

U.S.\$675,000,000 Class A-1 First Priority Senior Secured Floating Rate Notes Due 2041
U.S.\$94,500,000 Class A-2 Second Priority Senior Secured Floating Rate Notes Due 2041
U.S.\$92,000,000 Class B Third Priority Senior Secured Floating Rate Notes Due 2041
U.S.\$15,950,000 Class C Fourth Priority Mezzanine Deferrable Floating Rate Notes Due 2041
U.S.\$21,250,000 Class D Fifth Priority Mezzanine Deferrable Floating Rate Notes Due 2041
U.S.\$19,000,000 Class E Sixth Priority Mezzanine Deferrable Floating Rate Notes Due 2041
U.S.\$621,000 Class P-1 Principal Protected Notes Due 2041
U.S.\$5,226,000 Class P-2 Principal Protected Notes Due 2041
U.S.\$38,300,000 Preference Shares Due 2041

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

Independence VI CDO, Ltd. Independence VI CDO, Inc.

Independence VI CDO, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the "Issuer"), and Independence VI CDO, Inc., a Delaware corporation (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers"), will issue U.S.\$675,000,000 Class A-1 First Priority Senior Secured Floating Rate Notes due 2041 (the "Class A-1 Notes"), U.S.\$94,500,000 Class A-2 Second Priority Senior Secured Floating Rate Notes due 2041 (the "Class A-2 Notes" and, together with the Class A-1 Notes, the "Class A Notes"); U.S.\$92,000,000 Class B Third Priority Senior Secured Floating Rate Notes due 2041 (the "Class B Notes"), U.S.\$15,950,000 Class C Fourth Priority Mezzanine Deferrable Floating Rate Notes due 2041 (the "Class C Notes"); U.S.\$21,250,000 Class D Fifth Priority Mezzanine Deferrable Floating Rate Notes due 2041 (the "Class D Notes"), and U.S.\$19,000,000 Class E Sixth Priority Mezzanine Deferrable Floating Rate Notes due 2041 (the "Class E Notes" and together with the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes, the "Secured Notes"). Concurrently with the issuance of the Secured Notes, the Issuer will issue U.S.\$621,000 Class P-1 Principal Protected Notes due 2041 (the "Class P-1 Notes") and U.S.\$5,226,000 Class P-2 Principal Protected Notes due 2041 (the "Class P-2 Notes" and together with the Class P-1 Notes, the "Class P Notes"). The Secured Notes and the Class P Notes being offered hereby are referred to herein as the "Notes". In addition the Issuer will issue U.S.\$38,300,000 Preference Shares due 2041 (the "Preference Shares"). The Notes and the Preference Shares being offered hereby are referred to herein as the "Offered Securities".

(Continued on next page)



It is a condition to the issuance of the Offered Securities that the Class A-1 Notes and the Class A-2 Notes be rated "Aaa" by Moody's Investors Service, Inc. ("Moody's"), "AAA" by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), and "AAA" by Fitch, Inc. ("Fitch", and together with Moody's and Standard & Poor's, the "Rating Agencies"), that the Class B Notes be rated "Aa2" by Moody's, "AA" by Standard & Poor's and "AA" by Fitch, that the Class C Notes be rated "A2" by Moody's, "A" by Standard & Poor's and "A" by Fitch, that the Class D Notes be rated "Baa2" by Moody's, "BBB" by Standard & Poor's and "BBB" by Fitch and that the Class E Notes be rated "Baa3" by Moody's, "BBB-" by Standard & Poor's and "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 and that the Preference Shares be rated "Ba2" by Moody's. Application has been made to the Irish Stock Exchange to admit the Secured Notes to the Daily Official List. Application will be made to list the Preference Shares on the Channel Islands Stock Exchange. The Class P Notes will not be listed on any 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.

SEE "RISK FACTORS" IN THIS OFFERING CIRCULAR FOR A DESCRIPTION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE OFFERED SECURITIES. THE PLEDGED ASSETS OF THE ISSUER ARE THE SOLE SOURCE OF PAYMENTS ON THE OFFERED SECURITIES. THE OFFERED SECURITIES DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, THE TRUSTEE, THE INITIAL HEDGE COUNTERPARTY, DECLARATION MANAGEMENT & RESEARCH LLC, 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. THE OFFERED SECURITIES ARE BEING OFFERED (A) IN THE UNITED STATES IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (i) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A) OR (ii) IN THE CASE OF THE PREFERENCE SHARES, PROVIDED BY SECTION 4(2) THEREOF TO A LIMITED NUMBER OF ACCREDITED INVESTORS WITHIN THE MEANING OF RULE 501(a) UNDER THE SECURITIES ACT AND (B) OUTSIDE THE UNITED STATES TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATIONS) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATIONS ("REGULATIONS") UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE LAWS. EACH ORIGINAL PURCHASER OF PREFERENCE SHARES AND EACH ORIGINAL PURCHASER OF CLASS P NOTES WILL BE REQUIRED TO DELIVER TO THE ISSUER INVESTOR APPLICATION FORMS (THE "INVESTOR APPLICATION FORMS") DELIVERED TO THE ISSUER TO MAKE CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS AND AGREEMENTS SET FORTH UNDER "TRANSFER RESTRICTIONS". A TRANSFER OF OFFERED SECURITIES (OR ANY INTEREST THEREIN) IS SUBJECT TO CERTAIN RESTRICTIONS DESCRIBED HEREIN, INCLUDING THAT NO SALE, PLEDGE, TRANSFER OR EXCHANGE MAY BE MADE IN A DENOMINATION LESS THAN THE REQUIRED MINIMUM DENOMINATION. SEE "TRANSFER RESTRICTIONS".

