; (b) a Timeshare Security; (c) a Mutual Fund Security; (d) a Franchise Security; (e) an Aircraft Security; or (f) a Future Flow Security.

After the Closing Date, any other type of Asset-Backed Security may be designated as a "Specified Type" (and designated as a category as described in the preceding paragraphs) in a written notice from the Collateral Manager to the Trustee so long as such designation satisfies the Rating Condition. If any type of Asset-Backed Security shall be so designated as an additional Specified Type, the definition of each Specified Type of Asset-Backed Security in existence prior to such designation shall be construed to exclude such newly designated Specified Type of Asset-Backed Security.

Collateral Debt Securities—Corporate Debt Securities

A portion of the Collateral Debt Securities may consist of Corporate Debt Securities. **"Corporate Debt Security"** means any United States dollar denominated registered debt security of any United States corporation, limited liability company, partnership, trust or other entity when granted to the Trustee hereunder, satisfies the applicable Eligibility Criteria.

Collateral Debt Securities—REIT Debt Securities

A portion of the Collateral Debt Securities may consist of REIT Debt Securities. **"REIT Debt Securities"** means debt securities issued by real estate investment trusts that, when granted to the Trustee hereunder, satisfy the applicable Eligibility Criteria.

For the purpose of determining compliance with the Eligibility Criteria set forth below, the REIT Debt Securities to be pledged to the Trustee on Closing Date are divided into different **"Specified Types"** (as set forth and described in Annex B).

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After the Closing Date, any other type of REIT Debt Security may be designated as a "Specified Type" in a written notice from the Collateral Manager to the Trustee so long as such designation satisfies the Rating Condition with respect to Moody's. If any type of REIT Debt Security shall be so designated as an additional Specified Type, the definition of each Specified Type of REIT Debt Security in existence prior to such designation shall be construed to exclude such newly designated Specified Type of REIT Debt Security.

Collateral Debt Securities—Synthetic Securities

A portion of the Collateral Debt Securities may consist of Synthetic Securities. **"Synthetic Security"** means any Dollar denominated swap transaction (including, without limitation, swap agreements structured as credit default swaps enabling the Issuer to purchase credit protection to hedge the credit risk with respect to specific Collateral Debt Securities or sell credit protection with respect to a Reference Obligation or a reference entity issuing the Reference Obligation or other Deliverable Obligation), structured bond investment or other investment which the Issuer purchased from, or entered into with, a Synthetic Security Counterparty which investment, unless otherwise specified or approved by each of Moody's and Standard & Poor's or constituting a Form-Approved Synthetic Security, contains a probability of default, recovery upon default (or a specific percentage of par not less than the Principal Balance thereof *multiplied* by the recovery rate therefor) and expected loss characteristics closely correlated to a Reference Obligation, but which may provide for a different maturity, interest rate or other non-credit characteristics than such Reference Obligation; *provided* that

(i) no amounts receivable by the Issuer from the Synthetic Security Counterparty will be subject to withholding tax, unless the Synthetic Security Counterparty is required to make additional payments sufficient to cover any withholding tax imposed at any time on payments made to the Issuer with respect thereto;

(ii) such Synthetic Security (other than swap agreements structured as credit default swaps enabling the Issuer to sell credit protection with respect to a Reference Obligation or a reference entity issuing the Reference Obligation or other Deliverable Obligation) shall not provide for any payment by the Issuer after the date on which it is granted to the Trustee;

(iii) such Synthetic Security terminates upon the redemption or repayment in full of the Reference Obligation;

(iv) (a) such Synthetic Security has a rating and a recovery rate assigned by each Rating Agency, (b) unless such Synthetic Security is a Form-Approved Synthetic Security, the Rating Condition with respect to Moody's and Standard & Poor's has been satisfied with respect to such Synthetic Security and (c) the Collateral Manager will provide notice to Fitch upon purchase of or entry into such Synthetic Security;

(v) 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, non-payment obligations);

(vi) each Synthetic Security contains appropriate limited recourse and non-petition provisions (to the extent the Issuer has contractual payment obligations to the Synthetic Security Counterparty equivalent (*mutatis mutandis*) to those contained in the Indenture); and

(vii) the related Reference Obligation or Deliverable Obligation, as applicable, satisfies the Eligibility Criteria.

Either of Moody's or Standard & Poor's may revoke its consent to the documentation underlying a Form-Approved Synthetic Security upon 30 days' prior notice. If a Synthetic Security is a Form-Approved Synthetic Security, the Rating Condition will be deemed to have been satisfied with respect to the acquisition of such Synthetic Security; *provided* that with respect to Synthetic Securities structured as credit default swaps that enable the Issuer to sell credit protection, that if

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(a) each Rating Agency has been provided with notice of a proposed Synthetic Security,

(b) Standard & Poor's has acknowledged in a written confirmation signed by an authorized officer of such Rating Agency that such Rating Agency has received such notice and

(c) Standard & Poor's has not indicated within 10 Business Days of the confirmed receipt of the most recently revised drafts of the documents (or copies of executed documents, is applicable) that the inclusion of such proposed Synthetic Security will, at that time, cause the Rating Condition with respect to Moody's and Standard & Poor's not to be satisfied,

then the Rating Condition will be deemed to have been satisfied (provided that the Rating Condition with respect to Fitch shall not be required), if the Reference Obligation with respect to such Synthetic Security satisfies the definition of a Collateral Debt Security, or would satisfy the definition of a Collateral Debt Security, but for the payment frequency, maturity, coupon or currency of such Reference Obligation. The Fitch Rating, Fitch Rating Factor, Fitch Applicable Recovery Rate, Moody's Rating, Moody's Rating Factor, Moody's Applicable Recovery Rate, Standard & Poor's Rating and Standard & Poor's Applicable Recovery Rate for any Asset-Backed Security, Corporate Debt Security or REIT Debt Security combined with a Synthetic Security shall be assigned at the request of the Collateral Manager by Fitch, Moody's or Standard & Poor's, as applicable, in written or electronic form that is mutually acceptable to Fitch, Moody's or Standard & Poor's, as applicable, and the Issuer, the Collateral Manager and the Trustee.

"Synthetic Security Counterparty" means any entity required to make payments on a Synthetic Security (other than a Defeased Synthetic Security) to the extent that a Reference Obligor makes payments on a related Reference Obligation, which counterparty or its long-term senior unsecured debt shall be rated "A" or greater by Fitch, "A" or greater by Standard & Poor's and "A2" or greater by Moody's.

"Reference Obligation" means any Asset-Backed Security, Corporate Debt Security or REIT Debt Security that satisfied Eligibility Criteria 7, 8, and 9 at the time the Synthetic Security was entered into.

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

For purposes of determining the principal balance of a Synthetic Security at any time, the principal balance of such Synthetic Security shall be equal to the Principal Balance of the repayment obligation of the Synthetic Security Counterparty payable to the Issuer through the maturity of such Synthetic Security.

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

Synthetic Security Issuer Accounts

If and to the extent that any Synthetic Security requires the Synthetic Security Counterparty to secure its obligations with respect to such Synthetic Security, the Trustee will establish a segregated trust account held in the name of the Trustee (each such account, a **"Synthetic Security Issuer Account"**). The Trustee shall deposit into each Synthetic Security Issuer Account all amounts that are required to secure the obligations of the Synthetic Security Counterparty in accordance with the terms of such Synthetic Security. Except for investment earnings, a Synthetic Security Counterparty shall not have any legal, equitable or beneficial interest in any Synthetic Security Issuer Account other than in accordance with the Indenture, the applicable Synthetic Security and applicable law.

As directed by the Collateral Manager in writing and in accordance with the applicable Synthetic Security, cash on deposit in a Synthetic Security Issuer Account on behalf of the Issuer shall be invested in Eligible Investments. Income received on amounts on deposit in each Synthetic Security Issuer Account may be withdrawn from such account and paid to the related Synthetic Security Counterparty in accordance with the applicable Synthetic Security.

Cash and Eligible Investments on deposit in each Synthetic Security Issuer Account will not be included in the Collateral and will not be available to make payments under the Secured Notes other than as a result of an event

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of default or termination event under the related Synthetic Security caused by the related Synthetic Security Counterparty. Amounts contained in any Synthetic Security Issuer Account shall not be considered to be an asset of the Issuer for purposes of any of the Collateral Quality Tests or the Coverage Tests, but the Synthetic Security that relates to such Synthetic Security Issuer Account shall be so considered an asset of the Issuer.

Upon the occurrence of an event of default or a termination event under any Synthetic Security, amounts contained in the related Synthetic Security Issuer Account shall, as directed by the Collateral Manager in writing, be withdrawn by the Trustee and applied to the payment of any termination payment payable by the related Synthetic Security Counterparty to the Issuer as a result of such event of default or termination event. Any excess amounts held in a Synthetic Security Issuer Account after payment of all amounts owing from the related Synthetic Security Counterparty to the Issuer as a result of an event of default or termination event shall be withdrawn from such Synthetic Security Issuer Account and paid to the related Synthetic Security Counterparty in accordance with the applicable Synthetic Security.

Synthetic Security Counterparty Accounts

If and to the extent that any Synthetic Security requires the Issuer to secure its obligations with respect to such Synthetic Security, the Trustee will establish a segregated trust account in respect of each such Synthetic Security (each such account, a **"Synthetic Security Counterparty Account"**) that will be maintained by the Trustee as entitlement holder in respect of such Synthetic Security Counterparty and over which the Trustee will have exclusive control and the sole right of withdrawal in accordance with the applicable Synthetic Security and the Indenture. As directed by the Collateral Manager, the Trustee will, on the Closing Date, deposit into each Synthetic Security Counterparty Account all cash and Eligible Investments that are required to secure the obligations of the Issuer in accordance with the terms of the related Synthetic Security. Except for investment earnings, the Issuer shall not have any legal, equitable or beneficial interest in any of the Synthetic Security Counterparty Accounts other than in accordance with the Indenture, the applicable Synthetic Security and applicable law.

As directed by the Collateral Manager in writing and in accordance with the applicable Synthetic Security, cash on deposit in a Synthetic Security Counterparty Account on behalf of a Synthetic Security Counterparty will be invested in Eligible Investments. Income received on amounts on deposit in each Synthetic Security Counterparty Account will be applied, as directed by the Collateral Manager, to the payment of any periodic amounts owed by the Issuer to such Synthetic Security Counterparty on the date any such amounts are due. After application of any such amounts, any income then contained in such Synthetic Security Counterparty Account will be withdrawn from such account and deposited in the Collection Account for distribution as Interest Proceeds. Except as described in the preceding sentence, cash and Eligible Investments on deposit in each Synthetic Security Counterparty Account will not be included in the Collateral, will not be available to make payments under the Secured Notes and shall not be considered to be an asset of the Issuer for purposes of any of the Collateral Quality Tests or the Coverage Tests, but the Synthetic Security that relates to such Synthetic Security Counterparty Account shall be considered an asset of the Issuer.

Amounts contained in any Synthetic Security Counterparty Account shall be withdrawn by the Trustee and applied toward the payment of any amounts payable by the Issuer to the related Synthetic Security Counterparty in accordance with the terms of such Synthetic Security, as directed by the Collateral Manager in writing. Any excess amounts held in a Synthetic Security Counterparty Account after payment of all amounts owing from the Issuer to the related Synthetic Security Counterparty in accordance with the terms of the related Synthetic Security shall be withdrawn from such Synthetic Security Counterparty Account and deposited in the Collection Accounts for application in accordance with the terms of the Indenture.

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 collateral in the related Synthetic Security Counterparty Account required to make any termination payment owed to the Synthetic Security Counterparty to be delivered to the Synthetic Security Counterparty and the remaining collateral in the related Synthetic Security Counterparty Account 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 granted to the Trustee 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

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Synthetic Security Counterparty Account related to such Synthetic Security shall be released and the Collateral Manager on behalf of the Issuer shall cause the collateral in the Synthetic Security Counterparty Account to be granted to the Trustee free of such lien. Any item of collateral in the Synthetic Security Counterparty Account 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 item of collateral in the Synthetic Security Counterparty Account released from the lien of the Synthetic Security Counterparty which satisfies the definition of a Collateral Debt Security shall be treated as a Collateral Debt Security and, in either case, may be retained by the Trustee 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 Security, Credit-Risk Security or Credit-Improved Security; *provided* that no Event of Default has occurred and is continuing. Any cash received upon the maturity of liquidation of any such collateral in the Synthetic Security Counterparty Account released from the lien of the Synthetic Security Counterparty shall be deemed to be Principal Proceeds.

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 in the related Synthetic Security Counterparty Account will be delivered to the Synthetic Security Counterparty, to the extent required, upon delivery of a Deliverable Obligation. In the event a "credit event" has occurred and the Issuer is required to deliver the collateral in the related Synthetic Security Counterparty Account to the Synthetic Security Counterparty or to liquidate such collateral and deliver cash, the Synthetic Security Counterparty will bear any market risk on the liquidation of the Synthetic Security Collateral.

The Collateral Quality Tests

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

Measurement of the degree of compliance with the Collateral Quality Tests will be required, after the Ramp-Up Completion Date, on each day on which the Issuer purchases a Collateral Debt Security. Except as otherwise provided below under "Moody's Diversity Test", for purposes of the Moody's Diversity Test, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation (and the issuer thereof will be deemed to be the related Reference Obligor) and not of the Synthetic Security. For purposes of the Collateral Quality Tests other than the Moody's Diversity Test, or for determining the Moody's Rating of a Synthetic Security, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation.

Fitch Maximum Weighted Average Rating Factor Test

The **"Fitch Maximum Weighted Average Rating Factor Test"** will be satisfied if the Fitch Weighted Average Rating Factor of the Collateral Debt Securities as of such Measurement Date does not exceed 4.75.

The **"Fitch Maximum Weighted Average Rating Factor"** is the number determined by the Collateral Manager on behalf of the Issuer on any Measurement Date by dividing (i) the summation of the series of products obtained (a) for any Pledged Collateral Debt Security that is not a Defaulted Security or a Deferred Interest PIK Bond, by multiplying (1) the Principal Balance on such Measurement Date of each such Pledged Collateral Debt Security by (2) its respective Fitch Rating Factor on such Measurement Date and (b) for any Defaulted Security, by multiplying (1) the Fitch Applicable Recovery Rate for such Defaulted Security or Deferred Interest PIK Bond by (2) the Principal Balance on such Measurement Date of each such Defaulted Security or Deferred Interest PIK Bond (but not including any deferred interest) by (3) its respective Fitch Rating Factor on such Measurement Date by (ii) the sum of (a) the Aggregate Principal Balance on such Measurement Date of all Collateral Debt Securities that are not Defaulted Securities or Deferred Interest PIK Bonds

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plus (b) the summation of the series of products obtained by multiplying (1) the Fitch Applicable Recovery Rate for each Defaulted Security and Deferred Interest PIK Bond by (2) the Principal Balance on such Measurement Date of such Defaulted Security or Deferred Interest PIK Bond (but not including any deferred interest).

Moody's Diversity Test

The **"Moody's Diversity Test"** will be satisfied if the Diversity Score (calculated in accordance with the methodology prescribed by Moody's and more fully described in Annex D hereto and as set forth in the Indenture) is equal to or greater than the number set forth in the column titled "Moody's Diversity Score" in the Moody's Diversity Score/Maximum Moody's Weighted Average Rating Factor Matrix set forth below.

Moody's Maximum Rating Factor Test

The **"Moody's Maximum Rating Factor Test"** will be satisfied on any Measurement Date if the Moody's Weighted Average Rating Factor of the Collateral Debt Securities (determined in accordance with procedures prescribed by Moody's and more fully described in Annex D hereto and as set forth in the Indenture) is equal to or less than the number set forth in the column titled "Maximum Moody's Weighted Average Rating Factor" in the Moody's Diversity Score/Maximum Moody's Weighted Average Rating Factor Matrix set forth below.

Ratings Matrix

Moody's Diversity Score	Maximum Moody's Weighted Average Rating Factor
15 or greater but less than 16	360
16 or greater but less than 17	380
17 or greater but less than 18	400
18 or greater but less than 19	425
19 or greater	450

Moody's Minimum Weighted Average Recovery Rate Test

The **"Moody's Minimum Weighted Average Recovery Rate Test"** will be satisfied as of any Measurement Date, if the Moody's Weighted Average Recovery Rate (determined in accordance with procedures prescribed by Moody's and more fully described in Annex D hereto and as set forth in the Indenture) is greater than or equal to 33.5%.

Standard & Poor's Minimum Weighted Average Recovery Rate Test

The **"Standard & Poor's Minimum Weighted Average Recovery Rate Test"** will be satisfied on any Measurement Date, if the Standard & Poor's Weighted Average Recovery Rate (determined in accordance with the procedures prescribed by Standard & Poor's and as more fully described in Annex E hereto and as set forth in the Indenture) is greater than or equal to 32% with respect to the Class A Notes, 37% with respect to the Class B Notes and 50% with respect to the Class C Notes.

Standard & Poor's CDO Monitor Test

The **"Standard & Poor's CDO Monitor Test"** will be satisfied if after giving effect to the sale of a Collateral Debt Security (excluding Defaulted Securities) or the purchase of a Collateral Debt Security (excluding Defaulted Securities) (or both), as the case may be, the Standard & Poor's Default Differential of the Proposed Portfolio is positive or if the Standard & Poor's Default Differential of the Proposed Portfolio is negative prior to giving effect to such sale or purchase, the extent of compliance is improved after giving effect to the sale or purchase of a Collateral Debt Security.

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Weighted Average Coupon Test	The **"Weighted Average Coupon Test"** will be satisfied as of any Measurement Date if the Weighted Average Coupon as of such Measurement Date is greater than or equal to 5.95%.
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 1.69%.
Weighted Average Life Test	The **"Weighted Average Life Test"** will be satisfied as of any Measurement Date on and after the Ramp-Up Completion Date during any period set forth below if the Weighted Average Life of all Collateral Debt Securities as of such Measurement Date is less than or equal to the number of years set forth in the table below.

As of any Measurement Date occurring during the period below (Weighted Average Life in years):

Date	Weighted Average Life
From the Closing Date to but excluding the Ramp-Up Completion Date	5.1
Thereafter to and including the Payment Date occurring in November 2005	5.0
Thereafter to and including the Payment Date occurring in May 2006	4.9
Thereafter to and including the Payment Date occurring in November 2006	4.8
Thereafter to and including the Payment Date occurring in May 2007	4.7
Thereafter to and including the Payment Date occurring in November 2007	4.6
Thereafter to and including the Payment Date occurring in May 2008	4.6
Thereafter	4.5

Dispositions of Collateral Debt Securities

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

(1) The Collateral Manager, on behalf of the Issuer, may direct the Trustee in writing to sell, and the Trustee shall sell in the manner so directed, (i) any Defaulted Security, Credit-Risk Security, Credit Improved Security or Equity Security, (ii) under the specific circumstances described under paragraph (5), any Collateral Debt Security that is not a Defaulted Security, an Equity Security, a Credit-Risk Security or a Credit-Improved Security or (iii) under the specific circumstances

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described under paragraph (6) below any Collateral Debt Security (regardless of whether such Collateral Debt Security is or can be characterized as, or determined to be, a Defaulted Security, an Equity Security, a Credit-Risk Security or a Credit-Improved Security).

(2) Subject to the limitations described in this paragraph (2), if no Event of Default has occurred and is continuing, the Collateral Manager may direct the Trustee in writing to sell, and the Trustee shall sell in the manner so directed by the Collateral Manager in writing, any Collateral Debt Security that the Collateral Manager determines to be (and which the Collateral Manager certifies in writing to the Trustee that it has determined to be) a Defaulted Security or an Equity Security, it being agreed that the Issuer shall use commercially reasonable efforts to complete the sale of any Defaulted Security (other than any Collateral Debt Security that is a Defaulted Security solely because its Standard & Poor's rating has been reduced to "CC", "D", "SD" or lower or, after such reduction, has been subsequently withdrawn or because its Fitch rating has been reduced to "CC", "C-", "D" or lower) or Equity Security within one year. The Issuer may hold any Defaulted Security beyond the date that is three years after the date that the related Collateral Debt Security became a Defaulted Security (or such later date as such security may first be sold in accordance with its terms); provided that the Market Value of such Defaulted Security shall be deemed to equal zero and the Principal Balance of any such Defaulted Security shall be deemed to be zero. Any Equity Security that is "margin stock" or that does not comply with paragraphs (37), (38) and (39) of Eligibility Criteria must be sold within five Business Days after the Issuer's receipt thereof (or within five Business Days of such later date as such security may first be sold in accordance with its terms).

(3) Subject to the limitations described in this paragraph 3, if no Event of Default has occurred and is continuing, the Collateral Manager, on behalf of the Issuer, may direct the Trustee in writing to sell, and the Trustee shall sell in the manner so directed by the Collateral Manager in writing, any Collateral Debt Security that the Collateral Manager determines to be (and which the Collateral Manager certifies in writing to the Trustee that it has determined to be) a Credit-Risk Security. During the Reinvestment Period, the Collateral Manager shall not direct the Trustee to sell any Collateral Debt Security that it determines to be a Credit-Risk Security unless, in connection with the sale of such Credit-Risk Security, the Collateral Manager shall certify in writing to the Trustee that, in the reasonable belief of the Collateral Manager, (i) the Collateral Manager will be able to cause the Issuer to reinvest the Sale Proceeds arising from the sale of such Credit-Risk Security, within 30 Business Days after such Credit-Risk Security is sold in one or more additional Collateral Debt Securities having an Aggregate Principal Balance that, together with accrued interest thereon, is at least equal to the Sale Proceeds arising from the sale of such Credit-Risk Security being sold and (ii) after giving effect to such sale and the subsequent purchase described in clause (i) above, either (A) the Collateral Quality Tests (except the Standard & Poor's CDO Monitor Test) and the Eligibility Criteria will be satisfied, or (B) if one or more of such tests or criteria is not satisfied, the degree of compliance with such non-compliant tests or criteria will not be diminished as compared to the test levels prior to such sale and subsequent purchase. Notwithstanding any of the foregoing provisions of this paragraph, the Collateral Manager, on behalf of the Issuer, may, at any time after the Reinvestment Period, direct the Trustee in writing to sell, and the Trustee shall sell in the manner so directed by the Collateral Manager in writing, any Collateral Debt Security that the Collateral Manager determines to be (and which the Collateral Manager certifies in writing to the Trustee that it has determined to be) a Credit-Risk Security, in each case, without regard to the satisfaction of the requirements of the preceding sentences of this paragraph and the Collateral Manager on behalf of the Issuer may (but is not required to) direct the Trustee in writing to apply the Sale Proceeds arising from any such sale of Credit Risk Collateral Debt Securities to purchase additional Collateral Debt Securities if:

(i) Moody's has not withdrawn its long-term rating (including any private or confidential rating), if any, of any Outstanding Class A Notes, Class B Notes or Class C Notes or reduced any such long-term rating below the long-term rating in effect on the Closing Date by one or more rating subcategories (in the case of the Class A Notes or the Class B Notes) or two or more rating subcategories (in the case of the Class C Notes);

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(ii) the Weighted Average Life of the Collateral Debt Securities purchased is less than or equal to the Weighted Average Life of the Credit-Risk Securities sold;

(iii) (A) the Collateral Quality Tests and (B) the Eligibility Criteria specifically relevant to such additional Collateral Debt Securities are in compliance after giving effect to the purchase of the additional Collateral Debt Securities;

(iv) the Moody's rating, if any, the Standard & Poor's rating, if any, and the Fitch rating, if any, of the additional Collateral Debt Securities are equal to or better than the Moody's rating, if any, the Standard & Poor's rating, if any, and the Fitch rating, if any, of the Credit-Risk Securities that were sold;

(v) the Class C Overcollateralization Ratio is equal to or greater than 103.63% after giving effect to the purchase of the additional Collateral Debt Securities; and

(vi) the Discretionary Sale Percentage has not been reduced to 0% at any time (unless a Majority of the Class A-1 Notes (if the Class A-1 Notes are Outstanding) and the Initial Hedge Counterparty have consented to a higher percentage, such consent in its sole discretion).

(4) Subject to the limitation described in this paragraph (4),, if no Event of Default has occurred and is continuing, the Collateral Manager, on behalf of the Issuer, may direct the Trustee in writing to sell, and the Trustee shall sell in the manner so directed by the Collateral Manager in writing, any Collateral Debt Security that the Collateral Manager determines to be (and which the Collateral Manager certifies in writing to the Trustee that it has determined to be) a Credit-Improved Security. During the Reinvestment Period, the Collateral Manager shall not direct the Trustee to sell any Collateral Debt Security that it determines to be a Credit-Improved Security unless, in connection with the sale of such Credit-Improved Security, the Collateral Manager shall certify in writing to the Trustee that, in the good faith belief of the Collateral Manager, (i) the Collateral Manager will be able to cause the Issuer to reinvest the Sale Proceeds arising from the sale of such Credit-Improved Security within 30 Business Days after such Collateral Debt Security is sold and the proceeds of disposition of such Credit-Improved Security shall be reinvested in one or more substitute Collateral Debt Securities; provided that, if the Issuer is not satisfying the Class A/B Overcollateralization Coverage Test as of the date of such disposition, the Aggregate Principal Balance of such substitute Collateral Debt Securities shall be at least equal to the Aggregate Principal Balance of the Credit-Improved Security so disposed of and (ii) after giving effect to such sale and the subsequent purchase described in this paragraph, either (A) the Coverage Tests, the Collateral Quality Tests and the Eligibility Criteria will be satisfied or (B) if one or more of such tests or criteria is not satisfied, the degree of compliance with such non-compliant tests or criteria will not diminished as compared to the test levels prior to such sale and subsequent purchase. At any time after the Reinvestment Period, the Collateral Manager, on behalf of the Issuer, may direct the Trustee in writing to sell, and the Trustee shall sell in the manner so directed by the Collateral Manager in writing, any Collateral Debt Security that the Collateral Manager determines to be (and which the Collateral Manager certifies in writing to the Trustee that it has determined to be) a Credit-Improved Security, in each case, without regard to the satisfaction of the requirements of the preceding sentences of this paragraph and the Collateral Manager on behalf of the Issuer may (but is not required to) direct the Trustee in writing to apply the Sale Proceeds arising from any such sale of Credit-Improved Securities to purchase additional Collateral Debt Securities if:

(i) Moody's has not withdrawn its long-term rating (including any private or confidential rating), if any, of any Outstanding Class A Notes, Class B Notes or Class C Notes or reduced any such long-term rating below the long-term rating in effect on the Closing Date by one or more rating subcategories (in the case of the Class A Notes or the Class B Notes) or two or more rating subcategories (in the case of the Class C Notes);

(ii) the Weighted Average Life of the Collateral Debt Securities purchased is less than or equal to the Weighted Average Life of the Credit-Improved Securities sold;

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(iii) (A) the Collateral Quality Tests and (B) the Eligibility Criteria specifically relevant to such additional Collateral Debt Securities are in compliance after giving effect to the purchase of the additional Collateral Debt Securities;

(iv) the Moody's rating, if any, the Standard & Poor's rating, if any, and the Fitch rating, if any, of the additional Collateral Debt Securities are equal to or better than the Moody's rating, if any, the Standard & Poor's rating, if any, and the Fitch rating, if any, of the Credit-Improved Securities that were sold;

(v) the Class C Overcollateralization Ratio is equal to or greater than 103.63% after giving effect to the purchase of the additional Collateral Debt Securities; and

(vi) the Discretionary Sale Percentage has not been reduced to 0% at any time (unless a Majority of the Class A-1 Notes (if the Class A-1 Notes are Outstanding) and the Initial Hedge Counterparty have consented to a higher percentage, such consent in its sole discretion).

(5) Notwithstanding any of the limitations prescribed by the preceding paragraphs of this section entitled "Disposition of Collateral Debt Securities", but subject to the provisions of this paragraph, if no Event of Default has occurred and is continuing, the Collateral Manager, on behalf of the Issuer, may, at any time during the Reinvestment Period, direct the Trustee in writing to sell, and the Trustee shall sell in the manner so directed, any Collateral Debt Security that is not a Defaulted Security, an Equity Security, a Credit-Risk Security or a Credit-Improved Security if, in connection with the sale of such Collateral Debt Security, the Collateral Manager shall certify in writing to the Trustee that (i) the Collateral Manager believes in good faith that proceeds from the sale of such Collateral Debt Security can be reinvested within 20 Business Days after such Collateral Debt Security is sold in one or more additional Collateral Debt Securities having an Aggregate Principal Balance that is greater than or equal to the Principal Balance of the Collateral Debt Security being sold, (ii) as of the date of such sale, the Aggregate Principal Balance of all Collateral Debt Securities sold pursuant to this paragraph for (A) the period from and including the Closing Date to and including December 31, 2005, does not exceed 75% of the then current Discretionary Sale Percentage multiplied by the Net Outstanding Collateral Debt Security Balance on the Ramp-Up Completion Date, (B) the calendar years ending on December 31, 2006 and December 31, 2007, does not exceed the then current Discretionary Sale Percentage multiplied by the Net Outstanding Collateral Debt Security Balance as of the first day of such calendar year, in each case, excluding any sales or dispositions made pursuant to the preceding paragraphs of this section entitled "Disposition of Collateral Debt Securities" and (C) the period from and including January 1, 2008 to and including the Payment Date occurring in May 2008, does not exceed 34% of the then current Discretionary Sale Percentage multiplied by the Net Outstanding Collateral Debt Security Balance as of the first day of such period, (iii) Moody's has not withdrawn its long-term rating (including any private or confidential rating), if any, of any Outstanding Class A Notes, Class B Notes or Class C Notes or reduced any such long-term rating below the long-term rating in effect on the Closing Date by one or more rating subcategories (in the case of the Class A Notes or the Class B Notes) or two or more rating subcategories (in the case of the Class C Notes); and (iv) after giving effect to such sale and the subsequent purchase described in this paragraph, the Collateral Manager believes in good faith that either (A) the Coverage Tests, the Collateral Quality Tests and the Eligibility Criteria are satisfied or (B) if one or more of the Collateral Quality Tests or Eligibility Criteria is not satisfied, the degree of compliance with such non-compliant tests or criteria is not diminished.

(6) Notwithstanding any of the limitations prescribed by the preceding paragraphs of this section entitled "Disposition of Collateral Debt Securities", if no Event of Default has occurred and is continuing, the Collateral Manager, on behalf of the Issuer, may, at any time (during or after the Reinvestment Period), direct the Trustee in writing to sell, and the Trustee shall sell in the manner so directed, any Collateral Debt Security (regardless of whether such Collateral Debt Security is or can be characterized as, or determined to be, a Defaulted Security, an Equity Security, a Credit-Risk Security or a Credit-Improved Security) if the Collateral Manager shall certify in writing to the Trustee that, based upon an opinion of counsel addressed to the Issuer or the Collateral

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Manager, the Collateral Manager has determined, that such Collateral Debt Security is, or may become, subject to withholding or other similar taxes.

(7) If, at any time after the end of the first Collection Period, the long-term rating of the Class A Notes or the Class B Notes has been downgraded one or more rating sub-categories by Moody's, or the rating of the Class C Notes has been downgraded by two or more rating subcategories by Moody's, the Issuer shall send a notice to the Trustee and the Holders of the Notes to the effect that, for so long as any of the conditions described above exists, unless (after each such downgrade described above) the Holders of at least 66-2/3% of the Aggregate Outstanding Amount of the Notes elect to retain the guidelines in effect on the Closing Date for sales of Credit Risk Collateral Debt Securities or Credit-Improved Collateral Debt Securities, as applicable, (i) no Credit-Risk Security may be sold unless such Credit-Risk Security satisfies the Credit Risk Criteria or such other objective criteria as may be agreed upon by the Issuer and the Collateral Manager and the Rating Condition with respect to Moody's is satisfied with respect to such other objective criteria and (ii) no Credit-Improved Security may be sold unless such Credit-Improved Security satisfies the Credit-Improved Criteria.

(8) Each calculation made to determine compliance with the Eligibility Criteria pursuant to the foregoing paragraphs will be made on the assumption that the Net Outstanding Collateral Debt Security Balance prior to each sale and subsequent purchase will remain unchanged.

(9) The Collateral Manager shall sell any Equity Security or other security or consideration received in an Offer that satisfies items 9 and 10 of the Eligibility Criteria within one year after the Issuer's receipt thereof (or within one year after such later date as such Equity Security or other security or consideration may first be sold in accordance with its terms and applicable law).

(10) The Collateral Manager shall sell each Equity Security or other security or consideration received in an Offer (other than an Equity Security or other security or consideration described in paragraph (9) above) not later than five Business Days after the Issuer's receipt thereof (or within five Business Days after such later date as such Equity Security or other security or consideration may first be sold in accordance with its terms and applicable law).

(11) The Collateral Manager shall sell any Deliverable Obligation that does not satisfy item 10 of the Eligibility Criteria at the time of delivery not later than five Business Days after the Issuer's receipt thereof (or within five Business Days after such later date as such Deliverable Obligation may first be sold in accordance with its terms and applicable law).

(12) After the Issuer has notified the Trustee of an Optional Redemption, Tax Redemption or an Auction Call Redemption in accordance with the Indenture, the Issuer shall direct the Trustee in writing to sell, and the Trustee shall (in consultation with the Collateral Manager) sell, any Collateral Debt Security without regard to the foregoing limitations in paragraphs (1) through (7) above; provided that:

(i) in connection with an Auction Call Redemption, Optional Redemption or Tax Redemption, the Sale Proceeds therefrom must be used to pay certain expenses and redeem all of the Notes in whole but not in part pursuant to the Indenture, and upon any such sale the Trustee shall release such Collateral Debt Security pursuant to Section 10.10 of the Indenture;

(ii) in connection with an Auction Call Redemption, Optional Redemption or Tax Redemption, the Issuer may not direct the Trustee to sell (and the Trustee shall not be required to release) a Collateral Debt Security pursuant to Section 12.1(l) of the Indenture unless on or prior to the sixth Business Day preceding the scheduled Redemption Date:

(x) the Issuer certifies to the Trustee that (1) in its judgment based on calculations included in such certification by the Issuer (which certification shall include the sales prices of the Collateral Debt Securities), the Sale Proceeds from the sale of one or more of the Collateral Debt Securities (based on the criteria set forth in Section 9.1 or Section

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9.6(a) of the Indenture, as the case may be) and all Cash and proceeds from Eligible Investments standing to the credit of each Account (other than the Custodial Account, any Hedge Counterparty Collateral Account, any Synthetic Security Issuer Account or any Synthetic Security Counterparty Account) will be sufficient to pay the Total Senior Redemption Amount pursuant to Section 9.1 or Section 9.6(a) of the Indenture (as the case may be), (2) an Approved Pricing Service has confirmed each sales price contained in such certification (if such sale price is quoted on an Approved Pricing Service) and (3) the sale prices of such Collateral Debt Securities are not below the fair market value of such Collateral Debt Securities; and

(y) the Independent accountants appointed by the Issuer pursuant to of the Indenture shall confirm in writing the calculations made in clause (x)(1) above;

(iii) in connection with an Auction Call Redemption, Optional Redemption or Tax Redemption, all the Collateral Debt Securities must be sold in accordance with the requirements set forth in the Indenture.

"Credit Risk Criteria": (i) An increase in credit spread (as measured with respect to the relevant benchmark U.S. Treasury security rate, swap rate or the applicable Approved Index) of (A) 0.65% or more, in the event that the original credit spread was 2% or more or (B) 0.40% or more, in the event that the original credit spread was under 2%, in each case since the date on which such Collateral Debt Security was purchased by the Issuer; or (ii) placement by Moody's, Standard & Poor's or Fitch of the Collateral Debt Security on its credit watch list with potential negative or developing credit implications or deterioration of the rating of the Collateral Debt Securities by one or more sub-categories from the rating in effect on the date such obligation became a Pledged Collateral Debt Security; *provided* that any Collateral Debt Security which on the date of determination is currently deferring interest or is a Written-Down Security will be deemed to be a Credit-Risk Security. For purposes of this definition, **"Approved Index"** means the U.S. dollar prime rate, the federal funds rate, or any other interest rate generally accepted as a basis for alternate base rate loans, the London interbank offered rate or similar interbank offered rate, commercial deposit rate or any other index which satisfies the Rating Condition with respect to Moody's.

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

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

During the Reinvestment Period, Principal Proceeds (including those resulting from dispositions, maturities or redemptions of Collateral Debt Securities as aforesaid) may be reinvested in additional Collateral Debt Securities if (i) the reinvestment criteria set forth below under "—Eligibility Criteria" are satisfied and (ii) with respect to Principal Proceeds (other than Sale Proceeds) and any recoveries or proceeds from the liquidation of any Defaulted Securities, the Coverage Tests after giving effect to the proposed release and application of funds in the Collection Account, determined as of such Business Day, shall have been met (taking into account scheduled distributions to be received on the Collateral Debt Securities during the Collection Period relating to the immediately succeeding Payment Date). If, however, at the time of sale, maturity or redemption the Collateral Manager is not required to and

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has not identified Collateral Debt Securities for purchase, Principal Proceeds may be reinvested in Eligible Investments, pending reinvestment in additional Collateral Debt Securities.

ELIGIBILITY CRITERIA

All Collateral Debt Securities purchased by the Issuer on the Closing Date must meet the following criteria (the **"Eligibility Criteria"**). Further, Uninvested Proceeds and Principal Proceeds may be invested in additional Collateral Debt Securities during the Reinvestment Period and, with respect to the Sale Proceeds arising from the sale of Credit Risk Collateral Debt Securities, after the Reinvestment Period, if, after giving effect to such investment, (i) each of the Collateral Quality Tests is satisfied or (a) if a Collateral Quality Test is not satisfied, the degree of compliance with that non-compliant Collateral Quality Test would be improved or not diminished and (b) if more than one Collateral Quality Test is not satisfied, the degree of compliance with at least one non-compliant Collateral Quality Test is improved and the degree of compliance with the remaining non-compliant Collateral Quality Tests is not diminished, and (ii) each of the Eligibility Criteria specifically relevant to such additional Collateral Debt Securities is satisfied (*provided that*, with respect to any purchases and/or sales of multiple Collateral Debt Securities that are effected either contemporaneously or within ten Business Days from each other in accordance with the provisions described herein (each, a **"Combined Trade"**), compliance with the Collateral Quality Tests and Eligibility Criteria shall be measured by determining the aggregate effect of such Combined Trade on the Issuer's level of compliance with the applicable Collateral Quality Tests and Eligibility Criteria rather than considering the effect of each purchase and sale of the related Collateral Debt Securities individually):

Collateral Debt Security	1.	such security is a Collateral Debt Security and the obligor on or issuer thereof is incorporated or organized under the law of the United States of America, or one of its states, any Eligible Country or an Eligible SPV Jurisdiction;
Collateral Debt Securities to have Ratings	2.	such security has a Moody's Rating, a Standard & Poor's Rating and a Fitch Rating;
Minimum Ratings	3.	(A) the Aggregate Principal Balance of Pledged Collateral Debt Securities (which, for purposes of the calculations pursuant to this clause 3, shall include Uninvested Proceeds and Principal Proceeds received with respect to any such Collateral Debt Securities and not reinvested), that have (a) a rating by Moody's of at least "Baa3" or a rating by Standard & Poor's of at least "BBB-" shall represent at least 92.5% of the Net Outstanding Collateral Debt Security Balance, (b) a rating by Moody's of at least "A3" or a rating by Standard & Poor's of at least "A-" shall represent at least 20% of the Net Outstanding Collateral Debt Security Balance, (c) a rating by Moody's of at least "Aa3" or a rating by Standard & Poor's of at least "AA-" shall represent at least 7% of the Net Outstanding Collateral Debt Security Balance and (d) a Rating by Moody's of "Aaa" or a rating by Standard & Poor's of "AAA" shall represent at least 3% of the Net Outstanding Collateral Debt Security Balance; *provided* that, for each of clauses (a) through (d) above, if any Collateral Debt Security shall have both a rating by Moody's and a rating by Standard & Poor's, the lowest of those two ratings shall be used for purposes of clauses (a) through (d) and (B) the rating of such security by Moody's (if rated by Moody's) is not below "Ba3" and the rating by Standard & Poor's (if rated by Standard & Poor's) is not below "BB-";
Rated Below "BBB-" or "Baa3"	4.	any security that is rated below "BBB-" by Standard & Poor's or below "Baa3" by Moody's (other than a Series 1999-5 bond issued by "GPMH" (ticker symbol) that was purchased by the Issuer on the Closing Date) shall be either (A) a Residential A Security, (B) a Residential B/C Security, (C) a Home Equity Security or (D) a CMBS;
Credit Profile	5.	such security is not a Defaulted Security, a Credit-Risk Security, a Deferred Interest PIK Bond or a PIK Bond that is currently deferring interest at the time of acquisition thereof;

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Written-Down Securities	6. such security is not a Written-Down Security and its Aggregate Principal Balance has not been reduced, written down or otherwise "charged off" under the terms of its Underlying Instrument at the time of acquisition thereof; *provided* that the Issuer may purchase a security that has been a Written-Down Security the Aggregate Principal Balance of which has been reduced, written down or otherwise "charged off" under the terms of such security's Underlying Instrument if, at the time the Issuer enters into a commitment to purchase such security, (a) such security is current on its interest payments and (b) the Aggregate Principal Balance of such security has been restored to such security's Aggregate Principal Balance at the time of issuance (but taking into account any payments or prepayments of principal made with respect to such security);
Dollar Denominated	7. such security is Dollar denominated and is not mandatorily convertible into, or payable in, any other currency;
Registered form	8. such security is in registered form for U.S. Federal income tax purposes and (if it is a certificate of interest in a trust treated as a grantor trust for U.S. Federal income tax purposes, each of the obligations or securities held by such trust) was issued after July 18, 1984 ("**Registered**");
Withholding	9. the Issuer will receive payments due under the terms of such security and proceeds from disposing of such security free and clear of withholding tax, other than withholding tax as to which the obligor or issuer must make additional payments so that the net amount received by the Issuer after satisfaction of such tax is the amount due to the Issuer before the imposition of any withholding tax;
Net income tax	10. the acquisition (including the manner of acquisition), ownership, enforcement and disposition of such security will not cause the Issuer to be treated as engaged in a U.S. trade or business for U.S. Federal income tax purposes or otherwise to be subject to tax on a net income basis in any jurisdiction outside the Issuer's jurisdiction of incorporation;
Single Issue	11. (A) with respect to the particular issue of the Collateral Debt Security being acquired, the aggregate principal balance of all Pledged Collateral Debt Securities of the same issue does not exceed 1.0% of the Net Outstanding Collateral Debt Security Balance, except that with respect to 34 issues (together with the aggregate principal balance of any Synthetic Securities related thereto and rounded to the nearest 0.1%), such issues may equal greater than 1.0%; *provided* that no more than eight single issues may be greater than 1.5%; *provided further* that (a) no such single issue shall exceed 3.0% of the Net Outstanding Collateral Debt Securities Balance and (b) with respect to each of such 34 single issues, each such issue must have a Moody's Rating of at least "Baa3" or a Standard & Poor's Rating of at least "BBB-", and (B) the Collateral shall at all times include at least 120 separate issues on Pledged Collateral Debt Securities;
Single Servicer	12. with respect to the Servicer of the security being acquired, the Aggregate Principal Balance of all Pledged Collateral Debt Securities serviced by such Servicer does not exceed 7.5% of the Net Outstanding Collateral Debt Security Balance, *provided* that the Aggregate Principal Balance of all Pledged Collateral Debt Securities serviced by such Servicer does not exceed: (a) 25% of the Net Outstanding Collateral Debt Security Balance, if such Servicer is rated (i) at least "Aa3" or "SQ1" by Moody's, (ii) at least "AA-" or at least "Strong" by Standard & Poor's or (iii) at least "AA-" or at least "S-1" by Fitch; and (b) 15% of the Net Outstanding Collateral Debt Security Balance, if such Servicer is rated (i) at least "A2" but less than "Aa3" or "SQ2" by Moody's, (ii) at least (x) "A-" but less than "AA-" or (y) "Above Average" but less than "Strong", by Standard & Poor's or (iii) at least (x) "A-" but less than "AA-" or (y) "S2" but less than "S1", by Fitch;

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Backed by Obligations of Non-U.S. Obligors

13. the Aggregate Attributable Amount of all Pledged Collateral Debt Securities related to obligors organized or incorporated outside the United States of America does not exceed 12.5% of the Net Outstanding Collateral Debt Security Balance; *provided* that, the Aggregate Attributable Amount of all Collateral Debt Securities related to:

    (a) obligors organized or incorporated in the United Kingdom does not exceed 12.5% of the Net Outstanding Collateral Debt Security Balance;

    (b) obligors organized or incorporated in Canada does not exceed 2.5% of the Net Outstanding Collateral Debt Security Balance;

    (c) Qualifying Foreign Obligors (other than those obligors organized or incorporated in the United Kingdom and Canada) does not exceed 2.5% of the Net Outstanding Collateral Debt Security Balance; and

    (d) obligors organized or incorporated outside the United States of America, the United Kingdom and Canada (other than Qualifying Foreign Obligors) does not exceed 2.5% of the Net Outstanding Collateral Debt Security Balance.

    For purposes of this paragraph 10, **"obligors"** shall mean (i) with respect to REIT Debt Securities and Corporate Debt Securities, the issuer of such securities, and (ii) with respect to Asset-Backed Securities, the obligors on the underlying collateral;

Emerging Market Issuers

14. the issuer of such security is not an Emerging Market Issuer;

Specified Type

15. without prejudice to the remainder of the Eligibility Criteria, if such security is an Asset-Backed Security or REIT Debt Security it is one of the Specified Types;

Synthetic Securities

16. if such security is a Synthetic Security, then (A) the Aggregate Principal Balance of all Synthetic Securities does not exceed 20% of the Net Outstanding Collateral Debt Security Balance, (B) the Aggregate Principal Balance of all Collateral Debt Securities constituting Synthetic Securities (other than Defeased Synthetic Securities) acquired from any single Synthetic Security Counterparty and its Affiliates is not greater than (a) with respect to Synthetic Security Counterparties with a Standard & Poor's Rating of "AAA", 20% of the Net Outstanding Portfolio Collateral Balance; (b) with respect to Synthetic Security Counterparties with a Standard & Poor's Rating of at least "AA+", "AA" or "AA-", 10% of the Net Outstanding Portfolio Collateral Balance; and (c) with respect to Synthetic Security Counterparties with a Standard & Poor's Rating of "A+", "A" or "A-", 5% of the Net Outstanding Portfolio Collateral Balance;

Fixed Rate Securities

17. if such security is a Fixed Rate Security, the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 33% of the Net Outstanding Collateral Debt Security Balance;

Floating Rate Securities

18. if such security is a Floating Rate Security, (a) the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 80% of the Net Outstanding Collateral Debt Security Balance and (b) if such security is a Floating Rate Security that bears interest at a rate that is not based on LIBOR, the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Collateral Debt Security Balance;

Asset-Specific Hedges

19. the Aggregate Principal Balance of all Pledged Collateral Debt Securities which are subject to Asset-Specific Hedges does not exceed 10% of the Net Outstanding

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Collateral Debt Security Balance;

Interest Only Securities

20. if such security is an Interest Only Security (A) the Aggregate Amortized Cost of all such Pledged Collateral Debt Securities does not exceed 2.5% of the Net Outstanding Collateral Debt Security Balance and (B) the Rating Condition with respect to Standard & Poor's shall be satisfied with respect to the acquisition of such Interest Only Security;

Principal Only Securities

21. if such security is a Principal Only Security, the Aggregate Amortized Cost of all such Pledged Collateral Debt Securities does not exceed 2.5% of the Net Outstanding Collateral Debt Security Balance;

Net Interest Margin Securities

22. if such security is a Net Interest Margin Security (i) the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 2.5% of the Net Outstanding Collateral Debt Security Balance, (ii) such security shall be rated by Moody's and (iii) if such security has failed to make any payment of interest when due under its Underlying Instruments, such security shall be deemed to be a Deferred Interest PIK Bond; *provided* that no Net Interest Margin Securities shall be purchased after the Closing Date without the Issuer first obtaining a Rating Agency Confirmation from Standard & Poor's;

Payment of Interest less Frequently than Semi-annually

23. if such security provides for periodic payment of interest less frequently than quarterly but at least semi-annually, the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 20% of the Net Outstanding Collateral Debt Security Balance; *provided* that no Pledged Collateral Debt Security (other than Principal Only Securities) shall provide for periodic payment of interest less frequently than semi-annually;

PIK Bond

24. if such security is a PIK Bond, the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Collateral Debt Security Balance;

Step-Down Bond

25. if such security is a Step-Down Bond, the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Collateral Debt Security Balance;

Step-Up Bond

26. if such security is a Step-Up Bond, the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Collateral Debt Security Balance;

Legal Maturity

27. unless such security is an Interest Only Security, if the stated maturity of such security occurs later than the Stated Maturity of the Notes, the Aggregate Principal Balance of all such securities does not exceed 10% of the Net Outstanding Collateral Debt Security Balance; *provided* that (a) any such Interest-Only Security shall have a Weighted Average Life of less than 15 years and (b) if such Interest-Only Security is a Commercial Mortgage-Backed Security, the stated maturity of such Commercial Mortgage-Backed Security shall be deemed to be the earlier of (i) the stated maturity of such Commercial Mortgage-Backed Security as specified in the related Underlying Instruments and (ii) the date which is five years after the later of (A) the latest occurring balloon date with respect to any balloon loan securing such Commercial Mortgage-Backed Security and (B) the last scheduled amortization date with respect to any other loans securing such Commercial Mortgage-Backed Security;

Pure Private Collateral Debt Security

28. if such security is a Pure Private Collateral Debt Security, the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 10% of the Net Outstanding Collateral Debt Security Balance;

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Fixed Payments of Principal 29. such security provides for a fixed amount of principal to be payable according to a fixed schedule at maturity unless such security is an Interest Only Security;

ERISA 30. such security is not a security that, pursuant to 29 C.F.R. Section 2510.3-101, (i) would be treated as an equity interest in an entity and (ii) if held by an employee benefit plan subject to ERISA, would cause such employee benefit plan to be treated as owning an undivided interest in each of the underlying securities held by such entity for purposes of ERISA;

Not Subject of Offer 31. such security is not the subject of an Offer;

Certain Asset Classes 32. (A) the Aggregate Principal Balance of Pledged Collateral Debt Securities that are Residential Asset Backed Securities or Commercial Mortgage-Backed Securities shall represent at least 70% of the Net Outstanding Collateral Debt Security Balance and (B) if such security is an Other Asset Backed Security or Corporate Debt Security, (1) the Aggregate Principal Balance of all Pledged Collateral Debt Securities issued by the Obligor in respect of such security (other than Vanderbilt) does not exceed 1.0% of the Net Outstanding Collateral Debt Security Balance and (2) the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 15% of the Net Outstanding Collateral Debt Security Balance;

Manufactured Housing Securities 33. if such security is a Manufactured Housing Security, (A) the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 7.0% of the Net Outstanding Collateral Debt Security Balance; (B) such security (other than Series 1999-5 bond issued by "GPMH" (ticker symbol) that was purchased by the Issuer on the Closing Date) must be rated at least "Baa3" by Moody's or "BBB-" by Standard & Poor's (but if rated by both Rating Agencies, the lower of the two ratings shall be at least "Baa3" by Moody's or "BBB-" by Standard & Poor's) and (C) if such security is issued prior to October 2004 and if the obligor in respect of such security is not Vanderbilt, the Aggregate Principal Balance of Pledged Collateral Debt Securities issued by all such Obligors (other than Origen bonds) does not exceed 2.5% of the Net Outstanding Collateral Debt Security Balance;

Timeshare Securities 34. if such security is a Timeshare Security, (A) the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Collateral Debt Security Balance and (B) such security must be rated at least "Baa3" by Moody's or "BBB-" by Standard & Poor's (but if rated by both Rating Agencies, the lower of the two ratings shall be at least "Baa3" by Moody's or "BBB-" by Standard & Poor's);

Mutual Fund Securities 35. if such security is a Mutual Fund Security, (A) the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Collateral Debt Security Balance and (B) such security must be rated at least "Baa3" by Moody's or "BBB-" by Standard & Poor's (but if rated by both Rating Agencies, the lower of the two ratings shall be at least "Baa3" by Moody's or "BBB-" by Standard & Poor's);

Franchise Securities 36. if such security is a Franchise Security, (A) the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Collateral Debt Security Balance and (B) such security must be rated at least "Baa3" by Moody's or "BBB-" by Standard & Poor's (but if rated by both Rating Agencies, the lower of the two ratings shall be at least "Baa3" by Moody's or "BBB-" by Standard & Poor's);

Aircraft 37. if such security is an Aircraft Security, (A) the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 7% of the Net Outstanding

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Securities Collateral Debt Security Balance and (B) such security must be rated at least "Baa3" by Moody's or "BBB-" by Standard & Poor's (but if rated by both Rating Agencies, the lower of the two ratings shall be at least "Baa3" by Moody's or "BBB-" by Standard & Poor's);

Future Flow Securities

38. if such security is a Future Flow Security, (A) the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Collateral Debt Security Balance and (B) such security must be rated at least "Baa3" by Moody's or "BBB-" by Standard & Poor's (but if rated by both Rating Agencies, the lower of the two ratings shall be at least "Baa3" by Moody's or "BBB-" by Standard & Poor's); and

CDO Securities

39. if such security is a CDO Security, (A) the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 15% of the Net Outstanding Collateral Debt Security Balance, (B) such security must be rated at least "Baa3" by Moody's or "BBB-" by Standard & Poor's, (but if rated by both Rating Agencies, the lower of the two ratings shall be at least "Baa3" by Moody's or "BBB-" by Standard & Poor's), (C) the Aggregate Principal Balance of CDO Securities of the same issue does not exceed 1.0% of the Net Outstanding Collateral Debt Security Balance, (D) such security is not (i) a CDO Security which entitles the holders thereof to receive payments that depend primarily on other CDO Obligations (such security being a security in which 35% or more of the underlying obligations of such CDO Obligation are CDO Obligations) or (ii) a CDO Security which is a Synthetic Security and (E) such security is an ABS CDO Security, a CLO Security, a Corporate CDO Security or a Trust Preferred CDO Security, provided that (i) the Aggregate Principal Balance of all Pledged Collateral Debt Securities that are CLO Securities does not exceed 5.0% of the Net Outstanding Collateral Debt Security Balance, (ii) the Aggregate Principal Balance of all Pledged Collateral Debt Securities that are Corporate CDO Securities or Trust Preferred CDO Securities does not exceed 2.0% of the Net Outstanding Collateral Debt Security Balance (iii) if such security is a Corporate CDO Security or Trust Preferred Security, the issuer of such security was not formed for the purpose of entering into synthetic securities with respect to corporate debt securities or trust preferred securities;

Guaranteed Securities

40. if such security is a Bank Guaranteed Corporate Debt Security or Insurance Company Guaranteed Security or is otherwise guaranteed as to ultimate or timely payment of principal or interest, (A) the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 12.5% of the Net Outstanding Collateral Debt Security Balance and (B) such security must be rated at least "Aaa" by Moody's and "AAA" by Standard & Poor's;

Corporate Debt Securities

41. if such security is a Corporate Debt Security, the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 3% of the Net Outstanding Collateral Debt Security Balance; *provided* that at the time of acquisition thereof, each such Corporate Debt Security shall be rated "Baa3" or higher by Moody's and "BBB-" or higher by Standard & Poor's;

Average Life

42. such security has an Average Life at the time of acquisition thereof of less than or equal to 15 years (except that one security may have an Average Life of up to 16.4 years); *provided* that

a. if the Average Life of such security is greater than or equal to 12 years, the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Collateral Debt Security Balance;

b. if the Average Life of such security is greater than or equal to 10 years, the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 6% of

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the Net Outstanding Collateral Debt Security Balance;

c. if the Average Life of such security is greater than or equal to 8 years, the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 15% of the Net Outstanding Collateral Debt Security Balance;

d. if the Average Life of such security is greater than or equal to 6 years, the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 30% of the Net Outstanding Collateral Debt Security Balance;

e. if such security is rated "Ba1" or below by Moody's or "BB+" or below by Standard & Poor's, the Average Life of such security is less than or equal to 8 years; and

f. if such security is a CDO Security, the Average Life of such security is less than or equal to 10 years;

Bivarate Risk

43. if such security is (1) a Synthetic Security, (2) a Collateral Debt Security, the issuer of which is organized in a jurisdiction whose sovereign debt is rated below "AA" by Standard & Poor's or (3) subject to a loan pursuant to a Securities Lending Agreement of one year or longer in duration, the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 20% of the Net Outstanding Collateral Debt Security Balance;

Other Eligibility Criteria

44. such security does not provide for the mandatory conversion or exchange into equity capital at any time (other than the exercise of any warrant which is a component of a Unit; *provided* that the value of such warrant shall not exceed 2% of the original purchase price paid by the Issuer for such Unit);

45. if such security is a Corporate Debt Security or a REIT Debt Security, it is not a Step Down Bond or a PIK Bond;

46. such security is permitted by its terms to be held by the Issuer and, if applicable, assigned, participated or otherwise transferred to the Issuer;

47. such security does not require its holder to make available to the issuer thereof a commitment to advance funds (of a contingent nature or otherwise);

48. such security is not an obligation or security the rating of which from Standard & Poor's include the subscript "p," "pi," "q," "r" or "t";

49. its acquisition of such security will 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 Principal Balance of such security held by the Issuer is less than 10% of the entire issue of such security;

50. such security is not a security that is not eligible under its Underlying Instruments to be purchased by the Issuer and granted to the Trustee;

51. such security is not (a) a security issued by an issuer located in a country that imposes foreign exchange controls that effectively limit the availability or use of Dollars to make when due the scheduled payments of principal of and interest on such security; (b) a security that is not an Interest Only Security whose timely repayment is subject to substantial non-credit-related risk, as reasonably determined by the Collateral Manager; (c) and does not provide for conversion into, "margin stock"; or (d) a financing by a

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debtor-in-possession in any insolvency proceeding;

52. such security and any Equity Security acquired in connection with such security is not Margin Stock;

53. such security is not a security issued by any entity, fund or portfolio for which the Collateral Manager or any of its Affiliates acts as collateral manager or investment advisor;

54. such security is not a floating rate security whose interest rate is inversely related to an interest rate index; and

55. such security has not been acquired primarily for the purpose of lending it.

For purposes of determining compliance with the foregoing Eligibility Criteria above, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one-tenth of a percentage point.

Notwithstanding the foregoing provisions, (a) if the Issuer has previously entered into a commitment to acquire an obligation or security for inclusion in the Collateral, and if the Issuer was in compliance with each of the Eligibility Criteria and Collateral Quality Tests on the date on which the Issuer entered into such commitment, the Issuer need not comply with any of the Eligibility Criteria or Collateral Quality Tests on the date of such acquisition, or if one or more Collateral Quality Tests and Eligibility Criteria are not satisfied on the date on which the Issuer entered into such commitment (other than with respect to item 10 of the Eligibility Criteria), the degree of compliance with the Collateral Quality Tests and Eligibility Criteria (taking into account the aggregate effect of any Combined Trade) would have improved or not diminished on the date of such acquisition (or transactions with respect to any Combined Trade); *provided* that the Issuer may only enter into commitments to acquire securities for inclusion in the Collateral if (i) such commitments to acquire securities do not extend beyond a 30-day period and (ii) the Aggregate Principal Balance of all securities subject to such commitments is less than U.S.$70,000,000 at any time or such other amount as permitted by the Rating Agencies in writing and (b) if an Event of Default shall have occurred and be continuing, no Collateral Debt Security may be acquired unless it was the subject of a commitment entered into by the Issuer prior to the occurrence of such Event of Default.

The Hedge Agreements

On the Closing Date (or any date on which the Issuer enters into a replacement Hedge Agreement), (i) each Hedge Counterparty entering into a Hedge Agreement on such date (or any Affiliate of such Hedge Counterparty that shall have absolutely and unconditionally guaranteed the obligations of the relevant Hedge Counterparty under such Hedge Agreement) shall satisfy the Hedge Counterparty Ratings Requirement and (ii) the Issuer shall assign each such Hedge Agreement to the Trustee pursuant to this Indenture and the relevant Hedge Counterparty shall consent to such assignment. The Issuer shall not enter into any hedge agreement the payments from which are subject to withholding tax or the entry into, performance or termination of which would subject the Issuer to tax on a net income basis in any jurisdiction outside the Issuer's jurisdiction of incorporation.

The Trustee shall, on behalf of the Issuer and in accordance with the Note Valuation Report, pay amounts due to each Hedge Counterparty under the relevant Hedge Agreement on any Payment Date in accordance with Section 11.1 of the Indenture.

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

(i) (x)(i) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of its Hedge Rating Determining Party are rated below "A1" by Moody's (or rated "A1" by Moody's and on watch for possible downgrade) or (ii) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of its Hedge Rating Determining Party are rated below "P 1" by Moody's or are rated "P 1" by Moody's and such rating is on watch for possible downgrade or (y) if its Hedge Rating Determining Party does not have a short-term rating from Moody's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of its Hedge Rating Determining Party are rated below "Aa3" by Moody's or are rated "Aa3" by Moody's and such rating

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is on watch for possible downgrade, then such Hedge Counterparty shall, within 30 Business Days of such ratings downgrade, enter into an agreement with the Issuer providing for the posting of collateral, which agreement satisfies the Rating Condition with respect to Moody's and Standard & Poor's and of which notification has been provided to Fitch;

(ii) its Hedge Rating Determining Party fails to satisfy the Ratings Threshold, then the Issuer may terminate any Hedge Agreement to which such Hedge Counterparty is party, unless such Hedge Counterparty has within 30 days following such failure (x) assigned its rights and obligations in and under the relevant Hedge Agreement (at its own expense) to another Hedge Counterparty that has ratings at least equal to the Hedge Counterparty Ratings Requirement and pursuant to a Hedge Agreement that satisfied the Rating Condition with respect to Moody's and Standard & Poor's and of which notification has been provided to Fitch or (y) if such Hedge Counterparty is unable to assign its rights and obligations within such 30 day period, such Hedge Counterparty has within such 30 day period entered into any other agreement with or arrangement for the benefit of the Issuer and the Trustee that is reasonably satisfactory to the Trustee on behalf of the Issuer and that satisfied the Rating Condition with respect to Moody's and Standard & Poor's and of which notification has been provided to Fitch; provided that if the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Standard & Poor's is withdrawn, suspended or falls below "BBB-", such 30 day period above shall be shortened to 10 days.

In respect of the Initial Interest Rate Hedge Counterparty, each Hedge Agreement entered into by it will provide that:

(i) if a Collateralization Event occurs, the Initial Interest Rate Hedge Counterparty and the Issuer shall enter into an agreement, solely at the expense of the Initial Interest Rate Hedge Counterparty, in the form of the ISDA Credit Support Annex attached as Annex B to each such Hedge Agreement; provided that, a Ratings Event will be deemed to have occurred if the Initial Interest Rate Hedge Counterparty has not, within 30 days following a Collateralization Event, (A) provided sufficient collateral as required under each Hedge Agreement to which it is a party, (B) found another Hedge Counterparty in accordance with clause (ii) of Section 16.1(d) of the Indenture, (C) obtained a guarantor for the obligations of the Initial Interest Rate Hedge Counterparty under each Hedge Agreement to which it is a party who satisfies the Hedge Counterparty Ratings Requirement or (D) taken such other steps as each Rating Agency that has downgraded the Hedge Rating Determining Counterparty in respect of the Initial Interest Rate Hedge Counterparty may require to cause the obligations of the Initial Interest Rate Hedge Counterparty under each Hedge Agreement to be treated by such Rating Agency as if such obligations were owed by a counterparty who satisfies the Hedge Counterparty Ratings Requirement;

(ii) at any time following a Collateralization Event, the Initial Interest Rate Hedge Counterparty may elect, upon 10 days' prior written notice to the Issuer and the Trustee, to transfer any Hedge Agreement and assign in accordance with the terms of the relevant Hedge Agreement its rights and obligations thereunder to another Hedge Counterparty that satisfies the Hedge Counterparty Ratings Requirement, provided that such transfer satisfies the Rating Condition with respect to Moody's and Standard & Poor's and of which notification has been provided to Fitch;

(iii) at any time following a Collateralization Event, the Initial Interest Rate Hedge Counterparty may terminate any Hedge Agreement to which it is a party on any Payment Date; provided that (i) the Initial Interest Rate Hedge Counterparty has identified another Hedge Counterparty that satisfies the Hedge Counterparty Ratings Requirement and (ii) the entry into any replacement Hedge Agreement in connection with such termination satisfies the Rating Condition with respect to Moody's and Standard & Poor's and of which notification has been provided to Fitch;

(iv) following the occurrence of a Ratings Event, the Issuer may terminate any Hedge Agreement to which the Initial Interest Rate Hedge Counterparty is a party unless the Initial Interest Rate Hedge Counterparty has assigned its rights and obligations in accordance with the applicable Hedge Agreement in and under such Hedge Agreement (at its own expense) to another Hedge Counterparty selected by the Issuer that has ratings at least equal to the Hedge Counterparty Ratings Requirement (x) in the case of a Ratings Event as a result of a downgrade, withdrawal or suspension by Moody's or Fitch, within 10 days following such Ratings Event or, if the Issuer does not select another Hedge Counterparty within 10 days following such Ratings Event, to a Hedge Counterparty selected by the Initial Interest Rate Hedge Counterparty within 20 days following the end of such 10 day period or (y) in the case of a Ratings Event as a result of a downgrade, withdrawal or suspension from Standard & Poor's, as

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soon as practicable but in no event later than 10 Business Days following such Ratings Event provided that such assignment satisfies the Rating Condition with respect to Moody's and Standard & Poor's and of which notification has been provided to Fitch.

Each Hedge Agreement shall provide that, in the case of any assignment or transfer of rights or obligations under the relevant Hedge Agreement, the party selected to replace each Hedge Counterparty assumes the obligations of each Hedge Counterparty under the relevant Hedge Agreement or replaces the outstanding transactions under the relevant Hedge Agreement with transactions on substantially identical terms, except that each Hedge Counterparty shall be replaced as counterparty.

The Trustee shall, prior to the Closing Date (or prior to any subsequent date on which the Issuer enters into a Hedge Agreement), cause to be established one or more Securities Accounts, each of which shall be designated a "Hedge Counterparty Collateral Account" and held in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties. The Trustee shall deposit all collateral received from a Hedge Counterparty under the related Hedge Agreement in the related Hedge Counterparty Collateral Account. Any and all funds at any time on deposit in, or otherwise standing to the credit of, a Hedge Counterparty Collateral Account shall be held in trust by the Trustee for the benefit of the Secured Parties and shall be invested in Eligible Investments, as directed in writing to the Trustee by the Collateral Manager. The Trustee shall not be held liable in any way by reason of any insufficiency of such Hedge Counterparty Collateral Account resulting from any loss relating to any such investment, except with respect to investments in obligations of the Bank or any Affiliate thereof. The only permitted withdrawal from or application of funds on deposit in, or otherwise standing to the credit of, a Hedge Counterparty Collateral Account shall be (i) for application to obligations of the related Hedge Counterparty to the Issuer under the relevant Hedge Agreement that are not paid when due (whether when scheduled or upon early termination) or (ii) to return collateral to the relevant Hedge Counterparty when and as required by the relevant Hedge Agreement.

Upon the default by the Hedge Counterparty thereto in the payment when due of its obligations to the Issuer under any Hedge Agreement, the Issuer shall forthwith provide telephonic notice (promptly confirmed in writing) thereof to the Trustee and, if applicable, any guarantor of such Hedge Counterparty's obligations under such Hedge Agreement. Upon its receipt of such notice (or, if earlier, when the Trustee becomes aware of such default) the Trustee shall make a demand on such Hedge Counterparty, or any guarantor, if applicable, demanding payment forthwith. The Trustee shall give notice to the Collateral Manager, the Noteholders and each Rating Agency upon the continuance of the failure by such Hedge Counterparty to perform its obligations for two Business Days following a demand made by the Trustee on such Hedge Counterparty.

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

Each Hedge Agreement shall provide that any amount payable to the Hedge Counterparty thereunder shall be subject to the Priority of Payments.

No Asset Specific Hedge shall be subject to early termination other than by reason of (A) an event of default or termination event relating to the Issuer or the Asset Specific Hedge Counterparty specified in Section 5 of such Asset Specific Hedge or in Part 1 of the Schedule thereto or (B) an event or condition analogous to any event

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or condition that would permit the Issuer under Section 12.1 of this Indenture to sell or otherwise dispose of the Collateral Debt Security that is the subject of such Asset Specific Hedge.

Securities Lending

Provided that an Event of Default has not occurred or is not continuing, the Collateral Manager may from time to time advise the Issuer to enter into securities lending agreements (each, a **"Securities Lending Agreement"**) in accordance with the Indenture.

Each such Securities Lending Account established by the Issuer (each such account, a **"Securities Lending Account"**) will be held by the Trustee or its agent in accordance with the Indenture. Prior to a default by the related Securities Lending Counterparty (as defined in the Indenture), the Trustee may invest any cash pledged by a Securities Lending Counterparty as collateral pursuant to a Securities Lending Agreement in Eligible Investments (the **"Securities Lending Collateral"**) as directed by the Collateral Manager in writing. Upon any default by any Securities Lending Counterparty under the related Securities Lending Agreement, the Trustee will, acting at the written direction of the Collateral Manager, exercise its remedies under the related Securities Lending Agreement, including liquidating the related Securities Lending Collateral. Proceeds of any liquidation will be deposited in the Collection Account and allocated in the same manner as the Sale Proceeds that would have been realized from the sale of the related loaned Collateral Debt Securities if such Collateral Debt Securities had been sold. The Issuer shall not have any legal, equitable or beneficial interest in any of the Securities Lending Accounts other than in accordance with the applicable Securities Lending Agreement and applicable law.

A Securities Lending Agreement will be entered into subject to the following conditions:

(1) no more than 10% of Aggregate Principal Balance of the Collateral Debt Securities may be loaned pursuant to Securities Lending Agreements;

(2) each Securities Lending Counterparty must post with the Trustee Securities Lending Collateral to secure its obligations under the Securities Lending Agreements to which it is a party, and all Securities Lending Collateral will be deposited in a Securities Lending Account; such Securities Lending Collateral must always be in an amount equal to at least 102% of the current market value, calculated daily, of the loaned Collateral Debt Securities as determined and monitored by the Collateral Manager;

(3) a Securities Lending Agreement must terminate if (i) the credit ratings of the Securities Lending Counterparty are downgraded (A) in the case of a loan with a term of 90 days or less, below a short-term debt rating of "P-1" by Moody's, "F1" by Fitch or "A-1" by Standard & Poor's and (B) in the case of a loan with a term of longer than 90 days but less than a year, below a long-term debt rating of "Aa3" by Moody's, "AA-" by Standard & Poor's or "AA-" by Fitch, (ii) the security loaned pursuant to the Securities Lending Agreement becomes a Defaulted Security, (iii) a mandatory or optional redemption of the Notes occurs, or (iv) the Securities Lending Counterparty is the subject of an insolvency or similar proceeding or the Securities Lending Counterparty defaults in the performance of any of its obligations under any of the Securities Lending Agreements to which it is a party;

(4) each Securities Lending Agreement will be on market terms (except as may be required below) and will:

    (i) require that the Securities Lending Counterparty return to the Trustee Collateral Debt Securities that are identical (in terms of issue and class) to the loaned Collateral Debt Securities;

    (ii) require that the Securities Lending Counterparty pay to the Issuer amounts that are equivalent to the amount of all interest and other payments to which the owner of the loaned Collateral Debt Security is entitled during the period that the Collateral Debt Security is loaned free of any withholding or similar tax imposed by any jurisdiction other than tax for which the Securities Lending Counterparty must make "gross-up"

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payments to the Issuer that cover the full amount of such withholding tax on an after-tax basis;

(iii) require that the Rating Condition be satisfied;

(iv) satisfy any other requirements of Section 1058 of the Code and the Treasury regulations promulgated thereunder;

(v) have a term of one year or less (which may be increased with the consent of the Rating Agencies;

(vi) be governed by the laws of New York;

(vii) provide that (A) the Securities Lending Counterparty will agree that the Issuer's liability to make any payment to the Securities Lending Counterparty pursuant to the Securities Lending Agreement may only be satisfied out of amounts available for payment to such Securities Lending Counterparty under the Indenture and that, to the extent that such funds are insufficient, to pay such claims, such claims will be extinguished to the extent of such insufficiency; (B) the Securities Lending Counterparty will not be entitled to take any action or institute any proceeding against the Issuer under any insolvency law applicable to the Issuer or which would be likely to cause the Issuer to be subject to, or to seek the protection of, the U.S. Bankruptcy Code; *provided* that the Securities Lending Counterparty may become a party to and participate in any proceeding or action under any insolvency law applicable to the Issuer that is initiated by any person that is not an Affiliate of the Securities Lending Counterparty; and (C) the Securities Lending Counterparty will not exercise, and will irrevocably waive, any right of set-off or lien against the Issuer (except among the transactions governed by the Securities Lending Agreement);

(viii) require that, in the event that the Securities Lending Counterparty loans the borrowed Collateral Debt Security, it will do so under an agreement that meets the requirements described in clauses (i) and (ii) above; and

(ix) permit the Issuer to assign its rights thereunder to the Trustee pursuant to the Indenture.

There can be no assurance that any Securities Lending Agreements will be entered into, and any Securities Lending Agreement may be subject to conditions or restrictions imposed by the Rating Agencies that differ from the conditions and restrictions described herein.

The Collateral Manager will not direct the Issuer to purchase any Collateral Debt Security for the primary purpose of lending such Collateral Debt Security pursuant to a Securities Lending Agreement.

Reclassified Securities

Provided that an Event of Default has not occurred and is not continuing and the Rating Condition is satisfied with respect thereto, the Collateral Manager may from time to time advise the Issuer to designate any security currently existing, or about to be included, in the Collateral as a reclassified security (each, a **"Reclassified Security"**) in accordance with the Indenture and, upon such designation, such Reclassified Security shall be credited by the Trustee to a single, segregated trust account (each, a **"Reclassified Security Account"**) established by the Trustee for the benefit of the Secured Parties. Once such security is designated as a Reclassified Security, such Reclassified Security shall constitute a Collateral Debt Security for purposes of the Indenture and shall comply with the Eligibility Criteria; *provided* that the security that is designated as a Reclassified Security shall itself comply with items 7, 8, 9 and 35 of the Eligibility Criteria.

The Collateral Manager, on behalf of the Issuer, will deliver to the Trustee a completed confirm in the form attached to the Indenture (each, a **"Reclassified Security Confirm"**). Such Reclassified Security Confirm shall set forth, among other things, an interest rate coupon (each, a **"Reclassified Security Coupon"),** a notional amount

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(each, a **"Reclassified Security Notional Amount"**) and a maturity date (each, a **"Reclassified Security Maturity Date"**), each of which shall relate to the Reclassified Security in question. In addition, the Collateral Manager will apply for a shadow rating of such Reclassified Security from one or more Rating Agencies (each, a **"Reclassified Security Rating"**).

The relevant Reclassified Security Confirm will also set forth the priority and order of the application of all distributions received in respect of such Reclassified Security as Interest Proceeds and Principal Proceeds.

Notwithstanding anything to the contrary in this Offering Circular, for purposes of the Coverage Tests, the Collateral Quality Tests, the Eligibility Criteria and all related definitions, a security held in a Reclassified Security Account will be treated as a Collateral Debt Security having the characteristics of the related Reclassified Security as set forth in the relevant Reclassified Security Confirm and not of the security itself, including, without limitation:

(1) the outstanding Reclassified Security Notional Amount for each Reclassified Security shall be used for purposes of calculating the Collateral Quality Tests, the Principal Balance of each Reclassified Security, the Aggregate Principal Balance and the Net Outstanding Collateral Debt Security Balance; and

(2) the Reclassified Security Coupon for each Reclassified Security shall be used for purposes of calculating (i) the Weighted Average Coupon or Weighted Average Spread, as applicable and (ii) the Class A/B Interest Coverage Ratio and the Class C Interest Coverage Ratio.

The Accounts

Collection Account

All distributions on the Collateral Debt Securities and any proceeds received from the disposition of any such Collateral Debt Securities, to the extent such distributions or proceeds constitute Interest Proceeds, and any amounts payable to the Issuer by any Hedge Counterparty under the Hedge Agreements (excluding any proceeds realized from the liquidation or termination of the Hedge Agreements) will be remitted to a single, segregated trust account established and maintained under the Indenture by the Trustee (the **"Interest Collection Subaccount"**).

All distributions on the Collateral Debt Securities and any proceeds received from the disposition of any such Collateral Debt Securities to the extent such distributions or proceeds constitute Principal Proceeds (unless simultaneously reinvested in Collateral Debt Securities or Eligible Investments) will be remitted to a single, segregated trust account established and maintained under the Indenture by the Trustee (the **"Principal Collection Subaccount"** and, together with the Interest Collection Subaccount, the **"Collection Account"**). The Collection Account shall be maintained for the benefit of the Secured Noteholders and amounts on deposit therein will be available, together with reinvestment earnings thereon, for application in accordance with the Priority of Payments and for the acquisition of Collateral Debt Securities under the circumstances and pursuant to the requirements described herein and in the Indenture.

Amounts received in the Collection Account during a Collection Period and amounts received in prior Collection Periods and retained in the Collection Account under the circumstances set forth in the Priority of Payments will be invested in Eligible Investments at the written direction of the Collateral Manager (as described below) with stated maturities no later than the Business Day immediately preceding the next Payment Date. All such proceeds will be retained in the Collection Account unless used to purchase Collateral Debt Securities during the Reinvestment Period in accordance with the Eligibility Criteria, to honor commitments with respect thereto entered into during the Reinvestment Period, or used as otherwise permitted under the Indenture. See "—Eligibility Criteria".

Semi-Annual Interest Reserve Account

The Trustee shall, from time to time, deposit 50% of the Semi-Annual Interest Distributions received in cash by the Issuer in any Collection Period into a Semi-Annual Interest Reserve Account maintained by the Issuer with the Trustee (the **"Semi-Annual Interest Reserve Account"**). At least on Business Day prior to each Payment Date, the Trustee shall transfer all amounts deposited in the Semi-Annual Interest Reserve Account on or prior to the Determination Date preceding the last Payment Date (including any interest accrued on any such amount) to the

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Interest Collection Subaccount for application as Interest Proceeds in accordance with Section 11.1(a) of the Indenture and such transfer shall be the only permitted withdrawal from, or application of funds on deposit in, or otherwise standing to the credit of, the Semi-Annual Interest Reserve Account. Any and all funds at any time on deposit in, or otherwise to the credit of, the Semi-Annual Interest Reserve Account shall be held in trust by the Trustee for the benefit of the Secured Parties. The Trustee agrees to give the Co-Issuers immediate notice if it becomes aware that the Semi-Annual Interest Reserve Account or any funds on deposit therein, or otherwise standing to the credit of the Semi-Annual Interest Reserve Account, shall become subject to, any writ, order, judgment, warrant of attachment, execution or similar process. The Semi-Annual Interest Reserve Account shall remain at all times with a financial institution having a long-term debt rating of at least "Baa1" by Moody's (and, if rated "Baa1", not be on watch for possible downgrade by Moody's), at least "BBB+" by Standard & Poor's and at least "BBB+" by Fitch and a combined capital and surplus in excess of U.S$250,000,000. The Trustee shall invest all funds received into the Semi-Annual Interest Reserve Account during a Collection Period and amounts received in prior Collection Periods and retained in the Semi-Annual Interest Reserve Account in Eligible Investments in accordance with Section 10.2(e). All interest and other income from such investments shall be deposited in the Semi-Annual Interest Reserve Account, any gain realized from such investments shall be credited to the Semi-Annual Interest Reserve Account and any loss resulting from such investments shall be charged to the Semi-Annual Interest Reserve Account. The Trustee shall not in any way be held liable by reason of any insufficiency of the Semi-Annual Interest Reserve Account resulting from any loss relating to any such investment.

Initial Deposit Account

On the Closing Date, all Uninvested Proceeds will be deposited into an account maintained by the Issuer with the Trustee (the **"Initial Deposit Account"**). Uninvested Proceeds held in the Initial Deposit Account pending investment in additional Collateral Debt Securities will be invested by the Trustee, as directed by the Collateral Manager, in Eligible Investments or U.S. Agency Securities designated by the Collateral Manager, as described herein, and, in certain limited circumstances described herein, for the payment of the Secured Notes, see "Security for the Notes"; *provided* that, after the Ramp-Up Completion Date, the Issuer shall not be permitted to hold any U.S. Agency Securities unless such U.S. Agency Securities would be eligible for purchase by the Issuer as a Collateral Debt Security on the Ramp-Up Completion Date (in which case such investment shall be deemed to be a Collateral Debt Security). Investment earnings on Eligible Investments purchased with such Uninvested Proceeds will be transferred to the Collection Account and treated as Interest Proceeds on the first Payment Date. Investment earnings on U.S. Agency Securities will remain on deposit in the Initial Deposit Account until the end of the Reinvestment Period (unless earlier used to purchase Collateral Debt Securities). To the extent that the Uninvested Proceeds in the Initial Deposit Account are not invested on or before the Ramp-Up Completion Date, such Uninvested Proceeds will be deposited in the Collection Account and applied as Principal Proceeds; *provided* that so long as the Aggregate Principal Balance of the Collateral Debt Securities is not less than the Required Amount and the Collateral Quality Tests, the Coverage Tests and the Eligibility Criteria are satisfied, the Collateral Manager may, in its sole discretion, direct the Trustee to apply up to U.S.$5,000,000 of the remaining Uninvested Proceeds to the Collection Account as Interest Proceeds.

Expense Reimbursement Account

The Issuer will cause an account to be established with the Trustee into which U.S.$100,000 will be deposited on the Closing Date for the payment of expenses incurred by the Issuer and which become due, and must be paid, between Payment Dates (the **"Expense Reimbursement Account"**). Any amounts withdrawn from the Expense Reimbursement Account will be reimbursed on each Payment Date in accordance with the priority of distribution provisions described herein. Funds held in the Expense Reimbursement Account will be invested by the Trustee, as directed by the Collateral Manager, in Eligible Investments. Eligible Investments in the Expense Reimbursement Account are to mature on or before the Business Day preceding the date on which such funds are to be used by the Issuer for the payment of expenses.

THE COLLATERAL MANAGER

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

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General

Certain administrative and advisory functions with respect to the Collateral will be performed by the Collateral Manager under the collateral management agreement to be entered into between the Issuer and the Collateral Manager (the **"Collateral Management Agreement"**). In accordance with the Collateral Quality Tests, the Eligibility Criteria and the Coverage Tests and other requirements set forth in the Indenture, and in accordance with the provisions of the Collateral Management Agreement, the Collateral Manager will select the portfolio of Collateral Debt Securities and Eligible Investments, and the Collateral Manager will instruct the Trustee in writing with respect to any disposition or tender of a Collateral Debt Security and investment in Eligible Investments. Pursuant to the terms of the Collateral Management Agreement, the Collateral Manager will monitor the Collateral Debt Securities and provide the Issuer with certain information as described below, with respect to the composition of the Collateral Debt Securities, any disposition or tender of a Collateral Debt Security, the reinvestment of the proceeds of any such disposition in Eligible Investments and with respect to the retention of the proceeds of any such disposition or the application thereof toward the purchase of a substitute Collateral Debt Security. In addition, pursuant to the terms of the Collateral Administration Agreement, the Issuer will retain Wells Fargo Bank, National Association (in such capacity, the "**Collateral Administrator**"), to prepare certain reports with respect to the Collateral Debt Securities. The compensation paid to the Collateral Administrator by the Issuer for such services will be in addition to the fees paid to the Collateral Manager and to the Trustee in its capacity as Trustee, and will be treated as an expense of the Issuer under the Indenture and will be subject to the priorities set forth in the Priority of Payments.

The Indenture places significant restrictions on the Collateral Manager's ability to advise the Issuer to buy and sell securities for inclusion in the Collateral, and the Collateral Manager is subject to compliance with such restrictions. Accordingly, during certain periods or in certain specified circumstances, the Issuer may be unable to buy or sell securities or to take other actions that the Collateral Manager might consider in the best interests of the Issuer and the Noteholders.

The Collateral Manager and its Affiliates may engage in other business and furnish investment management, advisory and other types of services to other clients whose investment policies differ from those followed by the Collateral Manager on behalf of the Issuer, as required by the Indenture. The Collateral Manager may make recommendations to or effect transactions for such other clients that may differ from those effected with respect to the Collateral Debt Securities. The Issuer will purchase Collateral Debt Securities from the Collateral Manager or any client or Affiliate of the Collateral Manager only to the extent (i) such purchases are made at fair market value and otherwise on arm's length terms and (ii) the Collateral Manager determines that such purchases are consistent with the investment guidelines and objectives of the Issuer, the restrictions contained in the Indenture and applicable law.

The Collateral Manager, its Affiliates and accounts for which the Collateral Manager or any Affiliate thereof acts as investment adviser may at times own Notes of one or more other Classes. At any given time, the Collateral Manager and its Affiliates will not be entitled to vote the Notes held by any of such Collateral Manager, its Affiliates and accounts for which such Collateral Manager or any Affiliate thereof acts as investment adviser (and for which such Collateral Manager or such Affiliate has discretionary authority) with respect to any assignment or termination of, any of the express rights or obligations of the Collateral Manager under the Collateral Management Agreement or the Indenture (including the exercise of any rights to remove such Collateral Manager or terminate the Collateral Management Agreement), or any amendment or other modification of the Collateral Management Agreement or the Indenture increasing the rights or decreasing the obligations of the Collateral Manager. However, at any given time the Collateral Manager and its Affiliates will be entitled to vote Notes held by them and by such accounts with respect to all other matters. See "Risk Factors—Conflicts of Interest Involving the Collateral Manager."

Western Asset Management Company

Western Asset Management Company, a California corporation (**"Western Asset Management Company"**), will act as Collateral Manager to the Issuer (in such capacity, together with any successor in such capacity, the **"Collateral Manager"**) and in such capacity will be responsible for certain administrative and investment advisory functions relating to the Collateral Debt Securities, the Hedge Agreements and other assets included in the Collateral. The offices of Western Asset Management Company are located at 385 East Colorado

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Boulevard, Pasadena, California 91101. The Collateral Manager is a registered investment adviser under the Investment Advisers Act of 1940, as amended. Copies of its most recent Form ADV are publicly available.

Western Asset refers to the combined entity of Western Asset Management Company and Western Asset Management Company Limited, both fixed income investment managers and wholly owned subsidiaries of Legg Mason, Inc. Western Asset Management Company was founded in October 1971 by First Interstate Investment Services, and became an SEC-registered investment advisor in November of that same year. In February 1986, Western Asset Management Company was acquired by Legg Mason, Inc. (**"Legg Mason"**), a New York Stock Exchange-listed, diversified financial services company based in Baltimore, Maryland. In February 1996, Lehman Brothers Global Asset Management, Ltd. was acquired by Legg Mason, Inc. on behalf of Western Asset Management Company and was renamed Western Asset Management Company Limited.

Both Western Asset Management Company and Western Asset Management Company Limited are regulated by the SEC. Western Asset Management Company Limited is also regulated by FSA in the UK.

An affiliate of Legg Mason, Western Asset operates with a substantial amount of autonomy. As of December 31, 2004, Western Asset managed over U.S.$197.8 billion in total assets, including approximately U.S.$11.30 billion of asset-backed securities, U.S.$35.12 billion of mortgage-backed securities, and U.S.$46.86 billion of investment grade corporate debt. Western Asset had 480 clients as of December 31, 2004, including corporations and their pension plans, municipal organizations, healthcare providers, insurance companies, educational institutions and charitable foundations.

Biographies

Set forth below are the professional experiences of certain officers and employees of the Collateral Manager. Such persons, although employed full time by Western Asset, are not likely to be engaged full time in the management of the Portfolio. Such persons may not necessarily continue to be so employed during the entire term of the Collateral Management Agreement or may not continue to perform services for the Collateral Manager under the Collateral Management Agreement.

Travis M. Carr

Travis Carr is a Product Development Executive in the Product Development Group at Western Asset. He has over ten years of investment experience. His previous work experience includes Pacific Investment Management Company (PIMCO) where he worked in the Structured Products Group on High Yield CBOs. He was also a trading assistant on PIMCO's Global Desk for both bond and currency transactions. Travis earned his Bachelor of Arts Degree from the University of California, Los Angeles. He has successfully passed all three levels of the Chartered Financial Analyst Program.

James J. Flick

Jim Flick joined Western Asset in 1998 as the Short Duration Product Specialist. His role changed in January 2000 to Portfolio Manager in the ABS/MBS Specialist Group. Jim joined Western Asset from Transamerica Investment Services where he spent 3 years as the Portfolio Manager responsible for a U.S.$6 billion Mortgage and Asset-Backed Securities portfolio. Prior to his time in Portfolio Management, Jim spent 8 years as a Fixed Income Salesman specializing in MBS/ABS. His Wall Street experience includes Goldman Sachs and Lehman Brothers. A native of Ohio, Jim received his Bachelor of Science in Mechanical Engineering from the Ohio State University. He later completed his MBA from the Graduate School of Business at the University of Chicago.

Stephen P. Fulton

Steve Fulton is a Product Specialist in structured product/ABS and MBS with over 21 years of fixed income and structured product experience. Steve joined Western Asset in 2000. Prior to joining Western Asset, Steve held positions in Fixed Income Sales at Greenwich Capital, Lehman Brothers, JP Morgan and Goldman Sachs. Steve has a BA from the University of California, Los Angeles, and an MBA from The Amos Tuck School at Dartmouth College.

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Greg Handler

Greg Handler is a Research Analyst and has been with Western Asset since 2002. Prior to joining Western Asset, Mr. Handler worked with Gould Asset Management and National Economic Research Associates. Mr. Handler holds a BS from Ponoma College, Claremont and studied at the Universidad de Salamanca, Spain.

Jeffrey T. Katz

Jeff Katz is a Research Analyst/Portfolio Manager of Western Asset with over nine years of investment experience. He joined Western Asset in 1998. Mr. Katz is responsible for ABS/MBS credit research of current and prospective portfolio positions. Prior to joining Western Asset, Mr. Katz performed similar functions with Pacific Investment Management Company and Republic National Bank of New York. Mr. Katz holds a BS in Finance from the University of Florida and an MBA from the University of California, Los Angeles.

Ronald D. Mass, CFA

Ron Mass is a senior portfolio manager and has been with Western Asset since 1991. He is head of the Structured Products Group with direct responsibility for all Mortgage and Asset Backed Securities representing approximately U.S.$49.3 billion in market value as of March 31, 2004. Mr. Mass serves on the Risk Management Committee at Western Asset and serves as the portfolio management liaison to the Investment Technology Department. Mr. Mass is also responsible for certain leveraged product assignments which include CDOs and the Western Asset Premier Bond Fund. Prior to joining Western Asset, Mr. Mass was a research associate in the fixed income market research department at First Boston Corporation where he was responsible for covering new products in the Asset Backed and Mortgage Securities markets. While at First Boston, Mr. Mass developed the first credit card default model for use in analyzing credit risk within the credit card market. Mr. Mass holds a Bachelor of Arts Degree from the University of California, Los Angeles where he graduated with Phi Beta Kappa honors. He is a Chartered Financial Analyst.

James V. Nelson

Jim Nelson joined Western Asset in 1991 as Co-Director of Research. He is responsible for all corporate credit research conducted at the firm. Jim has 24 years of research experience. He began his career at Standard & Poor's as a ratings officer, then moved to First Boston and Kidder Peabody, where he was named to the Institutional Investor All-American Research Team®. While at those firms, he participated in the issuance area and helped bring some of the largest corporate deals to market. Jim has a Juris Doctorate from New England School of Law and an MBA from Columbia University. He is originally from Utica, New York.

Adam Patros

Adam Patros is a Research Analyst with Western Asset. Prior to joining Western Asset in 2000, Mr. Patros worked as a pricing specialist with Pacific Investment Management Company, as an annuity service representative with Pacific Life Insurance Company and has worked at Long Term Credit Bank of Japan, Ltd. and Independent Capital Management. Mr. Patros has a B.S. from the University of Wisconsin, Madison and is a Chartered Financial Analyst.