The Offered Securities are offered by Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPFS") and its affiliates as Initial Purchaser (the "Initial Purchaser"), subject to prior sale, when, as and if issued. The Offered Securities 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 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 June 30, 2005 (the "Closing Date"), in the case of the Global Secured Notes, the Regulation S Global Class P Notes and the Regulation S Global Preference Shares through the facilities of The Depository Trust Company ("DTC") and, in the case of the Restricted Definitive Class P Notes and Restricted Preference Shares, in the offices of MLPFS in New York, against payment therefor in immediately available funds. It is a condition to the issuance of each of the Offered Securities that all Offered Securities offered hereby be issued concurrently.

Merrill Lynch & Co.
Manager

Dated June 29 2005

(cover continued)

The Notes will be issued and secured pursuant to an Indenture dated as of June 30, 2005 (the "Indenture") between the Issuer, the Co-Issuer and JPMorgan Chase Bank, National Association, as trustee (the "Trustee"). The Preference Shares will be issued pursuant to the Preference Share Paying Agency Agreement dated as of June 30, 2005 (the "Preference Share Paying Agency Agreement") between the Issuer and JPMorgan Chase Bank, National Association, as Preference Share Paying Agent (in such capacity, the "Preference Share Paying Agent"). The Collateral (as defined herein) securing the Notes will be managed by Declaration Management & Research LLC ("Declaration" or the "Collateral Manager").

Subject in each case to the Priority of Payments, (a) holders of the Class A-1 Notes will be entitled to receive interest at a floating rate per annum equal to the applicable three-month London interbank offered rate in effect from time to time plus 0.27%, (b) holders of the Class A-2 Notes will be entitled to receive interest at a floating rate per annum equal to the applicable three-month London interbank offered rate in effect from time to time plus 0.45%, (c) holders of the Class B Notes will be entitled to receive interest at a floating rate per annum equal to the applicable three-month London interbank offered rate in effect from time to time plus 0.60%; (d) holders of the Class C Notes will be entitled to receive interest at a floating rate per annum equal to the applicable three-month London interbank offered rate in effect from time to time plus 1.40%, (e) holders of the Class D Notes will be entitled to receive interest at a floating rate per annum equal to the applicable three-month London interbank offered rate in effect from time to time plus 2.60% and (f) holders of the Class E Notes will be entitled to receive interest at a floating rate per annum equal to the applicable three-month London interbank offered rate in effect from time to time plus 3.20%. See "Description of the Secured Notes—Priority of Payments".

Payments of interest on the Secured Notes will be payable in U.S. Dollars quarterly in arrears on each November 5, February 5, May 5 and August 5 commencing November 5, 2005 (each, a "Distribution Date"), *provided* that (i) the final Distribution Date for the Notes shall be May 5, 2041 and (ii) if any such date is not a Business Day, the relevant Distribution Date will be the next succeeding Business Day. Payments of principal of and interest on the Secured Notes on any Distribution Date will be made if and to the extent that funds are available on such Distribution Date in accordance with the Priority of Payments set forth herein. See "Description of the Secured Notes—Interest" and "Description of the Secured Notes—Principal". The principal of each of the Class A Notes and Class B Notes is payable on each Distribution Date and is required to be paid by their Stated Maturity, unless redeemed or repaid prior thereto. See "Description of the Secured Notes—Principal". Each of the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes is referred to herein as a "Class" of Secured Notes and each of the Class P-1 Notes and Class P-2 Notes is referred to herein as a "Class" of Class P Notes.

All of the Class A-1 Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-2 Notes are entitled to receive payments *pari passu* among themselves, all of the Class B Notes are entitled to receive payments *pari passu* among themselves, all of the Class C Notes are entitled to receive payments *pari passu* among themselves, all of the Class D Notes are entitled to receive payments *pari passu* among themselves, all of the Class E Notes are entitled to receive payments *pari passu* among themselves and all of the Preference Shares are entitled to receive payments *pari passu* among themselves. Except as otherwise described herein, the relative order of seniority of payment of each Class of Secured Notes is as follows: *first*, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes, *fourth*, the Class C Notes, *fifth*, the Class D Notes and *sixth*, the Class E Notes with (a) each Class of Secured Notes (other than the Class E Notes) in such list being "Senior" to each other Class of Secured Notes that follows such Class of Secured Notes in such list (*e.g.*, the Class A-1 Notes are Senior to the Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes) 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 (*e.g.*, the Class E Notes are Subordinate to the Class A Notes, Class B Notes, Class C Notes and Class D 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 are Senior to such Class and that remain outstanding has been paid in full. See "Description of the Secured Notes—Priority of Payments". Payment of principal of any Class of Secured

Notes will be made in accordance with the Priority of Payments to the extent of Principal Proceeds received in the related Due Period. See "Description of the Secured Notes—Priority of Payments".