Deborah R. Slogoff

Debbie Slogoff is a Research Analyst/Portfolio Manager of Western Asset with over ten years of investment experience. She joined Western Asset in 2002. Ms. Slogoff is responsible for ABS/CMBS credit research of current and prospective portfolio positions. Prior to joining Western Asset, Ms. Slogoff managed the CMBS surveillance group at Duff & Phelps, and had been an associate at Goldman Sachs in the credit derivatives group. Ms. Slogoff holds a BA in Political Science from the University of Michigan and an MBA from the University of California, Los Angeles.

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Jason A. Smith

Jason Smith is a Research Analyst responsible for CDO and structured credit derivative research. He also follows exotic structures and assets. Prior to joining Western Asset in 2003, Mr. Smith worked in the financial analytics and structured transactions group at Bear, Stearns & Co. for four years. There, he both structured and modeled transactions. Mr. Smith holds a BS in Finance and a BS in Economics from New York University's Stern School of Business.

Jeffrey D. Van Schaick, CFA

Jeff Van Schaick is Co-Director of the Research Group with Mr. Nelson and is in charge of all corporate credit research at the firm. His focus is the Utilities and Finance Sectors. He has been with Western Asset his entire 22-year career. Mr. Van Schaick earned his Bachelor of Arts Degree from the Lewis and Clark College. Jeff is a Chartered Financial Analyst.

THE COLLATERAL MANAGEMENT AGREEMENT

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

To the extent not paid on any Payment Date when due, any accrued Senior Collateral Management Fee or Subordinate Collateral Management Fee will be deferred and will be payable on subsequent Payment Dates in accordance with the Priority of Payments. Any unpaid Collateral Management Fee that is deferred due to the operation of the Priority of Payments will not accrue interest; *provided* that any Subordinate Collateral Management Fee to which the Collateral Manager is entitled on any Payment Date that is not paid to the Collateral Manager because the Collateral Manager, in its sole discretion, has instructed the Trustee that it wishes to defer payment of such fees until a subsequent Payment Date, will accrue interest at the rate of LIBOR (calculated on the basis of a 360-day year and the actual number of days elapsed), and such fees, together with any interest thereon, will be payable on the next Payment Date specified by the Collateral Manager on which funds are available therefor in accordance with the Priority of Payments.

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

The Collateral Management Agreement provides that, in purchasing, entering into, managing, selling or terminating Collateral Debt Securities on behalf of the Issuer (other than Synthetic Securities), the Collateral Manager shall be deemed to have complied with the restrictions in paragraph 10 of the Eligibility Criteria as to the manner of acquisition if the Collateral Manager satisfies the following four requirements:

(i) the Collateral Manager does not acquire or commit to acquire such obligations or securities from itself or any account or portfolio for which the Collateral Manager serves as investment advisor (whether or not acting in its capacity as Collateral Manager), or its Affiliates unless (A) the seller acquired the obligation or security in a manner that would have satisfied these requirements if the seller were the Collateral Manager or (B) the seller regularly acquires obligations or securities of the same type for its own account, could have held the obligation or security for its own account consistent with its investment policies, holds the obligation or security for at least 90 days and

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during that period does not commit to sell or identify such an obligation or security as intended for sale to the Issuer.

(ii) the Collateral Manager does not acquire or commit to acquire an obligation or security from the obligor or issuer or from a seller that has not purchased and at least partially funded such obligation or security unless (A) the obligation or security is issued pursuant to an effective registration statement under the Securities Act in an underwriting or placement where neither the Collateral Manager nor an Affiliate of the Collateral Manager acted as an underwriter or placement agent; or (B) the obligation or security is privately placed under Rule 144A or Section 4(2) of the Securities Act and either (1) the Collateral Manager and its Affiliates do not act as an underwriter or placement agent, or participate in negotiating or structuring the terms of the obligation or security or (2) the Collateral Manager and its Affiliates neither participate in negotiating or structuring the terms of the obligation or security (other than to comment on offering documents to an unrelated underwriter or placement agent where the ability to comment was generally available to investors and to undertake due diligence of the kind customarily performed by investors in securities) nor at issuance acquire or commit to acquire both (x) more than 33% of the aggregate principal balance of such obligations or securities or any other class of obligations or securities offered by the obligor or issuer in the same or any related offering (unless persons unrelated to the Collateral Manager and its Affiliates purchase more than 50% of the aggregate principal balance of such obligations or securities or such class at substantially the same time and on substantially the same terms as the Issuer purchases) and (y) more than 8% of the aggregate principal balance of all classes of securities offered by the obligor or issuer in the same or any related offering.

(iii) the Collateral Manager acquires or commits to acquire unissued or unfunded securities otherwise permitted by these requirements on behalf of the Issuer only if the purchase price is fixed at the time of the commitment and the commitment is subject to there being no material adverse change in the condition of the obligor or issuer or in the financial markets.

(iv) the Collateral Manager acquires an obligation or security on behalf of the Issuer only if, for United States Federal income tax purposes, (A) the asset is debt, (B) the sole obligor or issuer is a corporation, (C) the obligor or issuer is not engaged in a trade or business within the United States of America or (D) the obligor or issuer is a grantor trust, all assets of which are obligations or securities that, if acquired directly, would have satisfied these requirements. For purposes of determining whether any criterion in this paragraph (iv) is satisfied, the Collateral Manager may rely on a tax opinion included or described in the offering documents pursuant to which the obligation or security was issued to the effect that such criterion will be satisfied; provided that no change that would have a material effect on satisfaction of such criterion has occurred in the terms of the obligation or security or the activities or any of the organizational documents of the issuer, as applicable, before the obligation or security is acquired.

The Collateral Management Agreement provides that the foregoing requirements are intended as a safe harbor. Thus, if the Collateral Manager otherwise correctly determines that item 10 of the Eligibility Criteria is satisfied, mere failure to comply with the foregoing requirements will not necessarily constitute non-compliance with item 10 of the Eligibility Criteria.

Liability of the Collateral Manager

Neither the Collateral Manager nor any of its affiliates, shareholders, officers, directors, employees, agents, accountants or attorneys will be liable to the Co-Issuers, the Trustee, the Noteholders, the Preference Shareholders, any Hedge Counterparty or any of their respective affiliates, partners, shareholders, members, officers, directors, employees, agents, accountants and attorneys for any loss incurred as a result of the actions taken or recommended by the Collateral Manager under the Collateral Management Agreement or the Indenture, except by reason of acts constituting bad faith, fraud, willful misfeasance or gross negligence in the performance, or reckless disregard, of its obligations thereunder. The Collateral Manager will be entitled to indemnification by the Issuer under certain circumstances (as specified in the Collateral Management Agreement), which will be paid in accordance with the Priority of Payments.

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Termination of the Collateral Management Agreement

The Collateral Management Agreement may be terminated, and the Collateral Manager may be removed, without payment to the Collateral Manager of any penalty, for cause upon 15 days' prior written notice by the Issuer, the holders of the majority of the Aggregate Outstanding Amount of the Controlling Class, or the Trustee*; provided* that the Collateral Manager may waive such notice. For this purpose, **"cause"** will mean:

(i) the Collateral Manager breaches, in any respect, any material provision of the Collateral Management Agreement or the Indenture applicable to it and fails to cure such breach within 30 days of becoming aware of, or receiving notice of, the occurrence of such breach if any such breach has had, or could reasonably be expected to have, a material adverse effect on the Collateral, the Noteholders or either of the Co-Issuers;

(ii) the Collateral Manager intentionally breaches or willfully violates any provision of the Collateral Management Agreement or the Indenture applicable to it;

(iii) certain events of bankruptcy, insolvency, conservatorship, or receivership related to the Collateral Manager, or the proposed closing, or winding-up of the business, of the Collateral Manager as described in Section 12(a)(iii) of the Collateral Management Agreement;

(iv) the occurrence and continuation of an Event of Default under the Indenture which results from

(a) any breach by the Collateral Manager of its duties under the Indenture or the Collateral Management Agreement or

(b)(1) a default in the payment of any interest (A) on any Class A Note or Class B Note or (B) if there are no Class A Notes or Class B Notes outstanding, on any Class C Note, including any interest on the Class C Deferred Interest (but excluding Class C Deferred Interest previously due and deferred and capitalized as provided for in the Indenture), when the same becomes due and payable, in each case which default continues for a period of five Business Days (or, in the case of a payment default resulting solely from an administrative error or omission by the Trustee, the Collateral Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, seven days) or (2) a default in the payment of principal of any Note when the same becomes due and payable at its Final Maturity Date (or, in the case of a payment default resulting solely from an administrative error or omission by the Trustee, the Collateral Administrator, a Paying Agent (other than the Preference Share Paying Agent) or Note Registrar, such default continues for a period of seven days);

(v) the occurrence of an act by the Collateral Manager which constitutes fraud or criminal activity in the performance of the Collateral Manager's obligations under the Collateral Management Agreement or in the performance of investment advisory services in connection with other collateralized debt obligation securities transactions or the indictment of the Collateral Manager or any of its Affiliates or any senior officer of the Collateral Manager having direct responsibility over the Issuer's investment activities for a criminal offense materially related to its business of providing investment advisory services; and

(vi) the failure of any representation, warranty, certification or statement made or delivered by the Collateral Manager in or pursuant to the Collateral Management Agreement or the Indenture to be correct in any material respect when made and (a) such failure has (or could be reasonably expected to have) a material adverse effect on either of the Co-Issuers, the Noteholders or the Preference Shareholders and (b) if such failure can be cured, such failure is not cured within 45 days after the Collateral Manager acquires actual knowledge of or receives notice from the Trustee of such violation.

The Collateral Manager shall give written notice to the Issuer, the Trustee, the Rating Agencies and the Holders of all Outstanding Notes promptly upon the Collateral Manager's becoming aware of the occurrence of any event that constitutes "cause".

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The Trustee shall terminate the Collateral Management Agreement upon the written direction of the Controlling Class following the occurrence of an Event of Default under the Indenture as specified in clause (iv) above.

The Collateral Manager shall have the right to terminate the Collateral Management Agreement only upon 90 days prior written notice to the Issuer, the Trustee and the Rating Agencies, and the Collateral Management Agreement shall terminate automatically in the event of its assignment by the Collateral Manager.

No removal, termination or resignation of the Collateral Manager or termination of the Collateral Management Agreement shall be effective unless (a) a successor Collateral Manager (the **"Replacement Manager"**) has been appointed by the Issuer and has agreed in writing to assume all of the Collateral Manager's duties and obligations pursuant to the Collateral Management Agreement, (b) the Replacement Manager is not objected to by holders of at least 66 2/3% in Aggregate Outstanding Amount of the Controlling Class (excluding any Notes held by the Collateral Manager or any of its Affiliates) within 30 days after notice. In addition, no removal or resignation of the Collateral Manager while any Notes or Preference Shares are outstanding will be effective until the appointment by the Issuer of a Replacement Manager (x) that is an established institution that (1) is legally qualified and has the capacity to act as Collateral Manager under the Collateral Management Agreement, as successor to the Collateral Manager thereunder in the assumption of all of the responsibilities, duties and obligations of the Collateral Manager thereunder and under the applicable terms of the Indenture and (2) will not cause the Issuer or the Co-Issuer or the pool of Collateral to become required to register under the provisions of the Investment Company Act, or the Issuer to be subject to net income tax in any jurisdiction outside its jurisdiction of incorporation and (y) with respect to the appointment of which the Rating Condition has been satisfied.

The Indenture provides that if holders of at least 66 2/3% in Aggregate Outstanding Amount of the Controlling Class of Secured Notes (excluding any Notes held by the Collateral Manager or any of its Affiliates) object to a proposed Replacement Manager within 30 days after such notice (the **"First Period"**), the Trustee shall notify the Holders of all the Secured Notes that Holders of at least 66 2/3% of the Aggregate Outstanding Amount of all the Notes may appoint and approve a successor Collateral Manager within sixty (60) days after the termination of the First Period (the **"Second Period"**) and specify a date (not more than twenty (20) days after the end of the First Period), time and place for a meeting (which meeting may be held telephonically) at which Holders of all of the Secured Notes may select (if necessary, by a vote of the Holders of the majority of the Aggregate Outstanding Amount of the Secured Notes present at such meeting) not more than two proposed successor Collateral Managers (which proposed successor Collateral Managers shall meet the requirements of a Replacement Manager specified above). The Trustee shall notify each Holder of Secured Notes of the successor Collateral Managers proposed at such meeting and request that each Holder of Secured Notes, by notice given to the Trustee not later than thirty (30) days thereafter, select a successor Collateral Manager (if there are two proposed successor Collateral Managers) or approve such proposed Collateral Manager (if only one successor Collateral Manager is proposed). If a successor Collateral Manager is not selected or approved by at least 66 2/3% of the Aggregate Outstanding Amount of the Secured Notes, the Trustee shall notify each Noteholder of the failure to appoint a successor Collateral Manager and specify a date (prior to the end of the Second Period), time and place for a meeting (which meeting may be held telephonically) at which the Holders of the majority of the Aggregate Outstanding Amount of the Secured Notes present (so long as at least 66 2/3% of the Aggregate Outstanding Amount of Notes are represented at such meeting) may appoint a successor Collateral Manager. In the event that a successor to the Collateral Manager is not appointed within 180 days after its resignation or removal, the Issuer or the Collateral Manager may petition a court to appoint a successor, without obtaining the approval of the Holders of the Notes and/or the Preference Shares. For purposes of appointing or approving a successor Collateral Manager, Notes held by the Collateral Manager and its Affiliates shall be excluded in determining whether Holders of all the Secured Notes have selected or approved such successor Collateral Manager.

CERTAIN TAX CONSIDERATIONS

The following is a summary based on present law of certain Cayman Islands and on U.S. Federal income tax considerations for prospective purchasers of the Offered Securities. The discussion is a general summary only; it is not a substitute for tax advice. It addresses only purchasers that buy in the original offering at the original offering price, hold the Offered Securities as capital assets and use the U.S. dollar as their functional currency. The discussion is a general summary. It is not a substitute for tax advice. The discussion does not consider the circumstances of particular purchasers, some of which (such as banks, insurance companies, securities traders and

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dealers or persons holding the Notes as part of a hedge, straddle, conversion, integrated or constructive sale transaction) are subject to special tax regimes.

THE STATEMENTS ABOUT U.S. FEDERAL INCOME TAX ISSUES ARE MADE TO SUPPORT MARKETING OF THE OFFERED SECURITIES. NO TAXPAYER CAN RELY ON THEM TO AVOID TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN OFFERED SECURITIES UNDER THE LAWS OF THE CAYMAN ISLANDS, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, a **"Holder"** is a beneficial owner of an Offered Security. A **"U.S. Holder"** is a Holder that is, for U.S. Federal income tax purposes, (i) a citizen or resident of the United States of America, (ii) a corporation, partnership or other business entity organized in or under the laws of the United States of America or its political subdivisions, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. Federal income taxation regardless of its source. A **"Non-U.S. Holder"** is any Holder other than a U.S. Holder.

Taxation of the Issuer

CAYMAN ISLANDS TAXATION

The Issuer will not be subject to income, capital, transfer, sales or corporation tax in the Cayman Islands. The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company, and it, as such, expects to receive, prior to the Closing Date, from the Governor in Council of the Cayman Islands an Undertaking as to Tax Concessions pursuant to Section 6 of the Tax Concessions Law (1999 Revision) providing that, for a period of thirty years from the date of such Undertaking, no law subsequently enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations will apply to the Issuer or its operations.

U.S. TAXATION

Freshfields Bruckhaus Deringer LLP, special U.S. Federal income tax counsel to the Issuer, believes the Issuer will not be engaged in a trade or business within the United States of America for U.S. Federal income tax purposes except to the extent it holds certain Equity Securities or equity securities received in an Offer issued by non-corporate entities that are so engaged. Prospective investors should be aware that the Issuer cannot rely on this opinion to avoid tax penalties, that an opinion of counsel is not binding on the Internal Revenue Service or the courts and that no ruling will be sought from the Internal Revenue Service regarding the U.S. Federal income tax treatment of the Issuer. There can be no assurance that the Internal Revenue Service will not take a position contrary to the opinion expressed by counsel or that a court will not agree with the contrary position and sustain tax penalties if the matter is litigated.

As long as the Issuer conducts its affairs so that it is not engaged in a trade or business within the United States of America, its net income will not be subject to U.S. Federal income tax. Should the Issuer acquire Equity Securities or equity securities received in an Offer issued by a non-corporate entity engaged in a U.S. trade or business, those investments should not cause the Issuer's income from other investments to become subject to net income tax in the United States of America. The Issuer also expects that payments received on the Collateral Debt Securities, the Eligible Investments, U.S. Agency Securities and the Hedge Agreements generally will not be subject to withholding taxes imposed by the United States of America or other countries from which such payments are sourced. There can be no assurance, however, that the Issuer's income will not become subject to net income or withholding taxes in the United States of America or other countries as the result of unanticipated activities by the Issuer, changes in law, contrary conclusions by relevant tax authorities or other causes. Income from Equity Securities and equity securities received in an Offer of U.S. issuers is likely to be subject to U.S. tax. The extent to which United States of America or other source country taxes may apply to the Issuer's income will depend on the actual composition of its assets. The imposition of unanticipated net income or withholding taxes could materially

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impair the Issuer's ability to pay principal, interest and other amounts on the Notes and to make distributions on the Preference Shares (including the Preference Shares related to the Class P Notes in the manner described herein).

Taxation of the Holders

CAYMAN ISLANDS TAXATION

No Cayman Islands withholding tax applies to payments on the Notes or distributions on the Preference Shares (including the Preference Shares related to the Class P Notes in the manner described herein). Holders are not subject to any income, capital, transfer, sales or other taxes in the Cayman Islands in respect of their purchase, holding or disposition of the Notes (except that (a) each Class of Notes will be subject to a fixed stamp duty of CI$500 and (b) an instrument transferring title to a Note, if brought to or executed in the Cayman Islands, will be subject to nominal Cayman Islands stamp duty).

U.S. TAXATION OF SECURED NOTES

Freshfields Bruckhaus Deringer LLP, special U.S. Federal income tax counsel to the Issuer, believes that the Class A-1 Notes, the Class A-2 Notes, and the Class B Notes will and that the Class C Notes should be treated as debt for U.S. Federal income tax purposes. The Indenture provides that each Holder agrees to treat the Notes as debt for such purposes, and the following discussion assumes that the Secured Notes will be treated as debt.

U.S. Holders. Interest paid on a Class A Note and a Class B Note generally will be includible in the gross income of a U.S. Holder in accordance with its regular method of accounting. Because the Issuer has not determined whether the likelihood of interest being deferred on the Class C Notes is remote, the Issuer will treat all interest (including interest on accrued but unpaid interest) due on the Class C Notes as original issue discount (**"OID"**). A U.S. Holder must include OID in income on a constant yield to maturity basis whether or not it receives a cash payment on any payment date. Even if the likelihood of deferral were remote, a U.S. Holder would be required to accrue OID on the principal amount (including accrued but undistributed OID) of any notes on which interest was deferred.

A U.S. Holder of a floating rate Secured Note must accrue interest on the Secured Note at a hypothetical fixed rate equal to the rate at which the Secured Note bore interest on its issue date. The amount of interest actually recognized for any accrual period will increase (or decrease) if the interest actually paid during the period is more (or less) than the amount accrued at the hypothetical rate. U.S. Holders therefore generally will recognize income for each period equal to the amount paid (or, in the case of the Class C Notes, payable) during that period. Interest on a Note will be ordinary income. Assuming the Issuer is not engaged in a U.S. trade or business, the interest will be from sources outside the United States.

A U.S. Holder will recognize gain or loss on the disposition of a Secured Note in an amount equal to the difference between the amount realized (other than, in the case of a Class A Note or a Class B Note, accrued but unpaid interest) and the U.S. Holder's adjusted tax basis in the Secured Note. The gain or loss generally will be capital gain or loss and generally will be from sources within the United States.

Non-U.S. Holders. Interest paid to a Non-U.S. Holder will not be subject to U.S. withholding tax as long as the Issuer is not engaged in a U.S. trade or business. If the Issuer were engaged in a U.S. trade or business, interest paid to many Non-U.S. Holders would qualify for an exemption from withholding tax if the holders certify their foreign status. Interest paid to a Non-U.S. Holder also will not be subject to U.S. net income tax unless the interest is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States. A Non-U.S. Holder realizing gain on the redemption or disposition of a Secured Note will not be subject to U.S. tax unless (i) the gain is effectively connected with the Holder's conduct of a U.S. trade or business or (ii) the Holder is an individual present in the United States for at least 183 days during the taxable year of disposition and certain other conditions are met.

Alternative Treatment. The U.S. Internal Revenue Service may challenge the treatment of the Secured Notes, particularly the Class C Notes, as debt of the Issuer. If the challenge succeeded, a U.S. Holder of the affected Secured Notes would be treated like a holder of Preference Shares that had not elected to treat the Issuer as a qualified electing fund, as described below.

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U.S. Taxation of Preference Shares

U.S. Holders. Subject to the passive foreign investment company rules and the controlled foreign corporation rules discussed below, a U.S. Holder generally must treat distributions received with respect to the Preference Shares as dividend income. Distributions will not be eligible for the dividends-received deduction allowable to corporations or for the reduced tax rate applicable to qualified dividend income of individuals and certain other non-corporate taxpayers. For purposes of determining a U.S. Holder's foreign tax credit limitation, dividends received from a foreign corporation generally are treated as income from sources outside the United States of America. If U.S. Holders together hold at least half by vote or value of the Preference Shares and other interests treated as equity in the Issuer, however, a percentage of the dividend income equal to the proportion of the Issuer's income that comes from U.S. sources will be treated as income from sources within the United States of America. Except as otherwise required by the rules discussed below, gain or loss on the sale or other disposition of the Preference Shares will be capital gain or loss. Gain and loss realized by a U.S. Holder generally will be from U.S. sources.

Passive Foreign Investment Company. The Issuer will be a passive foreign investment company (a **"PFIC"**). A U.S. Holder therefore will be subject to additional tax on excess distributions received on the Preference Shares or gains realized on the disposition of the Preference Shares. A U.S. Holder will have an excess distribution if distributions received on the Preference Shares during any tax year exceed 125% of the average amount received during the three preceding tax years (or, if shorter, the U.S. Holder's holding period). A U.S. Holder may realize gain for this purpose not only through a sale or other disposition, but also by pledging the Preference Shares as security for a loan or entering into certain constructive disposition transactions. To compute the tax on an excess distribution or any gain, (i) the excess distribution or gain is allocated ratably over the U.S. Holder's holding period, (ii) the amount allocated to the current tax year is taxed as ordinary income and (iii) the amount allocated to each previous tax year is taxed at the highest applicable marginal rate for that year and an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax. These rules effectively prevent a U.S. Holder from treating gain on the Preference Shares as capital gain.

A U.S. Holder of Preference Shares may wish to avoid the tax consequences just described by electing to treat the Issuer as a qualified electing fund (**"QEF"**). If the U.S. Holder makes a QEF election, the U.S. Holder will be required to include in gross income each year, (i) as ordinary income, its pro rata share of the Issuer's earnings and profits in excess of net capital gains and (ii) as long-term capital gains, its pro rata share of the Issuer's net capital gains. Amounts recognized by a U.S. Holder making a QEF election generally are treated as income from sources outside the United States. If U.S. Holders together hold at least half (by vote or value) of the Preference Shares and other interests treated as equity in the Issuer, however, a percentage of those amounts equal to the proportion of the Issuer's income that comes from U.S. sources will be treated as income from sources within the United States. Because the U.S. Holder has already paid tax on them, the amounts previously included in income will not be subject to tax when they are distributed to the U.S. Holder. An electing U.S. Holder's basis in the Preference Shares will increase by any amounts the holder includes in income currently and decrease by any amounts not subject to tax when distributed. The Issuer will provide Preference Shareholders with the information needed to make a QEF election.

A U.S. Holder that makes a QEF election may recognize income in amounts significantly greater than the distributions it receives from the Issuer. Income may exceed distributions when, for example, the Issuer uses earnings to repay principal on the Notes or accrues original issue discount or market discount on Collateral Debt Securities. A U.S. Holder that makes a QEF election will be required to include in income currently its pro rata share of the Issuer's earnings whether or not the Issuer actually makes distributions. The holder may be able to elect to defer payment, subject to an interest charge for the deferral period, of the tax on income recognized on account of the QEF election. Prospective purchasers should consult their tax advisors about the advisability of making the QEF and deferred payment elections.

Controlled Foreign Corporation. The Issuer also may be a controlled foreign corporation (a **"CFC"**) if U.S. Holders that each own (directly, indirectly or by attribution) at least 10% of the Preference Shares and any other interests treated as voting equity in the Issuer together own more than 50% (by vote or value) of the Preference Shares and any other interests treated as equity in the Issuer. If the Issuer is a CFC, a U.S. Holder that owns (or is deemed to own) at least 10% of the voting equity of the Issuer on the last day of the Issuer's taxable year must recognize ordinary income equal to its pro rata share of the Issuer's earnings (including both ordinary earnings and

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capital gains) for the tax year whether or not the Issuer makes a distribution. The income will be treated as income from sources within the United States of America to the extent it is derived by the Issuer from U.S. sources. Earnings on which the U.S. Holder pays tax currently will not be taxed again when they are distributed to the U.S. Holder. If a U.S. Holder owns (or is deemed to own) at least 10% of the voting equity in the Issuer, its basis in its interest in the Issuer will increase by any amounts the holder includes in income currently and decrease by any amounts not subject to tax when distributed. If the Issuer is a CFC, (i) the Issuer would incur U.S. withholding tax on interest received from a related U.S. person, (ii) special reporting rules would apply to U.S. Holders who own, or are deemed to own, at least 10% of the Preference Shares, directors of the Issuer and certain other persons and (iii) certain other restrictions may apply. Subject to a special limitation for individual U.S. Holders that have held the Preference Shares for more than one year, gain from disposition of Preference Shares recognized by a U.S. Holder that is or recently has been a 10% U.S. Shareholder will be treated as dividend income to the extent earnings attributable to the Preference Shares accumulated while the U.S. Holder held the Preference Shares and the Issuer was a CFC. If the Issuer is a CFC, a 10% U.S. Shareholder will be subject to the CFC rules and not the PFIC rules and other U.S. Holders will be subject to the PFIC rules.

U.S. Holders generally must report, with their tax return for the tax year that includes the Closing Date, certain information relating to their purchase of the Preference Shares on IRS Form 926. **In the event a U.S. Holder fails to file any such required form, the U.S. Holder could be subject to a penalty equal to 10% of the gross amount paid for the Preference Shares subject to a maximum penalty equal to $100,000 (except in cases of intentional disregard).** A U.S. Holder may be required specifically to disclose any loss on the Preference Shares on its tax return under recent regulations on tax shelter transactions. When the U.S. Holder holds 10% of the shares in a CFC or QEF, the holder also must disclose any Issuer transactions reportable under the those regulations. The Issuer will provide holders of the Preference Shares with information about Issuer transactions reportable under those regulations. U.S. Holders are urged to consult their tax advisors about these and all other specific reporting requirements.

Non-U.S. Holders. Distributions by the Issuer to a Non-U.S. Holder on Preference Shares will not be subject to U.S. withholding tax. A Non-U.S. Holder receiving distributions also will not be subject to U.S. Federal tax on a net income basis unless the distributions are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States of America. Gain realized by a Non-U.S. Holder on the sale or other disposition of the Preference Shares will not be subject to U.S. tax unless (i) the gain is effectively connected with the holder's conduct of a U.S. trade or business or (ii) the holder is an individual present in the United States of America for at least 183 days during the taxable year of disposition and certain other conditions are met.

U.S. TAXATION OF CLASS P NOTES

Although a Class P Note is a single instrument in form, the Issuer intends to treat Holders of Class P Notes as directly owning for U.S. Federal income tax purposes the Class P Treasury Strips and the Class P Preference Shares. By acquiring a Class P Note, each Holder will agree to that treatment.

A Holder of Class P Notes should determine its tax basis in the underlying Class P Treasury Strips and the Class P Preference Shares by allocating its purchase price between the components in accordance with their relative fair market values on the purchase date. Payments on the Class P Notes should be treated as payments on the underlying Class P Treasury Strips and the Class P Preference Shares to the extent properly attributable to related payments on the Class P Treasury Strips and the Class P Preference Shares. A sale or exchange of a Class P Note should be treated as a sale or exchange of the underlying Class P Treasury Strips and Class P Preference Shares, and the amount realized should be allocated between the underlying Class P Treasury Strips and the Class P Preference Shares in accordance with their relative fair market values. The exchange of Class P Notes for the underlying Class P Treasury Strips and the Class P Preference Shares should not be a taxable event. A Holder of Class P Notes should review the portions of this summary under the headings "Taxation of the Holders – U.S. Taxation of Preference Shares" and "Taxation of the Holders – U.S. Taxation of Class P Treasury Strips".

U.S. TAXATION OF CLASS P TREASURY STRIPS

The Class P Treasury Strips will be treated as having been issued with OID for U.S. Federal income tax purposes and a U.S. Holder will be required to include annually in its gross income as interest such amounts of OID that accrue on a constant yield to maturity basis on the Class P Treasury Strips. The amount of OID on a Class P

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Treasury Strip will equal the excess of the amount payable on its maturity over the allocable portion of the purchase price of the related Class P Note. The accrual of OID will apply regardless of the U.S. Holder's regular method of tax accounting and without regard to the timing of actual payments on the Class P Treasury Strips. Under these rules, a U.S. Holder will be required to include OID in gross income in advance of the receipt of the cash payments attributable to such income. The income will be ordinary income from sources within the United States.

A U.S. Holder generally will recognize gain or loss on the sale, redemption or other taxable disposition of its interest in the Class P Treasury Strips (including redemption of a portion of the Class P Treasury Strips as described under "Redemption of Class P Notes equal to the difference between the amount realized and the U.S. Holder's adjusted tax basis in the Class P Treasury Strips. The adjusted basis of the Class P Treasury Strips generally will equal the portion of the U.S. Holder's purchase price paid for the Class P Note allocable to the Class P Treasury Strips (determined in the manner described above) increased by any OID previously included in the U.S. Holder's gross income and reduced by any payments previously received in respect of the Class P Treasury Strips. Gain or loss recognized on the sale, redemption or other taxable disposition of the Class P Treasury Strips generally will be capital gain or loss from sources within the United States.

Special Considerations for Tax-Exempt U.S. Holders. Special considerations apply to pension plans and other investors that are subject to tax only on their unrelated business taxable income ("UBTI"). A tax-exempt investor's interest income and gain from the Secured Notes and Preference Shares generally would not be treated as UBTI provided such investor's investment in the Securities is not debt-financed. However, a tax-exempt investor that owns more than fifty percent of the Preference Shares and also owns Secured Notes should consider the possible application of the special UBTI rules for interest received from controlled entities. Each prospective tax-exempt investor should consult its own tax advisor regarding the tax consequences to it of an investment in the Secured Notes or Preference Shares.

U.S. Information Reporting and Backup Withholding

Payments of principal and interest on the Notes, distributions on the Preference Shares, payments on the Class P Treasury Strips and proceeds from the disposition of the Secured Notes or Preference Shares paid to a non-corporate Holder generally will be subject to U.S. information reporting. Payments to Non-U.S. Holders that provide certification of foreign status generally are exempt from information reporting. Backup withholding tax may apply to reportable payments unless the Holder provides a correct taxpayer identification number or otherwise establishes an exemption. Any amount withheld may be credited against a Holder's U.S. Federal income tax liability or refunded to the extent it exceeds the Holder's liability.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE OFFERED SECURITIES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

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ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended (**"ERISA"**) imposes certain duties on persons who are fiduciaries of employee benefit Plans (as defined in Section 3(3) of ERISA) (**"ERISA Plans"**) and of entities whose underlying assets include assets of ERISA Plans by reason of an ERISA Plan's investment in such entities. These duties include investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and liquidity needs and all of the facts and circumstances of the investment, including the availability of a public market for the investment. In addition, certain U.S. Federal, state and local laws impose similar duties on fiduciaries of governmental and/or church plans that are not subject to ERISA.

Any fiduciary of an ERISA Plan, of an entity whose underlying assets include assets of ERISA Plans by reason of an ERISA Plan's investment in such entity, or of a governmental or church plan that is subject to fiduciary standards similar to those of ERISA (**"plan fiduciary"**), that proposes to cause such a plan or entity to purchase Offered Securities should determine whether, under the general fiduciary standards of ERISA or other applicable law, an investment in the Offered Securities is appropriate for such plan or entity. In determining whether a particular investment is appropriate for an ERISA Plan, U.S. Department of Labor regulations provide that the fiduciaries of an ERISA Plan must give appropriate consideration to, among other things, the role that the investment plays in the ERISA Plan's portfolio, taking into consideration whether the investment is designed reasonably to further the ERISA Plan's purposes, an examination of the risk and return factors, the portfolio's composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the ERISA Plan and the projected return of the total portfolio relative to the ERISA Plan's funding objectives. Before investing the assets of an ERISA Plan in Offered Securities, a fiduciary should determine whether such an investment is consistent with the foregoing regulations and its fiduciary responsibilities, including any specific restrictions to which such fiduciary may be subject.

Section 406(a) of ERISA and Section 4975 of the United States Internal Revenue Code of 1986, as amended (the **"Code"**) prohibit certain transactions (**"prohibited transactions"**) involving the assets of ERISA Plans or plans described in Section 4975(e)(1) of the Code (together with ERISA Plans, **"Plans"**) and certain persons (referred to as "Parties-In-Interest" in ERISA and as "Disqualified Persons" in Section 4975 of the Code) having certain relationships to such plans and entities. A Party-In-Interest or Disqualified Person who engages in a non-exempt prohibited transaction may be subject to non-deductible excise taxes and other penalties and liabilities under ERISA and/or the Code.

Each of the Issuer, the Co-Issuer and the Initial Purchaser as a result of their own activities or because of the activities of an affiliate, may be considered a Party-In-Interest or a Disqualified Person with respect to Plans. Accordingly, prohibited transactions within the meaning of Section 406 of ERISA and Section 4975 of the Code may arise if Notes are acquired by a Plan with respect to which any of the Issuer, the Co-Issuer, the Initial Purchaser, the obligors on the Collateral Debt Securities or any of their respective affiliates is a Party-In-Interest or Disqualified Person. In addition, if a Party-In-Interest or Disqualified Person with respect to a Plan owns or acquires a beneficial interest in the Issuer or the Co-Issuer, the acquisition or holding of Notes by or on behalf of the Plan could be considered to constitute an indirect prohibited transaction. Moreover, the acquisition or holding of Notes or other indebtedness issued by the Issuer or the Co-Issuer by or on behalf of a Party-In-Interest or Disqualified Person with respect to a Plan that owns or acquires a beneficial interest in the Issuer or the Co-Issuer, as the case may be, also could give rise to an indirect prohibited transaction. Certain exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are PTE 901, regarding investments by insurance company pooled separate accounts; PTE 9138, regarding investments by bank collective investment funds; PTE 8414, regarding transactions effected by a "qualified professional asset manager"; PTE 9623, regarding investments by certain in-house asset managers; and PTE 9560, regarding investments by insurance company general accounts. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. If a purchase of Notes were to be a non-exempt prohibited transaction, the purchase might have to be rescinded.

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Government plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to local, state or other Federal laws that are similar to the foregoing provisions of ERISA and the Code (a **"Similar Law"**).

The United States Department of Labor, the government agency primarily responsible for administering the ERISA fiduciary rules and the prohibited transaction rules under ERISA and the Code, has issued a regulation (the **"Plan Asset Regulation"**) that, under specified circumstances, requires plan fiduciaries, and entities with certain specified relationships to a Plan, to "look through" investment vehicles (such as the Issuer) and treat as an "asset" of the Plan each underlying investment made by such investment vehicle. The Plan Asset Regulation provides, however, that if equity participation in any entity by "Benefit Plan Investors" is not significant then the "look-through" rule will not apply to such entity. **"Benefit Plan Investors"** are defined in the Plan Asset Regulation to include (1) any employee benefit plan (as defined in Section 3(3) of ERISA), whether or not subject to Title I of ERISA, (2) any plan described in Section 4975(e)(1) of the Code, and (3) any entity whose underlying assets include plan assets by reason of a plan's investment in the entity. Equity participation by Benefit Plan Investors in an entity is significant if, immediately after the most recent acquisition of any equity interest in the entity, 25% or more of the value of any class of equity interests in the entity (excluding the value of any interests held by certain persons, other than Benefit Plan Investors, having discretionary authority or control over the assets of the entity or providing investment advice with respect to the assets of the entity for a fee, direct or indirect, or any affiliates of such persons (any such person, a **"Controlling Person"**)) is held by Benefit Plan Investors (the **"25% Threshold"**).

There is little pertinent authority in this area. However, it is not anticipated that the Class A Notes or the Class B Notes will constitute "equity interests" in the Co-Issuers. Based primarily on the investment-grade rating of the Class C Notes, the unconditional obligation of the Co-Issuers to pay interest and to repay principal by a fixed maturity date and the creditors' remedies available to holders of the Class C Notes, it is anticipated that the Class C Notes should not constitute "equity interests" in the Co-Issuers, despite their subordinated position in the capital structure of the Co-Issuers. No measures (such as those described below with respect to the Preference Shares) will be taken to restrict investment in the Class C Notes by Benefit Plan Investors. It should be noted that the debt treatment of the Notes for ERISA purposes could change subsequent to their issuance (i.e. they could be treated as equity) if the Issuers incur losses or the rating of such Notes changes. The risk of recharacterization is enhanced for subordinate classes of Secured Notes.

It is intended that the ownership interests in the Preference Shares (including the Class P Preference Shares) and the Class P Notes that are held by Benefit Plan Investors) will be maintained at a level below the 25% Threshold (excluding Preference Shares and Class P Notes held by Controlling Persons) by limiting the aggregate amount of Preference Shares that may be held by Benefit Plan Investors to below the 25% Threshold. In this regard, each initial purchaser of Preference Shares or Class P Notes will be required to provide information in the Investor Application Form pursuant to which such Preference Shares or Class P Notes were purchased and from time to time thereafter as to what portion, if any, of the funds it is using to purchase and hold Preference Shares or Class P Notes is comprised of assets of a Benefit Plan Investor and whether or not it is a Controlling Person. No Preference Share or Class P Note may be transferred to a Benefit Plan Investor or a Controlling Person after the Initial Placement of the Preference Shares and Class P Notes. Any subsequent transferee that acquires Preference Shares or Class P Notes will be required to represent as to similar matters in the transfer certificate or letter delivered to the Preference Share Registrar in connection with such transfer. In particular, each owner of an interest in a Global Regulation S Preference Share or Global Regulation S Class P Note, as the case may be, will be required to execute and deliver to the Issuer and the Preference Share Registrar or Class P Note Registrar, as the case may be, a letter in the form attached as an exhibit to the Preference Share Paying Agency Agreement or the Indenture, as the case may be, to the effect that such owner will, prior to any sale, pledge or other transfer by it of any Global Regulation S Preference Share or Global Regulation S Class P Note, as the case may be (or, in each case, any interest therein), obtain from the transferee a duly executed transferee certificate in the form attached to the Preference Share Paying Agency Agreement (in the case of the Preference Shares) or the Indenture (in the case of the Class P Notes), and such other certificates and other information as the Issuer, the Preference Share Paying Agent or the Trustee, as applicable, may reasonably require to confirm that the proposed transfer substantially complies with the transfer restrictions contained in the Issuer Charter and the Preference Share Paying Agency Agreement (in the case of the Preference Shares) or the Indenture (in the case of the Class P Notes). The Preference Share Documents and the Indenture permit the Issuer to require that any person acquiring Preference Shares or Class P Notes (or a beneficial interest therein) after the initial purchase of the Preference Shares and Class P Notes who is determined to be a Benefit Plan Investor or a Controlling Person to sell such Preference Shares or Class P Notes (or a beneficial interest therein) to a

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person who is not a Benefit Plan Investor or a Controlling Person and who meets all other applicable transfer restrictions and, if such holder does not comply with such demand within 30 days thereof, the Issuer may sell such holder's interest in such Preference Shares or Class P Notes. The Indenture permits the Issuer to require that any person acquiring Class P Notes (or a beneficial interest therein) after the initial purchase of the Class P Notes who is determined to be a Benefit Plan Investor or a Controlling Person to sell such Class P Notes (or a beneficial interest therein) to a person who is not a Benefit Plan Investor or a Controlling Person and who meets all other applicable transfer restrictions and, if such holder does not comply with such demand within 30 days thereof, the Issuer may sell such holder's interest in such Preference Shares or Class P Notes, as applicable.

If for any reason the assets of the Issuer are deemed to be "plan assets" of a Plan subject to Title I of ERISA or Section 4975 of the Code because one or more such Plans is an owner Preference Shares, certain transactions that either of the Co-Issuers might enter into, or may have entered into, in the ordinary course of its business might constitute non-exempt "prohibited transactions" under Section 406 of ERISA or Section 4975 of the Code and might have to be rescinded. In addition, if the assets of the Issuer are deemed to be "plan assets" of a Plan subject to Title I of ERISA or Section 4975 of the Code, the payment of certain of the fees by the Issuer might be considered to be a non-exempt "prohibited transaction" under Section 406 of ERISA or Section 4975 of the Code. Moreover, if the underlying assets of the Issuer were deemed to be assets constituting plan assets, (i) the assets of the Issuer could be subject to ERISA's reporting and disclosure requirements, (ii) a fiduciary causing a Benefit Plan Investor to make an investment in the equity of the Issuer could be deemed to have delegated its responsibility to manage the assets of the Benefit Plan Investor, (iii) various providers of fiduciary or other services to the Issuer, and any other parties with authority or control with respect to the Issuer, could be deemed to be Plan fiduciaries or otherwise Parties in Interest or Disqualified Persons by virtue of their provision of such services, and (iv) it is not clear that Section 404(b) of ERISA, which generally prohibits plan fiduciaries from maintaining the indicia of ownership of assets of plans subject to Title I of ERISA outside the jurisdiction of the district courts of the United States of America, would be satisfied in all instances.

The sale of any Offered Security to a Plan is in no respect a representation by the Issuer, the Initial Purchaser, the Collateral Manager or any of their affiliates that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for a Plan generally or any particular Plan.

EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF A NOTE OR AN INTEREST THEREIN WILL BE REQUIRED TO CERTIFY (OR IN CERTAIN CIRCUMSTANCES DEEMED TO REPRESENT AND WARRANT) EITHER THAT (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS ANY NOTE OR ANY INTEREST THEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS ANY NOTE OR INTEREST THEREIN WILL NOT BE ACTING ON BEHALF OF) AN **"EMPLOYEE BENEFIT PLAN"** AS DEFINED IN SECTION 3(3) OF ERISA THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(e)(1) OF CODE, AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. SECTION 2510.3101, WHICH PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR A GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (**"SIMILAR LAW"**), OR (B) ITS ACQUISITION AND HOLDING OF SUCH NOTE WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A VIOLATION OF SUCH SIMILAR LAW). AN INVESTOR THAT IS A BENEFIT PLAN INVESTOR SUBJECT TO TITLE I OF ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW WILL BE REQUIRED TO CERTIFY THAT ITS INVESTMENT IN PREFERENCE SHARES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A VIOLATION OF ANY SUCH SIMILAR LAW).

EACH ORIGINAL PURCHASER OF A PREFERENCE SHARE OR A CLASS P NOTE WILL BE REQUIRED TO CERTIFY WHETHER OR NOT IT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. NO PREFERENCE SHARE OR CLASS P NOTE MAY BE TRANSFERRED TO A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AFTER THE INITIAL PURCHASE OF THE PREFERENCE SHARES AND CLASS P NOTES FROM THE INITIAL PURCHASER. NO TRANSFER OF A PREFERENCE

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SHARE OR CLASS P NOTE WILL BE EFFECTIVE, AND NONE OF THE ISSUER, THE TRUSTEE, THE CLASS P NOTE REGISTRAR, THE PREFERENCE SHARE PAYING AGENT AND THE PREFERENCE SHARE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER, AFTER THE PURCHASE OF THE PREFERENCE SHARE OR CLASS P NOTES FROM THE INITIAL PURCHASER IF SUCH TRANSFER IS TO A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. THE PREFERENCE SHARE DOCUMENTS (IN THE CASE OF THE PREFERENCE SHARES) AND INDENTURE (IN THE CASE OF THE CLASS P NOTES) PERMIT THE ISSUER TO REQUIRE THAT ANY PERSON ACQUIRING PREFERENCE SHARES OR CLASS P NOTES, RESPECTIVELY (OR, IN EACH CASE, A BENEFICIAL INTEREST THEREIN) AFTER THE INITIAL PLACEMENT OF THE PREFERENCE SHARES AND CLASS P NOTES WHO IS DETERMINED TO BE A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON TO SELL SUCH PREFERENCE SHARES OR CLASS P NOTES (OR, IN EACH CASE, A BENEFICIAL INTEREST THEREIN) TO A PERSON WHO IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND WHO MEETS ALL OTHER APPLICABLE TRANSFER RESTRICTIONS AND, IF SUCH HOLDER DOES NOT COMPLY WITH SUCH DEMAND WITHIN 30 DAYS THEREOF, THE ISSUER MAY SELL SUCH HOLDER'S INTEREST IN SUCH PREFERENCE SHARES OR CLASS P NOTES, AS APPLICABLE.

ANY PLAN FIDUCIARY THAT PROPOSES TO CAUSE A PLAN TO PURCHASE OFFERED SECURITIES SHOULD CONSULT WITH ITS OWN LEGAL AND TAX ADVISORS WITH RESPECT TO THE POTENTIAL APPLICABILITY OF ERISA AND THE CODE TO SUCH INVESTMENTS, THE CONSEQUENCES OF SUCH AN INVESTMENT UNDER ERISA AND THE CODE AND THE ABILITY TO MAKE THE REPRESENTATIONS DESCRIBED ABOVE. MOREOVER, EACH PLAN FIDUCIARY SHOULD DETERMINE WHETHER, UNDER THE GENERAL FIDUCIARY STANDARDS OF ERISA, AN INVESTMENT IN THE OFFERED SECURITIES IS APPROPRIATE FOR THE PLAN, TAKING INTO ACCOUNT THE OVERALL INVESTMENT POLICY OF THE PLAN AND THE COMPOSITION OF THE PLAN'S INVESTMENT PORTFOLIO.

Based on the reasoning of the United States Supreme Court in John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank, 510 U.S. 86 (1993), funds allocated to the general account of an insurance company pursuant to a contract with an employee benefit plan that vary with the investment experience of the insurance company may under certain circumstances be treated as "plan assets." Any insurance company proposing to invest assets of its general account in the Offered Securities should consider the extent to which such investment would be subject to the requirements of ERISA in light of the John Hancock decision and the 1996 enactment of section 401(c) of ERISA. 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 (**"PTCE"**) 95-60 (60 Fed. Reg. 35925; Jul. 12, 1995) and the regulations issued by the Department of Labor, 29 C.F.R. section 2550.401-c (Jan. 5, 2000).

In the preamble to PTCE 95-60, the Department of Labor noted that, for purposes of calculating the 25% threshold under the significant participation test of the Plan Asset Regulation, only the proportion of an insurance company general account's equity investment in the entity that represents plan assets should be taken into account. Although the Department of Labor has not specified how to determine the proportion of an insurance company general account that represents plan assets for purposes of the 25% threshold, it has, in the case of PTCE 95-60, provided a method for determining the percentage of an insurance company's general account held by the benefit plans of an employer and its affiliates by comparing the reserves and liabilities for the general account contracts held by such plans to the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus. However, there is no assurance that a similar measurement would be used for purposes of applying the 25% threshold. Any insurance company using general account assets to purchase Preference Shares will be required to identify the maximum percentage of the assets of the general account that may be or become plan assets.

The discussion of ERISA and Section 4975 of the Code contained in this Offering Circular, is, of necessity, general, and does not purport to be complete. Moreover, the provisions of ERISA and Section 4975 of the Code are subject to extensive and continuing administrative and judicial interpretation and review. Therefore, the matters discussed above may be affected by future regulations, rulings and court decisions, some of which may have retroactive application and effect.

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PLAN OF DISTRIBUTION

The Co-Issuers and the Initial Purchaser will enter into a Purchase Agreement (the **"Purchase Agreement"**) relating to the purchase and sale of the Secured Notes, the Class P Notes and Preference Shares to be delivered on the Closing Date. The Secured Notes, the Class P Notes and Preference Shares will be offered by the Initial Purchaser to prospective investors from time to time in individually negotiated transactions at varying prices to be determined at the time of sale. The Initial Purchaser reserves the right to withdraw, cancel of modify such offer and to reject orders in whole or in part. As set forth in the Purchase Agreement, the Co-Issuers will agree to sell to the Initial Purchaser, and the Initial Purchaser will agree to purchase, the entire principal amounts of the Class A Notes, Class B Notes, Class C Notes, Class P Notes and Preference Shares. The obligations of the Initial Purchaser under the Purchase Agreement are subject to the satisfaction of certain conditions set forth in the Purchase Agreement. Pursuant to the Purchase Agreement, each of the Co-Issuers will agree to indemnify the Initial Purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchaser may be required to make in respect thereof.

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

CERTAIN SELLING RESTRICTIONS

United States of America

The Secured Notes, Class P Notes and Preference Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States of America or to, or for the account or benefit of, U.S. Persons except pursuant to an exemption from the registration requirements under the Securities Act.

(1) In the Purchase Agreement, the Initial Purchaser will represent and agree that it has not offered nor sold Secured Notes, Class P Notes and Preference Shares and will not offer nor sell Secured Notes, Class P Notes and Preference Shares except to persons who are not U.S. Persons in accordance with Rule 903 of Regulation S or as provided in paragraph (2) below. Accordingly, the Initial Purchaser will represent and agree that neither it, its affiliates (if any) nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to Offered Securities, and it and they have complied and will comply with the offering restrictions requirements of Regulation S.

(2) In the Purchase Agreement, the Initial Purchaser agrees that it will not, acting either as principal or agent, offer or sell any Offered Securities in the United States of America other than Offered Securities in registered form bearing a restrictive legend thereon, and it will not, acting either as principal or agent, offer, sell, reoffer or resell any such Secured Notes, Class P Notes and Preference Shares (or approve the resale of any such Secured Notes, Class P Notes and Preference Shares):

(a) except (1) inside the United States of America through a U.S. broker dealer that is registered under the Exchange Act to investors each of which the Initial Purchaser reasonably believes is a Qualified Institutional Buyer or is an Accredited Investor and has such knowledge and experience in financial and business matters that it is capable of evaluating and bearing the risks of investing in the Offered Securities (or is represented by a fiduciary or agent with sole investment discretion having such knowledge and experience) that is also a Qualified Purchaser or (2) otherwise in accordance with the restrictions on transfer set forth in such Offered Securities, the Purchase Agreement and the Offering Circular; or

(b) by means of any form of general solicitation or general advertisement, including but not limited to (1) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio and (2) any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

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Prior to the sale of any Secured Notes, Class P Notes and Preference Shares in registered form bearing a restrictive legend thereon, the Initial Purchaser shall have provided each offeree that is a U.S. Person with a copy of the Secured Notes, Class P Notes and Preference Shares in the form that the Issuer and the Initial Purchaser shall have most recently agreed shall be used for offers and sales in the United States of America.

(3) In the Purchase Agreement, the Initial Purchaser will represent and agree that in connection with each sale to an Accredited Investor it has taken or will take reasonable steps to ensure that the purchaser is aware that the Secured Notes, Class P Notes and Preference Shares have not been and will not be registered under the Securities Act and that transfers of Secured Notes, Class P Notes and Preference Shares are restricted as set forth herein.

United Kingdom

The Initial Purchaser will also represent and agree as follows:

(1) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any Secured Notes, Class P Notes or Preference Shares to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Secured Notes, Class P Notes and Preference Shares in circumstances in which Section 21(1) of said Act would not, if each of the Co-Issuers were not an authorized person, apply to the Co-Issuers; and

(3) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Secured Notes and Preference Shares in, from or otherwise involving the United Kingdom.

Cayman Islands

The Initial Purchaser will represent and agree that it has not made and will not make any invitation to the public in the Cayman Islands to subscribe for any of the Secured Notes or Preference Shares.

Hong Kong

The Initial Purchaser will also represent and agree as follows:

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

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

GENERAL

No action has been or will be taken in any jurisdiction that would permit a public offering of the Secured Notes, Class P Notes or Preference Shares or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuer or the Secured Notes, Class P Notes or Preference Shares in any country or

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jurisdiction where action for that purpose is required. Accordingly, neither the Secured Notes nor Preference Shares may be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Secured Notes, Class P Notes or Preference Shares may be distributed or published, in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Purchasers of the Secured Notes, Class P Notes or Preference Shares may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the purchase price.

Purchasers of the Secured Notes, Class P Notes and Preference Shares will be required, as a condition to payment of amounts on the Secured Notes or Preference Shares, as applicable, without the imposition of withholding tax, to provide certain certifications with respect to any applicable taxes or reporting requirements of the United States of America or the Cayman Islands.

CLEARING SYSTEMS

Global Securities

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

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

Payments or Distributions on a Global Security

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

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

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Transfers and Exchanges for Definitive Securities

Interests in a Global Security will be exchangeable or transferable, as the case may be, for a Definitive Security if (a) DTC notifies the Issuer that it is unwilling or unable to continue as depositary for such Security, (b) DTC ceases to be a "Clearing Agency" registered under the Exchange Act, and a successor depositary is not appointed by the Issuer within 90 days, (c) the transferee of an interest in such Global Security is required by law to take physical delivery of securities in definitive form, (d) in the case of a Global Note, there is an Event of Default under the Notes or (e) the transferee is otherwise unable to pledge its interest in a Global Security. Because DTC can only act on behalf of Participants, which in turn act on behalf of indirect Participants and certain banks, the ability of a person having a beneficial interest in a Global Security to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may require that such interest in a Global Security be exchanged for a Definitive Security.

Upon the occurrence of any of the events described in the preceding paragraph, the Issuer will cause Definitive Securities bearing an appropriate legend regarding restrictions on transfer to be delivered. The Trustee shall not execute and deliver a Definitive Security without such specified legend, unless there is delivered to the Issuer and the Trustee such satisfactory evidence, which may include an opinion of U.S. counsel, as may reasonably be required by the Issuer or the Trustee that neither such legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act or the Investment Company Act. Definitive Securities will be exchangeable or transferable for interests in other Definitive Securities as described herein. See "Form, Denomination, Registration and Transfer".

Cross-Border Transfers and Exchanges

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

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

DTC has advised the Co-Issuers that it will take any action permitted to be taken by a holder of the relevant Secured Note or Preference Share (including, without limitation, the presentation of such Secured Note or Preference Share for exchange as described above) only at the direction of one or more Participants to whose account with the DTC interests in the related Global Security are credited and only in respect of such portion of the aggregate outstanding principal amount of the Secured Notes or of the number of Preference Shares (as the case may be) as to which such Participant or Participants has or have given such direction.

DTC, Euroclear and Clearstream

DTC has advised the Co-Issuers as follows: DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust

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companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly (**"Indirect Participants"**).

The information herein concerning DTC, Clearstream and Euroclear and their book-entry systems has been obtained from sources believed to be reliable, but none of the Co-Issuers, the Collateral Manager or the Initial Purchasers takes any responsibility for the accuracy or completeness thereof.

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

TRANSFER RESTRICTIONS

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

Representations by Original Purchaser

Each Original Purchaser of Notes (or any beneficial interest therein) will be deemed to acknowledge, represent and warrant to and agree with the Co-Issuers and the Initial Purchaser, and each purchaser of a Preference Share, by its execution of an Investor Application Form, acknowledges, represents and warrants to and agrees with the Issuer and the Initial Purchaser, as follows:

(1) *No Governmental Approval*. The purchaser understands that the Offered Securities have not been approved or disapproved by the SEC or any other governmental authority or agency of any jurisdiction and that neither the SEC nor any other governmental authority or agency has passed upon the accuracy or adequacy of this Offering Circular. The purchaser further understands that any representation to the contrary is a criminal offense.

(2) *Certification Upon Transfer*. If required by the Indenture or the Preference Share Documents, the purchaser will, prior to any sale, pledge or other transfer by it of any Offered Security (or any interest therein), deliver to the Issuer and the Note Registrar (or, in the case of a Preference Share, the Preference Share Paying Agent) duly executed transferor and transferee certifications in the form of the relevant exhibit attached to the Indenture or the Preference Share Paying Agency Agreement, as applicable, and such other certificates and other information as the Issuer, the Trustee (in the case of the Notes) or the Preference Share Paying Agent (in the case of the Preference Shares) may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in this Offering Circular and in the Indenture or the Preference Share Documents, as applicable.

(3) *Minimum Denomination or Number*. The purchaser agrees that no Offered Security (or any interest therein) may be sold, pledged or otherwise transferred in a denomination of less than the applicable minimum denomination set forth herein (in the case of the Notes) or in a number less than the applicable minimum trading lot set forth herein (in the case of the Preference Shares); **provided** that, upon approval of the Initial Purchaser, one sale of Preference Shares consisting of less than the minimum trading lot may be affected.

(4) *Securities Law Limitations on Resale*. The purchaser understands that the Offered Securities have not been registered under the Securities Act and, therefore, cannot be offered or sold in the United States of America or to U.S. Persons unless they are registered under the Securities Act or unless an exemption from registration is available and that the certificates representing the Offered Securities will bear a legend setting forth such restriction. The purchaser understands that neither the Issuer nor (in the case of the Notes) the Co-Issuer has any obligation to register the Offered Securities under the Securities Act or to comply with the requirements for any exemption from the registration requirements of the

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Securities Act (other than to supply information specified in Rule 144A(d)(4) of the Securities Act as required by the Indenture).

(5) *Investment Intent.* In the case of a purchaser of a Restricted Security (or any interest therein), it is a Qualified Institutional Buyer or an Accredited Investor, that in each case is a Qualified Purchaser, and it is acquiring such Restricted Security for its own account for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A). In the case of a purchaser of a Regulation S Security (or any interest therein), it is not a U.S. Person and is purchasing such Regulation S Security (or interest therein) for its own account and not for the account or benefit of a U.S. Person in an offshore transaction in accordance with Regulation S.

(6) *Purchaser Sophistication; Non-Reliance; Suitability; Access to Information.* The purchaser (a) has such knowledge and experience in financial and business matters that the purchaser is capable of evaluating the merits and risks (including for tax, legal, regulatory, accounting and other financial purposes) of its prospective investment in Offered Securities, (b) is financially able to bear such risk, (c) in making such investment, is not relying on the advice or recommendations of the Initial Purchaser, the Issuer, the Co-Issuer, the Collateral Manager or any of their respective affiliates or representatives and (d) has determined that an investment in Offered Securities is suitable and appropriate for it. The purchaser has received and reviewed the contents of, this Offering Circular. The purchaser has had access to such financial and other information concerning the Issuer and the Offered Securities as it has deemed necessary to make its own independent decision to purchase Offered Securities, including the opportunity, at a reasonable time prior to its purchase of Offered Securities, to ask questions and receive answers concerning the Issuer, the Co-Issuer and the terms and conditions of the offering of the Offered Securities.

(7) *Certain Resale Limitations.* The purchaser is aware that no Offered Security (nor any interest therein) may be offered or sold, pledged or otherwise transferred:

(a) in the United States of America or to a U.S. Person, except to a transferee (i)(A) whom the seller reasonably believes is a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or (B) solely in the case of a Restricted Preference Share, an Accredited Investor, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on an exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) that is a Qualified Purchaser;

(b) to a transferee acquiring an interest in a Regulation S Global Security except to a transferee that is not a U.S. Person and is acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 903 or Rule 904 of Regulation S;

(c) solely in the case of Preference Shares to a transferee who is a Benefit Plan Investor or a Controlling Person; or

(d) except in compliance with the other requirements set forth in the Indenture and/or the Preference Share Documents (as applicable) and in accordance with any other applicable securities laws of any relevant jurisdiction.

(8) *Limited Liquidity.* The purchaser understands that there is no market for the Offered Securities and that there can be no assurance that a secondary market for any of the Offered Securities will develop, or if a secondary market does develop, that it will provide the holders of such Offered Securities with liquidity of investment or that it will continue for the life of the Offered Securities. It further understands that, although the Initial Purchaser may from time to time make a market in one or more Classes of Notes or Preference Shares, the Initial Purchaser is under no obligation to do so and, following

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the commencement of any market-making, may discontinue the same at any time. Accordingly, the purchaser must be prepared to hold its Offered Securities for an indefinite period of time or until the applicable Stated Maturity (or, in the case of the Preference Shares, the winding-up of the Issuer).

(9) *Investment Company Act*. The purchaser either (a) is not a U.S. Person or (b) is a Qualified Purchaser. The purchaser agrees that no sale, pledge or other transfer of an Offered Security (or any interest therein) may be made (i) to a transferee acquiring a Restricted Security (or any interest therein) except to a transferee that is a Qualified Purchaser, (ii) to a transferee acquiring a Regulation S Security (or any interest therein) except to a transferee that is not a U.S. Person or (iii) if such transfer would have the effect of requiring either of the Co-Issuers or the Collateral to be registered as an investment company under the Investment Company Act. If the purchaser is a U.S. Person that is an entity that would be an investment company but for the exception provided for in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act (any such entity, an "**excepted investment company**") (a) all of the beneficial owners of outstanding securities (other than short-term paper) of such entity (such beneficial owners determined in accordance with Section 3(c)(1)(A) of the Investment Company Act) that acquired such securities on or before April 30, 1996 ("**pre-amendment beneficial owners**") and (b) all pre-amendment beneficial owners of the outstanding securities (other than short-term paper) of any excepted investment company that, directly or indirectly, owns any outstanding securities of such entity, have consented to such entity's treatment as a Qualified Purchaser in accordance with the Investment Company Act.

(10) *ERISA*. In the case of a purchaser of a Note, either (a) it is not (and for so long as it holds any Note or any interest therein will not be) and is not acting on behalf of (and for so long as it holds any Note or interest therein will not be acting on behalf of) an "employee benefit plan" as defined in Section 3(3) of the ERISA that is subject to Title I of ERISA, a plan described in section 4975(e)(1) of the Code, an entity which is deemed to hold the assets of any such plan pursuant to 29 C.F.R. section 2510.3-101, which plan or entity is subject to Title I of ERISA or section 4975 of the Code, or a governmental or church plan which is subject to any Similar Law, or (b) its acquisition and holding of such Note will be covered by a prohibited transaction class exemption issued by the United States Department of Labor (or, in the case of governmental or church plan, will not constitute a violation of such Similar Law).

In the case of a purchaser of Preference Shares in the Initial Placement, if the investor is a Benefit Plan Investor subject to Title I of ERISA, Section 4975 of the Code or any Similar Law, its investment in the Preference Shares, as applicable, will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental or church plan, will not result in a violation of any such Similar Law). In the case of a purchaser of Class P Notes or of Preference Shares after the Initial Placement, such purchaser is not a Benefit Plan Investor that is subject to Title I of ERISA, Section 4975 of the Code or any Similar Law or a Controlling Person.

Each purchaser of Class P Notes or of Preference Shares understands and agrees that no sale, pledge or other transfer of Class P Notes or of Preference Shares may be made to a Benefit Plan Investor a Controlling Person after the Initial Placement.

In addition, if the purchaser of an Offered Security is, or is acting on behalf of, a Plan subject to Title I of ERISA or an employee benefit plan that is not subject to Title I of ERISA but is subject to provisions of a Similar Law, the fiduciaries of such Plan or such employee benefit plan, as applicable, represent and warrant that they have been informed of and understand the Issuer's investment objectives, policies and strategies and that the decision to invest such Plan's assets or such employee benefit plan's assets, as the case may be, in Offered Securities was made with appropriate consideration of relevant investment factors with regard to such Plan or such employee benefit plan, as the case may be, and is consistent with the duties and responsibilities imposed upon fiduciaries with regard to their investment decisions under Title I of ERISA or such Similar Law.

(11) *Limitations on Flow-Through Status*. The purchaser is (a) not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle) and (b) if it is a Qualifying Investment Vehicle, (x) it has only one class of securities outstanding (other than any nominal share capital the distributions in respect of which are not correlated to or dependent upon distributions on, or the performance of, the Offered Securities) and (y) either (1) none of the beneficial owners of its securities is a

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U.S. Person or (2) some or all of the beneficial owners of its securities are U.S. Persons and each such beneficial owner has certified to the purchaser that such owner is a Qualified Purchaser. A purchaser is a **"Flow-Through Investment Vehicle"** if: (i) in the case of a purchaser that would be an investment company but for the exception in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, the amount of the purchaser's investment in the Offered Securities exceeds 40% of the total assets (determined on a consolidated basis with its subsidiaries) of the purchaser, (ii) any person owning any equity or similar interest in the purchaser has the ability to control any investment decision of the purchaser (other than a general partner or similar entity) or to determine, on an investment-by-investment basis, the amount of such person's contribution to any investment made by the purchaser, (iii) the purchaser was organized or reorganized for the specific purpose of acquiring any Offered Securities or (iv) additional capital or similar contributions were specifically solicited from any person owning an equity or similar interest in the purchaser for the purpose of enabling the purchaser to purchase Offered Securities. A **"Qualifying Investment Vehicle"** means an entity as to which all of the beneficial owners of any securities issued by such entity have made, and as to which (in accordance with the document pursuant to which such entity was organized or the agreement or other document governing such securities) each such beneficial owner must require any transferee of any such security to make each of the representations set forth in this Offering Circular and (where applicable) an Investor Application Form and/or the transfer certificate pursuant to which such Offered Securities were transferred to such entity (in each case, with appropriate modifications to reflect the indirect nature of the interests of such beneficial owners in the Offered Securities).

(12) *Certain Transfers Void.* The purchaser agrees that (a) any sale, pledge or other transfer of an Offered Security (or any interest therein) made in violation of the transfer restrictions contained in this Offering Circular and the Indenture or the Preference Share Documents, as applicable, or made based upon any false or inaccurate representation made by the purchaser or a transferee to the Issuer, will be void and of no force or effect and (b) none of the Issuer, the Co-Issuer, the Trustee, the Collateral Manager and the Note Registrar (in the case of the Notes) and neither the Issuer nor the Preference Share Paying Agent (in the case of the Preference Shares) has any obligation to recognize any sale, pledge or other transfer of an Offered Security (or any interest therein) made in violation of any such transfer restriction or made based upon any such false or inaccurate representation.

(13) *Reliance on Representations, etc.* The purchaser acknowledges that the Issuer, the Co-Issuer, the Initial Purchaser, the Trustee, the Collateral Manager, the Note Registrar, the Preference Share Paying Agent and others (as applicable) will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements and agrees that, if any of the acknowledgments, representations or warranties made or deemed to have been made by it in connection with its purchase of the Offered Securities are no longer accurate, the purchaser will promptly notify the Issuer and the Initial Purchaser.

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

(15) *Legend.* Each purchaser of a Secured Note (or any beneficial interest therein) understands and agrees that a legend in substantially the following form will be placed on each Secured Note:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (A QUALIFIED INSTITUTIONAL BUYER) WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (RULE 144A) PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A OR (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT (REGULATION S), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO

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HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY RELEVANT JURISDICTION. NEITHER OF THE CO-ISSUERS NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE INVESTMENT COMPANY ACT). NO TRANSFER OF A NOTE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE TRUSTEE NOR THE NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT OR (II) A COMPANY EACH OF WHOSE BENEFICIAL OWNERS IS A "QUALIFIED PURCHASER" (ANY PERSON DESCRIBED IN CLAUSES (I) AND (II), A QUALIFIED PURCHASER), (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING EITHER OF THE CO-ISSUERS OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER WOULD BE MADE TO A U.S. PERSON THAT IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE INDENTURE) OR (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE (IF ANY) ATTACHED AS AN EXHIBIT TO THE INDENTURE REFERRED TO BELOW. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER THAT (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS ANY NOTE OR ANY INTEREST THEREIN WILL NOT BE), AND IS NOT (AND FOR SO LONG AS IT HOLDS ANY NOTE OR ANY INTEREST THEREIN WILL NOT BE) ACTING ON BEHALF OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), THAT IS SUBJECT TO SECTION 4975 OF THE CODE, AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. SECTION 2510.3-101, WHICH PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR A GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) ITS ACQUISITION AND HOLDING OF SUCH NOTE WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A VIOLATION OF ANY SUCH SIMILAR LAW). THIS NOTE AND ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN THE PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

IF, NOTWITHSTANDING THE RESTRICTIONS ON TRANSFER CONTAINED IN THE INDENTURE, EITHER OF THE CO-ISSUERS DETERMINES THAT ANY BENEFICIAL OWNER OF A RESTRICTED NOTE (OR ANY INTEREST THEREIN) (A) IS A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND (B) IS NOT BOTH (I) A QUALIFIED INSTITUTIONAL BUYER (OR, IN THE CASE OF THE INITIAL PURCHASER OF SUCH RESTRICTED NOTE OR INTEREST THEREIN, AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(A) UNDER THE SECURITIES ACT) AND (II) A QUALIFIED PURCHASER, THEN EITHER OF THE CO-ISSUERS MAY REQUIRE, BY NOTICE TO SUCH HOLDER, THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO SUCH RESTRICTED NOTE (OR INTEREST THEREIN) TO A PERSON THAT IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH BENEFICIAL OWNER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (1) UPON DIRECTION FROM THE ISSUER, THE TRUSTEE (ON BEHALF OF AND AT THE EXPENSE OF THE ISSUER) SHALL CAUSE SUCH BENEFICIAL OWNER'S INTEREST IN SUCH NOTE TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610(b) OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE CO-ISSUERS AND THE COLLATERAL MANAGER, IN

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CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (I) A QUALIFIED INSTITUTIONAL BUYER AND (II) A QUALIFIED PURCHASER AND (2) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF SUCH NOTE (OR INTEREST THEREIN) HELD BY SUCH BENEFICIAL OWNER.

In addition, the legend set forth on any Regulation S Global Note or Rule 144A Global Note will also have the following:

IN ADDITION, NO TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) MAY BE MADE (AND NONE OF THE TRUSTEE, THE NOTE REGISTRAR OR THE CO-ISSUERS WILL RECOGNIZE ANY SUCH TRANSFER) IF SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS (A) A DEALER DESCRIBED IN PARAGRAPH (A)(1)(ii) OF RULE 144A WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER OR (B) A PLAN REFERRED TO IN PARAGRAPH (a)(1)(I)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, UNLESS INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN. THE TRANSFEREE, AND EACH ACCOUNT FOR WHICH IT IS PURCHASING, IS REQUIRED TO HOLD AND TRANSFER AT LEAST THE MINIMUM DENOMINATIONS OF THE NOTES. EACH TRANSFEREE IS REQUIRED TO PROVIDE WRITTEN NOTICE OF THE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREES.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (***DTC)*** TO THE NOTE REGISTRAR FOR REGISTRATION OF TRANSFER OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

In addition, the IRS requires notes that are issued with original issue discount (**"OID"**) to bear a legend. For Secured Notes (such as the Class C Notes) that have OID because the Issuer has not determined whether the likelihood of deferral is remote, all interest will be treated as OID and, therefore, the amount of OID will be equal to the interest payable (including interest on deferred interest that has been added to principal) on the Class C Notes for that period. Accordingly, the legend on the Class C Notes will also have the following:

THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT (***OID)*** FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF OID, ISSUE DATE AND YIELD TO MATURITY OF THIS NOTE MAY BE OBTAINED BY WRITING TO: DIRECTOR, STRUCTURED CREDIT PRODUCTS GROUP, MERRILL LYNCH, PIERCE, FENNER & SMITH, INCORPORATED, (NORTH TOWER), 4 WORLD FINANCIAL CENTER, 7TH FLOOR, NEW YORK, NEW YORK 10080.

(16) *Legend for Preference Shares.* The purchaser understands and agrees that a legend in substantially the following form will be placed on each certificate representing any Preference Shares:

THE PREFERENCE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE ***SECURITIES ACT***), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (A ***QUALIFIED INSTITUTIONAL BUYER***) WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (***RULE 144A***), PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER

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IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT (***REGULATION S***) OR (3) TO A PERSON WHO IS AN "ACCREDITED INVESTOR" (AN ***ACCREDITED INVESTOR***) WITHIN THE MEANING OF RULE 501(A) UNDER THE SECURITIES ACT IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT (SUBJECT TO THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT), (B) IN THE CASE OF BOTH CLAUSES (A)(1) AND (A)(3), TO A PERSON THAT IS ALSO A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT AND THE RULES THEREUNDER, (C) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE ISSUER CHARTER AND THE PREFERENCE SHARE PAYING AGENCY AGREEMENT REFERRED TO HEREIN AND (D) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY RELEVANT JURISDICTION. NEITHER THE ISSUER NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE ***INVESTMENT COMPANY ACT***). NO TRANSFER OF A PREFERENCE SHARE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE ISSUER NOR THE PREFERENCE SHARE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT OR (II) A COMPANY EACH OF WHOSE BENEFICIAL OWNERS IS A QUALIFIED PURCHASER (ANY PERSON DESCRIBED IN CLAUSES (I) AND (II), A ***QUALIFIED PURCHASER***), (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING THE ISSUER OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER IS MADE AFTER THE INITIAL PLACEMENT TO A BENEFIT PLAN INVESTOR (AS DEFINED IN THE PLAN ASSET REGULATION OF THE UNITED STATES DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3-101(f) (A ***BENEFIT PLAN INVESTOR***) OR TO A PERSON, OTHER THAN A BENEFIT PLAN INVESTOR, HAVING DISCRETIONARY AUTHORITY OR CONTROL OVER THE ASSETS OF THE ISSUER OR PROVIDING INVESTMENT ADVICE WITH RESPECT TO THE ASSETS OF THE ISSUER FOR A FEE, DIRECT OR INDIRECT, OR ANY AFFILIATE OF SUCH PERSON (ANY SUCH PERSON, A ***CONTROLLING PERSON***)) (OTHER THAN A TRANSFER FROM THE ISSUER OR AN INITIAL PURCHASER), (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON WHICH IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE TRANSFER CERTIFICATE ATTACHED TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT) OR (E) EXCEPT IN THE CASE OF A TRANSFER OF A BENEFICIAL INTEREST IN A REGULATION S GLOBAL PREFERENCE SHARE TO A TRANSFEREE WHO IS ACQUIRING A BENEFICIAL INTEREST IN A REGULATION S GLOBAL PREFERENCE SHARE, SUCH TRANSFER WOULD BE MADE TO A PERSON WHO IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE ATTACHED AS AN EXHIBIT TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT REFERRED TO HEREIN. EACH HOLDER OF PREFERENCE SHARES WILL BE REQUIRED TO CERTIFY (OR IN CERTAIN CIRCUMSTANCES DEEMED TO REPRESENT AND WARRANT) THAT ITS INVESTMENT IN PREFERENCE SHARES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, A VIOLATION OF A MATERIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW). ACCORDINGLY, AN INVESTOR IN PREFERENCE SHARES MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE PREFERENCE SHARE PAYING AGENCY AGREEMENT, THE ISSUER DETERMINES THAT ANY HOLDER OF THIS SECURITY OR AN INTEREST HEREIN (I) IS A U.S. PERSON AND (II) IS NOT BOTH (A) A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR WITHIN THE MEANING OF RULE 501(A) UNDER THE SECURITIES ACT AND (B) A QUALIFIED

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PURCHASER, OR THAT ANY HOLDER OF THIS SECURITY OR AN INTEREST THEREIN ACQUIRED THIS SECURITY (OR INTEREST THEREIN) AFTER THE INITIAL PLACEMENT OF THE PREFERENCE SHARES AND IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON, WHO IS ALSO NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON, THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO THIS SECURITY (OR INTEREST HEREIN) TO A PERSON THAT IS BOTH (1) A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR AND (2) A QUALIFIED PURCHASER, AND IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE ISSUER, THE PREFERENCE SHARE PAYING AGENT SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO, CAUSE SUCH HOLDER'S INTEREST IN THIS SECURITY TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE ARRANGED BY THE ISSUER (CONDUCTED BY THE PREFERENCE SHARE PAYING AGENT IN ACCORDANCE WITH SECTION 9-610(b) OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT MAY DECLINE SPEEDILY IN VALUE) TO A PERSON THAT CERTIFIES TO THE PREFERENCE SHARE PAYING AGENT, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (1) A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR AND (2) A QUALIFIED PURCHASER, AND IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURITY HELD BY SUCH HOLDER, AND THE INTEREST IN THIS SECURITY SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE PREFERENCE SHARES.

THE ISSUER MAY REQUIRE ANY PERSON ACQUIRING PREFERENCE SHARES (OR A BENEFICIAL INTEREST THEREIN) AFTER THE INITIAL PLACEMENT OF THE PREFERENCE SHARES WHO IS DETERMINED TO BE A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON TO SELL SUCH PREFERENCE SHARES (OR A BENEFICIAL INTEREST THEREIN) TO A PERSON WHO IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND WHO MEETS ALL OTHER APPLICABLE TRANSFER RESTRICTIONS AND, IF SUCH HOLDER DOES NOT COMPLY WITH SUCH DEMAND WITHIN 30 DAYS THEREOF, THE ISSUER MAY SELL SUCH HOLDER'S INTEREST IN SUCH PREFERENCE SHARES.

The following shall be inserted in the case of Regulation S Global Preference Shares:

UNLESS THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (***DTC)*** TO THE PREFERENCE SHARE REGISTRAR FOR REGISTRATION OF TRANSFER OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE REPRESENTS REGULATION S GLOBAL PREFERENCE SHARES DEPOSITED WITH DTC ACTING AS DEPOSITARY, AND REGISTERED IN THE NAME OF CEDE & CO., A NOMINEE OF DTC, AND CEDE & CO., AS HOLDER OF RECORD, SHALL BE ENTITLED TO RECEIVE ALL DISTRIBUTIONS, OTHER THAN THE FINAL REDEMPTION AMOUNTS, BY WIRE TRANSFER OF IMMEDIATELY AVAILABLE FUNDS. THE STATEMENTS IN THE LEGEND RELATING TO DTC SET FORTH ABOVE ARE AN INTEGRAL PART OF THE TERMS OF THESE PREFERENCE SHARES AND BY ACCEPTANCE THEREOF EACH HOLDER AGREES TO BE SUBJECT TO AND BOUND BY THE TERMS AND PROVISIONS SET FORTH IN SUCH LEGEND. UPON ANY SUCH

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EXCHANGE OR TRANSFER OF A BENEFICIAL INTEREST IN THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE FOR A DEFINITIVE PREFERENCE SHARE CERTIFICATE OR UPON ANY EXCHANGE OR TRANSFER OF A DEFINITIVE PREFERENCE SHARE CERTIFICATE FOR AN INTEREST IN THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE IN ACCORDANCE WITH THE PREFERENCE SHARE PAYING AGENCY AGREEMENT, THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE SHALL BE ENDORSED TO REFLECT THE CHANGE OF THE PRINCIPAL AMOUNT EVIDENCED HEREBY.

(16) *Legend for Class P Notes.* The purchaser understands and agrees that a legend in substantially the following form will be placed on each certificate representing any Rule 144A Class P Notes:

THE PRINCIPAL PROTECTED NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN WHOLE AND NOT IN PART ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") OR (3) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (SUBJECT TO THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. NEITHER THE ISSUER NOR THE COLLATERAL MANAGER HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). NO TRANSFER OF A PRINCIPAL PROTECTED NOTE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE ISSUER NOR THE TRUSTEE WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN THE INVESTMENT COMPANY ACT OR ACTING FOR THE ACCOUNT OF A "QUALIFIED PURCHASER", OR (II) A COMPANY BENEFICIALLY OWNED EXCLUSIVELY BY ONE OR MORE "QUALIFIED PURCHASERS", (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING THE ISSUER OR THE COLLATERAL MANAGER TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER IS MADE TO A BENEFIT PLAN INVESTOR (AS DEFINED IN THE PLAN ASSET REGULATION OF THE UNITED STATES DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3-101(f) (A "BENEFIT PLAN INVESTOR")) OR TO A PERSON, OTHER THAN A BENEFIT PLAN INVESTOR, HAVING DISCRETIONARY AUTHORITY OR CONTROL OVER THE ASSETS OF THE ISSUER OR PROVIDING INVESTMENT ADVICE WITH RESPECT TO THE ASSETS OF THE ISSUER FOR A FEE, DIRECT OR INDIRECT, OR ANY AFFILIATE OF SUCH PERSON (ANY SUCH PERSON, A CONTROLLING PERSON)) (OTHER THAN A TRANSFER FROM THE ISSUER OR AN INITIAL PURCHASER), (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON WHICH IS A FLOW THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE TRANSFER CERTIFICATE ATTACHED TO THE INDENTURE) OR (E) EXCEPT IN THE CASE OF A TRANSFER OF A BENEFICIAL INTEREST IN A REGULATION S GLOBAL PRINCIPAL PROTECTED NOTE TO A TRANSFEREE ACQUIRING A BENEFICIAL INTEREST IN SUCH REGULATION S GLOBAL PRINCIPAL PROTECTED NOTE, SUCH TRANSFER WOULD BE MADE TO A PERSON WHO IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER

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CERTIFICATE ATTACHED AS AN EXHIBIT TO THE INDENTURE REFERRED TO HEREIN. ACCORDINGLY, AN INVESTOR IN THE PRINCIPAL PROTECTED NOTES MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME OR UNTIL THEIR MATURITY. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. SECTION 2510.3 101, WHICH PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR A GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) THE ACQUISITION AND HOLDING OF THIS SECURITY WILL NOT CONSTITUTE A NONEXEMPT PROHIBITED TRANSACTION IN VIOLATION OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, ANY SIMILAR FEDERAL, STATE OR LOCAL LAW). THE PRINCIPAL PROTECTED NOTES REPRESENTED HEREBY OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED IN THE UNITED STATES OR TO U.S. PERSONS ONLY IF THE PURCHASER IS (a)(1) A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR AND (2) A QUALIFIED PURCHASER AND (b) ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT, AND IN AN AMOUNT NOT LESS THAN THE MINIMUM TRADING LOT SPECIFIED IN THE INDENTURE. IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE INDENTURE, THE ISSUER DETERMINES THAT ANY HOLDER OF THIS SECURITY OR AN INTEREST HEREIN (I) IS A U.S. PERSON AND (II) IS NOT (A) BOTH A QUALIFIED INSTITUTIONAL BUYER (OR, IN THE CASE OF TRANSFERS BY THE INITIAL PURCHASER ONLY, AN ACCREDITED INVESTOR) AND (B) A QUALIFIED PURCHASER, OR THAT ANY HOLDER OF THIS SECURITY OR AN INTEREST THEREIN ACQUIRED THIS SECURITY (OR INTEREST THEREIN) AFTER THE INITIAL PLACEMENT OF THE CLASS P NOTES AND IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON, THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO THIS SECURITY (OR INTEREST HEREIN) TO A PERSON THAT IS BOTH (1) A QUALIFIED INSTITUTIONAL BUYER (OR, IN THE CASE OF TRANSFERS BY THE INITIAL PURCHASER ONLY, AN ACCREDITED INVESTOR) AND (2) A QUALIFIED PURCHASER, AND IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE ISSUER, THE TRUSTEE SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO, CAUSE SUCH HOLDER'S INTEREST IN THIS SECURITY TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE ARRANGED BY THE ISSUER (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9 610(b) OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT MAY DECLINE SPEEDILY IN VALUE) TO A PERSON THAT CERTIFIES TO THE TRUSTEE AND THE ISSUER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (1) A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR AND (2) A QUALIFIED PURCHASER, AND IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURITY HELD BY SUCH HOLDER, AND THE INTEREST IN THIS SECURITY SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE PRINCIPAL PROTECTED NOTES.

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THE PRINCIPAL PROTECTED NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") OR (3) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (SUBJECT TO THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. NEITHER THE ISSUER NOR THE COLLATERAL MANAGER HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). NO TRANSFER OF A PRINCIPAL PROTECTED NOTE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE ISSUER NOR THE TRUSTEE WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN THE INVESTMENT COMPANY ACT OR ACTING FOR THE ACCOUNT OF A "QUALIFIED PURCHASER", OR (III) A COMPANY BENEFICIALLY OWNED EXCLUSIVELY BY ONE OR MORE "QUALIFIED PURCHASERS", (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING THE ISSUER OR THE COLLATERAL MANAGER TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER IS MADE TO A BENEFIT PLAN INVESTOR (AS DEFINED IN THE PLAN ASSET REGULATION OF THE UNITED STATES DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3-101(F) (A "BENEFIT PLAN INVESTOR")) (OTHER THAN A TRANSFER FROM THE ISSUER OR AN INITIAL PURCHASER), (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON WHICH IS A FLOW THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE TRANSFER CERTIFICATE ATTACHED TO THE INDENTURE) OR (E) EXCEPT IN THE CASE OF A TRANSFER OF A BENEFICIAL INTEREST IN A REGULATION S GLOBAL PRINCIPAL PROTECTED NOTE TO A TRANSFEREE ACQUIRING A BENEFICIAL INTEREST IN SUCH REGULATION S GLOBAL PRINCIPAL PROTECTED NOTE, SUCH TRANSFER WOULD BE MADE TO A PERSON WHO IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE ATTACHED AS AN EXHIBIT TO THE INDENTURE REFERRED TO HEREIN. ACCORDINGLY, AN INVESTOR IN THE PRINCIPAL PROTECTED NOTES MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME OR UNTIL THEIR MATURITY. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS SECURITY OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(E)(1) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. SECTION 2510.3 101, WHICH PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR A GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) THE ACQUISITION AND HOLDING OF THIS SECURITY WILL NOT

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CONSTITUTE A NONEXEMPT PROHIBITED TRANSACTION IN VIOLATION OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, ANY SIMILAR FEDERAL, STATE OR LOCAL LAW). THE PRINCIPAL PROTECTED NOTES REPRESENTED HEREBY OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED IN THE UNITED STATES OR TO U.S. PERSONS ONLY IF THE PURCHASER IS (A)(1) A QUALIFIED INSTITUTIONAL BUYER AND (2) A QUALIFIED PURCHASER AND (B) ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT, AND IN AN AMOUNT NOT LESS THAN THE MINIMUM TRADING LOT SPECIFIED IN THE INDENTURE. IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE INDENTURE, THE ISSUER DETERMINES THAT ANY HOLDER OF THIS SECURITY OR AN INTEREST HEREIN (I) IS A U.S. PERSON AND (II) IS NOT (A) BOTH A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR AND (B) A QUALIFIED PURCHASER, THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO THIS SECURITY (OR INTEREST HEREIN) TO A PERSON THAT IS BOTH (1) A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR AND (2) A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE ISSUER, THE TRUSTEE SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO, CAUSE SUCH HOLDER'S INTEREST IN THIS SECURITY TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE ARRANGED BY THE ISSUER (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9 610(B) OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT MAY DECLINE SPEEDILY IN VALUE) TO A PERSON THAT CERTIFIES TO THE TRUSTEE AND THE ISSUER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (1) A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR AND (2) A QUALIFIED PURCHASER, AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURITY HELD BY SUCH HOLDER, AND THE INTEREST IN THIS SECURITY SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE PRINCIPAL PROTECTED NOTES.

UNLESS THIS REGULATION S GLOBAL PRINCIPAL PROTECTED NOTE CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE TRUSTEE FOR REGISTRATION OF TRANSFER OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS REGULATION S GLOBAL PRINCIPAL PROTECTED NOTE CERTIFICATE REPRESENTS REGULATION S GLOBAL PRINCIPAL PROTECTED NOTES DEPOSITED WITH DTC ACTING AS DEPOSITARY, AND REGISTERED IN THE NAME OF CEDE & CO., A NOMINEE OF DTC, AND CEDE & CO., AS HOLDER OF RECORD, SHALL BE ENTITLED TO RECEIVE ALL PAYMENTS, OTHER THAN THE FINAL REDEMPTION AMOUNTS, BY WIRE TRANSFER OF IMMEDIATELY AVAILABLE FUNDS. THE STATEMENTS IN THE LEGEND RELATING TO DTC SET FORTH ABOVE ARE AN INTEGRAL PART OF THE TERMS OF THESE PRINCIPAL PROTECTED NOTES AND BY ACCEPTANCE THEREOF EACH HOLDER AGREES TO BE SUBJECT TO AND BOUND BY THE TERMS AND PROVISIONS SET FORTH IN SUCH LEGEND. UPON ANY SUCH EXCHANGE OR TRANSFER OF A BENEFICIAL INTEREST IN THIS REGULATION S GLOBAL PRINCIPAL PROTECTED NOTE CERTIFICATE FOR A DEFINITIVE PRINCIPAL PROTECTED NOTE CERTIFICATE OR UPON ANY EXCHANGE OR TRANSFER OF A DEFINITIVE PRINCIPAL PROTECTED NOTE CERTIFICATE FOR AN INTEREST IN THIS REGULATION S GLOBAL PRINCIPAL PROTECTED NOTE CERTIFICATE IN ACCORDANCE WITH THE INDENTURE, THIS REGULATION S GLOBAL PRINCIPAL PROTECTED NOTE CERTIFICATE SHALL BE ENDORSED TO REFLECT THE CHANGE OF THE PRINCIPAL AMOUNT EVIDENCED HEREBY.

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In addition, for securities such as the Class P Treasury Strips that have OID because their stated redemption price at maturity exceeds their issue price, the amount of OID in each period is equal to the excess of the product of the note's adjusted issue price at the beginning of the accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over the sum of any qualified stated interest allocable to the accrual period. Accordingly, the legend on the Class P Notes will also have the following:

THE CLASS P TREASURY STRIPS UNDERLYING THIS CLASS P NOTE HAVE BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF OID, ISSUE DATE AND YIELD TO MATURITY OF THE CLASS P TREASURY STRIPS MAY BE OBTAINED BY WRITING TO: DIRECTOR, STRUCTURED CREDIT PRODUCTS GROUP, MERRILL LYNCH, PIERCE, FENNER & SMITH, INCORPORATED, (NORTH TOWER), 4 WORLD FINANCIAL CENTER, 7TH FLOOR, NEW YORK, NY 10080.

Investor Representations on Resale

Except as provided below, each transferor and transferee of an Offered Security will be required to deliver a duly executed certificate in the form of the relevant exhibit attached to the Indenture or the Preference Share Paying Agency Agreement, as the case may be, and such other certificates and other information as the Issuer, the Co-Issuer, the Trustee or the Preference Share Paying Agent may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in this Offering Circular and the Indenture or the Preference Share Documents, as applicable.

An owner of a beneficial interest in a Rule 144A Global Note may transfer such interest in the form of a beneficial interest in such Rule 144A Global Note without the provision of written certification and an owner of a beneficial interest in a Regulation S Global Preference Share may transfer such interest in the form of a beneficial interest in such Regulation S Global Preference Share without the provision of written certification; *provided* that each transferee of a beneficial interest in a Global Security will be deemed to make the applicable representations and warranties described herein.

Each transferee of an Offered Security that is required to deliver a transfer certificate will be required, pursuant to such transferee certificate, and each transferee that is not required to deliver a certificate will be deemed, (a) to acknowledge, represent and warrant to and agree with the Co-Issuers and the Trustee (in the case of a Note) or the Issuer and the Preference Share Paying Agent (in the case of a Preference Share) as to the matters set forth in each of paragraphs (1) through (14) above (other than paragraph (4) above) as if each reference therein to "the purchaser" were instead a reference to the transferee and (b) to further represent and warrant to and agree with the Co-Issuers and the Trustee (in the case of a Note) or to the Issuer and the Preference Share Paying Agent (in the case of a Preference Share) as follows:

(1) In the case of a transferee who takes delivery of a Restricted Security (or a beneficial interest therein), it is a Qualified Institutional Buyer and also a Qualified Purchaser and is acquiring such Restricted Security (or beneficial interest therein) for its own account and is aware that such transfer is being made to it in reliance on Rule 144A (or, solely in the case of a Restricted Definitive Preference Share, it is an Accredited Investor, acquiring such security for its own account in reliance on an exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act)). In addition, if such transferee is acquiring a beneficial interest in a Rule 144A Global Note, it (i) is not a dealer described in paragraph (a)(1)(ii) of Rule 144A unless such purchaser owns and invests on a discretionary basis at least U.S.$25,000,000 in securities of issuers that are not affiliated persons of the dealer, (ii) is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan and (iii) it will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any transferee.