The Secured Notes are subject to optional and mandatory redemption under the circumstances described under "Description of the Secured Notes—Auction Call Redemption", "—Optional Redemption and Tax Redemption" and "—Mandatory Redemption".

Until the Secured Notes are paid in full, Interest Proceeds will be released from the lien of the Indenture only after the payment of interest on the Secured Notes and certain other amounts in accordance with the Priority of Payments. Any Interest Proceeds permitted to be released from the lien of the Indenture will be distributed by the Preference Share Paying Agent to the registered holders of the Preference Shares (the "Preference Shareholders") on each Distribution Date. Until the Secured Notes have been paid in full, Principal Proceeds are not permitted to be released from the lien of the Indenture and will not be available to make distributions in respect of the Preference Shares. Subject to provisions of The Companies Law (2004 Revision) of the Cayman Islands governing the declaration and payment of dividends (described herein), after the Secured Notes have been paid in full all Interest Proceeds and Principal Proceeds remaining after all other applications under the Priority of Payments will be released from the lien of the Indenture and distributed by the Preference Share Paying Agent to the Preference Shareholders on each Distribution Date. Distributions will be made in cash (except certain liquidating distributions). The Directors of the Issuer currently intend, in the event that the Preference Shares are not redeemed at the option of a Majority-in-Interest of Preference Shareholders following the repayment in full of the Secured 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. See "Description of the Preference Shares—Distributions". The Secured Notes offered by the Co-Issuers in the United States will be offered in reliance on an exemption from the registration requirements of the Securities Act and will be represented by one or more global notes ("Restricted Global Secured Notes") in fully registered form without interest coupons deposited with the Trustee as custodian for, and registered in the name of, DTC (or its nominee). The Secured Notes offered by the Co-Issuers and the Preference Shares and Class P Notes offered by the Issuer outside the United States will be offered in reliance upon Regulation S under the Securities Act and will be represented by one or more global notes ("Regulation S Global Secured Notes" and, together with the Restricted Global Secured Notes, the "Global Secured Notes"), one or more global Class P Notes ("Regulation S Global Class P Notes") or one or more global Preference Shares ("Regulation S Global Preference Shares") in fully registered form without interest coupons deposited with the Trustee or Preference Share Paying Agent (as applicable) as custodian for, and registered in the name of, DTC (or its nominee). By acquisition of a beneficial interest in a Regulation S Global Secured Note, Regulation S Global Class P Note or Regulation S Global Preference Share, any purchaser thereof will be deemed to represent that (a) it is not a U.S. Person and is purchasing such beneficial interest for its own account and not for the account or benefit of a U.S. Person and (b) if in the future it decides to transfer such beneficial interest, it will transfer such interest only to a person or entity that is not a U.S. Person in an offshore transaction in accordance with Regulation S or to a person or entity who takes delivery in the form of a Restricted Global Secured Note (or a beneficial interest therein), a Restricted Definitive Class P Note or a Restricted Preference Share. Except in the limited circumstances described herein, certificated Notes or Preference Shares will not be issued in exchange for beneficial interests in a Global Secured Note, Regulation S Global Class P Note or Regulation S Global Preference Share. Class P Notes offered in the United States ("Restricted Definitive Class P Notes") will be issued in definitive, fully registered, certificated form and registered in the name of the beneficial owner thereof. Preference Shares offered in the United States ("Restricted Preference Shares") will be issued in definitive, fully registered form without interest coupons and registered in the name of the beneficial owner thereof. See "Description of the Secured Notes—Form, Denomination, Registration and Transfer", "Description of the Class P Notes—Form, Denomination, Registration and Transfer" and "Description of the Preference Shares—Form, Registration and Transfer". Application has been made for the Secured Notes to be admitted to the Daily Official List of the Irish Stock Exchange. 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.

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

NO PERSON IS AUTHORIZED IN CONNECTION WITH ANY OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED HEREIN AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE ISSUER, THE CO-ISSUER, THE COLLATERAL MANAGER, THE INITIAL HEDGE COUNTERPARTY, ANY CDS COUNTERPARTY OR THE INITIAL PURCHASER OR ANY OF THEIR RESPECTIVE AFFILIATES. THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, (A) ANY SECURITIES OTHER THAN THE OFFERED SECURITIES OR (B) ANY OFFERED SECURITIES IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFER OR SOLICITATION. THE DISTRIBUTION OF THIS OFFERING CIRCULAR AND THE OFFERING OF THE OFFERED SECURITIES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. PERSONS INTO WHOSE POSSESSION THIS OFFERING CIRCULAR COMES ARE REQUIRED BY THE CO-ISSUERS AND THE INITIAL PURCHASER TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS. IN PARTICULAR, THERE ARE RESTRICTIONS ON THE DISTRIBUTION OF THIS OFFERING CIRCULAR, AND THE OFFER AND SALE OF OFFERED SECURITIES, IN THE UNITED STATES OF AMERICA, THE UNITED KINGDOM AND THE CAYMAN ISLANDS. SEE "PLAN OF DISTRIBUTION". NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER 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 AS OF WHICH SUCH INFORMATION IS GIVEN HEREIN. 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 AGGREGATE STATED PRINCIPAL AMOUNT OF ANY CLASS OF SECURED NOTES, CLASS P NOTES OR PREFERENCE SHARES.