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(2) In the case of a transferee who takes delivery of a Regulation S Security (or a beneficial interest therein), it is not a U.S. Person and is acquiring such Regulation S Security for its own account and not for the account or benefit of a U.S. Person in an offshore transaction in accordance with Regulation S.

(3) In the case of the Preference Shares and the Class P Notes, it is not, and for so long as it holds any Preference Shares, will not be, a Benefit Plan Investor or a Controlling Person and it understands that the Preference Share Documents permit the Issuer to require that any person acquiring Preference Shares (or a beneficial interest therein) who is determined to be a Benefit Plan Investor or a Controlling Person to sell such Preference Shares (or a beneficial interest therein) to a person who is not a Benefit Plan Investor or a Controlling Person and who meets all other applicable transfer restrictions and, if such holder does not comply with such demand within 30 days thereof, the Issuer may sell such holder's interest in such Preference Shares.

(4) It acknowledges that the foregoing acknowledgements, representations, warranties and agreements will be relied upon by the Co-Issuers and the Trustee (in the case of a Note) or the Issuer and the Preference Share Paying Agent (in the case of a Preference Share) for the purpose of determining its eligibility to purchase Offered Securities. It agrees to provide, if requested, any additional information that may be required to substantiate or confirm its status as a Qualified Institutional Buyer or an Accredited Investor or under the exception provided pursuant to Section 3(c)(7) of the Investment Company Act, to determine compliance with ERISA and/or Section 4975 of the Code or to otherwise determine its eligibility to purchase Offered Securities.

LISTING AND GENERAL INFORMATION

1. Application will be made to the Irish Stock Exchange for the Secured Notes to be admitted to the Daily Official List. Application will be made to the Channel Islands Stock Exchange for the Preference Shares to be listed thereon. No assurances can be given that any such listing will be obtained with respect to the Secured Notes or Preference Shares. No application has been or will be made to list the Class P Notes on any stock exchange or to list any of the Secured Notes or Preference Shares on any other stock exchange. In connection with the listing of the Secured Notes on the Irish Stock Exchange, the Offering Circular will be filed with the Register of Companies of Ireland pursuant to Regulation 13 of the European Communities (Stock Exchange) Regulations, 1984 of Ireland.

2. For fourteen days following the date of the Offering Circular, copies of the Issuer Charter and the Certificate of Incorporation and By-laws of the Co-Issuer, the Offering Circular, the Indenture, the Management Agreement, the Preference Share Paying Agency Agreement, the Administration Agreement, the Paying Agency Agreement for Ireland and a description of the Collateral will be available for inspection and will be obtainable at the offices of NCB Stockbrokers Limited (in such capacity, the "Listing Agent in Ireland") in Dublin, Ireland and at the registered office of the Issuer, where copies thereof may be obtained upon request.

3. For at least fourteen days following the date of the Listing Particulars for the listing of the Secured Notes on the Irish Stock Exchange, copies of the Issuer Charter and the Certificate of Incorporation of the Issuer, the Certificate of Incorporation and By-laws of the Co-Issuer, the resolutions of the Board of Directors of the Issuer authorizing the issuance of the Secured Notes, the resolutions of the Board of Directors of the Co-Issuer authorizing the issuance of the Secured Notes, the Indenture, the Preference Share Paying Agency Agreement and the Management Agreement will be available for inspection during the terms of the Secured Notes at the office of the Paying Agent in Ireland. Any documents incorporated by reference into the Offering Circular will not form part of the Listing Particulars (the "Listing Particulars") approved by the Irish Stock Exchange for the purpose of this application. The activities of the Issuer will be limited to (i) issuance of the Ordinary Shares, (ii) issuance of the Secured Notes, which will be secured by the Collateral Debt Securities and certain other assets pledged by the Issuer under the Indenture, (iii) issuance of the Preference Shares, (iv) purchase of the initial Collateral Debt Securities on the Closing Date and additional Collateral Debt Securities during the Reinvestment Period, (v) reinvestment in substitute Collateral Debt Securities and Eligible Investments as permitted by the Indenture, (vi) entering into and performing its obligations under the Indenture, the Management Agreement, the Administration Agreement, the Securities Purchase Agreement, the Placement Agency Agreement, the Investor Applications and the Preference Share Paying Agency Agreement and (vii) other activities incidental to the foregoing and permitted by the Indenture. Cash flow derived from the Collateral securing the Secured Notes will be the Issuer's only source of payments on the Secured Notes and distributions in respect of the Preference Shares (including the Preference

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Shares related to the Class P Notes in the manner described herein). Accordingly, financial statements of the Issuer will be neither prepared nor made available at the office of the Paying and Listing Agent in Ireland. The Co-Issuer will be capitalized only to the extent of its common equity of U.S.$1,000, will have no assets other than its equity capital and will have no debt other than as Co-Issuer of the Notes. Accordingly, financial statements of the Co-Issuer will be neither prepared nor made available at the office of the Paying and Listing Agent in Ireland. The Indenture, however, requires the Issuer to provide the Trustee with written confirmation, on an annual basis, that to the best of its knowledge following review of the activities of the prior year, no Event of Default or Default or other matter required to be brought to the Trustee's attention has occurred, or, if such an event has occurred, specifying the same. The Issuer is not required by the law of Cayman Islands, and the Issuer does not intend, to publish annual reports and accounts. The Co-Issuer is not required by the laws of the State of Delaware, and the Co-Issuer does not intend, to publish annual reports and accounts.

4. Each of the Co-Issuers will represent that, as of the date of the Offering Circular, there has been no material adverse change in its financial position since the date of its creation. Neither of the Co-Issuers is involved, or has been involved since incorporation, in any litigation or arbitration proceedings relating to claims on amounts which may have or have had a material effect on the Co-Issuers in the context of the issue of the Securities, nor, so far as such Co-Issuer is aware, is any such litigation or arbitration involving it pending or threatened.

5. The issuance of the Offered Securities was authorized by the Board of Directors of the Issuer by resolutions passed on March 29, 2005. The issuance of the Secured Notes was authorized by the Board of Directors of the Co-Issuer by resolutions passed on February 17, 2005. Since incorporation, neither the Issuer nor the Co-Issuer has commenced trading, established any accounts or declared any dividends, except for the transactions described herein relating to the issuance of the Securities. The issuance of the Notes will be authorized by the Issuer pursuant to the minutes of the Issuer to be dated on or before the Closing Date.

6. The table below lists the CUSIP (CINS) Numbers and the International Securities Identification Numbers (ISIN) for Notes represented by Regulation S Global Notes, Rule 144A Global Notes, Regulation S Global Preference Shares and Restricted Preference Shares.

	Regulation S Common Codes	Regulation S Global Note CUSIP Numbers	Restricted Global Note CUSIP Numbers	Restricted International Securities Identification Numbers
Class A-1A Notes	021581372	G46721AA7	446279AA9	USG46721AA76
Class A-1B Notes	021581402	G46721AB5	446279AC5	USG46721AB59
Class A-2 Notes	021581526	G46721AC3	446279AE1	USG46721AC33
Class B Notes	021581569	G46721AD1	446279AG6	USG46721AD16
Class C-1 Notes	021581607	G46721AE9	446279AJ0	USG46721AE98
Class C-2 Notes	021581739	G46721AF6	446279AL5	USG46721AF63
Class P-1 Notes		To be provided by the Initial Purchaser		
Class P-2 Notes		To be provided by the Initial Purchaser		
Class P-3 Notes		To be provided by the Initial Purchaser		
Preference Shares	021581836	G46679109	446277204	KYG466791095

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LEGAL MATTERS

Certain legal matters with respect to the Offered Securities will be passed upon for the Issuer and the Initial Purchaser by Freshfields Bruckhaus Deringer LLP, New York, New York. Certain matters with respect to Cayman Islands corporate law and tax law will be passed upon for the Issuer by Walkers. Certain legal matters with respect to the Collateral Manager will be passed upon by Ropes & Gray LLP, Boston, Massachusetts.

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ANNEX A

GLOSSARY

"A/B Exchange" means an exchange of one security (the **"A Security"**) for another security (the **"B Security"**) of the same issuer or issuers which security shall have substantially identical terms to the A Security except that one or more restrictions applicable to the A Security are inapplicable to the B Security.

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

"Accounts" means the Collection Account, Semi-Annual Interest Reserve Account, Initial Deposit Account, Expense Reimbursement Account, Reclassified Security Account, Securities Lending Account, Synthetic Security Counterparty Account and Synthetic Security Issuer Account.

"Accredited Investor" has the meaning set forth in Rule 501(a) under the Securities Act.

"Administrative Expenses" means all amounts (including indemnities) due or accrued with respect to any Payment Date and payable by the Issuer or the Co-Issuer to (i) the Note Registrar or the Trustee under the Indenture, (ii) the Collateral Administrator under the Collateral Administration Agreement, (iii) the Administrator under the Administration Agreement, (iv) the Preference Share Paying Agent under the Preference Share Paying Agency Agreement, (v) the independent accountants, agents and counsel of the Issuer for reasonable fees and expenses (including amounts payable in connection with the preparation of tax forms on behalf of the Co-Issuers), (vi) the Rating Agencies for fees and expenses in connection with any rating (including the annual fee payable with respect to the monitoring of any rating and any credit estimate fees) of the Notes, including fees and expenses due or accrued in connection with any rating of the Collateral Debt Securities, (vii) the fees and expenses of the Collateral Manager pursuant to the Collateral Management Agreement, (viii) any other Person in respect of any governmental fee, charge or tax in relation to the Issuer or the Co-Issuer (in each case as certified by an Authorized Officer of the Issuer or the Co-Issuer to the Trustee) and (ix) any other Person in respect of any other fees or expenses (including indemnities) permitted under this Indenture, the Collateral Management Agreement and all other documents delivered pursuant to or in connection with this Indenture and the Notes; *provided* that Administrative Expenses shall not include (a) any amounts due or accrued with respect to the actions taken on or in connection with the Closing Date, (b) amounts payable in respect of the Notes, (c) amounts payable under any Hedge Agreement and (d) any Senior Collateral Management Fee or Subordinate Collateral Management Fee to the Collateral Manager.

"Affected Class" means, in relation to any Tax Redemption, any Class of Secured Notes that would suffer a reduction in the amount of any Distribution that would otherwise be payable in respect of such Class of Secured Notes in accordance with the Priority of Payments by reason of the occurrence of the Tax Event that is the basis for such Tax Redemption.

"Affiliate" means, in relation to any specified person, any other person controlled, directly or indirectly, by the specified person, any other person that controls, directly or indirectly, the specified person or any other person directly or indirectly under common control with the specified person. For the purposes of the foregoing definition, control of a person shall mean the power, direct or indirect, (x) to vote more than 50% of the securities having ordinary voting power for the election of directors of such person or (y) to direct or cause the direction of the management and policies of such person whether by contract or otherwise. With respect to the Issuer, Affiliate should be deemed not to include Walkers SPV or any other special purpose companies which it controls.

"Aggregate Amortized Cost" means, with respect to any Interest Only Security as of any date of determination, (i) on the date of acquisition thereof by the Issuer, the cost of purchase thereof and (ii) on any date thereafter, the present value of all remaining payments on such Interest Only Security discounted to such date of determination as of each subsequent Payment Date at a discount rate *per annum* equal to the internal rate of return

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on such Interest Only Security as calculated in good faith by the Collateral Manager at the time of purchase thereof by the Issuer.

"Aggregate Attributable Amount" means, with respect to any specified Collateral Debt Security and obligors incorporated or organized under the laws of any specified jurisdiction or jurisdictions, (i) the Aggregate Principal Balance of such Collateral Debt Security *multiplied* by (ii) the aggregate par amount of collateral securing such Collateral Debt Security issued by obligors so organized *divided* by (iii) the aggregate par amount of all collateral securing such Collateral Debt Security.

"Aggregate Issue Price" means U.S.$29,500,000, such amount being the aggregate liquidation preference of the Preference Shares issued by the Issuer on the Closing Date.

"Aggregate Outstanding Amount" means, when used with respect to any of the Notes, the aggregate principal amount of such Notes Outstanding at the date of determination, excluding all Class C Deferred Interest, if any, with respect to any Class C Note, as applicable at such time.

"Aggregate Principal Balance" means, when used with respect to one or more Collateral Debt Securities, the sum of the Principal Balances of such Collateral Debt Securities included within the Collateral and the Eligible Investments on the date of determination. When used with respect to Principal Proceeds or Uninvested Proceeds, the sum of (i) with respect to Principal Proceeds, the aggregate Balance of the Eligible Investments and U.S. Agency Securities in the Collection Account, representing Principal Proceeds and (ii) with respect to Uninvested Proceeds, the aggregate Balance of the Eligible Investments and U.S. Agency Securities in the Initial Deposit Account, representing Uninvested Proceeds on the date of determination.

"Applicable Procedures" means the applicable procedures of the depositary and (in the case of a Regulation S Global Security) Euroclear or Clearstream (in addition to those under the Indenture or the Preference Share Documents (as the case may be), in each case to the extent applicable

"Applicable Recovery Rate" means, with respect to any Collateral Debt Security on any Measurement Date, the lesser of the Fitch Applicable Recovery Rate, the Moody's Applicable Recovery Rate and the Standard & Poor's Applicable Recovery Rate corresponding to the rating assigned by Standard & Poor's to the senior-most Class of Notes then rated by Standard & Poor's.

"Approved Index" means the U.S. dollar prime rate, the federal funds rate, or any other interest rate generally accepted as a basis for alternate base rate loans, the London interbank offered rate or similar interbank offered rate, commercial deposit rate or any other index which satisfies the Rating Condition with respect to Moody's.

"Asset-Backed Security" shall have the meaning given in this Offering in the Section headed "Security for the Notes – Collateral Debt Securities – Asset-Backed Securities."

"Asset-Specific Hedge" means any interest rate exchange agreement between the Issuer and an Asset-Specific Hedge Counterparty that (a) if entered into by the Issuer in connection with the purchase or holding of Fixed Rate Security, entitles the Issuer to receive from the related Asset-Specific Hedge Counterparty payments at a floating rate and (b) if entered into by the Issuer in connection with the purchase or holding of a Floating Rate Security, entitles the Issuer to receive from the related Asset-Specific Hedge Counterparty payments at a fixed rate. In addition to the foregoing, each Asset-Specific Hedge, at the time of its entry into by the Issuer, will be subject to the following conditions: (i) the notional amount (or scheduled notional amounts) of each Asset-Specific Hedge shall be approximately equal to the Principal Balance (as it may be reduced by expected amortization) of the Fixed Rate Security or the Floating Rate Security to which it is related; (ii) the average life of such security 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 the rate of prepayment of such security during the period of six consecutive months immediately preceding the date of grant of such security to the Issuer (or, with respect to a security that has not been outstanding for at least six consecutive calendar months, at the rate of prepayment assumed at the time of issuance of such security); (iii) the Fixed Rate Security or the Floating Rate Security to which the Asset-Specific Hedge is related must have a Moody's Rating of "Baa3" or greater, a Standard & Poor's Rating of "BBB-" or greater and a Fitch Rating of "BBB-" or greater; (iv) the Average Life of the Fixed Rate Security or the Floating Rate Security to which the Asset-Specific

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Hedge is related will not extend beyond 10 years after the Ramp-Up Completion Date; (v) the Collateral Administrator is notified prior to the Issuer's entry into an Asset-Specific Hedge, and will be provided with the identity of the Asset-Specific Hedge Counterparty and copies of the hedge documentation and notional schedule; (vi) the conforms to a form previously approved in writing for the purpose of entering into Asset-Specific Hedges by the Rating Agencies (as certified to the Trustee by the Collateral Manager); or, with respect to Standard & Poor's a Rating Confirmation has been obtained (vii) the amendment or modification of such Asset-Specific Hedge satisfies the Rating Condition and such Asset-Specific Hedge will not be terminated unless a Rating Confirmation is obtained; (viii) the Issuer notifies the Rating Agencies prior to entering into any Asset Specific Hedge; (ix) such Asset-Specific Hedge is priced at then current market rates and will not have the effect of obligating the Issuer or the Asset-Specific Hedge Counterparty to make any upfront payments to one another; (x) such security is not subject to material prepayment risk as determined by the Collateral Manager in its reasonable discretion; and (xi) each Asset-Specific Hedge contains appropriate non-petition and limited recourse provisions (to the extent the Issuer has any contractual payment obligations to the Asset-Specific Hedge Counterparty). If the Issuer fails to comply with any of clauses (i) through (xi) above, the Issuer shall obtain a Rating Confirmation from each Rating Agency prior to entering into such Asset-Specific Hedge.

"Asset-Specific Hedge Counterparty" means the counterparty to the Issuer under an Asset-Specific Hedge, or any successor thereto; *provided* that such counterparty (or any applicable guarantor) shall satisfy the Hedge Counterparty Ratings Requirement.

"Auction" means an auction conducted in accordance with the procedures set forth in the Indenture (the **"Auction Procedures"**) at which, at the expense of the Issuer, the Trustee sells the Collateral Debt Securities.

"Auction Call Redemption" shall have the meaning given in this Offering Circular in the Section headed "Description of the Notes – Auction Call Redemption."

"Auction Date" shall have the meaning given in this Offering Circular in the Section headed "Description of the Notes – Auction Call Redemption."

"Average Life" means on any Measurement Date on or after the Ramp-Up Completion Date with respect to any Collateral Debt Security, the quotient obtained by *dividing* (i) the sum of the products of (a) the number of years (rounded to the nearest one tenth thereof) from such Measurement Date to the respective dates of each successive distribution of principal of such Collateral Debt Security (other than a Defaulted Security) (assuming that (A) no collateral defaults or is sold, (B) prepayment of any Collateral Debt Security during any month occurs (a) at a rate equal to the rate of prepayment during the period of six consecutive months immediately preceding the current month, (b) at the rate of prepayment assumed at the time of issuance of such Collateral Debt Security or (c) at the prospectus pricing curve or other similar rate as determined by the Collateral Manager in its reasonable business judgment and (C) any optional redemption of the Collateral Debt Securities occurs in accordance with their respective terms), and (b) the respective amounts of principal of such distributions *by* (ii) the sum of all successive distributions of principal on such Collateral Debt Security as determined by the Collateral Manager (other than a Defaulted Security).

"Balance" means on any date of determination, with respect to Eligible Investments carried in or credited to any of the Accounts, (i) the aggregate of face amount or current balance, as the case may be, of cash, demand deposits, time deposits, certificates of deposit, bankers' acceptances, federal funds and money market accounts, (ii) the aggregate principal amount of interest-bearing government (including government agency) and corporate securities, and (iii) the aggregate purchase price of non-interest-bearing government (including government agency) and corporate securities, commercial paper and repurchase agreements.

"Bank" means Wells Fargo Bank, National Association.

"Bankruptcy Code" means the United States Bankruptcy Code, Title 11 of the United States Code, as amended or where the context requires, the applicable insolvency provisions of the Cayman Islands.

"Base Rate" means a fluctuating rate of interest determined by the Calculation Agent as being the rate of interest most recently announced by the Base Rate Reference Bank at its New York office as its base rate,

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prime rate, reference rate or similar rate for Dollar loans. Changes in the Base Rate will take effect simultaneously with each change in the underlying rate.

"Base Rate Reference Bank" means Wells Fargo Bank, National Association, or if such bank ceases to exist or is not quoting a base rate, prime rate reference rate or similar rate for Dollar loans, such other major money center commercial bank in New York City, as selected by the Calculation Agent (after consultation with the Collateral Manager).

"Benefit Plan Investor" shall have the meaning given in the plan asset regulation of the United States Department of Labor, 29 C.F.R. Section 2510.3-101(f).

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banking institutions are authorized or obligated by law or executive order to be closed in the following cities: (i) the City of New York, New York or (ii) the city in which the Corporate Trust Office of the Trustee is located. With respect to any act required of the Issuer, Business Day shall be construed to include a reference in the preceding sentence to the Cayman Islands.

"Calculation Agent" means Wells Fargo Bank, National Association, not in its individual capacity but solely as calculation agent under the Indenture.

"Calculation Amount" means, with respect to any Defaulted Security or Deferred Interest PIK Bond at any time, the lesser of (i) the Market Value of such Defaulted Security or Deferred Interest PIK Bond and (ii) the product of the Applicable Recovery Rate *multiplied* by the Principal Balance of such Defaulted Security or Deferred Interest PIK Bond, such Deferred Interest PIK Bond Balance not to include any Deferred Interest; *provided* that, in the case of a Deferred Interest PIK Bond that is a Deferred Interest Partial PIK Bond, the Calculation Amount shall be an amount equal to the lesser of (i) the Market Value of such Deferred Interest Partial PIK Bond and (ii) the sum of (A)(1) the Applicable Recovery Rate *multiplied* by (2) the Aggregate Principal Balance of such Deferred Interest Partial PIK Bond *multiplied* by (3) a fraction, the *numerator* of which is the aggregate amount of interest on such Deferred Interest Partial PIK Bond deferred and capitalized at such time and the *denominator* of which is the aggregate amount of interest that was payable on such Deferred Interest Partial PIK Bond on payment dates on which any interest was deferred and capitalized and (B)(1) the Aggregate Principal Balance of such Deferred Interest Partial PIK Bond *multiplied* by (2) a fraction, the *numerator* of which is the aggregate amount of interest on such Deferred Interest Partial PIK Bond that was paid on payment dates on which any interest was deferred and capitalized and the *denominator* of which is the aggregate amount of interest that was payable on such Deferred Interest Partial PIK Bond on payment dates on which any interest was deferred and capitalized.

"CDO Securities" means CDO Domestic Corporate Debt Securities and CDO Structured Product Securities; and any other type of Asset-Backed Securities that becomes a Specified Type after the Closing Date as described below and are designated as "CDO Securities" in connection therewith.

"Class A Notes" means the Class A-1 Notes and the Class A-2 Notes.

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

"Class A/B Interest Coverage Ratio" shall have the meaning given in this Offering Circular in the Section headed "Description of the Notes – The Coverage Tests."

"Class A/B Interest Coverage Test" shall have the meaning given in this Offering Circular in the Section headed "Description of the Notes – The Coverage Tests."

"Class A/B Overcollateralization Ratio" shall have the meaning given in this Offering Circular in the Section headed "Description of the Notes – The Coverage Tests."

"Class A/B Overcollateralization Test" shall have the meaning given in this Offering Circular in the Section headed "Description of the Notes – The Coverage Tests."

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"Class A-1 Notes" means the Class A-1A Notes and the Class A-1B Notes.

"Class A-1A Notes" means the U.S.$461,750,000 Class A-1A First Priority Senior Secured Floating Rate Notes Due 2040 which shall have none of the voting rights, consent rights or waiver rights with respect to the Class A-1 Notes.

"Class A-1B Notes" means the U.S.$250,000 Class A-1B First Priority Senior Secured Floating Rate Notes Due 2040 which shall have all of the voting rights, consent rights or waiver rights with respect to the Class A-1 Notes.

"Class A-2 Notes" means the U.S.$112,000,000 Class A-2 Second Priority Senior Secured Floating Rate Notes Due 2040.

"Class B Notes" means the U.S.$70,000,000 Class B Third Priority Senior Secured Notes Floating Rate Due 2040.

"Class C Coverage Tests" will consist of the Class C Overcollateralization Test and the Class C Interest Coverage Test.

"Class C Interest Coverage Ratio" shall have the meaning given in this Offering Circular in the Section headed "Description of the Notes – The Coverage Tests."

"Class C Interest Coverage Test" shall have the meaning given in this Offering Circular in the Section headed "Description of the Notes – The Coverage Tests."

"Class C Notes" means the Class C-1 Notes and the Class C-2 Notes.

"Class C-1 Notes" means the U.S.$26,500,000 Class C-1 Fourth Priority Senior Secured Floating Rate Notes Due 2040.

"Class C-2 Notes" means the U.S.$5,000,000 Class C-2 Fourth Priority Senior Secured Fixed Rate Notes Due 2040.

"Class C Overcollateralization Ratio" shall have the meaning given in this Offering Circular in the Section headed "Description of the Notes – The Coverage Tests."

"Class C Overcollateralization Test" shall have the meaning given in this Offering Circular in the Section headed "Description of the Notes – The Coverage Tests."

"Class P Beneficial Assets" means the Class P Treasury Strips, the Class P Preference Shares, the Class P Reserve Account and all amounts and property standing to the credit of the Class P Reserve Account.

"Class P Note Register" means the register maintained by the Class P Note Registrar in which it will register the Class P Notes and any transfers of the Class P Notes.

"Class P Note Registrar" means Wells Fargo Bank, National Association as registrar for the Class P Notes.

"Class P Noteholder" means the holder of a beneficial interest in one or more of the Class P Notes.

"Class P Notes" means the Class P-1 Notes, Class P-2 Notes and Class P-3 Notes.

"Class P Preference Shares " means the Class P-1 Preference Shares, Class P-2 Preference Shares and Class P-3 Preference Shares.

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"Class P-1 Preference Shares " means the 600 Preference Shares represented by the Class P-1 Notes and entitling the Holders thereof to the payment and voting rights of a Preference Shareholder holding 600 Preference Shares pursuant to the terms of such Class P-1 Notes, the Indenture and the Preference Share Paying Agency Agreement.

"Class P-2 Preference Shares " means the 4,770 Preference Shares represented by the Class P-2 Notes and entitling the Holders thereof to the payment and voting rights of a Preference Shareholder holding 4,770 Preference Shares pursuant to the terms of such Class P-2 Notes, the Indenture and the Preference Share Paying Agency Agreement.

"Class P-3 Preference Shares " means the 12,430 Preference Shares represented by the Class P-3 Notes and entitling the Holders thereof to the payment and voting rights of a Preference Shareholder holding 12,430 Preference Shares pursuant to the terms of such Class P-3 Notes, the Indenture and the Preference Share Paying Agency Agreement.

"Class P Reserve Account" means the Securities Account designated the "Class P Reserve Account" held in the name of the Trustee as Entitlement Holder for benefit of the Class P Noteholder into which the Trustee shall deposit U.S.$400,000 from the proceeds of the issuance of the Class P Notes.

"Class P Treasury Strips" means the Class P-1 Beneficial Securities, Class P-2 Beneficial Securities and Class P-3 Beneficial Securities.

"Class P-1 Notes" means the U.S.$1,250,000 Class P-1 Principal Protected Notes Due 2040.

"Class P-1 Treasury Strips" means the U.S.$1,250,000 in aggregate face amount of Treasury bonds issued by the United States of America maturing on May 15, 2020 bearing CUSIP number 912833KZ2.

"Class P-2 Notes" means the U.S.$10,000,000 Class P-2 Principal Protected Notes Due 2040.

"Class P-2 Treasury Strips" means the U.S.$10,000,000 in aggregate face amount of Zero Coupon Treasury bonds issued by the United States of America maturing on May 15, 2020 bearing CUSIP number 912833KZ2.

"Class P-3 Notes" means the U.S.$35,000,000 Class P-3 Principal Protected Notes Due 2040.

"Class P-3 Treasury Strips" means the U.S.$35,000,000 in aggregate face amount of Zero Coupon Treasury bonds issued by the United States of America maturing on May 15, 2015 bearing CUSIP number 912833KE9.

"Clearstream" means Clearstream International, an international clearing system.

"Closing Date" means March 29, 2005.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Collateral" means all of the Issuer's right, title and interest in, to and under, in each case, whether now owned or existing, or hereafter acquired or arising, all accounts, general intangibles, chattel paper, instruments, securities, investment property, commercial tort claims, deposit accounts, documents, goods and letter-of-credit rights and any and all other personal property (other than Excepted Property) of any type or nature owned by it, including:

(a) the Collateral Debt Securities (listed, as of the Closing Date, in Schedule A to the Indenture) which the Issuer causes to be delivered to the Trustee (directly or through a Securities Intermediary) herewith, all Collateral Debt Securities and Equity Securities which are delivered to the Trustee (directly or through a Securities Intermediary) after the Closing Date pursuant to the terms hereof and all payments thereon or with respect thereto;

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(b) all accounts, including: the Collection Account, which consists of the Interest Collection Subaccount and the Principal Collection Subaccount; the Semi-Annual Interest Reserve Account; the Initial Deposit Account; the Expense Reimbursement Account; Account; the Reclassified Security Account; the Security Lending Account and the Custodial Account, all funds and other property standing to the credit of each such account; Eligible Investments purchased with funds standing to the credit of each such account and all income from the investment of funds therein; the Issuer's right to invest income in any Synthetic Security Counterparty Account; and to any amounts standing to the credit of any Synthetic Security Issuer Account

(c) the rights of the Issuer under the Hedge Agreements;

(d) the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement, and the Investor Application Forms;

(e) all Cash delivered to the Trustee (directly or through a Securities Intermediary); and

(f) all proceeds, accessions, profits, income benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses.

"Collateral Administration Agreement" means the Collateral Administration Agreement, dated as of Closing Date, among the Issuer, the Collateral Manager and the Collateral Administrator.

"Collateral Administrator" means Wells Fargo Bank, National Association, not in its individual capacity, but solely as collateral administrator.

"Collateral Debt Security" means any (i) Asset-Backed Security, (ii) Corporate Debt Security, (iii) REIT Debt Security, (iv) Synthetic Security and (v) prior to the Ramp-Up Completion Date, U.S. Agency Security purchased with Uninvested Proceeds.

"Collateralization Event" means in respect of the Initial Interest Rate Hedge Counterparty, the occurrence of any of the following: (i) (a) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Standard & Poor's falls below "A+" or no such long-term rating from Standard & Poor's exists and (b) the short-term rating of its Hedge Rating Determining Party from Standard & Poor's falls below "A-1" or no such short-term rating from Standard & Poor's exists; (ii) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to "Aa3" (and on credit watch for possible downgrade) or below "Aa3", if its Hedge Rating Determining Party has a long-term rating only; (iii) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to "A1" (and on credit watch for possible downgrade) or below "A1" or the short-term senior unsecured debt rating of its Hedge Rating Determining Party falls to "P-1" (and on credit watch for possible downgrade) or below "P-1"; (v) its Hedge Rating Determining Party's short-term issuer credit rating from Fitch is withdrawn, suspended or falls to "F2"; or (vi) if its Hedge Rating Determining Party has no short-term issuer credit rating from Fitch, the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Fitch is withdrawn, suspended or falls below "A".

"Collateral Management Agreement" means the Collateral Management Agreement dated as of March 29, 2005 between the Issuer and the Collateral Manager.

"Collateral Management Fee" means the fee received by the Collateral Manager as compensation for the performance of its obligations under the Collateral Management Agreement, comprised of the Senior Collateral Management Fee, the Subordinate Collateral Management Fee, and the Incentive Collateral Management Fee.

"Collateral Manager" means Western Asset Management Company.

"Collateral Quality Tests" shall have the meaning given in this Offering Circular in the Section headed "Security for the Notes – Collateral Quality Tests."

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"Collection Account" means the Interest Collection Subaccount together with the Principal Collection Subaccount.

"Collection Period" means, with respect to any Payment Date, the period commencing immediately following the fifth Business Day prior to the preceding Payment Date (or on the Closing Date, in the case of the Collection Period relating to the first Payment Date) and ending on (and including) the fifth Business Day prior to such Payment Date (or, in the case of the Collection Period that is applicable to the Payment Date relating to the Final Maturity Date of any Class of Notes, such Collection Period shall end on and include the day preceding the Final Maturity Date).

"Combined Trade" shall have the meaning given in this Offering Circular in the Section headed "Eligibility Criteria."

"Commercial Asset-Backed Securities" means Equipment Leasing Securities and Small Business Loan Securities; and any other type of Asset-Backed Securities that becomes a Specified Type after the Closing Date and is designated as "Commercial Asset-Backed Securities" in connection therewith.

"Commercial Mortgage-Backed Securities" means CMBS Conduit Securities, CMBS Large Loan Securities and CMBS Credit Tenant Lease Securities; and any other type of Asset-Backed Securities that becomes a Specified Type after the Closing Date and is designated as "Commercial Mortgage-Backed Securities" in connection therewith.

"Consumer Asset-Backed Securities" means Automobile Securities, Car Rental Fleet Securities, Credit Card Securities and Student Loan Securities; and any other type of Asset-Backed Securities that becomes a Specified Type after the Closing Date as described below and is designated as "Consumer Asset-Backed Securities" in connection therewith.

"Controlling Class" means the Class A-1 Notes or, if there are no Class A-1 Notes Outstanding, the Class A-2 Notes or, if there are no Class A-2 Notes outstanding the Class B Notes or, if there are no Class A Notes or Class B Notes Outstanding, the Class C Notes; *provided* that with respect to any voting, consent or waiver rights set forth in the Indenture or in the other Transaction Documents, only the Class A-1B Notes shall have the right to vote on behalf of the Controlling Class and the Class A-1A Notes shall not be included as Outstanding for purposes of such vote, consent or waiver.

"Controlling Person" means any person, other than a Benefit Plan Investor, having discretionary authority or control over the assets of an entity or providing investment advice with respect to the assets of an entity for a fee, direct or indirect, or any affiliates of such persons.

"Corporate Debt Security" shall have the meaning given in this Offering Circular in the Section headed "Security for the Notes – Collateral Debt Securities – Corporate Debt Securities."

"Corporate Trust Office" means with respect to the Trustee, the principal corporate trust office of the Trustee, which is currently located at (i) for Note transfer and exchange purposes Wells Fargo Center, Sixth Street and Marquette Avenue, Minneapolis, Minnesota, 55479, Attention: CDO Trust Services – Huntington CDO and (ii) for all other purposes, 9062 Old Annapolis Road, Columbia, Maryland, 21045, Attention: CDO Trust Services – Huntington CDO, or at such other address as the Trustee may designate from time to time by notice to the Noteholders, the Co-Issuers and the Collateral Manager, or the principal corporate trust office of any successor trustee.

"Coverage Test Redemption" shall have the meaning given in this Offering Circular in the Section headed "Description of the Notes – Coverage Test Redemption."

"Coverage Tests" means the Class A/B Coverage Test together with the Class C Coverage Test.

"Credit-Improved Criteria" means:

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(1) so long as the long-term ratings of the Class A Notes or the Class B Notes have not been downgraded by one or more rating sub-categories by Moody's and so long as the long-term rating of the Class C Notes has not been downgraded by two or more rating sub-categories by Moody's (or, in the case of the Class A Notes, the Class B Notes, or the Class C Notes, have been so downgraded and have been subsequently upgraded to at least the rating assigned by Moody's on the Closing Date and not subsequently downgraded) and the Collateral Manager reasonably believes (which belief shall not be called into question as a result of subsequent events) that the Collateral Debt Security has substantially improved in credit quality and such improvement may have resulted from one of the following: (i) the issuer of such Collateral Debt Security has shown improved financial results, (ii) the obligor of or insurer of such Collateral Debt Security since the date on which such Collateral Debt Security 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, (iii) in the case of an Asset-Backed Security or a REIT Debt Security, a significant improvement in the underlying pool of assets or an increase in the level of subordination or (iv) such Collateral Debt Security has decreased its spread over the interest rate on the applicable U.S. Treasury Benchmark by an amount exceeding 0.50% for fixed rate assets or by an amount exceeding 0.25% over the relevant rate index for floating rate assets or has increased in price to 102% or more of its original purchase price paid by the Issuer due primarily to credit-related reasons as determined by the Collateral Manager in its judgment, in each case, since it was acquired by the Issuer; or

(2) the Collateral Manager reasonably believes (which belief shall not be called into question as a result of subsequent events) that the Collateral Debt Security has substantially improved in credit quality and such Collateral Debt Security has been upgraded or put on a watch list for possible upgrade by one or more rating subcategories by one or more Rating Agencies since it was acquired by the Issuer;

provided that only clause (2) of the definition of "Credit-Improved Criteria" shall apply if the long-term ratings of Class A Notes or the Class B Notes have been downgraded by one or more rating sub-categories by Moody's or the long-term rating of the Class C Notes has been downgraded by two or more rating sub-categories by Moody's.

"Credit-Improved Security" means any Collateral Debt Security or any other security included in the Collateral that satisfies one of the following criteria (the "**Credit-Improved Criteria**"):

(1) so long as the long-term ratings of the Class A Notes or the Class B Notes have not been downgraded by one or more rating sub-categories by Moody's and so long as the long-term rating of the Class C Notes has not been downgraded by two or more rating sub-categories by Moody's, the Collateral Manager reasonably believes (which belief shall not be called into question as a result of subsequent events) that the Collateral Debt Security has substantially improved in credit quality and such improvement may have resulted from one of the following: (i) the issuer of such Collateral Debt Security has shown improved financial results, (ii) the obligor of or insurer of such Collateral Debt Security since the date on which such Collateral Debt Security 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, (iii) in the case of an Asset-Backed Security or a REIT Debt Security, a significant improvement in the underlying pool of assets or an increase in the level of subordination or (iv) such Collateral Debt Security has decreased its spread over the interest rate on the applicable U.S. Treasury Benchmark by an amount exceeding 0.50% for fixed rate assets or by an amount exceeding 0.25% over the relevant rate index for floating rate assets or has increased in price to 102% or more of its original purchase price paid by the Issuer due primarily to credit-related reasons as determined by the Collateral Manager in its judgment, in each case, since it was acquired by the Issuer; or

(2) the Collateral Manager reasonably believes (which belief shall not be called into question as a result of subsequent events) that the Collateral Debt Security has substantially improved in credit quality and such Collateral Debt Security has been upgraded or put on a watch list for possible

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upgrade by one or more rating subcategories by one or more Rating Agencies since it was acquired by the Issuer.

"Credit Risk Criteria" means (i) An increase in credit spread (as measured with respect to the relevant benchmark U.S. Treasury security rate, swap rate or the applicable Approved Index) of (A) 0.65% or more, in the event that the original credit spread was 2% or more or (B) 0.40% or more, in the event that the original credit spread was under 2%, in each case since the date on which such Collateral Debt Security was purchased by the Issuer; or (ii) placement by Moody's, Standard & Poor's or Fitch of the Collateral Debt Security on its credit watch list with potential negative or developing credit implications or deterioration of the rating of the Collateral Debt Securities by one or more sub-categories from the rating in effect on the date such obligation became a Pledged Collateral Debt Security; *provided* that any Collateral Debt Security which on the date of determination is currently deferring interest or is a Written-Down Security will be deemed to be a Credit-Risk Security. For purposes of this definition, "Approved Index" means the U.S. dollar prime rate, the federal funds rate, or any other interest rate generally accepted as a basis for alternate base rate loans, the London interbank offered rate or similar interbank offered rate, commercial deposit rate or any other index which satisfies the Rating Condition with respect to Moody's.

"Credit-Risk Security" means any Collateral Debt Security that, (i) in the reasonable judgment of the Collateral Manager (which judgment shall not be called into question as a result of subsequent events), has a significant risk of declining in credit quality or, over time, becoming a Deferred Interest PIK Bond or a Defaulted Security or (ii) is currently deferring interest or is a Written-Down Security.

"Custodial Account" means a Securities Account held in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties and into which the Trustee shall from time to time deposit Collateral. All Collateral from time to time deposited in, or otherwise standing to the credit of, the Custodial Account pursuant to this Indenture shall be held by the Trustee as part of the Collateral and shall be applied to the purposes herein provided.

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

"Defaulted Hedge Termination Payments" means any termination payment to be made by the Issuer to a Hedge Counterparty pursuant to the related Hedge Agreement in the event of a termination of such Hedge Agreement in respect of which such Hedge Counterparty is the sole Defaulting Party or sole Affected Party (other than a termination for Illegality or Tax Event) (each, as defined in the applicable Hedge Agreement).

"Defaulted Interest" means with respect to each Class of Notes and any Payment Date, any shortfall or shortfalls in the payment of the interest due on such Class of Notes with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon at the interest rate applicable to such Class of Notes, net of all Defaulted Interest paid, if any, with respect to such Class of Notes prior to such Payment Date; *provided* that Defaulted Interest with respect to the Class C Notes shall not include Class C Deferred Interest.

"Defaulted Security" means any Collateral Debt Security with respect to which:

(i) (A) the issuer thereof has defaulted in the payment of principal or interest and such default has continued beyond any applicable grace period set forth in such Collateral Debt Security's Underlying Instruments, provided that such grace period does not exceed five Business Days (and any grace period that exceeds five Business Days shall, for this purpose, be treated as being five Business Days) and the Collateral Manager certifies to the Trustee in writing that in the Collateral Manager's reasonable business judgment such default is due to non-credit related reasons or (B) there has occurred and is continuing a default or an event of default (other than a payment default) under such Collateral Debt Security's Underlying Instruments, which default or event of default entitles the holders thereof or the holders of any securities of the obligor that are *pari passu* or senior in priority to the Collateral Debt Security, with the giving of notice or the passage of time or both, to accelerate the maturity of all or a portion of its principal balance and such holders have voted to accelerate the maturity of all or a portion of its principal balance;

(ii) that is rated "Ca", "C" or lower by Moody's;

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(iii) that is rated "CC", "D", "SD" or lower or such rating has been subsequently withdrawn by Standard & Poor's;

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

(v) which is a Defaulted Synthetic Security; or

(vi) with respect to which any bankruptcy, insolvency or receivership proceeding has been initiated in connection with the issuer thereof, or there has been proposed or effected any distressed exchange or other debt restructuring pursuant to which the issuer thereof has offered the debt holders a new security or package of securities that, in the reasonable judgment of the Collateral Manager either (i) amounts to a diminished financial obligation or (ii) has the purpose of helping the issuer to avoid default;

provided that a Collateral Debt Security will not constitute a "Defaulted Security" if (i) such Collateral Debt Security was acquired in a distressed exchange or other debt restructuring and complies with the requirements of the definition of "Collateral Debt Security" or (ii) such default or event of default is cured, including the full payment of all current and past due interest and scheduled principal payable under its Underlying Instrument. In addition, the Collateral Manager may characterize any Collateral Debt Security as a Defaulted Security. Notwithstanding the foregoing, a Net Interest Margin Security shall be deemed to be a Defaulted Security (such characterization as Defaulted Security not being subject to cure) if principal payments made with respect to such Net Interest Margin Security in the immediately preceding six months do not exceed 150% of the interest payments made with respect to such security over the same period of time.

"Defaulted Synthetic Security" means (a) a Synthetic Security referencing a Reference Obligation or Deliverable Obligation, as applicable, that would, if such Reference Obligation or Deliverable Obligation, as applicable, were a Collateral Debt Security, constitute a Defaulted Security under any of clauses (i), (ii), (iii), (iv) and (vi) of the first sentence of the definition thereof, and (b) a Synthetic Security Counterparty Defaulted Obligation.

"Deferred Interest Partial PIK Bond" means a Deferred Interest PIK Bond with respect to which (a) on any payment date on which interest was deferred and capitalized, only a portion of the interest payable on such payment date was deferred and capitalized and (b) interest was deferred and capitalized over a period of no longer than twelve months.

"Deferred Interest PIK Bond" means a PIK Bond with respect to which payment of interest either in whole or in part has been deferred in a cumulative amount equal to (a) if such PIK Bond has a Moody's Rating of at least "Baa3", the amount of interest payable in respect of the lesser of (x) two payment periods (or, with respect to a PIK Bond that is a Net Interest Margin Security, for one payment period) and (y) a period of one year; or (b) if such PIK Bond has a Moody's Rating of below "Baa3", the amount of interest payable in respect of the lesser of (x) one payment period and (y) a period of six months, but only until such time as payment of interest on such PIK Bond has resumed and all capitalized and deferred interest has been paid in cash in accordance with the terms of the relevant Underlying Instruments.

"Definitive Notes" means certificated Notes in definitive, fully registered form, registered in the name of the legal and beneficial holder thereof.

"Definitive Preference Shares" means certificated Preference Shares in definitive, fully registered form, registered in the name of the legal and beneficial holder thereof.

"Definitive Securities" means the Definitive Notes together with the Definitive Preference Shares.

"Deliverable Obligation" means a debt obligation that may be delivered to the Issuer upon the occurrence of a "credit event" under a Synthetic Security that has been previously purchased by the Issuer in accordance with the Eligibility Criteria and the Collateral Quality Tests. A Deliverable Obligation may be delivered to the Issuer notwithstanding the fact that the delivery of such Collateral Debt Security may cause the Issuer to fail a Collateral Quality Test or one of (i) the Eligibility Criteria or (ii) the Eligible Investments definition; *provided* that

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such Deliverable Obligation satisfies items (8), (9) and (10) of the Eligibility Criteria at the time it is delivered to the Issuer.

"Designated Maturity" means (i) for the first Interest Period, the number of calendar days from, and including the Closing Date to, but excluding, the first Payment Date and (ii) for each Interest Period after the first Interest Period, three months.

"Determination Date" means the last Business Day of a Collection Period.

"Discount Collateral Debt Security" means any Collateral Debt Security (other than Collateral Debt Securities acquired pursuant to a Permitted Exchange, Defaulted Securities or Deferred Interest PIK Bonds) acquired by the Issuer for a purchase price of less than 75% of the Principal Balance of such Collateral Debt Security; *provided* that such Collateral Debt Security shall cease to be a Discount Collateral Debt Security at such time as the Market Value of such Collateral Debt Security (1) equals or exceeds 80% of the Principal Balance of such Collateral Debt Security (as certified by the Collateral Manager to the Trustee) for 60 consecutive days or (2) equals or exceeds 90% of the Principal Balance of such Collateral Debt Security (as certified by the Collateral Manager to the Trustee) for 30 consecutive days).

"Discretionary Sale Percentage" means (i) if the Net Outstanding Collateral Debt Security Balance minus the Aggregate Outstanding Amount of the Secured Notes is less than U.S.$6,125,000, 0%, unless a Majority of the Class A-1B Notes (if any Class A-1B Notes are then Outstanding) and the Initial Hedge Counterparty consent (such consent in their sole discretion) to a higher percentage, (ii) if the Net Outstanding Collateral Debt Security Balance minus the Aggregate Outstanding Amount of all Secured Notes is less than U.S.$12,250,000 but equals or exceeds U.S.$6,125,000, 7.5% and (iii) otherwise, 15%, measured in each case, on each Measurement Date.

"Diversity Score" is a single number that indicates collateral concentration in terms of both issuer and industry concentration. The Diversity Score is calculated pursuant to the formula set out in Schedule C attached hereto.

"Dividend Yield" means, as of any Payment Date when used in clause (14) of the Interest Waterfall, the per annum rate (expressed as a percentage) determined by **multiplying** (a) the quotient of (i) the aggregate amount distributed on such Payment Date pursuant to clause (14) of the Interest Waterfall **divided by** (ii) the original Aggregate Issue Price of all Preference Shares issued on the Closing Date **multiplied by** (b) the quotient of (i) 360 divided by (ii) the number of days during the period from, and including, the immediately preceding Payment Date to, but excluding, such Payment Date (calculated on the basis of a year of 360 days and twelve 30-day months).

"Dollar" means the lawful currency of the United States of America.

"DTC" means the Depository Trust Company.

"Eligible Country" means a Group I Country, a Group II Country, or France, *provided* that, at the time of purchase of a Collateral Debt Security that contains exposure to obligors organized under the laws of an Eligible Country, such country has a foreign currency credit rating of at least "AA" by Standard & Poor's, "AA" by Fitch and "Aa2" from Moody's.

"Eligible Investments" means any Dollar-denominated investment that, at the time of its inclusion as Collateral, is one or more of the following which may include investments where the Bank or one of its Affiliates is obligor, Collateral Administrator, sponsor or acts in a similar capacity and for which they may receive a fee:

(1) direct Registered obligations of, and Registered obligations, on which the timely payment of principal and interest is fully and expressly guaranteed by, the United States of America or any agency or instrumentality of the United States of America, the obligations of which are expressly backed by the full faith and credit of the United States of America; *provided* that that in the case of obligations that are rated, each such

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obligation shall, at the time of its inclusion as Collateral, have an issuer credit rating of "aa2" and"P-1" or better by Moody's, "AA" or better by Standard & Poor's, and "AA" or better by Fitch;

(2) demand and time deposits in, or certificates of deposit of, (A) the Bank or (B) any other depository institution or trust company incorporated under the laws of the United States of America or any state thereof and subject to supervision and examination by federal and/or state banking authorities so long as the commercial paper and/or the debt obligations of such depository institution or trust company (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have an issuer credit rating of "P-1" or better by Moody's and "A-1+" by Standard & Poor's and such institution also has unsecured long-term debt rated "Aa2" or better by Moody's, "AA" or better by Standard & Poor's, and "AA" or better by Fitch;

(3) repurchase obligations with respect to (i) any security described in clause (1) above or (ii) any other security issued or guaranteed by an agency or instrumentality of the United States of America, in either case entered into with a depository institution or trust company (acting as principal) described in clause (2) above (including the Bank) or entered into with a corporation (acting as principal) whose short-term debt has an issuer credit rating of"P-1" or better by Moody's, "AA" or better by Standard & Poor's, and "AA" or better by Fitch at the time of such investment in the case of any repurchase obligation for a security having a maturity more than 90 days from the date of its issuance;

(4) Registered securities bearing interest or sold at a discount issued by any corporation incorporated under the law of the United States of America or any state thereof that has, at the time of such investment or contractual commitment provided for such investment, an issuer credit rating of (i) "Aa2" or better or (ii) "P-1" or better and "A1" or better by Moody's, "AA" or better or "A-1" by Standard & Poor's, and "AA" or better or "F1+", as applicable, by Fitch at the time of such investment or contractual commitment providing for such investment;

(5) commercial paper or other short-term obligations having at the time of such investment a credit rating of "P-1" or better by Moody's, "A-1+" or better by Standard & Poor's, and "F1+" by Fitch and that has a maturity of not more than the Final Maturity Date;

(6) off-shore money market funds, the investments of which are limited to any investments described in clauses (1) through (5) and which funds have, at all times, an issuer credit rating of "Aa" or better by Moody's, "AAAm" or "AAAmg" or better by Standard & Poor's, and "AA" or better by Fitch (if so rated by Fitch); and

(7) cash.

provided that Eligible Investments (i) purchased with funds in (A) the Collection Account, shall have a maturity date (after giving effect to any applicable grace period) no later than the sooner of 90 days or the Business Day immediately preceding the Payment Date related to the Collection Period in which the date of investment therein occurs and (B) the Initial Deposit Account, shall have a maturity date (after giving effect to any applicable grace period) no later than the Business Day immediately preceding the Ramp-Up Completion Date, (ii) shall not include any interest-only security, any security purchased at a price in excess of 100% of par or principal amount, any investment the income or the proceeds of the disposition of which is or will be subject to deduction or withholding for or on account of any withholding or similar tax or the acquisition (including the manner of acquisition), ownership, enforcement or disposition of which will subject the Issuer to net income tax in any jurisdiction outside the Issuer's jurisdiction of incorporation, or any security whose repayment is subject to substantial non-credit related risk as determined by the Collateral Manager, any floating rate security whose interest rate is inversely or otherwise not proportionately related to an interest rate index or is calculated as other than the

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sum of an interest rate index *plus* a spread or any asset-backed or mortgage-backed securities, (iii) none of the Standard & Poor's ratings required above shall have a subscript of "p", "pi", "q", "r" or "t", and (iv) may include, without limitation, investments for which the Trustee or its Affiliates provide services and receive fees.

"Eligible SPV Jurisdiction" means the Bahamas, the British Virgin Islands, the Cayman Islands, Bermuda, Luxembourg, the Netherlands Antilles, the Channel Islands, Jersey, Guernsey or (subject to satisfaction of the Rating Condition) any similar jurisdiction, provided that the related obligor or issuer is a special purpose entity.

"Emerging Market Issuer": means a sovereign or non-sovereign issuer of an Asset-Backed Security organized or incorporated in a country that is in Latin America, Asia, Africa, Eastern Europe or the Caribbean or in a country the Dollar-denominated obligations of which are rated lower than "Aa2" by Moody's, "AA" by Standard & Poor's or "AA" by Fitch and the highest rated securities issued by such issuer are not rated higher than the sovereign rating of such country; *provided* that the Trustee is not barred from dealing with such sovereign or non-sovereign issuer pursuant to the Office of Foreign Assets Control regulations or any other applicable regulations and *provided* further that an issuer of an Asset-Backed Security organized or incorporated in an Eligible SPV Jurisdiction or an Eligible Country shall not be an Emerging Market Issuer for purposes of this definition.

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

"ERISA" means the United States Employee Retirement Income Security Act of 1974, as amended.

"ERISA Plans" means employee benefit plans as defined in Section 3(3) of ERISA.

"Euroclear" means Euroclear Bank S.A./N.V.

"Event of Default" means:

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

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

(iii) the failure on any Payment Date to disburse amounts available in the Collection Account in accordance with the Priority of Payments (other than a default in payment described in clause (i) or (ii) above), which failure continues for a period of two Business Days (or, in the case of a failure resulting solely from an administrative error or omission by the Trustee, the Collateral Administrator, a Paying Agent (other than the Preference Share Paying Agent), the Collateral Manager or Note Registrar, seven days);

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

(v) a default in the performance, or breach, of any other covenant or other agreement (other than any covenant to meet the Eligibility Criteria, the Collateral Quality Tests or the Coverage Tests) of the Issuer or the Co-Issuer under the Indenture or any representation or warranty of the Issuer or the

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Co-Issuer made in the Indenture or in any certificate or other writing delivered pursuant thereto or in connection therewith proves to be incorrect in any material respect when made, and the continuation of such default or breach for a period of 30 days (or, if such default, breach or failure has an adverse effect on the validity, perfection or priority of the security interest granted under the Indenture, 15 days) after any of the Issuer, the Co-Issuer or the Collateral Manager has actual knowledge thereof or after written notice thereof to the Issuer and the Collateral Manager by the Trustee or to the Issuer, the Collateral Manager and the Trustee by the holders of at least 50% in Aggregate Outstanding Amount of Notes of the Controlling Class;

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

(vii) one or more final judgments being rendered against either of the Co-Issuers that exceed, in the aggregate, U.S.$5,000,000 and which remain unstayed, undischarged and unsatisfied for 30 days after such judgment(s) becomes nonappealable, unless adequate funds have been reserved or set aside for the payment thereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Expense Reimbursement Account" means a certain account that the Issuer will establish with the Trustee into which U.S.$100,000 will be deposited on the Closing Date for the payment of expenses incurred by the Issuer and which become due, and must be paid, between Payment Dates.

"Final Maturity Date" means, with respect to each Class of Notes, the earlier of the Stated Maturity and the Payment Date on which the Aggregate Outstanding Amount of such Class of Notes is paid in full, including the Redemption Date or an Event of Default and an acceleration of the Notes.

"First Period" shall have the meaning given in this Offering Circular in the Section headed "The Collateral Management Agreement – Termination of the Collateral Management Agreement."

"Fitch" means Fitch, Inc.

"Fitch Rating Factor" means, as of any Measurement Date, for purposes of computing the Fitch Weighted Average Rating Factor with respect to any Collateral Debt Security or Eligible Investment on any Measurement Date, the number set forth in the table below opposite the Fitch Rating applicable to such Collateral Debt Security or Eligible Investment:

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

"Fitch Maximum Weighted Average Rating Factor" " means the number determined by the Collateral Manager on behalf of the Issuer on any Measurement Date by dividing (i) the summation of the series of

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products obtained (a) for any Pledged Collateral Debt Security that is not a Defaulted Security or a Deferred Interest PIK Bond, by multiplying (1) the Principal Balance on such Measurement Date of each such Pledged Collateral Debt Security by (2) its respective Fitch Rating Factor on such Measurement Date and (b) for any Defaulted Security, by multiplying (1) the Fitch Applicable Recovery Rate for such Defaulted Security or Deferred Interest PIK Bond by (2) the Principal Balance on such Measurement Date of each such Defaulted Security or Deferred Interest PIK Bond (but not including any deferred interest) by (3) its respective Fitch Rating Factor on such Measurement Date by (ii) the sum of (a) the Aggregate Principal Balance on such Measurement Date of all Collateral Debt Securities that are not Defaulted Securities or Deferred Interest PIK Bonds plus (b) the summation of the series of products obtained by multiplying (1) the Fitch Applicable Recovery Rate for each Defaulted Security and Deferred Interest PIK Bond by (2) the Principal Balance on such Measurement Date of such Defaulted Security or Deferred Interest PIK Bond (but not including any deferred interest).

"Fitch Maximum Weighted Average Rating Factor Test" " means a test satisfied on any Measurement Date on or after the Ramp-Up Completion Date if the Fitch Weighted Average Rating Factor of the Collateral Debt Securities as of such Measurement Date does not exceed 4.75.

"Fixed Rate Excess" means as of any Measurement Date an amount equal to a fraction (expressed as a percentage) the *numerator* of which is equal to the product of (i) the greater of zero and the excess, if any, of the Weighted Average Coupon for such Measurement Date over the Weighted Average Coupon required to satisfy the Weighted Average Coupon Test for such Measurement Date and (ii) the Aggregate Principal Balance of all Collateral Debt Securities that are Fixed Rate Securities (other than Defaulted Securities, Written-Down Securities, Interest Only Securities that are not Qualifying Interest Only Securities, and Deferred Interest PIK Bonds) and the *denominator* of which is the Aggregate Principal Balance of all Collateral Debt Securities that are Floating Rate Securities (excluding all Defaulted Securities, Written-Down Securities, Interest Only Securities that are not Qualifying Interest Only Securities, and Deferred Interest PIK Bonds). In computing the Fixed Rate Excess on any Measurement Date, the Weighted Average Coupon for such Measurement Date will be computed as if the Spread Excess were equal to zero.

"Fixed Rate Notes" " means the Class C-2 Notes.

"Fixed Rate Security" means (i) a Collateral Debt Security that bears interest at a fixed rate *per annum* or (ii) a Collateral Debt Security that bears interest at a floating rate that has been swapped to a fixed rate that the related Asset-Specific Hedge Counterparty agrees to pay on the related Asset-Specific Hedge at the time such hedge is executed.

"Floating Rate Notes" " means the Class A Notes, Class B Notes and Class C-1 Notes.

"Floating Rate Security" means (i) a Collateral Debt Security that bears interest at a floating rate based upon (x) LIBOR or (y) another index for dollar-denominated obligations commonly used as a reference rate for obligations in the United States of America or United Kingdom or (ii) a Collateral Debt Security that bears interest at a fixed rate that has been swapped to a floating rate equal to a spread over LIBOR that the related Asset-Specific Hedge Counterparty agrees to pay on the related Asset-Specific Hedge at the time such hedge is executed.

"Flow-Through Investment Vehicle" means a person who meets one of the following criteria: (i) in the case of a purchaser that would be an investment company but for the exception in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, the amount of the purchaser's investment in the Offered Securities exceeds 40% of the total assets (determined on a consolidated basis with its subsidiaries) of the purchaser, (ii) any person owning any equity or similar interest in the purchaser has the ability to control any investment decision of the purchaser (other than a general partner or similar entity) or to determine, on an investment-by-investment basis, the amount of such person's contribution to any investment made by the purchaser, (iii) the purchaser was organized or reorganized for the specific purpose of acquiring any Offered Securities or (iv) additional capital or similar contributions were specifically solicited from any person owning an equity or similar interest in the purchaser for the purpose of enabling the purchaser to purchase Offered Securities.

"Form-Approved Synthetic Security" means a Synthetic Security (i)(a) the Reference Obligation of which, if it were a Collateral Debt Security, could be purchased by the Issuer without any required

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action by the Rating Agencies or which would satisfy the Rating Condition or (b) the Reference Obligation of which would satisfy clause (i)(a) but for (x) the currency in which it is payable, and such Synthetic Security is payable in Dollars and does not expose the Issuer to currency risk or (y) the frequency of the periodic payment of interest on such Reference Obligation, (ii) the documentation of which satisfies the Rating Condition and 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 previously approved in writing specifically for the purpose of entering into Form-Approved Synthetic Securities (as certified to the Trustee in writing by the Collateral Manager) and (iii) for which the Issuer has provided each Rating Agency with written notice of the purchase of such Synthetic Security within 5 Business Days after such purchase, and each notice shall include the Moody's Rating Factor, the Moody's Applicable Recovery Rate, the Standard & Poor's Rating, the Standard & Poor's Applicable Recovery Rate, the Fitch Rating and the Fitch Applicable Recovery Rate, as applicable, for such Synthetic Security.

"Global Notes" means the Regulation S Global Notes and the Rule 144A Global Notes.

"Global Securities" means the Regulation S Global Preference Shares, the Regulation S Global Notes, and the Rule 144A Global Notes, collectively.

"Group I Countries" means (i) Australia, Canada, the Netherlands and the United Kingdom and (ii) any other jurisdiction for which the Rating Condition with respect to Moody's has been satisfied.

"Group II Countries" means (i) Germany, Ireland, New Zealand, Sweden and Switzerland and (ii) any other jurisdiction for which the Rating Condition with respect to Moody's has been satisfied.

"Hedge Agreements" means each Interest Rate Hedge Agreement and any Asset-Specific.

"Hedge Counterparty" means (i) any Interest Rate Hedge Counterparty (ii) any Asset-Specific Hedge Counterparty and (iii) any permitted assignee or successor under any Hedge Agreement that satisfies the Rating Condition.

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

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

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"Holder" means a beneficial owner of a Note or Preference Share.

"Incentive Collateral Management Fee" means the fee payable to the Collateral Manager on each Payment Date on or after the Preference Shareholders have received an IRR of 15%, in an amount, with respect to any Payment Date, equal to 10% of (a) Interest Proceeds on any Payment Date after application of amounts set forth in clauses (1) through (15) of the Interest Waterfall and (b) Principal Proceeds remaining on any Payment Date after application of amounts set forth in clauses (1) through (8)(b) of the Principal Waterfall.

"Indenture" means the Indenture dated as of the Closing Date between the Co-Issuers and the Trustee.

"Independent" means, as to any Person, any other Person (including, in the case of an accountant, or lawyer, a firm of accountants or lawyers and any member thereof) who (i) does not have and is not committed to acquire any material direct or any material indirect financial interest in such Person or in any Affiliate of such Person, (ii) is not connected with such Person as an Officer, employee, promoter, underwriter, voting trustee, partner, director or Person performing similar functions and (iii) if required to deliver an opinion or certificate to the Trustee pursuant to this Indenture, states in such opinion or certificate that the signer has read this definition and that the signer is Independent within the meaning hereof. "Independent" when used with respect to any accountant may include an accountant who audits the books of such Person if in addition to satisfying the criteria set forth above the accountant is independent with respect to such Person within the meaning of Rule 101 of the Code of Ethics of the American Institute of Certified Public Accountants.

"Indirect Participants" shall have the meaning given in this Circular in the Section headed "Clearing Systems – DTC, Euroclear and Clearstream."

"Initial Deposit Account" means an account maintained by the Issuer with the Trustee containing all cash pledged to the Trustee on the Closing Date that is to be invested in additional Collateral Debt Securities on or before the Ramp-up Completion Date.

"Initial Interest Rate Hedge Counterparty" means AIG Financial Products Corp.

"Initial Placement" means the initial sale of the Preference Shares by the Initial Purchaser.

"Interest Accrual Period" means (a) with respect to the first Payment Date and for the purposes of calculating LIBOR and scheduled interest on the Notes payable on such Payment Date, the first Interest Accrual Period will begin from and including the Closing Date to and excluding the first Payment Date (at which time LIBOR will be reset as provided herein) and (b) with respect to each Payment Date thereafter, the period beginning, and including the immediately preceding Payment Date and ending on, but excluding, such Payment Date.

"Interest Collection Subaccount" means a single, segregated trust account, established and maintained under the Indenture by the Trustee, into which all distributions on the Collateral Debt Securities and any proceeds received from the disposition of any such Collateral Debt Securities, to the extent such distributions or proceeds constitute Interest Proceeds, and any amounts payable to the Issuer by any Hedge Counterparty under the Hedge Agreements (excluding any proceeds realized from the liquidation or termination of the Hedge Agreements) shall be remitted.

"Interest Coverage Ratio" means the Class A/B Interest Coverage Ratio or the Class C Interest Coverage Ratio.

"Interest Coverage Test" means the Class A/B Interest Coverage Test or the Class C Interest Coverage Test.

"Interest Only Security" means any Asset-Backed Security that does not provide for the repayment of a stated principal amount in one or more installments.

"Interest Period" means (i) in the case of the initial Interest Period, the period from, and including, the Closing Date to, but excluding, the first Payment Date and (ii) thereafter, the period from, and

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including, the Payment Date immediately following the last day of the immediately preceding Interest Period to, but excluding, the next succeeding Payment Date.

"Interest Proceeds" means, with respect to any Collection Period, the sum (without duplication) of:

(1) all payments in cash of interest on the Collateral Debt Securities during such Collection Period (excluding (a) accrued interest purchased with Principal Proceeds pursuant to clause (7) of the definition of Principal Proceeds and (b) interest in respect of Defaulted Securities, Deferred Interest PIK Bonds and Written-Down Securities included in Principal Proceeds pursuant to clause (2) of the definition of Principal Proceeds);

(2) all accrued interest received in cash by the Issuer with respect to Collateral Debt Securities sold by the Issuer (excluding (i) any accrued and unpaid interest on any Credit-Improved Security or Credit-Risk Security sold during the Reinvestment Period to the extent reinvested by the Collateral Manager in any substitute Collateral Debt Securities; (ii) any Sale Proceeds allocable to accrued and unpaid interest received in respect of Defaulted Securities and (iii) any accrued interest included in Principal Proceeds pursuant to clause (7) of the definition of Principal Proceeds);

(3) all payments of interest (including any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) on Eligible Investments or U.S. Agency Securities in the Collection Account, the Initial Deposit Account and the Expense Reimbursement Account received in cash by the Issuer on or before the Business Day immediately preceding the Payment Date related to such Collection Period and all payments of principal, including repayments, on Eligible Investments purchased with amounts from the Interest Collection Subaccount received by the Issuer on or before the Business Day immediately preceding the Payment Date related to such Collection Period;

(4) all amendment and waiver fees, all late payment fees, and all other fees and commissions received in cash by the Issuer during such Collection Period in connection with such Collateral Debt Securities included in the Collateral and Eligible Investments (other than fees and commissions received in respect of Defaulted Securities and yield maintenance payments included in Principal Proceeds pursuant to clause (8) of the definition thereof);

(5) all payments (after giving effect to any netting with respect to such payments) received pursuant to the Hedge Agreements (excluding any payments received by the Issuer by reason of an event of default or termination event thereunder);

(6) the Uninvested Proceeds on deposit in the Initial Deposit Account that are transferred to the Collection Account for application as Interest Proceeds;

(7) all fees collected under any Securities Lending Agreement (other than the deposit, substitution or addition of Securities Lending Collateral or as otherwise provided herein in respect of the proceeds of the liquidation of any Securities Lending Collateral);

(8) all amounts on deposit in any Synthetic Security Counterparty Account that are transferred to the Interest Collection Subaccount; and

(9) all amounts on deposit in the Semi-Annual Interest Reserve Account that are transferred to the Interest Collection Subaccount;

provided that Interest Proceeds shall in no event include (i) any payment or proceeds specifically defined as "Principal Proceeds" in the definition thereof or (ii) the U.S.$1,000 of capital contributed by the owners of the Issuer's ordinary shares in accordance with the Issuer Charter and U.S.$1,000 representing a profit fee to the Issuer. In addition, Interest Proceeds scheduled to be received during a Collection Period, but that are actually received after the end of such Collection Period but two Business Days prior to the Payment Date related to such Collection Period, will be deemed to have been received during such Collection Period.

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"Interest Rate Hedge Agreement" means the interest rate protection agreement entered into between the Issuer and the Initial Interest Rate Hedge Counterparty on or about the Closing Date consisting of an ISDA Master Agreement and Schedule, an interest rate swap confirmation dated as of the Closing Date and additional interest rate swap confirmations, if any, entered into between the Issuer and the Interest Rate Hedge Counterparty from time to time as provided in the Indenture, as amended from time to time, and any replacement hedge agreement on substantially identical terms (or on such other terms satisfying the Rating Condition with respect to Moody's and Standard & Poor's and of which notification has been provided to Fitch) entered into pursuant to Section 16.1 of the Indenture. The Interest Rate Hedge Agreement shall provide that any amount payable to the Hedge Counterparty thereunder shall be subject to the Priority of Payments

"Interest Rate Hedge Counterparty" means the Initial Interest Rate Hedge Counterparty or any successor thereto.

"Interest Waterfall" means the Priority of Payments set forth under the Section entitled "Description of the Notes—Priority of Payments—Interest Waterfall".

"Investment Grade" means, with respect to any security, such security (a) if rated by Moody's, is rated "Baa3" or higher by Moody's (and, if rated "Baa3", has not been placed on credit watch with negative implications by Moody's), (b) if rated by Standard & Poor's, is rated "BBB-" or higher by Standard & Poor's (and, if rated "BBB-", has not been placed on credit watch with negative implications by Standard & Poor's) and (c) if rated by Fitch, is rated "BBB-" or higher by Fitch (and, if rated "BBB-", has not been placed on credit watch with negative implications by Fitch).

"Investor Application Forms" means an investor application form provided by the Issuer or Initial Purchaser to a prospective investor.

"IRR" means with respect to each Payment Date, the rate of return on the Preference Shares that would result in a net present value of zero, assuming (i) the original Aggregate Liquidation Preference of the Preference Shares is an initial negative cash flow on the Closing Date and all distributions, if any, on such Payment Date and each preceding Payment Date are positive cash flows, (ii) the initial date for the calculation is the Closing Date, (iii) the number of days to each subsequent Payment Date from the Closing Date is calculated on the basis of a 360-day year consisting of twelve 30-day months and (iv) the calculation is made on a bond-equivalent yield basis.

"ISDA" means the International Swaps and Derivatives Association, Inc.

"Irish Paying Agent" has the meaning specified under "Listing and General Information".

"Issuer Charter" means the Memorandum and Articles of Association of the Issuer.

"Issuer Default Termination Amount" means the total amount of any termination payments (and any interest thereon, if any) 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.

"LIBOR" means the London Inter-Bank Offered Rate.

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

"LIBOR Determination Date" means, with respect to any Interest Accrual Period, the second London Banking Day prior to the first day of such Interest Accrual Period.

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

"Macaulay Duration" means the weighted average term-to-maturity (expressed in years) of the cash flows in respect of the Preference Shares, where the weights are the present values of each cash flow as a

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percentage of the present value of all cash flows to the Preference Shareholders. The cash flows are discounted at the internal rate of return to the Preference Shareholders for that scenario.

"Majority" means, with respect to any Class or Classes of Secured Notes, the Holders of more than 50% of the Aggregate Outstanding Amount of the Secured Notes of such Class or Classes of Secured Notes, as the case may be.

"Majority-in-Interest of Preference Shareholders" means, at any time, Preference Shareholders holding more than 50% of all Preference Shares (in each case, including Class P Noteholders to the extent of the Class P Reference Shares represented by such Holder's Class P Note).

"Market Value" means, with respect to any Collateral Debt Security or Eligible Investment on any date of determination, (a) the weighted average of the bid prices for such Collateral Debt Security or Eligible Investment quoted by at least three independent financial institutions or independent market makers making a market in the Collateral Debt Securities or Eligible Investments or nationally recognized pricing services selected by the Collateral Manager, which, in each case, shall be determined by the Collateral Manager expressed in Dollars or (b) if bids from three independent financial institutions or independent market makers cannot be obtained, then the lowest of the bid prices for such Collateral Debt Security or Eligible Investment quoted by at least two independent financial institutions; *provided* that if the Collateral Manager is unable to obtain bids from at least two independent financial institutions, the bona fide bid for such Collateral Debt Security obtained by the Collateral Manager at such time from any nationally recognized dealer chosen by the Collateral Manager, which dealer is Independent from the Collateral Manager, and in which case (x) the discretionary fair market value determined by the Collateral Manager may not exceed a 25% of the Net Outstanding Collateral Debt Security Balance as specified in the Indenture and (y) if after 30 days there are no bids or quotes obtained with respect to such Collateral Debt Security or Eligible Investment, the Market Value of such Collateral Debt Security or Eligible Investment shall be deemed to be zero; *provided* that the Collateral Manager shall be allowed at any time to subsequently establish a Market Value for a Collateral Debt Security whose Market Value has been deemed to be zero, if such subsequently-established Market Value is determined in accordance with clauses (a) or (b) of this definition.

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

"MLI" means Merrill Lynch International.

"Monthly Report" shall have the meaning given in this Offering Circular in the Section headed "Description of the Notes – Note Valuation Report, Noteholder Reports."

"Moody's" means Moody's Investors Service Inc.

"Moody's Applicable Recovery Rate" means the recovery rate set forth for the applicable Moody's Rating with respect to the applicable type of Collateral Debt Security in the table set forth in Schedule D hereto.

"Moody's Diversity Test" shall have the meaning given in this Offering Circular in the Section headed "Security for the Notes – Collateral Quality Tests."

"Moody's Maximum Rating Factor Test" shall have the meaning given in this Offering Circular in the Section headed "Security for the Notes – Collateral Quality Tests."

"Moody's Minimum Weighted Average Recovery Rate Test" shall have the meaning given in this Offering Circular in the Section headed "Security for the Notes – Collateral Quality Tests."

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"Net Interest Margin Securities" means any Asset-Backed Securities that generally entitle the holders thereof to receive payments that depend primarily on one or more of the excess spread cash flow, prepayment penalty cash flow, derivative-related cash flow and other residual cash flow from one or more separate or related securitizations. After the Closing Date, an Asset-Backed Security may be designated as a Net Interest Margin Security in a written notice from the Collateral Manager to the Trustee.

"Net Outstanding Collateral Debt Security Balance" means, on any Measurement Date, an amount equal to:

(i) the Aggregate Principal Balance on such Measurement Date of all Collateral Debt Securities; *plus*

(ii) the Aggregate Principal Balance of all Principal Proceeds and Uninvested Proceeds; *minus*

(iii) the Aggregate Principal Balance on such Measurement Date of all Collateral Debt Securities that are Defaulted Securities or Deferred Interest PIK Bonds; *plus*

(iv) for each Defaulted Security or Deferred Interest PIK Bond, the Calculation Amount with respect to such Defaulted Security or Deferred Interest PIK Bond; *minus*

(v) solely for purposes of the calculation of the Class A/B Overcollateralization Ratio and the Class C Overcollateralization Ratio, an amount equal to the sum of:

(a) 10% of the excess of the greater of (A) (x) the Aggregate Principal Balance relating to Collateral Debt Securities (other than Defaulted Securities, Deferred Interest PIK Bonds, Discount Collateral Debt Securities and the Collateral Debt Securities) with a Moody's Rating of "Ba1", "Ba2" or "Ba3" over (y) 10% of the Aggregate Principal Balance of all Collateral Debt Securities, Principal Proceeds and Uninvested Proceeds and (B) (x) the Aggregate Principal Balance relating to Collateral Debt Securities (other than Defaulted Securities, Deferred Interest PIK Bonds and Discount Securities) with a Standard & Poor's Rating of "BB+" or lower over (y) the Standard & Poor's Haircut Threshold; *provided* that the discounting of Aggregate Principal Amounts required by clause (B) shall apply sequentially to each Collateral Debt Security starting with the Collateral Debt Security with the lowest Rating and then each Collateral Debt Security with the next-lowest Rating until all Collateral Debt Securities in excess of the Standard & Poor's Haircut Threshold have been discounted; *plus*

(b) 20% of the excess of the greater of (A) (x) the Aggregate Principal Balance relating to Collateral Debt Securities (other than Defaulted Securities, Deferred Interest PIK Bonds, Discount Collateral Debt Securities and the Collateral Debt Securities) with a Moody's Rating of "B1", "B2" or "B3" over (y) 5% of the Aggregate Principal Balance of all Collateral Debt Securities, Principal Proceeds and Uninvested Proceeds and (B) (x) the Aggregate Principal Balance relating to Collateral Debt Securities (other than Defaulted Securities, Deferred Interest PIK Bonds and Discount Securities) with a Standard & Poor's Rating of "B+" or lower over (y) the Standard & Poor's Haircut Threshold; *provided* that the discounting of Aggregate Principal Amounts required by clause (B) shall apply sequentially to each Collateral Debt Security starting with the Collateral Debt Security with the lowest Rating and then each Collateral Debt Security with the next-lowest Rating until all Collateral Debt Securities in excess of the Standard & Poor's Haircut Threshold have been discounted; *plus*

(c) the greater of (A) 50% of the Aggregate Principal Balance relating to Collateral Debt Securities (other than Defaulted Securities, Deferred Interest PIK Bonds and Discount Collateral Debt Securities) with a Moody's Rating of "Caa1", " Caa2" or " Caa3"and the Aggregate Principal Balance relating to Collateral Debt Securities (other than Defaulted Securities, Deferred Interest PIK Bonds, and Discount Securities) with a Standard & Poor's Rating of "CCC+" or lower over (y) the Standard & Poor's Haircut Threshold; *provided* that the discounting of Aggregate Principal Amounts required by clause (B) shall apply sequentially to each Collateral Debt Security starting with the Collateral Debt Security with the lowest Rating and then each Collateral Debt Security with the next-lowest Rating until all Collateral Debt Securities in excess of the Standard & Poor's Haircut Threshold have been discounted; *plus*

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(d) with respect to any Discount Collateral Debt Security (other than Defaulted Securities and Deferred Interest PIK Bonds), the difference between the Principal Balance and the original purchase price (as such price is adjusted for principal payments made on such asset since the date of its acquisition) for such Discount Collateral Debt Security; *provided* that, if the Discount Collateral Debt Security has a Moody's Rating of "Caa1", "Caa2" or "Caa3", a Standard & Poor's Rating at or below "CCC+", then the greater of (x) the difference between the Principal Balance and the original purchase price (as such price is adjusted for principal payments made on such asset since the date of its acquisition) for such Discount Collateral Debt Security and (y) 50% of the Principal Balance of such Discount Collateral Debt Security and (B) 30% of the excess of (x) the Aggregate Principal Balance relating to Collateral Debt Securities (other than Defaulted Securities, Deferred Interest PIK Bonds, and Discount Securities) with a Standard & Poor's Rating of "CCC+", "CCC" or "CCC-" over (y) 15% of the Aggregate Principal Balance of all Collateral Debt Securities, Principal Proceeds and Uninvested Proceeds;

provided that the reductions contemplated by clauses (a), (b), (c) and (d) immediately above shall be without duplication.

Notwithstanding the foregoing, for the purposes of calculating compliance with the Eligibility Criteria, the "Net Outstanding Collateral Debt Security Balance" shall, on any Measurement Date, equal the sum of the Aggregate Principal Balance of all Collateral Debt Securities, Principal Proceeds and Uninvested Proceeds.

"Note Registers" means the Secured Note Register and Class P Note Register.

"Note Registrar" means Wells Fargo Bank, National Association, not in its individual capacity, but solely as note registrar.

"Note Valuation Report" shall have the meaning given in this Offering Circular in the Section headed "Description of the Notes – Note Valuation Report, Noteholder Reports."

"Noteholder" means the holder of a beneficial interest in one or more of the Notes.

"Notes" means the Secured Notes and the Class P Notes.

"Obligor" means, with respect to any Collateral Debt Security, the issuer thereof of the obligor in respect thereof.

"O/C Ratio" shall have the meaning given in this Offering Circular in the Section headed "The Collateral Management Agreement – Termination of the Collateral Management Agreement."

"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.

"Offered Security" means (a) the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes and Class P Notes collectively, which are authorized by, and authenticated and delivered under, this Indenture and (b) the Preference Shares, which are authorized by and delivered pursuant to the Preference Share Documents.

"Offering" means the offering of the Offered Securities.

"Officer" means, (a) with respect to the Issuer, the Co-Issuer and any corporation, the Chairman of the Board of Directors (or, with respect to the Issuer, any director), the President, any Vice President, the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer of such entity; (b) with respect to any bank or trust company acting as trustee of an express trust or as custodian, any Trust Officer and (c) with respect to any limited liability company, any managing member thereof or any person to whom the rights and powers of management thereof are delegated in accordance with the limited liability company agreement of such limited liability company.

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"Officer's Certificate" means a certificate signed on behalf of the Issuer, Co-Issuer, or Collateral Manager, by an Authorized Officer of the Issuer, Co-Issuer, or Collateral Manager, respectively.

"Optional Redemption" means a redemption in which the Issuer redeems the Notes in whole, on a Payment Date, at the direction of a Majority-in-Interest of Preference Shareholders at the applicable Redemption Price. See "Description of the Notes—Optional Redemption and Tax Redemption".

"Other Asset-Backed Securities" means any Security that is one of the following: (a) a Manufactured Housing Security; (b) a Timeshare Security; (c) a Mutual Fund Security; (d) a Franchise Security; (e) an Aircraft Security; or (f) a Future Flow Security.

"Outstanding" means, with respect to the Notes, as of the date of determination, "Outstanding" refers to all Notes theretofore authenticated and delivered pursuant to the Indenture except:

(1) Notes theretofore canceled by the Note Registrar or delivered to the Note Registrar for cancellation;

(2) Notes or portions thereof for whose payment or redemption money in the necessary amount has been theretofore irrevocably deposited with the Trustee or any Paying Agent in trust for the Holders of such Notes; *provided* that, if such Notes or portions thereof are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made; *provided, further,* that, until paid, such Notes or portions thereof shall continue to be deemed to be Outstanding for purposes of any Noteholder vote, consent or waiver;

(3) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Indenture, unless proof satisfactory to the Trustee is presented that any such Notes are held by a protected purchaser; and

(4) Notes alleged to have been destroyed, lost or stolen for which replacement Notes have been issued as provided in the Indenture;

provided that, in determining whether the Holders of the requisite Aggregate Outstanding Amount have given any request, demand, authorization, direction, notice, consent or waiver in the case of an Event of Default hereunder, (i) Notes owned by the Issuer, the Co-Issuer, the Trustee, or any other obligor upon the Notes or any Affiliate of the Issuer, the Co-Issuer, the Trustee, or such other obligor 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 Notes that a responsible officer of the Trustee knows to be so owned shall be so disregarded, (ii) in relation to any assignment or termination of any of the express rights or obligations of the Collateral Manager under the Collateral Management Agreement or the Indenture or any amendment or other modification of the Collateral Management Agreement or the Indenture increasing the rights or decreasing the obligations of the Collateral Manager, Notes owned by the Collateral Manager or any of its Affiliates, or by any accounts managed by them, shall be disregarded and deemed not to be Outstanding and (iii) for purposes of any voting, consent or waiver rights attributable to the Class A-1 Notes, only the Class A-1B shall be considered "Outstanding" and have rights to participate in such vote, consent or waiver and the Class A-1A Notes shall not be considered "Outstanding" for such purpose and shall not have the right to vote, consent or waive any provisions of this Indenture or the other Transaction Documents or participate in any such vote, consent or waiver hereunder or thereunder.

"Participant" shall have the meaning given in this Offering Circular in the Section headed "Form, Denomination, Registration and Transfer – Clearing Systems."

"Paying Agent" means Wells Fargo Bank, National Association, not in its individual capacity, but solely as paying agent and, if and for so long as any Class of Notes or the Preference Shares are listed on the stock exchange which so requires, an institution to be appointed by the Co-Issuers, or any successor thereto, as the paying agent with respect to the Notes in the country in which such stock exchange is located..

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"Payment Date" means each February 5, May 5, August 5, and November 5 starting in August 2005 until the Stated Maturity.

"Periodic Hedge Payment Amount" means, with respect to any Payment Date, the periodic payments due and payable by the Issuer to any Hedge Counterparty on such Payment Date under the related Hedge Agreement which, for the avoidance of doubt, shall not include (i) any Issuer Default Termination Amount or (ii) any Defaulted Hedge Termination Payment.

"Permitted Exchange" means the sale by the Issuer of a Collateral Debt Security at a price that is greater than 60% of its Principal Balance and the purchase by the Issuer with the Sale Proceeds from such sale of one or more additional Collateral Debt Securities that are purchased at a price equal to or greater than the sale price of the Collateral Debt Security sold within 10 Business Days of the sale of the Collateral Debt Security sold; *provided* that the cumulative Aggregate Principal Balance of the Collateral Debt Securities acquired pursuant to such Permitted Exchanges shall not, in the aggregate, exceed 5% of the Net Outstanding Collateral Debt Security Balance as of the Ramp-Up Completion Date.

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

"Plan Asset Regulation" shall have the meaning given in this Offering Circular in the Section headed "ERISA Considerations."

"Plan Fiduciary" shall have the meaning given in this Offering Circular in the Section headed "ERISA Considerations."

"Plans" shall have the meaning given in this Offering Circular in the Section headed "ERISA Considerations."

"Pledged Collateral Debt Security" means any Collateral Debt Security acquired by the Issuer and pledged to the Trustee under the Indenture on behalf of the Secured Parties thereunder.

"Portfolio" means the portfolio of Collateral Debt Securities and Eligible Investments held by the Issuer from time-to-time.

"Preference Share Documents" means the Preference Share Paying Agency Agreement and the Issuer Charter.

"Preference Share Paying Agency Agreement" means a certain preference share agency agreement dated March 29, 2005 between the Issuer and the Preference Share Paying Agent.

"Preference Share Paying Agent" means Wells Fargo Bank, National Association (or any successor thereto), as Preference Share Paying Agent for the Preference Shares, or any Person authorized by the Issuer from time to time to make payments on the Preference Shares and to deliver notices to the Preference Shareholders on behalf of the Issuer.

"Preference Share Register" means the register maintained by the Preference Share Registrar in which it will register the Preference Shares and any transfers of the Preference Shares.

"Preference Share Registrar" means Walkers SPV Limited, not in its individual capacity, but solely as preference share registrar.

"Preference Shareholders" means the holders of the Preference Shares appearing on the Preference Share Register from time-to-time.

"Principal Balance" means as of any date of determination, with respect to any Collateral Debt Security that is not a Synthetic Security, the outstanding principal balance of such Collateral Debt Security, and,

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with respect to any Synthetic Security or a related Reference Obligation, in each case, the notional amount of such Synthetic Security; *provided* that (i) with respect to any Collateral Debt Security that is the subject of an appraisal reduction, the Principal Balance of such Collateral Debt Security shall be reduced by such appraisal reduction; (ii) with respect to any Collateral Debt Security that is a Written-Down Security, the Principal Balance of such Collateral Debt Security shall be reduced by the Written Down Amount of such Written-Down Security; and (iii) with respect to any Collateral Debt Security that is an Interest Only Security, the Principal Balance of such Collateral Debt Securities will be deemed to be zero.

"Principal Collection Subaccount" means a single, segregated trust account, established and maintained under the Indenture by the Trustee, into which all distributions on the Collateral Debt Securities and any proceeds received from the disposition of any such Collateral Debt Securities, to the extent such distributions or proceeds constitute Principal Proceeds, (unless simultaneously reinvested in Collateral Debt Securities or Eligible Investments) shall be remitted.

"Principal Only Security" means any Collateral Debt Security that does not provide for the payment of stated interest in periodic installments on or prior to the date three Business Days prior to the Stated Maturity of the Notes; *provided* that (i) if the Principal Only Security gives the holder thereof a claim only on the accreted portion of the Principal Only Security in the event of the bankruptcy of the issuer thereof, only the accreted value of such Principal Only Security shall be included for the purposes of the calculation of the Net Outstanding Collateral Debt Security Balance; (ii) if the Principal Only Security gives the holder thereof a claim on the entire principal balance of the Principal Only Security in the event of the bankruptcy of the issuer thereof, the entire principal balance of such Principal Only Security shall be included for the purposes of the calculation of the Net Outstanding Collateral Debt Security Balance; *provided* that if such claim is not evidenced by either (1) the Principal Only Security instrument and certified as such in writing by the Collateral Manager or (2) an opinion of counsel confirming the entire claim in bankruptcy proceedings and written certification of such by the Collateral Manager, the holder of the Principal Only Security shall have a claim only on the accreted portion of such security as provided in clause (i); and (iii) if the type of the Principal Only Security described in clause (i) is purchased with equal notional of Interest Only Securities that provide for a market interest rate, the entire principal balance of such Principal Only Security shall be included for the purposes of the calculation of the Net Outstanding Collateral Debt Security Balance, *provided* that a default of either the Interest Only Security or Principal Only Security will require liquidation of the non-defaulted component on this combined position with the resulting sale proceeds and any interest received on the Interest Only Security after the occurrence of the default but prior to such liquidation to be applied as Principal Proceeds.

"Principal Proceeds" means, with respect to any Collection Period, the sum (without duplication) of:

(1) the Uninvested Proceeds on deposit in the Initial Deposit Account that are transferred to the Collection Account for application as Principal Proceeds;

(2) all payments of principal on the Collateral Debt Securities and Eligible Investments (other than payments of principal of Eligible Investments acquired with Interest Proceeds) received in cash by the Issuer during such Collection Period including prepayments or mandatory sinking fund payments, payment received on Synthetic Securities structured as credit default swaps enabling the Issuer to purchase credit protection, or payments in respect of optional redemptions, exchange offers, tender offers, recoveries and all other cash flow received on any Defaulted Security (to the extent that such amounts received and any other recoveries received on such Collateral Debt Security since such Collateral Debt Security became a Defaulted Security are less than or equal to the par amount of such Defaulted Security), Deferred Interest PIK Bonds and Written-Down Securities (other than payments of interest received since such Collateral Debt Security became a Written-Down Security in excess of the Written Down Amount), including the proceeds of a sale of any Equity Security and any amounts received as a result of optional redemptions, exchange offers, tender offers for any Equity Security received in cash by the Issuer during such Collection Period;

(3) Sale Proceeds received by the Issuer during such Collection Period (excluding those included in Interest Proceeds as defined above);

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(4) all payments of principal on Eligible Investments purchased with amounts from the Principal Collection Subaccount (excluding any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) received in cash by the Issuer on or before the Business Day immediately preceding the Payment Date related to such Collection Period;

(5) any proceeds resulting from the full or partial termination and liquidation of the Hedge Agreements, to the extent such proceeds exceed the cost of entering into replacement Hedge Agreements;

(6) all payments received in cash by the Issuer during such Collection Period that represent call, prepayment or redemption premiums;

(7) accrued interest on Collateral Debt Securities purchased with Principal Proceeds;

(8) all yield maintenance payments received in cash by the Issuer during such Collection Period;

(9) all other payments received in connection with the Collateral Debt Securities, Eligible Investments and U.S. Agency Securities that are not included in Interest Proceeds;

(10) all payments of interest due and payable on the Collateral Debt Securities on or prior to the Closing Date as specified in writing to the Trustee (other than amounts due and payable to the Warehouse Lender pursuant to the Warehouse Credit Agreement); and

(11) all amounts on deposit in any Synthetic Security Counterparty Account that are transferred to the Principal Collection Subaccount;

provided that in no event shall Principal Proceeds include the U.S.$1,000 of capital contributed by the owners of the Issuer's ordinary shares in accordance with the Issuer Charter or U.S.$1,000 representing a profit fee to the Issuer.

"Principal Waterfall" means the Priority of Payments set forth under the Section entitled "Description of the Notes—Priority of Payments—Principal Waterfall".

"Priority of Payments" shall have the meaning given in this Offering Circular in the Section headed "Description of the Notes – Priority of Payments."

"Purchase Agreement" means a certain purchase agreement, dated March 29, 2005, between the Co-Issuers and the Initial Purchaser.

"Pure Private Collateral Debt Security" means any security that was not (i) issued pursuant to an effective registration statement under the Securities Act or (ii) a privately placed security that is eligible for resale under Rule 144A or Regulation S under the Securities Act.

"Qualified Purchaser" shall have the meaning given in Section 3(c)(7) of the Investment Company Act of 1940, as amended.

"Qualifying Foreign Obligor" means a corporation, partnership, trust or other entity located in an Eligible Country.

"Qualifying Interest Only Security" means, with respect to any Measurement Date, any Interest Only Security having a Moody's Rating of "Aaa", a Fitch Rating of "AAA" and a Standard & Poor's Rating of "AAA".