THE OFFERED SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE OFFERED SECURITIES ARE TO BE PURCHASED FOR INVESTMENT ONLY AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED BY AN INVESTOR DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OF U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY OFFERED SECURITIES MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER ("RULE 144A") OR ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. FOR

CERTAIN RESTRICTIONS ON RESALE, SEE "DESCRIPTION OF THE SECURED NOTES—FORM, DENOMINATION, REGISTRATION AND TRANSFER", "DESCRIPTION OF THE CLASS P NOTES—FORM, REGISTRATION AND TRANSFER", "DESCRIPTION OF THE PREFERENCE SHARES—FORM, REGISTRATION AND TRANSFER" AND "TRANSFER RESTRICTIONS". A TRANSFER OF OFFERED SECURITIES IS SUBJECT TO THE RESTRICTIONS DESCRIBED HEREIN, INCLUDING THAT NO SALE, PLEDGE, TRANSFER OR EXCHANGE MAY BE MADE OF A OFFERED SECURITIES (1) EXCEPT AS PERMITTED UNDER (A) THE SECURITIES ACT PURSUANT TO AN EXEMPTION FROM REGISTRATION AS DESCRIBED HEREIN, (B) APPLICABLE STATE SECURITIES LAWS AND (C) APPLICABLE SECURITIES LAWS OF ANY OTHER JURISDICTION, (2) EXCEPT IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SET FORTH IN THE INDENTURE AND THE PREFERENCE SHARE PAYING AGENCY AGREEMENT, RESPECTIVELY AND (3) IN A DENOMINATION LESS THAN THE REQUIRED MINIMUM DENOMINATION OR MINIMUM PURCHASE. THE OFFERED SECURITIES ARE SUBJECT TO FURTHER RESTRICTIONS ON TRANSFER. SEE "TRANSFER RESTRICTIONS".

NEITHER THE CO-ISSUERS NOR THE POOL OF COLLATERAL HAS BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"), BY REASON OF THE EXEMPTION FROM REGISTRATION CONTAINED IN SECTION 3(c)(7) THEREOF. NO TRANSFER OF OFFERED SECURITIES WHICH WOULD HAVE THE EFFECT OF REQUIRING EITHER OF THE CO-ISSUERS OR THE POOL OF COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT WILL BE PERMITTED. ANY TRANSFER OF A DEFINITIVE NOTE MAY BE EFFECTED ONLY ON THE NOTE REGISTER MAINTAINED BY THE APPLICABLE NOTE REGISTRAR PURSUANT TO THE INDENTURE. ANY TRANSFER OF AN INTEREST IN A GLOBAL SECURED NOTE, A REGULATION S GLOBAL CLASS P NOTE OR A REGULATION S GLOBAL PREFERENCE SHARE WILL BE SHOWN ON, AND TRANSFERS THEREOF WILL BE EFFECTED ONLY THROUGH, RECORDS MAINTAINED BY DTC AND ITS DIRECT AND INDIRECT PARTICIPANTS (INCLUDING, IN THE CASE OF REGULATION S GLOBAL SECURED NOTES, REGULATION S GLOBAL CLASS P NOTES AND REGULATION S GLOBAL PREFERENCE SHARES, EUROCLEAR AND CLEARSTREAM, LUXEMBOURG). ANY TRANSFER OF RESTRICTED DEFINITIVE CLASS P NOTES MAY BE EFFECTED ONLY ON THE CLASS P NOTE REGISTER MAINTAINED BY THE CLASS P NOTE REGISTRAR PURSUANT TO THE INDENTURE. ANY TRANSFER OF RESTRICTED PREFERENCE SHARES MAY BE EFFECTED ONLY ON THE PREFERENCE SHARE REGISTER MAINTAINED BY THE PREFERENCE SHARE REGISTRAR PURSUANT TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT.

EACH ORIGINAL PURCHASER AND EACH SUBSEQUENT TRANSFEREE OF A NOTE OR A PREFERENCE SHARE WILL BE REQUIRED TO CERTIFY (OR IN CERTAIN CIRCUMSTANCES BE DEEMED TO REPRESENT AND WARRANT) EITHER THAT (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS ANY NOTE OR PREFERENCE SHARE OR INTEREST THEREIN WILL NOT BE) AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE 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"), A "PLAN" AS DEFINED IN SECTION 4975(e)(1) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") (EACH SUCH ENTITY, A "PLAN"), AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO THE PLAN ASSET REGULATION OF THE UNITED STATES DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3-101 (THE "PLAN ASSET REGULATION"), 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 MATERIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) ITS PURCHASE AND OWNERSHIP OF SUCH NOTE OR PREFERENCE SHARE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR ANY SUCH SIMILAR LAW.