"Qualifying Investment Vehicle" means an entity as to which all of the beneficial owners of any securities issued by such entity have made, and as to which (in accordance with the document pursuant to which such entity was organized or the agreement or other document governing such securities) each such beneficial owner must require any transferee of any such security to make each of the representations set forth in this Offering

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Circular and (where applicable) an Investor Application Form and/or the transfer certificate pursuant to which such Offered Securities were transferred to such entity (in each case, with appropriate modifications to reflect the indirect nature of the interests of such beneficial owners in the Offered Securities).

"Ramp-Up Completion Date" means the date that is the earlier of (i) 120 days following the Closing Date and (ii) the date that the Collateral Manager designates in writing as the Ramp-Up Completion Date; *provided* that the Aggregate Principal Balance of the Collateral Debt Securities (excluding, for the purpose of this clause (ii), (a) any prepayments of principal on any Collateral Debt Securities and (b) any U.S. Agency Securities purchased with Uninvested Proceeds) held by the Issuer, together with the aggregate amount of unpaid interest accrued thereon prior to the respective dates of purchase thereof, is at least equal to the Required Amount.

"Ramp-Up Notice" means the notice given by the Issuer to the Trustee, each Rating Agency and each Hedge Counterparty in writing within seven Business Days after the Ramp-Up Completion Date

"Ramp-Up Period" means the period beginning on the Closing Date and ending on the Ramp-Up Completion Date.

"Rating Agencies" means Moody's, Standard & Poor's and Fitch and **"Rating Agency"** means any of them, as the context may require.

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

"Rating Confirmation" shall have the meaning given in this Offering Circular in the Section headed "Risk Factors – Rating Confirmation Failure; Mandatory Redemption."

"Rating Confirmation Failure" shall have the meaning given in this Offering Circular in the Section headed "Risk Factors – Rating Confirmation Failure; Mandatory Redemption."

"Rating Confirmation Failure Redemption" shall have the meaning given in this Offering Circular in the Section headed "Risk Factors – Rating Confirmation Failure; Mandatory Redemption."

"Ratings Event" means, with respect to the Initial Interest Rate Hedge Counterparty, the occurrence of any of the following: (i) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to or below "A2", if its Hedge Rating Determining Party has a long-term rating only; (ii) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to or below "A3" or the short-term senior unsecured debt rating of the Hedge Rating Determining Party falls to or below "P 2"; (iii) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Standard & Poor's is withdrawn, suspended or falls below "BBB-"; (iv) the short-term issuer credit rating of its Hedge Rating Determining Party from Fitch is withdrawn, suspended or falls below "F2" or, if no such rating is available, the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Fitch is withdrawn, suspended or falls below "BBB+"; or (v) the failure of the Initial Interest Rate Hedge Counterparty to provide, within 10 days following a Collateralization Event, sufficient collateral as required under Section 16.1(d) and the relevant Hedge Agreement.

"Reclassified Security" shall have the meaning given in this Offering Circular in the Section headed "Eligibility Criteria – Reclassified Securities."

"Reclassified Security Account" shall have the meaning given in this Offering Circular in the Section headed "Eligibility Criteria – Reclassified Securities."

"Reclassified Security Confirm" shall have the meaning given in this Offering Circular in the Section headed "Eligibility Criteria – Reclassified Securities."

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"Reclassified Security Coupon" shall have the meaning given in this Offering Circular in the Section headed "Eligibility Criteria – Reclassified Securities."

"Reclassified Security Maturity Date" shall have the meaning given in this Offering Circular in the Section headed "Eligibility Criteria – Reclassified Securities."

"Reclassified Security Notional Amount" shall have the meaning given in this Offering Circular in the Section headed "Eligibility Criteria – Reclassified Securities."

"Reclassified Security Rating" shall have the meaning given in this Offering Circular in the Section headed "Eligibility Criteria – Reclassified Securities."

"Record Date" is the date fifteen days prior to the applicable Payment Date.

"Redemption Amount" means, with respect to an Optional Redemption, a Tax Redemption, and an Auction Call Redemption, an amount equal to the sum of (i) the Redemption Price; (ii) all Administrative Expenses then due and payable, and (iii) all other payments, fees and unpaid expenses of the Co-Issuers, including the Issuer Default Termination Amount, if any, due to any Hedge Counterparty, and the Senior Collateral Management Fee and the Subordinate Collateral Management Fee due to the Collateral Manager.

"Redemption Date" means the date scheduled for redemption with respect to an Optional Redemption, Tax Redemption, or Auction Call Redemption.

"Redemption Price" means an amount equal to (i) the Aggregate Outstanding Amount of such Note being redeemed *plus* accrued interest (including any Defaulted Interest) thereon, and (ii) with respect to the Class C Notes, any unpaid Class C Deferred Interest, to the extent that funds are available therefor in accordance with the Priority of Payments.

"Reference Banks" " means four major banks in the London interbank market, selected by the Calculation Agent (after consultation with the Collateral Manager) whose rates are used by the Calculation Agent in determining LIBOR if the LIBOR rate does not appear on Telerate Page 3750 (or such other page as may replace such Telerate Page 3750 for the purpose of displaying comparable rates), as reported by Bloomberg Financial Markets Commodities News.

"Reference Dealers" means three major dealers in the secondary market for U.S. Dollar certificates of deposit, selected by the Calculation Agent (after consultation with the Collateral Manager) whose rates are used by the Calculation Agent in determining LIBOR if the LIBOR rate does not appear on Telerate Page 3750 (or such other page as may replace such Telerate Page 3750 for the purpose of displaying comparable rates), as reported by Bloomberg Financial Markets Commodities News, and if the Calculation Agent is unable to calculate LIBOR by referencing the Reference Banks.

"Reference Obligation" " means any Asset-Backed Security, Corporate Debt Security or REIT Debt Security that satisfied Eligibility Criteria (8), (9), and (10) at the time the Synthetic Security is entered into.

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

"Registered" shall have the meaning given in this Offering Circular in the Section headed "Eligibility Criteria."

"Regulation S" means Regulation S under the Securities Act of 1933, as amended.

"Regulation S Definitive Notes" means Definitive Notes issued to persons that are not U.S. Persons and that are not held for the account or benefit of U.S. Persons.

"Regulation S Definitive Preference Shares" means Definitive Preference Shares issued to persons that are not U.S. Persons and that are not held for the account or benefit of U.S. Persons.

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"Regulation S Definitive Securities" means the Regulation S Definitive Notes together with the Regulation S Definitive Preference Shares.

"Regulation S Global Note" means Notes in definitive, fully registered form, without interest coupons, that are sold or transferred outside the United States of America to persons that are not U.S. Persons in reliance on the exemption from registration in Regulation S. Such Notes are registered in the name of DTC, and are deposited with the Trustee.

"Regulation S Global Preference Share" means Preference Shares in definitive, fully registered form, without interest coupons, that are sold or transferred outside the United States of America to persons that are not U.S. Persons in reliance on the exemption from registration in Regulation S. Such Preference Shares are registered in the name of DTC, and are deposited with the Trustee.

"Regulation S Global Securities" means the Regulation S Global Notes together with the Regulation S Global Preference Shares.

"Regulation S Securities" means the Regulation S Global Securities together with the Regulation S Definitive Securities.

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

"Reinvestment Period" means the period from the Closing Date and ending on the first to occur of (i) the Payment Date immediately following the date that the Collateral Manager notifies the Trustee and each Hedge Counterparty in writing that, in light of the composition of Collateral Debt Securities, general market conditions and/or other factors, the Collateral Manager (in its sole discretion) has determined that investments in additional Collateral Debt Securities within the foreseeable future would either be impractical or not beneficial; (ii) the end of the Collection Period preceding the Payment Date occurring in May 2008; (iii) an acceleration of the maturity of the Notes (unless such acceleration has subsequently been rescinded and annulled, in which case the Reinvestment Period shall be reinstated upon such rescission or annulment); and (iv) the Discretionary Sale Percentage is reduced to 0%.

"REIT Debt Securities" means debt securities issued by real estate investment trusts that, when granted to the Trustee hereunder, satisfy the applicable Eligibility Criteria.

"Replacement Manger" means a successor Collateral Manager.

"Required Amount" shall have the meaning given in this Offering Circular in the Section headed "Summary – Description of the Collateral."

"Re-REMIC Securities" means Asset-Backed Securities that generally entitle the holders thereof to receive payments that depend primarily on the cash flow from multiple securities that are collateralized by REMIC regular interests issued by "real estate mortgage investment conduits" (within the meaning of Section 860D of the Code).

"Residential Asset-Backed Securities" means Home Equity Loan Securities; Residential A Mortgage Securities; Residential B/C Mortgage Securities; and any other type of Asset-Backed Securities that becomes a Specified Type after the Closing Date and is designated as "Residential Asset-Backed Securities" in connection therewith.

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"Restricted Definitive Notes" means Definitive Notes that are sold or transferred to a U.S. Person or to a Person in the United States of America that is a Qualified Institutional Buyer in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A or to Accredited Investors in reliance upon another exemption from the registration requirements of the Securities Act, and that are represented by certificates in definitive, fully registered form, registered in the name of the legal and beneficial owner thereof.

"Restricted Definitive Preference Shares" means Preference Shares that are sold or transferred to a U.S. Person or to a Person in the United States of America that is a Qualified Institutional Buyer in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A or to Accredited Investors in reliance upon another exemption from the registration requirements of the Securities Act, and that are represented by certificates in definitive, fully registered form, registered in the name of the legal and beneficial owner thereof.

"Restricted Definitive Securities" means the Restricted Definitive Notes together with the Restricted Definitive Preference Shares.

"Rule 144A Global Note" means Notes that are sold or transferred to a U.S. Person or in the United States of America in reliance upon Rule 144A, and that are represented by one or more permanent global notes in definitive, fully registered form, without interest coupons, and deposited with the Trustee as custodian for, and registered in the name of, DTC or its nominee.

"Sale Proceeds" means all proceeds received by the Issuer in connection with the sale or other disposition of any Collateral Debt Security, net of all reasonable costs and expenses incurred by the Issuer, the Collateral Manager, or the Trustee (including the fees and expenses of its counsel) in connection with such sale or disposition, and excluding (i) all amounts attributable to accrued interest, and (ii) unless otherwise determined by the Collateral Manager, all other payments, other than principal payments, related to the solicitation of a consent or a waiver or to any similar solicitation received by the Issuer. Notwithstanding any of the foregoing, all or a portion of any accrued interest thereon received by the Issuer in connection with the sale or other disposition of a Collateral Debt Security may, at the Collateral Manager's sole discretion, be treated as Sale Proceeds to the extent needed to pay the purchase price (including accrued interest) of any additional Collateral Debt Security.

"SEC" means the United States Securities and Exchange Commission.

"Second Period" shall have the meaning given in this Offering Circular in the Section headed "The Collateral Management Agreement – Termination of the Collateral Management Agreement."

"Secured Note Register" means the register maintained by the Secured Note Registrar in which it will register the Secured Notes and any transfers of the Secured Notes.

"Secured Note Registrar" means Wells Fargo Bank, National Association as registrar for the Secured Notes.

"Secured Notes" means the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C-1 Notes and Class C-2 Notes.

"Secured Noteholder" means the holder of a beneficial interest in one or more of the Secured Notes.

"Secured Parties" means the Collateral Manager, the holders from time to time of the Notes, the Trustee and each Hedge Counterparty.

"Securities Lending Account" shall have the meaning given in this Offering Circular in the Section headed "Eligibility Criteria – Securities Lending."

"Securities Lending Agreement" shall have the meaning given in this Offering Circular in the Section headed "Eligibility Criteria – Securities Lending."

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"Securities Lending Collateral" shall have the meaning given in this Offering Circular in the Section headed "Eligibility Criteria – Securities Lending."

"Semi-Annual Interest Distributions" means Distributions of interest on any Collateral Debt Security in respect of which payments of interest are scheduled to be made on a semi-annual basis.

"Semi-Annual Interest Reserve Account" means an account, maintained by the Issuer with the Trustee, into which the Semi-Annual Interest Reserve Amount is deposited on each Payment Date.

"Senior" shall have the meaning given in this Offering Circular in the Section headed "Description of the Notes – Status and Security."

"Senior Collateral Management Fee" means the fee that is payable to the Collateral Manager in an amount (calculated on the basis of a 360 day year and the actual number of days elapsed) equal to 0.23% per annum of the average of the Net Outstanding Collateral Debt Security Balance.

"Semi-Annual Interest Distributions" means Distributions of interest on any Collateral Debt Security in respect of which payment of interest are sche3duled to be made on a semi-annual basis.

"Semi-Annual Interest Reserve Account" means the Securities Account designated the "Semi-Annual Interest Reserve Account and established in the name of the Trustee pursuant to Section 10.5 of the Indenture.

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

"Share Trustee" means Walkers SPV Limited, not in its individual capacity, but solely as share trustee.

"Similar Law" shall have the meaning given in this Offering Circular in the Section headed "ERISA Considerations."

"Specified Types" means, with respect to Asset-Backed Securities and REIT Debt Securities, the types of Asset-Backed Securities and REIT Debt Securities categorized according to their underlying collateral or assets.

"Spread Excess" means as of any Measurement Date an amount equal to a fraction (expressed as a percentage), the *numerator* of which is equal to the product of (i) the greater of zero and the excess, if any, of the Weighted Average Spread for such Measurement Date over the Weighted Average Spread required to satisfy the Weighted Average Spread Test for such Measurement Date and (ii) the Aggregate Principal Balance of all Collateral Debt Securities that are Floating Rate Securities (other than Defaulted Securities, Written-Down Securities, Deferred Interest PIK Bonds and Interest Only Securities that are not Qualifying Interest Only Securities) and the *denominator* of which is the Aggregate Principal Balance of all Collateral Debt Securities that are Fixed Rate Securities (excluding all Defaulted Securities, Written-Down Securities, Deferred Interest PIK Bonds and Interest Only Securities that are not Qualifying Interest Only Securities). In computing the Spread Excess on any Measurement Date, the Weighted Average Spread for such Measurement Date will be computed as if the Fixed Rate Excess were equal to zero.

"Standard & Poor's" means Standard & Poor's Rating Services, a division of the McGraw-Hill Companies.

"Standard & Poor's CDO Monitor Test" shall have the meaning given in this Offering Circular in the Section headed "Security for the Notes – Collateral Quality Tests."

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"Standard & Poor's Haircut Threshold" means a threshold that is reached when the Aggregate Principal Balance of Collateral Debt Securities with a Standard & Poor’s Rating of "BB+" or below exceeds 15% of the Aggregate Principal Balance of all Collateral Debt Securities, Principal Proceeds and Uninvested Proceeds held by the Issuer.

"Standard & Poor’s Weighted Average Recovery Rate Test" shall have the meaning given in this Offering Circular in the Section headed "Security for the Notes – Collateral Quality Tests."

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

"Step-Up Bond" means a security which by the terms of the related Underlying Instrument provides for an increase, in the case of a Fixed Rate Security, in the *per annum* interest rate on such security or, in the case of a Floating Rate Security, in the spread over the applicable index or benchmark rate, solely as a function of the passage of time; *provided* that a Step-Up Bond shall not include any such security providing for payment of a constant rate of interest at all times after the date of acquisition by the Issuer. In calculating the Weighted Average Spread and the Weighted Average Coupon by reference to the spread (in the case of a floating 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 or in effect on such date. For purposes of calculating the Net Outstanding Collateral Debt Security Balance, the principal balance of any Step-Up Bond issued at a discount shall be deemed to be the accreted balance of such Step-Up Bond.

"Subordinate" shall have the meaning given in this Offering Circular in the Section headed "Description of the Notes – Status and Security."

"Subordinate Collateral Management Fee" means, on any Payment Date, an amount (calculated on the basis of a 360 day year and the actual number of days elapsed) equal to 0.25% per annum of the average of the Net Outstanding Collateral Debt Security Balance.

"Synthetic Security" shall have the meaning given in this Offering Circular in the Section headed "Security for the Notes – Collateral Debt Securities – Synthetic Securities."

"Synthetic Security Counterparty" means any entity required to make payments on a Synthetic Security to the extent that a Reference Obligor makes payments on a related Reference Obligation, which counterparty or its long-term senior unsecured debt shall be rated "A" or greater by Fitch, "A" or greater by Standard & Poor's and "A2" or greater by Moody's.

"Synthetic Security Counterparty Account" means a segregated securities account established by the Trustee, maintained by the Trustee, and over which the Trustee shall have exclusive control and the sole right of withdrawal in accordance with the applicable Synthetic Security and the Indenture. Such account will be established if and to the extent that any Synthetic Security requires the Issuer to secure its obligations with respect to any such Synthetic Security.

"Synthetic Security Counterparty Defaulted Obligation" means a Synthetic Security with respect to which:

(a) (i) the long-term debt obligations of the relevant Synthetic Security Counterparty are rated less than "A3" by Moody's (and if rated "A3", have not been placed on a watch list for possible downgrade), or the short-term debt obligations of such Synthetic Security Counterparty are rated "CC", "C" or "SD" by Standard & Poor's, or cease to be rated and (ii) the relevant Synthetic Security Counterparty fails to secure or assign its

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obligations with respect to the relevant Synthetic Security as required by the relevant Synthetic Security documentation; or

(b) the relevant Synthetic Security Counterparty has defaulted in the performance of any of such Synthetic Security Counterparty's payment obligations under such Synthetic Security.

"Synthetic Security Issuer Account" is a segregated securities account held in the name of the Trustee, and established by the Bank at the direction of the Trustee if and to the extent that any Synthetic Security requires the Synthetic Security Counterparty to secure its obligations with respect to such Synthetic Security. The Trustee shall deposit into each Synthetic Security Issuer Account all amounts that are required to secure the obligations of the Synthetic Security Counterparty in accordance with the terms of such Synthetic Security. Except for investment earnings, a Synthetic Security Counterparty shall not have any legal, equitable or beneficial interest in any Synthetic Security Issuer Account other than in accordance with the Indenture, the applicable Synthetic Security and applicable law.

"Tax Event" means an event whereby (i) any obligor or Hedge Counterparty is required to deduct or withhold from any payment under any Collateral Debt Security or under any Hedge Agreement, as applicable, to the Issuer for or on account of any tax for whatever reason and such obligor or Hedge Counterparty is not required to pay to the Issuer such additional amount as is necessary to ensure that the net amount actually received by the Issuer (free and clear of taxes, whether assessed against such obligor or the Issuer) will equal the full amount that the Issuer would have received had no such deduction or withholding occurred or (ii) any jurisdiction imposes net income, profits or a similar tax on the Issuer.

"Tax Materiality Condition" will be satisfied if the aggregate amount deducted or withheld by all obligors from any payment under any Corporate Debt Security during any 12-month period (net of any gross-up payment made by such obligor to the Issuer) exceeds U.S.$1,000,000.

"Tax Redemption" means a redemption of the Notes, in whole but not in part, by the Issuer at the direction of the holders of the majority of the Preference Shares if a Tax Event shall have occurred that satisfies the Tax Materiality Condition. No Tax Redemption shall occur unless proceeds from the sale of Pledged Collateral Debt Securities and Eligible Investments, together with all cash credited to an Account pledged to the Secured Parties on the relevant Payment Date are at least equal the amount sufficient to pay (in accordance with the Priority of Payments) the Redemption Amount applicable to all Classes of Notes.

"Total Senior Redemption Amount" means, as of any Payment Date, the aggregate amount required (a) to make all payments of accrued and unpaid amounts referred to in clauses (1) through (13) of the Interest Waterfall and clauses (1) through (9) of the Principal Waterfall as of such date (including any termination payments payable by the Issuer pursuant to any Hedge Agreement and any fees and expenses incurred by the Trustee in connection with the sale of Collateral Debt Securities) and (b) to redeem all the Notes on the scheduled Redemption Date at the applicable Redemption Prices, together with all accrued and unpaid interest to the date of redemption.

"Transfer Agent" means Wells Fargo Bank, National Association, not in its individual capacity, but solely as transfer agent.

"Trustee" means Wells Fargo Bank, National Association, not in its individual capacity but solely as trustee under the Indenture.

"Trust Officer" means, when used with respect to the Trustee, any Officer within the CDO Trust Services Group of the Corporate Trust Office (or any successor group of the Trustee) authorized to act for and on behalf of the Trustee, including any vice president, assistant vice president or other Officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such Officers, respectively, or to whom any corporate trust matter is referred at the CDO Trust Services Group of the Corporate Trust Office because of such person's knowledge of and familiarity with the particular subject.

"Underlying Instruments" means, with respect to any Collateral Debt Security or Eligible Investment, any loan agreement or other credit agreement, loan assignment agreement, indenture, pooling and

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servicing agreement, trust agreement, instrument, or other agreement pursuant to which such Collateral Debt Security or Eligible Investment has been created or issued and each other agreement that governs the terms of or secures the obligations represented by such Collateral Debt Security or Eligible Investment, or of which the holders of such Collateral Debt Security or Eligible Investment are the beneficiaries, and any instrument evidencing or constituting such Collateral Debt Security or Eligible Investment (in the case of any Collateral Debt Security or Eligible Investment evidenced by or in the form of an instrument).

"Uninvested Proceeds" means, at any time, the net proceeds received by the Issuer on or after the Closing Date, from the initial issuance of the Notes and the Preference Shares to the extent such proceeds have not been deposited in the Expense Reimbursement Account in accordance with the Indenture, invested in Collateral Debt Securities in accordance with the terms of the Indenture or deposited in a Synthetic Security Counterparty Account.

"Unit" means a Collateral Debt Security with a warrant attached as a component thereof which otherwise meets the requirements for Collateral Debt Securities; *provided* that the value of such warrant at the time of purchase, as determined by the Collateral Manager in good faith, is less than 2% of the purchase price of such Collateral Debt Security.

"U.S. Agency Securities" means direct registered obligations of, and registered obligations the timely payment of principal and interest on which is fully and expressly guaranteed by, the United States of America or any agency or instrumentality of the United States of America, including, for the avoidance of doubt, Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac).

"**Voting Factor**": At any time, a number obtained by (a) calculating the percentage obtained by multiplying 4.99% by the number of Regulation Y Institutions as to which the ratio (expressed as a percentage) of the number of Preference Shares held by such Regulation Y Institution at such time divided by the aggregate number of Preference Shares held by all Preference Shareholders at such time exceeds 4.99%, (b) subtracting the percentage obtained in clause (a) above from 100% and (c) dividing the percentage obtained in clause (b) above by the percentage obtained by dividing (i) the aggregate number of Preference Shares held by all Preference Shareholders by (ii) the aggregate number of Preference Shares held by all Preference Shareholders; *provided* that, for the purposes of this definition and the definitions of "Voting Percentage" and "Voting Preference Shares", (i) any Preference Shares owned by the Issuer, the Co Issuer, any other obligor upon the Notes or any affiliate thereof or by the Initial Purchaser will be disregarded and deemed not to be outstanding and (ii) any Preference Shares held by the Collateral Manager, any affiliate thereof or any account for which the Collateral Manager or any affiliate thereof acts as investment adviser (and for which the Collateral Manager or such affiliate has discretionary authority) will be, in each case, disregarded and deemed not to be outstanding for purposes of any direction, notice or consent to be given by the Preference Shareholders with respect to any assignment or termination of any of the rights or obligations of the Collateral Manager under the Management Agreement or the Indenture (including the exercise of any rights to remove the Collateral Manager or terminate the Management Agreement or approve or object to a replacement of the Collateral Manager), or any amendment or other modification of the Management Agreement or the Indenture increasing the rights or decreasing the obligations of the Collateral Manager.

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

"Weighted Average Coupon" means, as of any Measurement Date, the sum (rounded up to the next 0.001%) of (i) (a) so long as the Aggregate Principal Balance of all Collateral Debt Securities is equal to or less than the Required Amount, the number obtained by summing the products obtained by *multiplying* the current interest rate on each Collateral Debt Security that is a Fixed Rate Security (excluding all Defaulted Securities, Written-Down Securities, Deferred Interest PIK Bonds and Interest Only Securities) by the principal balance of each such Collateral Debt Security and *dividing* such sum *by* the Aggregate Principal Balance of all Collateral Debt Securities that are Fixed Rate Securities (excluding all Defaulted Securities, Written-Down Securities, Deferred

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Interest PIK Bonds and Interest Only Securities) and (b) so long as the Aggregate Principal Balance of all Collateral Debt Securities is greater than the Required Amount, the number obtained in clause (i)(a) multiplied by a fraction the *numerator* of which is the Aggregate Principal Balance of all the Collateral Debt Securities that are Fixed Rate Securities and the *denominator* of which is (A) the Required Amount multiplied by (B) a fraction the *numerator* of which is the Aggregate Principal Balance of the Fixed Rate Securities and the *denominator* of which is the Aggregate Principal Balance of all Collateral Debt Securities *plus* (ii) the number obtained by summing the products obtained by *multiplying* the imputed interest rate on each Qualifying Interest Only Security that is a Fixed Rate Security (computed relative to the accreted principal amount of such Qualifying Interest Only Security) by the accreted principal amount of each such Qualifying Interest Only Security and *dividing* such sum *by* the Aggregate Principal Balance of all Collateral Debt Securities that are Fixed Rate Securities (excluding all Defaulted Securities, Written-Down Securities and Deferred Interest PIK Bonds and rounding the sum of (i) and (ii) up to the next 0.001% and (iii) if such sum would not satisfy the Weighted Average Coupon Test for such Measurement Date, adding to such sum the amount of Spread Excess, if any as of such Measurement Date (but only to the extent necessary to cause the Weighted Average Coupon Test to be satisfied). For purposes of this definition, (a) a PIK Bond shall be deemed to be a Deferred Interest PIK Bond so long as any interest thereon has been deferred and capitalized for at least one payment date (until payment of interest on such PIK Bond has resumed and all capitalized and deferred interest has been paid in accordance with the terms of the Underlying Instruments) and (b) no contingent payment of interest will be included in such calculation.

"Weighted Average Coupon Test" shall have the meaning given in this Offering Circular in the Section headed "Security for the Notes – The Collateral Quality Tests."

"Weighted Average Life" means on any Measurement Date on or after the Ramp-up Completion Date with respect to any Collateral Debt Security that is not an Equity Security, the number obtained by (i) *summing* the products obtained by *multiplying* (a) the Average Life at such time of each Collateral Debt Security by (b) the Principal Balance of such Collateral Debt Security and (ii) *dividing* such sum by the Aggregate Principal Balance at such time of all Collateral Debt Securities.

"Weighted Average Life Test" shall have the meaning given in this Offering Circular in the Section headed "Security for the Notes – The Collateral Quality Tests."

"Weighted Average Spread" means, as of any Measurement Date, the sum (rounded up to the next 0.001%) of (i) (a) so long as the Aggregate Principal Balance of all Collateral Debt Securities is equal to or less than the Required Amount, the number obtained by summing the products obtained by *multiplying* the spread above (x) in the case of Collateral Debt Securities that pay interest at a spread above LIBOR, LIBOR and (y) in the case of Collateral Debt Securities that pay interest at a spread above an index other than LIBOR, the sum of (1) the then-current interest rate of such index *minus* LIBOR (which may be a negative number) *plus* (2) the spread above the applicable non-LIBOR interest rate at which, in each case, interest accrues on each Collateral Debt Security that is a Floating Rate Security (excluding all Defaulted Securities, Written-Down Securities, Deferred Interest PIK Bonds or Interest Only Securities) by the Aggregate Principal Balance of each such Collateral Debt Security and *dividing* such sum *by* the Aggregate Principal Balance of all Collateral Debt Securities that are Floating Rate Securities (excluding all Defaulted Securities, Written-Down Securities, Deferred Interest PIK Bonds and Interest Only Securities) and (b) so long as the Aggregate Principal Balance of all Collateral Debt Securities is greater than the Required Amount, the number obtained in clause (i)(a) multiplied by a fraction the *numerator* of which is the Aggregate Principal Balance of all the Collateral Debt Securities that are Floating Rate Securities and the *denominator* of which is (A) the Required Amount multiplied by (B) a fraction the *numerator* of which is the Aggregate Principal Balance of the Floating Rate Securities and the *denominator* of which is the Aggregate Principal Balance of all Collateral Debt Securities *plus* (ii) the number obtained by summing the products obtained by *multiplying* the imputed interest rate on each Qualifying Interest Only Security that is a Floating Rate Security (computed relative to the accreted principal amount of such Qualifying Interest Only Security) by the accreted principal amount of each such Qualifying Interest Only Security and *dividing* such sum *by* the Aggregate Principal Balance of all Collateral Debt Securities that are Floating Rate Securities (excluding all Defaulted Securities, Written-Down Securities and Deferred Interest PIK Bonds) and rounding the sum of (i) and (ii) up to the next 0.001% and (iii) if such sum would not satisfy the Weighted Average Spread Test for such Measurement Date, adding to such sum the amount of Fixed Rate Excess, if any as of such Measurement Date (but only to the extent necessary to cause the Weighted Average Spread Test to be satisfied). For purposes of this definition, (a) a PIK Bond shall be deemed to be a Deferred Interest PIK Bond so long as any interest thereon has been deferred and

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capitalized for at least one payment date (until payment of interest on such PIK Bond has resumed and all capitalized and deferred interest has been paid in accordance with the terms of the Underlying Instruments) and (b) no contingent payment of interest will be included in such calculation.

"Weighted Average Spread Test" shall have the meaning given in this Offering Circular in the Section headed "Security for the Notes – The Collateral Quality Tests."

"Written Down Amount" means, with respect to a Written-Down Security, the number that is obtained when the par amount of such Written-Down Security is reduced to reflect the percentage by which the aggregate par amount of the entire issue of which such Written-Down Security is a part (taking into account all securities ranking pari passu with or senior in priority of payment thereto and secured by the same pool of collateral) exceeds the aggregate par amount (including reserved interest or other amounts available for overcollateralization) of all collateral securing such issue (excluding defaulted collateral), as determined by the Collateral Manager using customary procedures and information available in the servicer reports relating to such Written-Down Security.

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

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ANNEX B

"ABS CDO Securities" means CDO Securities (other than Corporate CDO Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from a portfolio consisting primarily of asset-backed securities.

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

"Automobile Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from installment sale loans made to finance the acquisition of, or from leases of, automobiles, generally having the following characteristics: (1) the loans or leases may have varying contractual maturities; (2) the loans or leases are obligations of numerous borrowers or lessors and accordingly represent a very diversified pool of obligor credit risk; (3) 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 (4) such leases typically provide for the right of the lessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"Bank Guaranteed Securities" means any Asset-Backed Security as to which, if interest thereon is not timely paid when due, or the principal thereof is not timely paid at stated legal maturity, a national banking association organized under United States law or banking corporation organized under the law of a state of the United States has undertaken in an irrevocable letter of credit or other similar instrument to make such payment against the presentation of documents, but only if such letter of credit or similar instrument: (1) expires no earlier than such stated maturity (or contains "evergreen" provisions entitling the beneficiary thereof to draw the entire undrawn amount thereof upon the failure of the expiration date of such letter of credit or other similar instrument to be extended beyond its then current expiry date); (2) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset-Backed Security; and (3) was issued by a bank having a credit rating assigned by each nationally recognized statistical rating organization that currently rates such Asset-Backed Security higher than the credit rating assigned by such rating organization to such Asset-Backed Security, determined without giving effect to such letter of credit or similar instrument, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"Car Rental Fleet 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: (1) the leases and subleases have varying contractual maturities; (2) the subleases are obligations of numerous franchisees and accordingly represent a very diversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee or third party of the underlying vehicle; and (4) such leases or subleases

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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.

"CDO Securities" means high-Diversity CDO Securities and Low-Diversity CDO Securities.

"CLO 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 such Securities) on the cash flow from a portfolio consisting of commercial and industrial loans.

"CMBS Conduit Securities" means Asset-Backed Securities (other than CMBS Credit Tenant Lease Securities and CMBS Large Loan Securities) (A) issued by a single-seller or multi-seller conduit under which the holders of such Asset-Backed Securities have recourse to a specified pool of assets (but not other assets held by the conduit that support payments on other series of securities) and (B) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of commercial mortgage loans generally having the following characteristics: (1) the commercial mortgage loans have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the commercial mortgage loans are obligations of a relatively limited number of obligors in comparison to Consumer Asset-Backed Securities (with the creditworthiness of individual obligors being less material than for CMBS Large Loan Securities and Credit Tenant Lease Securities) and accordingly represent a relatively undiversified pool of obligor credit risk; and (4) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium.

"CMBS Credit Tenant Lease Securities" means Asset-Backed Securities (other than CMBS Large Loan Securities and CMBS Conduit Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties leased to corporate tenants (or on the cash flow from such leases). They generally have the following characteristics: (1) the commercial mortgage loans or leases have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the leases are secured by leasehold interests; (4) the commercial mortgage loans or leases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment thereof can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans or termination of leases depending on numerous factors specific to the particular obligors or lessees and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; and (6) the creditworthiness of such corporate tenants is the primary factor in any decision to invest in these securities.

"CMBS Large Loan Securities" means Asset-Backed Securities (other than CMBS Conduit Securities and CMBS Credit Tenant Lease Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties. They generally have the following characteristics: (1) the commercial mortgage loans have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the commercial mortgage loans are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (4) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (5) the valuation of individual properties securing the commercial mortgage loans is the primary factor in any decision to invest in these securities.

"CMBS Securities" means CMBS Conduit Securities, CMBS Credit Tenant Lease Securities and CMBS Large Loan Securities.

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"Corporate CDO Securities" means a CDO Security (not including any Trust Preferred CDO Security) of which more than 10% of the principal amount of the underlying assets consists of corporate debt obligations, CLO Securities or any combination of the foregoing.

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

"Entertainment 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 box office receipts and other revenue, including royalties, received by a distributor of films: (1) the securities evidence the right to receive the future receipts from one or more movies of a specified type; (2) the securities may or may not be backed by existing receivables or contract rights, and may depend primarily on the ability of the originator to continue to generate sufficient levels of receivables or contract rights in the future; and (3) the receivables or contract rights represent obligations from a limited number of obligors and accordingly represent an undiversified pool of obligor credit risk.

"Equipment Leasing Securities" means Asset-Backed Securities (other than Healthcare Securities, Aircraft Securities, Franchise Securities and 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 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 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.

"Franchise Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from (a) a pool of franchise loans made to operators of franchises that provide oil, 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. They generally have the following characteristics: (1) the loans, leases or subleases have varying contractual maturities; (2) the loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the obligations of the lessors or sublessors of the equipment may be secured not only by the leased equipment but also the related real estate; (4) the loans, leases and subleases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment of the loans can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; (6) the repayment stream on the leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, a sublessee or third party of the underlying equipment; (7) such leases and subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of a lease term for excess usage or wear and tear; and (8) the ownership of a franchise right or other similar license and the creditworthiness of such franchise operators is the primary factor in any decision to invest in these securities.

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"Future Flow Securities" means Asset-Backed Securities (other than Stadium Receivables 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 or contract rights of originators for the provision of goods or services to consumers and commercial enterprises: (1) the securities evidence the right to receive future cash flows; (2) the securities are not backed by existing receivables or contract rights, but rather the ability of the originator to continue to generate sufficient levels of receivables or contract rights in the future; (3) the securities may be rated higher than the sovereign risk of the country of domicile of the originator; and (4) the receivables represent obligations from a limited number of obligors and accordingly represent an undiversified pool of obligor credit risk.

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

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

"High-Diversity CDO Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cashflow from a portfolio of commercial and industrial bank loans, other asset-backed securities or corporate debt securities or any combination of the foregoing, generally having the following characteristics: (1) the bank loans and debt securities have varying contractual maturities; (2) the loans and securities are obligations of obligors or issuers that represent a relatively diversified pool of obligor credit risk having a Moody's diversity score higher than 20; (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual bank loans or debt securities depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of loans or securities bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (4) proceeds from such repayments can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional bank loans and/or debt securities.

"Home Equity Loan Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from balances (including revolving balances) outstanding under loans or lines of credit secured by residential real estate (single or multi-family properties) the proceeds of which loans or lines of credit are not primarily used to purchase such real estate or to purchase or construct dwellings thereon (or to refinance indebtedness previously so used), generally having the following characteristics: (1) the balances have standardized payment terms and require minimum monthly payments; (2) the balances are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; (3) the repayment stream on such balances does not depend upon a contractual payment schedule, with early repayment depending primarily on interest rates, availability of credit against a maximum line of credit and general economic matters; and (4) the line of credit or loan may be secured by residential real estate with a market value (determined on the date of origination of such line of credit or loan) that is less than the original proceeds of such line of credit or loan.

"Insurance Company Guaranteed Securities" means Asset-Backed Securities as to which the timely payment of interest when due, and the payment of principal no later than stated legal maturity, is unconditionally guaranteed pursuant to an insurance policy, guarantee or other similar instrument issued by an insurance company

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

"Low-Diversity CDO Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cashflow from a portfolio of commercial and industrial bank loans, other asset-backed securities or corporate debt securities or any combination of the foregoing, generally having the following characteristics: (1) the bank loans and debt securities have varying contractual maturities; (2) the loans and securities are obligations of a pool of obligors or issuers that represent a relatively undiversified pool of obligor credit risk having a Moody's diversity score of 20 or lower; (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual bank loans or debt securities depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of loans or securities bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (4) proceeds from such repayments can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional bank loans and/or debt securities.

"Manufactured Housing Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from manufactured housing (also known as mobile homes and prefabricated homes) installment sales contracts and installment loan agreements, generally having the following characteristics: (1) the contracts and loan agreements have varying, but typically lengthy contractual maturities; (2) the contracts and loan agreements are secured by the manufactured homes and, in certain cases, by mortgages and/or deeds of trust on the real estate to which the manufactured homes are deemed permanently affixed; (3) the contracts and/or loans are obligations of a large number of obligors and accordingly represent a relatively diversified pool of obligor credit risk; (4) repayment thereof can vary substantially from the contractual payment schedule, with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (5) in some cases, obligations are fully or partially guaranteed by a governmental agency or instrumentality.

"Mutual Fund Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from certain payments accruing under the distribution plans and distribution agreements relating to shares of mutual funds. Mutual Fund Securities generally have the following characteristics: (i) flows consist primarily of sales charges which are payable periodically based on the net asset value of the related mutual fund and contingent deferred sales charges that are paid only upon the redemption of shares in such funds; (ii) returns on the securitized receivables will vary as the net asset values of the related mutual funds fluctuate due to a variety of factors, including performance of the equity markets, the fixed income markets, international markets, and other markets in which such funds invest; (iii) returns on such receivables are also sensitive to the rate and timing of shareholder redemptions due to the fact that contingent deferred sales charges are based upon the lower of net asset value at the time of purchase or at the time of redemption; and (iv) in the case of U.S. mutual funds, continuance of the flows from the securitized receivables is contingent on annual approval of the charges by the directors of the fund, including a majority of the directors that are unaffiliated with the fund.

"Project Finance Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from (1) the sale of products, such as electricity, nuclear energy, steam or water, in the utility industry by a special purpose entity formed to own the assets generating or otherwise producing such products and such assets were or are being constructed or otherwise

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acquired primarily with the proceeds of debt financing made available to such entity on a limited-recourse basis (including recourse to such assets and the land on which they are located) or (2) fees or other usage charges, such as tolls collected on a highway, bridge, tunnel or other infrastructure project, collected by a special purpose entity formed to own one or more such projects that were constructed or otherwise acquired primarily with the proceeds of debt financing made available to such entity on a limited-recourse basis (including recourse to the project and the land on which it is located).

"Recreational Vehicle/Boat Securities" means Asset-Backed Securities (other than Automobile Securities and Equipment Leasing Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from installment sale loans made to finance the purchase of (either as a part of a dealer's inventory or for end users), or from leases of, recreational vehicles or boats generally having the following characteristics: (1) the loans or leases may have varying contractual maturities; (2) except in the case of inventory financing, the loans or leases are obligations of numerous borrowers or lessors and accordingly represent a very diversified pool of obligor credit risk; (3) 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 recreational vehicle or boat; and (4) such leases typically provide for the right of the lessee to purchase the recreational vehicle or boat for its stated residual value.

"REIT Debt Securities—Diversified" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on a portfolio of diverse real property interests, *provided* that (a) any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security and (b) any Asset-Backed Security falling with any other REIT Debt Security description set forth herein shall be excluded from this definition.

"REIT Debt Securities—Health Care" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on hospitals, clinics, sport clubs, spas and other health care facilities and other similar real property interests used in one or more similar businesses, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Hotel" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on hotels, motels, youth hostels, bed and breakfasts and other similar real property interests used in one or more similar businesses, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Industrial" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on factories, refinery plants, breweries and other similar real property interests used in one or more similar businesses, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities – Mortgage" Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) the assets relating to which consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages, commercial mortgage-backed securities, collateralized mortgage obligations and other similar mortgage-related securities, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Multi-Family" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for

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rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of residential mortgages on multi-family dwellings such as apartment blocks, condominiums and co-operative owned buildings, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Office" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on office buildings, conference facilities and other similar real property interests used in the commercial real estate business, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Retail" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on retail stores, restaurants, bookstores, clothing stores and other similar real property interests used in one or more similar businesses, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Storage" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of storage facilities and other similar real property interests used in one or more similar businesses, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"Residential A Mortgage Securities" means Asset-Backed Securities (other than Residential B/C Mortgage Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by residential real estate (single or multi-family properties) the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used), generally having the following characteristics: (1) the mortgage loans have generally been underwritten to the standards of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (without regard to the size of the loan); (2) the mortgage loans have standardized payment terms and require minimum monthly payments; (3) the mortgage loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (4) the repayment of such mortgage loans is subject to a contractual payment schedule, with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling.

"Residential B/C Mortgage Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by subprime residential real estate (single or multi-family properties) the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used), generally having the following characteristics: (1) the mortgage loans have generally not been underwritten to the standards of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (without regard to the size of the loan); (2) the mortgage loans have standardized payment terms and require minimum monthly payments; (3) the mortgage loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (4) the repayment of such mortgage loans is subject to a contractual payment schedule, with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling.

"Small Business Loan Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from general purpose corporate loans made to "small business concerns" (generally within the meaning given to such term by regulations of the United States

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Small Business Administration), including but not limited to those (a) made pursuant to Section 7(a) of the United States Small Business Act, as amended, and (b) partially guaranteed by the United States Small Business Administration. Small Business Loan Securities generally have the following characteristics: (1) the loans have payment terms that comply with any applicable requirements of the Small Business Act, as amended; (2) the loans are obligations of a relatively limited number of borrowers and accordingly represent an undiversified pool of obligor credit risk; and (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium.

"Stadium Receivables 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 ticket receipts and other revenue including concession and paraphernalia sales, received by a property manager of stadiums, generally having the following characteristics: (1) the receivables evidence the right to receive the future receipts from one or more stadiums; (2) the stadium receivables are not backed by existing receivables or contract rights, but rather the ability of the originator to continue to generate sufficient levels of receivables or contract rights in the future; and (3) the receivables represent obligations from a limited number of obligors and accordingly represent an undiversified pool of obligor credit risk.

"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 an annuity or other contractual obligation, generally having the following characteristics: (1) the receivables are backed by existing annuity contracts or other contractual obligations; (2) the receivables are subject to the credit risk of (i) the provider of such annuity or (ii) the obligors under such other contractual obligation; and (3) the receivables represent obligations from a limited number of obligors and accordingly represent an undiversified pool of obligor credit risk.

"Student Loan Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from loans made to students (or their parents) to finance educational needs, generally having the following characteristics: (1) the loans have standardized terms; (2) the loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; (3) the repayment stream on such loans is primarily determined by a contractual payment schedule, with early repayment on such loans predominantly dependent upon interest rates and the income of borrowers following the commencement of amortization; and (4) such loans may be fully or partially insured or reinsured by the United States Department of Education.

"**Tax Lien Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of tax obligations owed by businesses and individuals to state and municipal governmental taxing authorities, generally having the following characteristics: (1) the obligations have standardized payment terms and require minimum payments; (2) the tax obligations are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (3) the repayment stream on the obligation is primarily determined by a payment schedule entered into between the relevant tax authority and obligor, with early repayment on such obligation predominantly dependent upon interest rates and the income of the obligor following the commencement of amortization.

"Timeshare Securities" means Asset-Backed Securities that (other than Home Equity Loan Securities, Residential A Mortgage Securities and Residential B/C Mortgage Securities) entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from time share credits/contracts with respect to vacation homes, condominiums or other real estate properties.

"Trust Preferred CDO Securities" means a CDO Security issued by an entity formed for the purpose of holding or investing and reinvesting in a pool of bank or insurance company trust preferred securities.

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"Utility Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for the 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 one or more electric utilities' collection of on-going statutory transition fees charged to its customers in connection with the recovery of such electric utilities' stranded costs resulting from the cost of generation-related assets and obligations that may become uneconomic as a result of a competitive generation market. Utility Securities generally have the following characteristics: (1) the transition fees are generally non-bypassable in that applicable customers cannot avoid paying them by purchasing electricity from a supplier other than the seller; (2) the transition fees will be calculated and adjusted from time to time to generate projected revenues intended to be sufficient to provide for the amortization of the securities in accordance with related expected amortization schedule; (3) the underlying agreements generally require the servicer to seek, and the relevant statute and financing order require the relevant regulatory authority to approve, periodic adjustments to the charges based on collections and updated assumptions as to future usage of electricity by customers, future expenses relating the transition property, the securities and the rate of delinquencies and write-offs; and (4) the transition fees are obligations of numerous electric rate payers and accordingly represent a very diversified pool of obligor credit risk.

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ANNEX C

"Fitch Applicable Recovery Rate" means, with respect to any Defaulted Security or Deferred Interest PIK Bond on any Measurement Date, an amount equal to the percentage for such Defaulted Security or Deferred Interest PIK Bond set forth in the Fitch Recovery Rate Matrix as described below or otherwise assigned by Fitch. With respect to any Defaulted Security or Deferred Interest PIK Bond on any Measurement Date, an amount equal to the percentage corresponding to the domicile and seniority of such Defaulted Security or Deferred Interest PIK Bond, as applicable, as currently set forth in "Global Rating Criteria for Collateralised Debt Obligations" available at www.fitchratings.com; *provided* that the applicable percentage shall be the percentage corresponding to the most senior Outstanding Class of Notes then rated by Fitch. Fitch may, from time to time, modify or replace such criteria and Fitch may at any time apply its then current criteria, which may modify or replace the criteria as of the Closing Date.