EACH ORIGINAL PURCHASER AND EACH SUBSEQUENT TRANSFEREE OF A REGULATION S PREFERENCE SHARE WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS SUCH REGULATION S CLASS P NOTE OR REGULATION S PREFERENCE SHARE WILL NOT BE) AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH REGULATION S PREFERENCE SHARE WILL NOT BE ACTING ON BEHALF OF) A BENEFIT PLAN INVESTOR (AS DEFINED IN THE PLAN ASSET REGULATION, 29 C.F.R. SECTION 2510.3-101(f) (ANY SUCH PERSON, A " BENEFIT PLAN INVESTOR") OR A PERSON, OTHER THAN A BENEFIT PLAN INVESTOR, WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE CO-ISSUERS, OR WHO PROVIDE INVESTMENT ADVICE FOR A FEE, DIRECT OR INDIRECT, WITH RESPECT TO SUCH ASSETS OR AN AFFILIATE OF SUCH A PERSON (ANY SUCH PERSON, A "CONTROLLING PERSON").

EACH ORIGINAL PURCHASER OF A RESTRICTED DEFINITIVE CLASS P NOTE OR A RESTRICTED PREFERENCE SHARE WILL BE REQUIRED TO CERTIFY WHETHER OR NOT IT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. NO TRANSFER OF CLASS P NOTES OR PREFERENCE SHARES (OTHER THAN FROM THE INITIAL PURCHASER TO AN ORIGINAL PURCHASER ON THE CLOSING DATE) WILL BE EFFECTIVE, AND THE ISSUER, THE CLASS P NOTE REGISTRAR (IN THE CASE OF THE CLASS P NOTES), THE PREFERENCE SHARE REGISTRAR (IN THE CASE OF THE PREFERENCE SHARES), THE TRUSTEE (IN THE CASE OF THE CLASS P NOTES) AND THE PREFERENCE SHARE PAYING AGENT (IN THE CASE OF THE PREFERENCE SHARES) WILL NOT RECOGNIZE ANY SUCH TRANSFER IF THE TRANSFEREE IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON.

THE INDENTURE (IN THE CASE OF A CLASS P NOTE) AND THE PREFERENCE SHARE PAYING AGENCY AGREEMENT (IN THE CASE OF A PREFERENCE SHARE) PERMITS THE ISSUER TO DEMAND THAT ANY PERSON HOLDING A CLASS P NOTE OR PREFERENCE SHARE, AS THE CASE MAY BE, (OR A BENEFICIAL INTEREST THEREIN) (OTHER THAN A PERSON HOLDING A RESTRICTED DEFINITIVE CLASS P NOTE OR RESTRICTED PREFERENCE SHARE WHO ACQUIRED SUCH CLASS P NOTE OR PREFERENCE SHARE FROM THE INITIAL PURCHASER ON THE CLOSING DATE) WHO IS DETERMINED TO BE A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON TO SELL SUCH CLASS P NOTE OR PREFERENCE SHARE (OR A BENEFICIAL INTEREST THEREIN) TO A PERSON WHO IS NEITHER A BENEFIT PLAN INVESTOR NOR 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 THE CLASS P NOTE OR PREFERENCE SHARE.

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

This Offering Circular (the "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"). Neither the Initial Purchaser nor any of its affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy or completeness of the information contained herein. Neither the Collateral Manager nor any of its affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy and completeness of the information contained herein other than the information appearing in the section "The Collateral Manager". Neither the Initial Hedge Counterparty nor any of its affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy or completeness of the information contained herein. Neither a CDS Counterparty nor any of its affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy or completeness of the information contained herein. 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.

Notwithstanding anything to the contrary herein, effective from the date of commencement of discussions, recipients, and each employee, representative or other agent of the recipients, may disclose to any and all persons, without limitation of any kind, the U.S. Federal income tax treatment and tax structure of the offering and all materials of any kind, including opinions or other tax analyses, that are provided to the recipients relating to such tax treatment and tax structure. This authorization to disclose the tax treatment and tax structure does not permit disclosure of information identifying either Co-Issuer, the Collateral Manager or any other party to the transaction, or this offering or the pricing (except to the extent pricing is relevant to tax structure or tax treatment) of this offering.

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

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

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

Each Original Purchaser of Offered Securities offered and sold in the United States will be required (or in certain circumstances deemed) to represent to the Initial Purchaser offering any Offered Securities to it that it is (a)(i) a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) (a

"Qualified Institutional Buyer") or (ii) in the case of the Class P Notes and Preference Shares, an "Accredited Investor" within the meaning of Rule 501(a) under the Securities Act (an "Accredited Investor") and (b) a Qualified Purchaser (as defined herein) acquiring the Offered Securities for its own account for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A). A "Qualified Purchaser" is (i) a "qualified purchaser" as defined in the Investment Company Act, (ii) a "knowledgeable employee" with respect to the Issuer within the meaning of Rule 3c-5 under the Investment Company Act or (iii) a company beneficially owned exclusively by one or more "qualified purchasers" and/or "knowledgeable employees" with respect to the Issuer. Each Original Purchaser of Offered Securities offered and sold in reliance on Regulation S will be required (or in certain circumstances deemed) to represent that it is not a U.S. Person (as defined in Regulation S, a "U.S. Person") and is acquiring the Offered Securities in an offshore transaction in accordance with Regulation S for its own account and not for the account or benefit of a U.S. Person. Each Original Purchaser of the Offered Securities will also be required (or in certain circumstances be deemed) to acknowledge that the Offered Securities have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (a)(i) to a person (A) whom the seller reasonably believes is a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A, and (B) that is a Qualified Purchaser, (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (iii) in the case of a Restricted Definitive Class P Note or Restricted Preference Share, to a person that is both (A) a Qualified Purchaser and (B) a Qualified Institutional Buyer or an institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of the Securities Act (an "Institutional Accredited Investor") (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 set forth in the Indenture or the Preference Share Paying Agency Agreement and (c) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. For a description of these and certain other restrictions on offers and sales of the Offered Securities and distribution of this Offering Circular, see "Transfer Restrictions".

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

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

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

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

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

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

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

NOTICE TO FLORIDA RESIDENTS

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

NOTICE TO CONNECTICUT RESIDENTS

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

NOTICE TO GEORGIA RESIDENTS

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

NOTICE TO RESIDENTS OF AUSTRIA

THIS OFFERING CIRCULAR IS NOT A PROSPECTUS UNDER THE AUSTRIAN CAPITAL MARKETS ACT OR THE AUSTRIAN INVESTMENT FUNDS ACT. THIS OFFERING CIRCULAR HAS NOT BEEN EXAMINED BY A PROSPECTUS AUDITOR AND NO PROSPECTUS ON THE PRIVATE PLACEMENT OF THE OFFERED SECURITIES HAS BEEN PUBLISHED OR WILL BE PUBLISHED IN AUSTRIA. THE OFFERED SECURITIES ARE OFFERED IN AUSTRIA ONLY TO A RESTRICTED AND SELECTED NUMBER OF PROFESSIONAL AND SOPHISTICATED INDIVIDUAL INVESTORS, AND NO PUBLIC OFFERING OF THE OFFERED SECURITIES IN AUSTRIA IS BEING MADE OR IS INTENDED TO BE MADE. THE OFFERED SECURITIES CAN ONLY BE ACQUIRED FOR A COMMITMENT

EXCEEDING ATS600,000 OR ITS EQUIVALENT VALUE IN ANY FOREIGN CURRENCY. THE INTERESTS ISSUED BY THE CO-ISSUERS ARE NOT OFFERED IN AUSTRIA, AND THE CO-ISSUERS ARE NOT AND WILL NOT BE REGISTERED AS A FOREIGN INVESTMENT FUND IN AUSTRIA.

NOTICE TO RESIDENTS OF BELGIUM

THE OFFERED SECURITIES MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED IN OR FROM BELGIUM AS PART OF THEIR INITIAL DISTRIBUTION OR AT ANY TIME THEREAFTER, DIRECTLY OR INDIRECTLY, OTHER THAN TO PERSONS OR ENTITIES MENTIONED IN ARTICLE 3 OF THE ROYAL DECREE OF JANUARY 9, 1991 RELATING TO THE PUBLIC CHARACTERISTIC OF OPERATIONS CALLING FOR SAVINGS AND ON THE ASSIMILATION OF CERTAIN OPERATIONS TO A PUBLIC OFFER (BELGIAN OFFICIAL JOURNAL OF JANUARY 12, 1991). THEREFORE, THE OFFERED SECURITIES ARE EXCLUSIVELY DESIGNED FOR CREDIT INSTITUTIONS, STOCK EXCHANGE COMPANIES, COLLECTIVE INVESTMENT FUNDS, COMPANIES OR INSTITUTIONS, INSURANCE COMPANIES AND/OR PENSION FUNDS ACTING FOR THEIR OWN ACCOUNT ONLY.

NOTICE TO MEMBERS OF THE PUBLIC IN THE CAYMAN ISLANDS

THE OFFERED SECURITIES MAY NOT BE OFFERED TO MEMBERS OF THE PUBLIC IN THE CAYMAN ISLANDS PURSUANT TO S. 195 OF THE COMPANIES LAW (2004 REVISION) OF 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 PURSUANT 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 ARE *ORGANISMES DE PLACEMENTS COLLECTIFS EN VALEURS MOBILIÈRES* ISSUED BY A RESIDENT OF A NON-EC STATE. ACCORDINGLY, PURSUANT TO THE PROVISIONS OF DECREE NO. 89-624 OF 6 SEPTEMBER 1989, THE OFFERED SECURITIES MAY

NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN FRANCE WITHOUT THE PRIOR APPROVAL OF THE FRENCH MINISTRY OF FINANCE.

EACH OF THE CO-ISSUERS AND THE INITIAL PURCHASER REPRESENTS AND AGREES THAT IT HAS NOT OFFERED OR SOLD AND WILL NOT OFFER OR SELL, DIRECTLY OR INDIRECTLY, ANY OF THE OFFERED SECURITIES BY WAY OF A PUBLIC OFFERING IN FRANCE (AN *APPEL PUBLIC À L'ÉPARGNE*, AS DEFINED IN ARTICLE 61 OF *ORDONNANCE* NO. 67-883 OF 28 SEPTEMBER 1967, AS AMENDED BY LAW NO. 98 - 546 OF 2 JULY 1998).