Fitch Sectors and Industry Classifications

Each Collateral Debt Security is assigned one of seven sectors: CDO, CMBS, Commercial ABS, Consumer ABS, Corporate, REIT and RMBS, as set forth in "Global Rating Criteria for Collateralised Debt Obligations" available at www.fitchratings.com. Fitch may, from time to time, modify or replace this criteria and Fitch may apply the current criteria which may have been modified or replaced this report. The following includes the sectors and industries that may be assigned to each Collateral Debt Security:

CMBS
Large Loan
Conduit
Credit Tenant Leases

RMBS
Prime
Subprime
MFH

Consumer ABS
Credit Cards
Auto Prime
Auto Subprime
Consumer Loans
Student Loans
Charged Off Credit Cards
Motorcycles
Timeshare
Recreational Vehicle/Boats
Other

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

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

REIT
Apartments
Diversified
Industrial/Office
Healthcare
Hotels
Retail

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

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Note: ***Deals guaranteed by an insurer/guarantor should be categorized under Banking & Finance for purposes of Fitch sector.***

"Fitch Weighted Average Rating Factor" means the number determined by the Collateral Manager on behalf of the Issuer on any Measurement Date by *dividing* (i) the summation of the series of products obtained (a) for any Pledged Collateral Debt Security that is not a Defaulted Security or Deferred Interest PIK Bond, by *multiplying* (1) the principal balance on such Measurement Date of each such Pledged Collateral Debt Security *by* (2) its respective Fitch Rating Factor on such Measurement Date and (b) for any Defaulted Security or Deferred Interest PIK Bond, by *multiplying* (1) the Fitch Applicable Recovery Rate for such Defaulted Security or Deferred Interest PIK Bond *by* (2) the principal balance on such Measurement Date of each such Defaulted Security or Deferred Interest PIK Bond but not including any deferred interest *by* (3) its respective Fitch Rating Factor on such Measurement Date *by* (ii) the sum of (a) the Aggregate Principal Balance on such Measurement Date of all Collateral Debt Securities that are not Defaulted Securities or Deferred Interest PIK Bonds *plus* (b) the summation of the series of products obtained by *multiplying* (1) the Fitch Applicable Recovery Rate for each Defaulted Security or Deferred Interest PIK Bond *by* (2) the principal balance on such Measurement Date of such Defaulted Security or Deferred Interest PIK Bond but not including any deferred interest.

"Fitch Rating Factor" means, with respect to any Collateral Debt Security on any Measurement Date, the number set forth in the table below opposite the Fitch Rating applicable to such Collateral Debt Security or Eligible Investment:

Fitch Rating	Fitch Rating Factor	Fitch Rating	Fitch Rating Factor
AAA	0.19	BB	13.53
AA+	0.57	BB-	18.46
AA	0.89	B+	22.84
AA-	1.15	B	27.67
A+	1.65	B-	34.98
A	1.85	CCC+	43.36
A-	2.44	CCC	48.52
BBB+	3.13	CC	77.00
BBB	3.74	C	95.00
BBB-	7.26	DDD-D	100
BB+	10.18		

"Fitch Rating" means with respect to any Collateral Debt Security as of any date of determination:

(a) if such Collateral Debt Security is rated by Fitch, (i) the Fitch Rating shall be such rating or (ii) if the Issuer or the Collateral Manager on behalf of the Issuer has requested that Fitch assign a rating to such Collateral Debt Security (including a rating of a Collateral Debt Security combined with a credit default swap enabling the Issuer to purchase credit protection to hedge the credit risk on the related Collateral Debt Security), the Fitch Rating shall be the rating so assigned by Fitch;

(b) if such Collateral Debt Security is not rated by Fitch and a rating is published by both Standard & Poor's and Moody's, the Fitch Rating shall be the lower of such ratings; and if a rating is published by only one of Standard & Poor's and Moody's, the Fitch Rating shall be that published rating by Standard & Poor's or Moody's, as the case may be;

(c) if such Collateral Debt Security is a Synthetic Security, the Fitch Rating of such Synthetic Security shall be the rating assigned thereto by Fitch in connection with the acquisition thereof by the Issuer upon request of the Issuer or the Collateral Manager; and

(d) in all other circumstances, the Fitch Rating shall be the private rating assigned by Fitch upon request of the Collateral Manager.

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

Fitch Recovery Rate Matrix

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

		Rating category of the most senior Class of Notes rated by Fitch					
Type	**Tranche Size**	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**
ABS Senior	> 10% of total issuance structure	60%	65%	75%	85%	90%	95%
ABS Senior	< 10% of total issuance structure	48%	56%	64%	72%	76%	80%
ABS Mezzanine IG[(1)]	> 10% of total issuance structure	30%	38%	46%	54%	65%	75%
ABS Mezzanine IG[(1)]	< 10% of total issuance structure	20%	27%	35%	42%	50%	55%
ABS Non IG[(2)]	> 10% of total issuance structure	15%	18%	21%	26%	32%	35%
ABS Non IG[(2)]	< 10% of total issuance structure	0%	4%	8%	12%	16%	20%

		Rating category of the most senior Class of Notes rated by Fitch					
Domicile	**Type/Seniority**	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**
United States	REITS	52%	55%	59%	62%	63%	65%
United States	Senior Secured (Non IG)[(2)]	56%	60%	63%	67%	68%	70%
United States	Jr Secured (Non IG)[(2)]	24%	26%	27%	29%	29%	30%
United States	Senior Unsecured (Non IG)[(2)]	36%	38%	41%	43%	44%	45%
United States	Subordinate (Non IG)[(2)]	24%	26%	27%	29%	29%	30%
United States	Senior Unsecured (IG)[(1)]	44%	47%	50%	52%	54%	55%
United States	Subordinate (IG)[(1)]	24%	26%	27%	29%	29%	30%
Emerging Markets		20%	21%	23%	24%	24%	25%
Japan		16%	17%	18%	19%	20%	20%

(1) "IG" shall mean, with respect to the applicable Defaulted Security or Deferred Interest PIK Bond, having a Fitch Rating of "BBB-" or higher at the time of original issuance of the relevant Defaulted Security or Deferred Interest PIK Bond.

(2) "Non IG" shall mean, with respect to the applicable Defaulted Security or Deferred Interest PIK Bond, having a Fitch Rating of "BB+" or lower at the time of original issuance of the relevant Defaulted Security or Deferred Interest PIK Bond.

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ANNEX D

Part I
Moody's Recovery Rate Matrix*

(see definition of "Applicable Recovery Rate")

A. ABS Type Diversified Securities**

Percentage of Total Capitalization	Moody's Rating					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	70%	60%	50%	40%
Less than or equal to 70%, but greater than 10%	75%	70%	60%	50%	40%	30%
Less than or equal to 10%	70%	65%	55%	45%	35%	25%

B. ABS Type Residential Securities**

Percentage of Total Capitalization	Moody's Rating					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	65%	55%	45%	30%
Less than or equal to 70%, but greater than 10%	75%	70%	55%	45%	35%	25%
Less than or equal to 10%, but greater than 5%	65%	55%	45%	40%	30%	20%
Less than or equal to 5%, but greater than 2%	55%	45%	40%	35%	25%	15%
Less than or equal to 2%	45%	35%	30%	25%	15%	10%

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C. ABS Type Undiversified Securities**

Percentage of Total Capitalization	Moody's Rating Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	65%	55%	45%	30%
Less than or equal to 70%, but greater than 10%	75%	70%	55%	45%	35%	25%
Less than or equal to 10%, but greater than 5%	65%	55%	45%	35%	25%	15%
Less than or equal to 5%, but greater than 2%	55%	45%	35%	30%	20%	10%
Less than or equal to 2%	45%	35%	25%	20%	10%	5%

D. Low-Diversity CDO Securities**

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

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equal to 2%

E. High-Diversity CDO Securities**

Percentage of Total Capitalization	Moody's Rating					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	65%	55%	45%	30%
Less than or equal to 70%, but greater than 10%	75%	70%	60%	50%	40%	25%
Less than or equal to 10%, but greater than 5%	65%	55%	50%	40%	30%	20%
Less than or equal to 5%, but greater than 2%	55%	45%	40%	35%	25%	10%
Less than or equal to 2%	45%	35%	30%	25%	10%	5%

For purpose of the Moody's Recovery Rate, any NIM Security shall have a Moody's Recovery Rate of 10%.

*** Recovery Rate to be assigned, in each case, based on the then-current debt rating of the Collateral Debt Security as of the date of issuance.**

****If the Collateral Debt Security is a Guaranteed Corporate Debt Security, the recovery rate will be 30%.Moody's Diversity Score**

FORMULA FOR THE CALCULATION OF DIVERSITY SCORE

The default risk of Asset-Backed Securities is assumed by Moody's to be more highly correlated with other Asset-Backed Securities when compared to the correlation of default risk among a pool of corporate bonds of unaffiliated issuers in many different industry groups. To analyze collateral assets from sectors with correlated default risk, Moody's has developed an alternative Diversity Score method. The formula used to calculate the Diversity Score under this alternative methodology is set forth below.

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

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

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

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

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

In addition, Moody's assumes that the default correlation is associated with the credit quality of the collateral. For example, the default correlation among investment grade Asset-Backed Securities is lower than the default correlation among below investment grade Asset-Backed Securities. Finally, the cross correlation of defaults among various types of Asset-Backed Securities plays an important role as well. In order to take account of issuer concentration and vintage effects, the following assumptions apply:

(a) If two Asset-Backed Securities are guaranteed by the same guarantor, assume the maximum theoretical correlation between them.

(b) If two CDO Securities are managed by the same collateral manager, assume the maximum theoretical correlation between them.

(c) If two Asset-Backed Securities are issued in the same transaction and neither of them is guaranteed, assume the maximum theoretical correlation between them.

(d) If two Asset-Backed Securities are issued in the same transaction and only one of them is guaranteed, then no adjustment need be made.

(e) If two Asset-Backed Securities are not supported by the same collateral and are of different Specified Types, then no adjustment need be made.

(f) If two Asset-Backed Securities are rated at least "Baa3" by Moody's and 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 Asset-Backed Securities, assume the lesser of 75% and the maximum theoretical correlation between them if they are issued within one year of one another, the lesser of 50% and the maximum theoretical correlation between them if they are not issued within one year of one another but are issued within two years of one another and the lesser of 25% and the maximum theoretical correlation otherwise.

(g) If two Asset-Backed Securities are not rated at least "Baa3" by Moody's and are not supported by the same collateral and are of the same Specified Type, the same Person transferred, or arranged for the transfer of, such collateral to the issuer or issuers of such Asset-Backed Securities, assume the maximum theoretical correlation between them if they are issued within one year of one another, the lesser of 70% and the maximum theoretical correlation between them if they are not issued within one year of one another but are issued within two years of one another and the lesser of 40% and the maximum theoretical correlation otherwise.

For the purposes of determining the maximum theoretical correlation described in clauses (a) through (g) above, use the following calculation:

$$Maximum\,Theoretical\,Correlation = \frac{Min(p_i, p_j) - p_i \times p_j}{\sqrt{p_i \times (1 - p_i) \times p_j \times (1 - p_j)}}$$

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where p_i = default probability of bond i

p_j = default probability of bond j

(h) If two Asset-Backed Securities are market-value CDO Securities of the same Specified Type, assume a 100% correlation between them.

(i) If the security is a Step-Up Bond, use the accreted value.

(j) If the security is a Written Down Security, use the written down value specified in clause (e) of the definition of "Principal Balance".

(k) F_i shall be determined based on the definition of "Principal Balance".

(l) 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.

(m) For the expected loss calculation, Collateral Debt Securities with a current rating by Moody's less than "Caa3", an expected loss of 100% will be applied.

(n) 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 Debt Security. The Moody's Rating used in the expected loss calculation is the Moody's Rating on the Measurement Date.

(o) For a Collateral Debt Security to be classified as (a) a Residential A Mortgage Security, the weighted average credit score based on the credit scoring models developed by Fair, Isaac & Company with respect to the obligors on all such underlying mortgages shall be greater than or equal to 625, (b) a Residential B/C Mortgage Security (x) such security shall entitle the holders thereof to a first-priority or second-priority lien on the assets held by the issuer of such security and (y) the weighted average credit score based on the credit scoring models developed by Fair, Isaac & Company with respect to the obligors on all such underlying mortgages shall be less than 625 and (c) a Home Equity Loan Security (x) such security shall entitle the holders thereof to a first-priority or second-priority lien on the assets held by the issuer of such security and (y) the weighted average credit score based on the credit scoring models developed by Fair, Isaac & Company with respect to the obligors on all such underlying loans is greater than or equal to 625.

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Moody's Loss Scenario Matrix

Consumer Asset-Backed Securities

Issue and Pari Passu Security as Percentage of Total Capitalization	Moody's Rating					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	15%	20%	30%	40%	50%	60%
Less than or equal to 70%, but greater than 10%	25%	30%	40%	50%	60%	70%
Less than or equal to 10%	30%	35%	45%	55%	65%	75%

Residential Asset-Backed Securities and Manufactured Housing Securities

Issue and Pari Passu Security as Percentage of Total Capitalization	Moody's Rating					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	15%	20%	35%	45%	55%	70%
Less than or equal to 70%, but greater than 10%	25%	30%	45%	55%	65%	75%
Less than or equal to 10% but greater than 5%	35%	45%	55%	60%	70%	80%
Less than or equal to 5%, but greater than 2%	45%	55%	60%	65%	75%	85%
Less than or equal to 2%	55%	65%	70%	75%	85%	90%

Undiversified Asset-Backed Securities *

Issue and Pari Passu Security as Percentage of Total Capitalization	Moody's Rating					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	15%	20%	35%	45%	55%	70%
Less than or equal to 70%, but greater than 10%	25%	30%	45%	55%	65%	75%
Less than or equal to 10% but greater than 5%	35%	45%	55%	65%	75%	85%
Less than or equal to 5%, but greater than 2%	45%	55%	65%	70%	80%	90%
Less than or equal to 2%	55%	65%	75%	80%	90%	95%

Low-Diversity CDO Securities (diversity score less than or equal to 20)

Issue and Pari Passu Security as Percentage of Total Capitalization	Moody's Rating					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	20%	25%	40%	50%	55%	70%
Less than or equal to 70%, but greater than 10%	30%	40%	45%	55%	65%	75%
Less than or equal to 10% but greater than 5%	40%	50%	55%	65%	75%	85%
Less than or equal to 5%, but greater than 2%	50%	60%	65%	70%	80%	90%
Less than or equal to 2%	70%	75%	80%	85%	93%	96%

* **"Undiversified Asset-Backed Securities"** means each Specified Type of Asset-Backed Securities, other than (i) Consumer Asset-Backed Securities, (ii) Residential Asset-Backed Securities, (iii) CDO Securities, (iv) Manufactured Housing Securities or (v) REIT Debt Securities; and any other type of Asset-Backed Securities that become a Specified Type after the Closing Date as described herein and are designated as "Undiversified Asset-Backed Securities " in connection therewith.

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High-Diversity CDO Securities (diversity score greater than 20)

Issue and Pari Passu Security as Percentage of Total Capitalization	Moody's Rating					
	Aaa	**Aa**	**A**	**Baa**	**Ba**	**B**
Greater than 70%	15%	20%	35%	45%	55%	70%
Less than or equal to 70%, but greater than 10%	25%	30%	40%	50%	60%	75%
Less than or equal to 10% but greater than 5%	35%	45%	50%	60%	70%	80%
Less than or equal to 5%, but greater than 2%	45%	55%	60%	65%	75%	90%
Less than or equal to 2%	55%	65%	70%	75%	90%	95%

REIT Debt Securities

REIT Debt Securities (other than REIT Debt Security-Health Care or REIT Debt Security-Mortgage)	60%
REIT Debt Security-Health Care or REIT Debt Security-Mortgage	90%

"Moody's Weighted Average Rating Factor" means, on any Measurement Date, the number determined by *dividing* (i) the summation of the series of products obtained (a) for any Collateral Debt Security that is not a Defaulted Security or Deferred Interest PIK Bond, by *multiplying* (1) the principal balance on such Measurement Date of each such Collateral Debt Security *by* (2) its respective Moody's Rating Factor on such Measurement Date and (b) for any Deferred Interest PIK Bond, by *multiplying* (1) the Calculation Amount for such Deferred Interest PIK Bond on such Measurement Date *by* (2) its respective Moody's Rating Factor on such Measurement Date *by* (ii) the sum of (a) the Aggregate Principal Balance on such Measurement Date of all Collateral Debt Securities that are not Defaulted Securities or Deferred Interest PIK Bonds *plus* (b) the sum of the Calculation Amounts of each Deferred Interest PIK Bond on such Measurement Date and rounding the result up to the nearest whole number. For the purpose of determining the Moody's Weighted Average Rating Factor, the Moody's Applicable Recovery Rate shall be used to determine the Calculation Amount of a Deferred Interest PIK Bond.

"Moody's Rating Factor" means, with respect to any Collateral Debt Security on any Measurement Date, the number set forth in the table below opposite the Moody's Rating of such Collateral Debt Security:

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

For purposes of the Moody's Maximum Rating Factor Test, if a Collateral Debt Security 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 Debt Security shall be 10,000 for a period of 90 days from the acquisition of such Collateral Debt Security. After such 90-day period, if such Collateral Debt Security is not rated by Moody's and no other security or obligation of the issuer thereof or obligor thereon is rated by Moody's and the Issuer or the Collateral Manager seeks to obtain an estimate of a Moody's Rating Factor, then the Moody's Rating Factor of such Collateral Debt Security will be deemed to be such estimate thereof as may be assigned by Moody's upon the request of the Issuer or the Collateral Manager.

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"**Moody's Rating**" means with respect to any Collateral Debt Security:

(i) if such Collateral Debt Security is rated by Moody's, (a) the Moody's Rating shall be such rating, or (b) if the Issuer or the Collateral Manager on behalf of the Issuer has requested that Moody's assign a rating to such Collateral Debt Security (including a rating of a Collateral Debt Security combined with a credit default swap enabling the Issuer to purchase credit protection to hedge the credit risk on the related Collateral Debt Security), the Moody's Rating shall be the rating so assigned by Moody's;

(ii) with respect to a Collateral Debt Security, if such Collateral Debt Security is an Asset-Backed Security and is not rated by Moody's, then the Moody's Rating of such Asset-Backed Security may be determined by notching down the Standard & Poor's rating the number of rating subcategories specified in the table below:

	Rating assigned by Standard & Poor's		
	AA- or above	**A+ to BBB-**	**BB+ or below**
Aircraft Securities	2	3	4
Automobile Securities	1	2	3
Boat, motorcycle, RV or truck securities	1	2	3
Car Rental Fleet Securities	No notching permitted	No notching permitted	No notching permitted
CDO Securities	No notching permitted	No notching permitted	No notching permitted
Consumer loan securities	1	3	4
Credit Card Securities	1	2	3
Entertainment Securities	1	2	3
Equipment Leasing Securities	1	2	3
Floorplan securities	1	2	3
Franchise Securities	1	2	4
Future Flow Securities	1	1	2
Healthcare Securities	1	2	3
Insurance-Linked Securities	No notching permitted	No notching permitted	No notching permitted
Manufactured Housing Securities	1	2	3
Mutual Fund Securities	1	2	4
Natural Resource Receivable Securities	No notching permitted	No notching permitted	No notching permitted
Project Finance Securities	No notching permitted	No notching permitted	No notching permitted
Re-REMIC Securities	No notching permitted	No notching permitted	No notching permitted
Small Business Loan Securities	1	2	3
Stadium Receivables Securities	1	2	3
Structured Settlement Securities	1	2	3
Student Loan Securities	1	2	3
Tax Lien Securities	1	2	3
Timeshare Securities	No notching permitted	No notching permitted	No notching permitted
Trade receivables securities	2	3	4
Utility Securities	1	2	3

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	Rating assigned by Standard & Poor's		
	AAA	**AA+ to BBB-**	**BB+ or below**
Home Equity Loan Securities	1	2	3
Residential A Mortgage Securities (Alt-A)	1	3	4
Residential A Mortgage Securities (Jumbo A)	1	2	3
Residential A Mortgage Securities (mixed pools)	1	3	4
Residential B/C Mortgage Securities	1	2	3

The numbers in the table above represent the number of rating subcategories to be notched down from the Standard & Poor's rating (for example, a "1" applied to a Standard & Poor's rating of "BBB" implies a Moody's Rating of "Baa3").

(iii) with respect to a Collateral Debt Security, if such Collateral Debt Security is an Asset-Backed Security and is not rated by Moody's, then the Moody's Rating of such Asset-Backed Security may be determined by notching down the Fitch rating the number of rating subcategories specified in the table below:

	Rating assigned by Fitch		
	AAA	**AA+ to BBB-**	**BB+ or below**
Home Equity Loan Securities	No notching permitted	No notching permitted	No notching permitted
Residential A Mortgage Securities (Alt-A)	1	3	5
Residential A Mortgage Securities (Jumbo A)	1	2	4
Residential A Mortgage Securities (mixed pools)	1	3	5
Residential B/C Mortgage Securities	No notching permitted	No notching permitted	No notching permitted

The numbers in the table above represent the number of rating subcategories to be notched down from the Fitch rating (for example, a "1" applied to a Fitch rating of "BBB" implies a Moody's Rating of "Baa3"). If a Residential A Mortgage Security is rated by both Standard & Poor's and Fitch, the Moody's Rating and the Moody's Rating Factor for such security shall be the lower of the ratings implied by the notching conventions shown in the tables under this clause (iii) and clause (ii) above related to Residential A Mortgage Securities notched up by one half of a rating subcategory (for example, if a Residential A Mortgage Security consisting of Jumbo A collateral is rated BB+ by both Standard & Poor's and Fitch, such security shall be assigned a Moody's Rating of "B1/B2" and a Moody's Rating Factor of "2,470").

(iv) with respect to a Collateral Debt Security, if such Collateral Debt Security is a Commercial Mortgage-Backed Security and is not rated by Moody's, then the Moody's Rating of such Asset-Backed Security may be determined by notching down the Standard & Poor's rating and/or Fitch rating the number of rating subcategories specified in the table below:

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	Security rated by Standard & Poor's and Fitch. No other security issued by the issuer of such security is rated by Moody's	Security rated by Standard & Poor's and/or Fitch. At least one other security issued by the issuer of such security is rated by Moody's
CMBS Conduit Securities	2 rating subcategories below the lower of the ratings assigned by Standard & Poor's and Fitch	1.5 rating subcategories below the lower of the ratings assigned by Standard & Poor's and Fitch if rated by Standard & Poor's and Fitch*; 1.5 rating subcategories below the rating assigned by Standard & Poor's or Fitch, as applicable, if rated by one of Standard & Poor's or Fitch*
CMBS Credit Tenant Lease Securities	Use notching practice set forth in clause (vi)	Use notching practice set forth in clause (vi)
CMBS Large Loan Securities	No notching permitted	No notching permitted

* For example, if a CMBS Conduit Security is rated "AAA" by Standard & Poor's and/or Fitch, such security shall be assigned a Moody's Rating of "Aa1/Aa2" (1.5 rating subcategories below "Aaa") and a Moody's Rating Factor of "15".

(v) with respect to any other type of Asset-Backed Securities designated as a Specified Type after the date hereof upon notification from the Collateral Manager to the Trustee and written confirmation by Moody's to the Issuer, the Trustee and the Collateral Manager that such designation will not result in the withdrawal, reduction or other adverse action with respect to its then-current rating (including any private or confidential rating) of any Class of Secured Notes, pursuant to any method specified by Moody's;

(vi) with respect to CMBS Credit Tenant Lease Securities, Corporate Guaranteed Securities, corporate debt securities, Insurance Company Guaranteed Securities or REIT Debt Securities, if such securities 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 Debt Security shall be determined as follows:

(a) if such security 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 Debt Security shall be the rating of the other security;

(b) if such security 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 Debt Security shall be one rating subcategory below the rating of the other security;

(c) if such security 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 security or obligation 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 security or obligation shall be two rating subcategories below the rating of the other security;

(d) if such security or obligation is a senior secured obligation of the guarantor or obligor and the other security is a senior unsecured obligation:

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

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

(e) if such security 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 obligor shall be the rating of the other security;

(f) if such security 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 security or obligation 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 security or obligation shall be one rating subcategory below the rating of the other security;

(g) if such security 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 security or obligation 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 security or obligation 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 security or obligation shall be "B2";

(h) if such security 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 security or obligation shall be one rating subcategory above the rating of the other security;

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

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

(vii) with respect to CMBS Credit Tenant Lease Securities, Corporate Guaranteed Securities, corporate debt securities, Insurance Company Guaranteed Securities, REIT Debt Securities, or corporate obligations issued by U.S., U.K. or Canadian obligors or guarantors or by any other Qualifying Foreign Obligor, if such security, or obligation is not rated by Moody's, and no other security or obligation of the obligor or guarantor is rated by Moody's, then the Moody's Rating of such security, or obligation may be determined using any one of the methods below:

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

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

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

(c) with respect to a CMBS Credit Tenant Lease Security, Corporate Guaranteed Security, corporate debt security, Insurance Company Guaranteed Security, REIT Debt Security, or obligation issued by a U.S. corporation, if (1) neither the obligor or guarantor nor any of its affiliates is subject to reorganization or bankruptcy proceedings, (2) no debt securities or obligations of the obligor or guarantor are in default, (3) neither the obligor or guarantor nor any of its affiliates have defaulted on any debt during the past two years, (4) the obligor or guarantor has been in existence for the past five years, (5) the obligor or guarantor is current on any cumulative dividends, (6) the fixed-charge ratio for the obligor or guarantor exceeds 125% for each of the past two fiscal years and for the most recent quarter, (7) the obligor or 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 obligor or 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 security, or obligation will be "B3";

(d) with respect to a CMBS Credit Tenant Lease Security, Corporate Guaranteed Security, corporate debt security, Insurance Company Guaranteed Security, REIT Debt Security, or obligation issued by a non-U.S. obligor or guarantor, if (1) neither the obligor or guarantor nor any of its affiliates is subject to reorganization or bankruptcy proceedings and (2) no debt security or obligation of the obligor or guarantor has been in default during the past two years, the Moody's Rating of such Collateral Debt Security will be "Caa2"; and

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

(viii) notwithstanding the above, (A) if a Collateral Debt Security with a Moody's Rating of "Aa1" is placed on a watch list for possible upgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be "Aaa", (B) if a Collateral Debt Security with a Moody's Rating of "Aaa" is placed on a watch list for possible downgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be one rating subcategory below the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list, (C) if a Collateral Debt Security with a Moody's Rating below "Aa1" is placed on a watch list for possible upgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be two rating subcategories above the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list and (D) if a Collateral Debt Security rated "Aa1" or below is placed on a watch list for possible downgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be two rating subcategories below the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list,

provided that (1) the Aggregate Principal Balance of Collateral Debt Securities that may be given a Moody's Rating based on a Standard & Poor's rating and Fitch rating as provided in any of the foregoing subparagraphs shall be based on the lower of the Standard & Poor's Rating and Fitch Rating and may not

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exceed 20% of the Aggregate Principal Balance of all Collateral Debt Securities, Principal Proceeds and Uninvested Proceeds, (2) the Aggregate Principal Balance of Collateral Debt Securities not rated by Moody's that are rated by only one of Standard & Poor's or Fitch that may be given a Moody's Rating based on a Standard & Poor's rating or Fitch rating as provided in any of the foregoing subparagraphs may not exceed 10% of the Aggregate Principal Balance of all Collateral Debt Securities, Principal Proceeds and Uninvested Proceeds, (3) the Aggregate Principal Balance of Collateral Debt Securities not rated by Moody's that are rated by only Fitch that may be given a Moody's Rating based on a Fitch rating as provided in any of the foregoing subparagraphs may not exceed 7.5% of the Aggregate Principal Balance of all Collateral Debt Securities, Principal Proceeds and Uninvested Proceeds, and (4) no Net Interest Margin Securities that may be given a Moody's Rating based on a rating by Standard & Poor's or Fitch.

"Moody's Weighted Average Recovery Rate" means the number obtained by summing the products obtained by *multiplying* the principal balance of each Collateral Debt Security by its Moody's Applicable Recovery Rate, *dividing* such sum *by* the Aggregate Principal Balance of all such Collateral Debt Securities, *multiplying* the result by 100 and rounding up to the first decimal place. For purposes of the Moody's Weighted Average Recovery Rate, the principal balance of a Defaulted Security or a Deferred Interest PIK Bond will be deemed to be equal to its outstanding principal amount (but excluding any deferred interest with respect to a Deferred Interest PIK Bond).

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ANNEX E

"Standard & Poor's Applicable Recovery Rate" means, with respect to any Asset-Backed Securities other than Insurance Company Guaranteed Securities on any Measurement Date, an amount equal to the percentage for such Collateral Debt Security set forth in the Standard & Poor's Recovery Rate Matrix in (a) the applicable table, (b) the row in such table corresponding to the Standard & Poor's Rating applicable at the original time of issuance of such Collateral Debt Security and (c) the column in such table corresponding to the rating assigned by Standard & Poor's to the respective Class of Notes for which the Standard & Poor's Minimum Weighted Average Recovery Rate Test is being measured as of such Measurement Date; *provided*, if the Collateral Debt Security is:

(1) a CDO Structured Products Security;
(2) a CDO Security whose underlying collateral consists primarily of other CDO Securities;
(3) a market value CDO;
(4) a Future Flow Security;
(5) a Project Finance Security;
(6) a Tobacco Litigation Security;
(7) a Synthetic Security;
(8) an Interest Only Security;
(9) a Net Interest Margin Security;
(10) a Principal Only Security;
(11) a re-tranched security;
(12) a first-loss security; or
(13) a security that is guaranteed by a corporate guarantor (excluding Insurance Company Guaranteed Securities),

the Standard & Poor's Applicable Recovery Rate will be determined by Standard & Poor's on a case-by-case basis.

With respect to REIT Debt Securities, Corporate Debt Securities or Insurance Company Guaranteed Securities, an amount equal to the percentage for such Collateral Debt Securities set forth in the applicable table.

"Standard & Poor's Recovery Rate Matrix"

A. If the Collateral Debt Security (other than a Synthetic Security, REIT Debt Security or a Collateral Debt Security guaranteed by a corporate guarantor) is the senior-most tranche of securities issued by the issuer of such Collateral Debt Security the recovery rate is as follows*:

Standard & Poor's Rating of Collateral Debt Security	Recovery Rate by Ratings of Notes						
	AAA	AA	A	BBB	BB	B	CCC
"AAA"	80.0%	85.0%	90.0%	90.0%	90.0%	90.0%	90.0%
"AA-", "AA" or "AA+"	70.0%	75.0%	85.0%	90.0%	90.0%	90.0%	90.0%
"A-", "A" or "A+"	60.0%	65.0%	75.0%	85.0%	90.0%	90.0%	90.0%
"BBB-", "BBB" or "BBB+"	50.0%	55.0%	65.0%	75.0%	85.0%	85.0%	85.0%

B. If the Collateral Debt Security (other than a Synthetic Security, REIT Debt Security or a Collateral Debt Security guaranteed by a corporate guarantor) is not the senior-most tranche of securities issued by the issuer of such Collateral Debt Security the recovery rate is as follows:**

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Standard & Poor's Rating of Collateral Debt Security	Recovery Rate by Ratings of Notes						
	AAA	AA	A	BBB	BB	B	CCC
"AAA"	65.0%	70.0%	80.0%	85.0%	85.0%	85.0%	85.0%
"AA-", "AA" or "AA+"	55.0%	65.0%	75.0%	80.0%	80.0%	80.0%	80.0%
"A-", "A" or "A+"	40.0%	45.0%	55.0%	65.0%	80.0%	80.0%	80.0%
"BBB-", "BBB" or "BBB+"	30.0%	35.0%	40.0%	45.0%	50.0%	60.0%	70.0%
"BB-", "BB" or "BB+"	10.0%	10.0%	10.0%	25.0%	35.0%	40.0%	50.0%
"B-", "B" or "B+"	2.5%	5.0%	5.0%	10.0%	10.0%	20.0%	25.0%
"CCC+" and below	0.0%	0.0%	0.0%	0.0%	2.5%	5.0%	5.0%

C. If the Collateral Debt Security (other than a REIT Debt Security or a Collateral Debt Security guaranteed by a corporate guarantor) is a Synthetic Security, the recovery rate will be assigned by Standard & Poor's upon the acquisition of such Security by the Issuer.

D. If the Collateral Debt Security (other than a Collateral Debt Security guaranteed by a corporate guarantor) is a REIT Debt Security, the recovery rate will be 40%.

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

"Standard & Poor's Rating" means with respect to any Collateral Debt Security:

(A) if Standard & Poor's has assigned a rating to such Collateral Debt Security either publicly or privately (and in the case of a private rating, the Collateral Manager shall deliver to Standard & Poor's the appropriate consents from the issuer of such Pledged Collateral Debt Security to use such Rating for purposes of the Indenture), (a) the Standard & Poor's Rating shall be the rating assigned thereto by Standard & Poor's or (b) if the Issuer or the Collateral Manager on behalf of the Issuer has requested that Standard & Poor's assign a rating to such Collateral Debt Security (including a rating of a Collateral Debt Security combined with a credit default swap enabling the Issuer to purchase credit protection to hedge the credit risk on the related Collateral Debt Security), the Standard & Poor's Rating shall be the rating so assigned by Standard & Poor's;

(B) the Issuer or the Collateral Manager on behalf of the Issuer may apply to Standard & Poor's for a credit estimate, which shall be the Standard & Poor's Rating of such Collateral Debt Security; *provided* that pending receipt from Standard & Poor's of such estimate, such Collateral Debt Security shall have a Standard & Poor's Rating of "CCC-"; for purposes of notification of a Standard & Poor's credit estimate of any Collateral Debt Security, notification of such Standard & Poor's credit estimate may be delivered in electronic form that is mutually acceptable to Standard & Poor's, the Issuer, the Collateral Manager and the Trustee;

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(C) if such Collateral Debt Security is not rated by Standard & Poor's and is publicly rated by both Moody's and Fitch, the Standard & Poor's Rating can be assigned by notching down the lower of the Moody's and Fitch ratings the number of rating subcategories specified in the table below; if such Collateral Debt Security is not rated by Standard & Poor's and is publicly rated by one of Moody's or Fitch, the Standard & Poor's Rating can be assigned by notching down the Moody's or Fitch rating the number of rating subcategories specified in the table below plus one additional rating subcategory; *provided,* the Aggregate Principal Balance of Collateral Debt Securities relying on a Standard & Poor's Rating derived or implied from a Moody's or Fitch rating may not exceed 20% of the Aggregate Principal Balance of Collateral Debt Securities (including the Aggregate Principal Balance of Eligible Investments representing Principal Collections on deposit in the Collection Account);

	Collateral Debt Security Issued Prior to August 1, 2001		Collateral Debt Security Issued On or After August 1, 2001	
	Lower of Moody or Fitch rating is investment grade	Lower of Moody or Fitch rating is non-investment grade	Lower of Moody or Fitch rating is investment grade	Lower of Moody or Fitch rating is non-investment grade
Consumer ABS Automobile Securities Car Rental Fleet Securities Credit Card Securities Healthcare Securities Student Loan Securities	-1	-2	-2	-3
Commercial ABS Aircraft Securities Cargo securities Equipment Leasing Securities Franchise Securities Restaurant and food services securities Small Business Loan Securities	-1	-2	-2	-3
Residential Mortgages Home Equity Loan Securities Residential A Mortgage Securities Residential B/C Mortgage Securities	-1	-2	-2	-3
Non-Re-REMIC RMBS Manufactured Housing Securities	-1	-2	-2	-3
Non-Re-REMIC CMBS CMBS Conduit Securities CMBS Credit Tenant Lease Securities CMBS Large Loan Securities	-1	-2	-2	-3
Cashflow CBO/CLOs CDO Domestic Corporate Debt	-1	-2	-2	-3

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Securities				
<u>Specialty Structured</u> Future Flow Securities Project Finance Securities Stadium Receivables Securities	-3	-4	-3	-4
<u>REITs/Real estate operating companies</u> REIT Debt Securities Real estate operating company debt	-1	-2	-2	-3
<u>Excepted securities</u> Bank Guaranteed Security CDO Structured Product Security Distressed debt CDO Market value CDO Synthetic CDO CDO of real estate CDO of CDOs Insurance Company Guaranteed Security Insurance-Linked Security Mutual Fund Security Timeshare Security Non-U.S. Structured Finance Security Net Interest Margin Security Combination security Re-tranched security Synthetic Security Re-REMIC Security First loss tranche of any Asset-Backed Security Other Specified Type of Asset-Backed Security not covered above	No Notching Permitted		No Notching Permitted	

(D) with respect to a Collateral Debt Security which is a Corporate Debt Security, if such Collateral Debt Security is not rated by Standard & Poor's, the Standard & Poor's Rating will be determined as follows:

(1) if there is an issuer credit rating of the issuer of such Collateral Debt Security, or the guarantor who unconditionally and irrevocably guarantees such Collateral Debt Security, then the Standard & Poor's Rating of such issuer, or the guarantor, shall be such rating (regardless of whether there is a published rating by Standard & Poor's on the Collateral Debt Security of such issuer held by the Issuer); or

(2) if no other security or obligation of the issuer is rated by Standard & Poor's then the Issuer or the Collateral Manager on behalf of the Issuer, may apply to Standard & Poor's for a corporate credit estimate, which shall be its Standard & Poor's Rating; *provided* that, pending receipt from Standard & Poor's of such estimate, such Collateral Debt Security shall have a Standard & Poor's Rating of "CCC-" if the Collateral Manager believes that such estimate will be at least "CCC-" and if the Aggregate Principal Balance of Collateral Debt Securities having such Standard &

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Poor's Rating by reason of this provision does not exceed 5% of the Aggregate Principal Balance of all Collateral Debt Securities; or

(3) with respect to any Collateral Debt Security that is a Synthetic Security, the Standard & Poor's Rating of such Synthetic Security shall be the rating assigned thereto by Standard & Poor's in connection with the acquisition thereof by the Issuer upon the request of the Issuer or the Collateral Manager; or

(4) if such Pledged Collateral Debt Security is not rated by Standard & Poor's, but another security or obligation of the issuer is rated by Standard & Poor's and neither the Issuer nor the Collateral Manager obtains a Standard & Poor's Rating for such Pledged Collateral Debt Security pursuant to subclause (2) above, then the Standard & Poor's Rating of such Pledged Collateral Debt Security shall be the issuer credit rating or shall be determined as follows: (a) if there is a rating on a senior secured obligation of the issuer, then the Standard & Poor's Rating of such Pledged Collateral Debt Security shall be one subcategory below such rating if such Pledged Collateral Debt Security is a senior secured or senior unsecured obligation of the issuer; (b) if there is a rating on a senior unsecured obligation of the issuer, then the Standard & Poor's Rating of such Pledged Collateral Debt Security shall equal such rating if such Pledged Collateral Debt Security is a senior secured or senior unsecured obligation of the issuer; and (c) if there is a rating on a subordinated obligation of the issuer, and if such Pledged Collateral Debt Security is a senior secured or senior unsecured obligation of the issuer, then the Standard & Poor's Rating of such Pledged Collateral Debt Security shall be one subcategory above such rating if such rating is higher than "BB+", and shall be two subcategories above such rating if such rating is "BB+" or lower; or

(5) if (a) neither the issuer nor any of its Affiliates is subject to reorganization or bankruptcy proceedings and (b) no debt securities or obligations of the issuer have been in default during the past two years, the Standard & Poor's Rating of such Collateral Debt Security will be "CCC-"; or

(6) if a debt security or obligation of the issuer has been in default during the past two years, the Standard & Poor's Rating of such Collateral Debt Security will be "D"; or

(7) if there is no issuer credit rating published by Standard & Poor's and such Pledged Collateral Debt Security is not rated by Standard & Poor's, and no other security or obligation of the issuer is rated by Standard & Poor's and neither the Issuer nor the Pledged Collateral Manager obtains a Standard & Poor's Rating for such Pledged Collateral Debt Security pursuant to subclause (2) above, then the Standard & Poor's Rating of such Pledged Collateral Debt Security may be determined using any one of the methods provided below: (a) if such Pledged Collateral Debt Security is publicly rated by Moody's, then the Standard & Poor's Rating of such Pledged Collateral Debt Security will be (A) one subcategory below the Standard & Poor's equivalent of the public rating assigned by Moody's if such Pledged Collateral Debt Security is publicly rated "Baa3" or higher by Moody's and (B) two subcategories below the Standard & Poor's equivalent of the public rating assigned by Moody's if such Pledged Collateral Debt Security is publicly rated "Ba1" or lower by Moody's; *provided* , *however*, that (x) no Synthetic Security may be deemed to have a Standard & Poor's Rating based on a Moody's Rating, (y) no Pledged Collateral Debt Security that represents financing to a "debtor-in-possession" in a bankruptcy proceeding may be deemed to have a Standard & Poor's Rating based on a Moody's Rating and (z) the Aggregate Principal Balance of the Pledged Collateral Debt Securities that may deemed to have a Standard & Poor's Rating based on a rating assigned by Moody's as provided in this subclause (a) may not exceed 10% of the Aggregate Principal Balance of all Pledged Collateral Debt Securities; or (b) if such Pledged Collateral Debt Security is not rated by Moody's but another security or obligation of the Issuer

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(a "**parallel security**") is rated by Moody's then the Standard & Poor's Rating of such parallel security will be determined in accordance with the methodology set forth in subclause (a) above, and the Standard & Poor's Rating of such Pledged Collateral Debt Security will be determined in accordance with the methodology set forth in clause (iv) above (for such purposes treating the parallel security as if it were rated by Standard & Poor's at the rating determined pursuant to this subclause (b)).

The Standard & Poor's Rating for any Collateral Debt Security that is (x) on credit watch positive for possible upgrade by Standard & Poor's will be deemed to be the Standard & Poor's Rating one subcategory above the Standard & Poor's Rating of such Collateral Debt Security that would otherwise be applicable as determined pursuant to this definition of Standard & Poor's Rating and (ii) on credit watch negative for possible downgrade by Standard & Poor's will be deemed to be the Standard & Poor's Rating one subcategory below the Standard & Poor's Rating of such Collateral Debt Security that would otherwise be applicable as determined pursuant to this definition of Standard & Poor's Rating.

For purposes of this Schedule, **"Non-U.S. Structured Finance Security"** means any Asset-Backed Security other than a security which is issued by (i) a U.S. issuer, (ii) an issuer located in the Cayman Islands, Bermuda, the British Virgin Islands, the Netherlands Antilles, the Channel Islands or similar jurisdiction generally imposing no or nominal taxes on the income of companies organized under the law of such jurisdiction or (iii) an issuer located in a jurisdiction the sovereign obligations of which are rated "AA" or higher by Standard & Poor's, less than 25% of the underlying assets of which consist of obligations issued by obligors or issuers located or cash flow derived outside the United States of America, and the underlying assets of such issuer are not subject to contingent perfection.

"Standard & Poor's Weighted Average Recovery Rate" means the number obtained by *summing* the products obtained by *multiplying* the principal balance of each Collateral Debt Security by its Standard & Poor's Applicable Recovery Rate, *dividing* such sum by the Aggregate Principal Balance of all such Collateral Debt Securities, *multiplying* the result by 100 and rounding up to the first decimal place. For purposes of the Standard & Poor's Weighted Average Recovery Rate, the principal balance of a Defaulted Security or a Deferred Interest PIK Bond will be deemed to be equal to its outstanding principal amount (but excluding any deferred interest with respect to a Deferred Interest PIK Bond).

STANDARD & POOR'S CDO MONITOR TEST

The **"Standard & Poor's CDO Monitor Test"** will be satisfied if after giving effect to the sale of a Collateral Debt Security (excluding Defaulted Securities) or the purchase of a Collateral Debt Security (excluding Defaulted Securities) (or both), as the case may be, the Standard & Poor's Default Differential of the Proposed Portfolio is positive or if the Standard & Poor's Default Differential of the Proposed Portfolio is negative prior to giving effect to such sale or purchase, the extent of compliance is improved after giving effect to the sale or purchase of a Collateral Debt Security.

"Standard & Poor's Default Differential" means, at any time, the rate calculated by *subtracting* the Standard & Poor's Scenario Default Rate at such time from the Standard & Poor's Break-Even Default Rate at such time.

"Standard & Poor's Scenario Default Rate" means, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with a "AAA" rating of the Class A-1A Notes by Standard & Poor's, a "AAA" rating of the Class A-1B Notes by Standard & Poor's, a "AAA" rating of the Class A-2 Notes by Standard & Poor's, a "AA" rating of the Class B Notes by Standard & Poor's and a "BBB" rating by Standard & Poor's, determined by application of the Standard & Poor's CDO Monitor at such time.

"Standard & Poor's Break-Even Default Rate" means, at any time, the maximum percentage of defaults which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain (as determined by the Standard & Poor's CDO Monitor), which after giving effect to Standard & Poor's assumptions on recoveries and timing and to the priority of payments in accordance with Section 11.01 will result in sufficient funds remaining for the payment of the Notes in full by their Stated Maturity and the timely payment, as applicable, of interest on each Class of Notes, as determined by the Standard & Poor's CDO Monitor.

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"Proposed Portfolio" means the portfolio (measured by principal balance) of the Collateral Debt Securities resulting from the sale, maturity or other disposition of Collateral Debt Security, or a proposed acquisition of a Collateral Debt Security, as the case may be.

"Current Portfolio" means the portfolio existing immediately prior to such sale, maturity or other disposition of a Collateral Debt Security or immediately prior to such acquisition of a Collateral Debt Security, as the case may be.

The **"Standard & Poor's CDO Monitor"** is the dynamic, analytical computer model provided by Standard & Poor's to the Collateral Manager and the Collateral Administrator on or prior to the Ramp-Up Completion Date used to determine the credit risk of a portfolio of Collateral Debt Securities and may be modified by Standard & Poor's from time to time. None of the Issuer, the Collateral Manager, the Trustee or the Collateral Administrator shall have any responsibility for the Standard & Poor's CDO Monitor, its internal configuration, operation or results.

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