NOTICE TO RESIDENTS OF 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 (*WERTPAPIER-VERKAUFSPROSPEKTGESETZ*), 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. NOTWITHSTANDING ANY REQUEST OF A GERMAN INVESTOR THEREFOR, THE ISSUER WILL NOT BE IN A POSITION TO, AND WILL NOT, COMPLY WITH ANY CALCULATION AND INFORMATION REQUIREMENTS SET FORTH IN § 5 THE *INVESTMENTSTEUERGESETZ* (THE "GERMAN INVESTMENT TAX ACT") FOR GERMAN TAX PURPOSES. IN THIS REGARD, PROSPECTIVE INVESTORS MUST REVIEW "RISK FACTORS-APPLICATION OF THE GERMAN INVESTMENT ACT AND THE GERMAN INVESTMENT TAX ACT". 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

THIS OFFERING CIRCULAR HAS NOT BEEN DELIVERED FOR REGISTRATION TO THE REGISTRAR OF COMPANIES IN HONG KONG, NOR HAVE THE CO-ISSUERS BEEN AUTHORIZED BY THE SECURITIES AND FUTURES COMMISSION AND, ACCORDINGLY, THIS DOCUMENT MUST NOT BE ISSUED, CIRCULATED OR DISTRIBUTED IN HONG KONG OTHER THAN (1) IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN OFFER OR SALE OF THE OFFERED SECURITIES TO THE PUBLIC IN HONG KONG, OR (2) TO PERSONS WHOSE ORDINARY BUSINESS IS TO BUY OR SELL DEBENTURES OR SHARES WHETHER AS PRINCIPAL OR AS AGENT FOR THE PURPOSES OF THE COMPANIES ORDINANCE OF HONG KONG. UNLESS PERMITTED BY THE SECURITIES LAWS OF HONG KONG, NO PERSON MAY ISSUE IN HONG KONG, OR HAVE IN ITS POSSESSION FOR ISSUE IN HONG KONG, THIS OFFERING CIRCULAR OR ANY OTHER ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE OFFERED SECURITIES OTHER THAN TO A PROFESSIONAL INVESTOR AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE (CAP. 571) AND THE SECURITIES AND FUTURES (PROFESSIONAL INVESTOR) RULES (L.N. 188 OF 2002).

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 NORWAY

EACH OF THE CO-ISSUERS AND THE INITIAL PURCHASER REPRESENTS AND AGREES THAT IT WILL COMPLY WITH CHAPTER 5 OF THE NORWEGIAN ACT NO. 79 OF JUNE 19, 1997 ON SECURITIES TRADING (SECURITIES TRADING ACT) AND EACH OF THE CO-ISSUERS AND THE INITIAL PURCHASER ADDITIONALLY REPRESENTS AND AGREES THAT IT HAS NOT, DIRECTLY OR INDIRECTLY, OFFERED OR SOLD AND WILL NOT, DIRECTLY OR INDIRECTLY, OFFER OR SELL IN THE KINGDOM OF NORWAY OR TO INVESTORS IN THE NORWEGIAN SECURITIES MARKET ANY OFFERED SECURITIES OTHER THAN TO PERSONS WHO ARE REGISTERED WITH THE OSLO STOCK EXCHANGE AS PROFESSIONAL INVESTORS.

NOTICE TO RESIDENTS OF SINGAPORE

THIS OFFERING CIRCULAR HAS NOT BEEN AND WILL NOT BE REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE. ACCORDINGLY, THIS OFFERING CIRCULAR OR ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH ANY OFFER OF OFFERED SECURITIES MAY NOT BE ISSUED, CIRCULATED OR DISTRIBUTED IN SINGAPORE. THE OFFER OF OFFERED SECURITIES OR ANY INVITATION TO SUBSCRIBE FOR OR PURCHASE ANY OFFERED SECURITIES MAY NOT BE MADE, DIRECTLY OR INDIRECTLY, IN SINGAPORE, OTHER THAN UNDER CIRCUMSTANCES IN WHICH SUCH OFFER OR SALE DOES NOT CONSTITUTE AN OFFER OR SALE OF THE OFFERED SECURITIES TO THE PUBLIC IN SINGAPORE, OR IN WHICH SUCH OFFER OR SALE IS MADE PURSUANT TO SUITABLE EXEMPTIONS APPLICABLE THERETO (SUCH AS BUT NOT LIMITED TO SECTION 274 OR SECTION 275 OF THE SECURITIES AND FUTURES ACT 2001 (CHAPTER 289 OF SINGAPORE LAW)). NO PERSON WHO RECEIVES A COPY OF THIS OFFERING CIRCULAR UNDER SUCH CIRCUMSTANCES MAY ISSUE, CIRCULATE OR DISTRIBUTE THIS OFFERING CIRCULAR IN SINGAPORE OR MAKE, OR GIVE TO ANY OTHER PERSON, A COPY OF THIS OFFERING CIRCULAR.

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 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 Offered Securities, to such holder and a prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request such Co-Issuer is not a reporting company under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or is not 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, if and for so long as any Notes are listed on the Irish Stock Exchange, the Irish Paying Agent located in Ireland, or (b) in the case of the Preference Shares, the Preference Share Paying Agent. It is not contemplated that either of the Co-Issuers will be such a reporting company or so exempt.

FORWARD LOOKING STATEMENTS

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

Some important factors that could cause actual results to differ materially from those in any forward looking statements include changes in interest rates, market, financial or legal uncertainties, differences in the actual allocation of the Collateral Debt Securities among asset categories from those assumed, the timing of acquisitions of the Collateral Debt Securities, the timing and frequency of defaults on the Collateral Debt Securities, mismatches between the timing of accrual and receipt of Interest Proceeds

and Principal Proceeds from the Collateral Debt Securities (particularly on or prior to the last day of the Substitution Period) and the effectiveness of the Hedge Agreement among others. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Co-Issuer, the Collateral Manager, the Trustee, the Initial Hedge Counterparty, the Initial Purchaser or any of their respective affiliates or any other person or entity of the results that will actually be achieved by the Issuer.

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

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SUMMARY OF TERMS

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offering Circular. An index of defined terms appears at the back of this Offering Circular.

Securities Offered:

U.S.\$675,000,000 aggregate principal amount Class A-1 First Priority Senior Secured Floating Rate Notes due 2041 (the "Class A-1 Notes").

U.S.\$94,500,000 aggregate principal amount Class A-2 Second Priority Senior Secured Floating Rate Notes due 2041 (the "Class A-2 Notes", and together with the Class A-1 Notes, the "Class A Notes").

U.S.\$92,000,000 aggregate principal amount Class B Senior Secured Floating Rate Notes due 2041 (the "Class B Notes").

U.S.\$15,950,000 aggregate principal amount Class C Fourth Priority Mezzanine Deferrable Floating Rate Notes due 2041 (the "Class C Notes").

U.S.\$21,250,000 aggregate principal amount Class D Fifth Priority Mezzanine Deferrable Floating Rate Notes due 2041 (the "Class D Notes").

U.S.\$19,000,000 aggregate principal amount Class E Sixth Priority Mezzanine Deferrable Floating Rate Notes due 2041 (the "Class E Notes"). The Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes are herein referred to as the "Secured Notes").

U.S.\$621,000 Class P-1 Principal Protected Notes due 2041 (the "Class P-1 Notes").

U.S.\$5,226,000 Class P-2 Principal Protected Notes due 2041 (the "Class P-2 Notes" and together with the Class P-1 Notes, the "Class P Notes").

The Secured Notes and Class P Notes are herein referred to as the "Notes". All information relating to the Class P Notes is contained in the section of this Offering Circular entitled "Description of the Class P Notes".

U.S.\$38,300,000 Preference Shares due 2041 (the "Preference Shares", and together with the Notes, the "Offered Securities").

Each of the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes are herein referred to as a "Class" of Notes.

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

The Notes will be issued and secured pursuant to an Indenture dated as of June 30, 2005 (the "Indenture"), between the Issuer, the Co-Issuer and JPMorgan Chase Bank, National Association, as trustee (in such capacity, together with its successors in such capacity, the "Trustee"). The Hedge Counterparty and any CDS Counterparty will be an express third-party beneficiary of the Indenture. See "Description of the Secured Notes—Status and Security" and "—The Indenture". 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 pursuant to the Indenture for the benefit of the holders from time to time of the Notes, the Collateral Manager, any CDS Counterparty and the Hedge Counterparty (collectively, the "Secured Parties"). See "Description of the Secured Notes—Status and Security".

The terms of the Preference Shares will be set out in and will be issued in accordance with a Preference Share Paying Agency Agreement dated as of June 30, 2005 (the "Preference Share Paying Agency Agreement") between the Issuer and JPMorgan Chase Bank, National Association, as Preference Share Paying Agent (in such capacity, the "Preference Share Paying Agent").

All of the Class A-1 Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-2 Notes are entitled to receive payments *pari passu* among themselves, all of the Class B Notes are entitled to receive payments *pari passu* among themselves, all of the Class C Notes are entitled to receive payments *pari passu* among themselves, all of the Class D Notes are entitled to receive payments *pari passu* among themselves, all of the Class E Notes are entitled to receive payments *pari passu* among themselves and all of the Preference Shares are entitled to receive payments *pari passu* among themselves. Except as otherwise described herein, the relative order of seniority of payment of each Class of Secured Notes is as follows: *first*, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes, *fourth*, Class C Notes, *fifth*, Class D Notes, and *sixth*, Class E Notes with (a) each Class of Secured Notes (other than the Class E 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.

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 are Senior to such Class and that remain outstanding has been paid in full. See "Description of the Secured Notes—Priority of Payments". Payment of principal of any Class of Secured Notes will be made in accordance with the Priority of Payments to the extent of Principal Proceeds received in the related Due Period. See "Description of the Secured Notes—Priority of Payments".

The Co-Issuers:

Independence VI CDO, Ltd. (the "Issuer") is an exempted company incorporated under The Companies Law (2004 Revision) of the Cayman Islands pursuant to a Memorandum and Articles of Incorporation (the "Issuer Charter") and is in good standing under the laws of the Cayman Islands. The Indenture and the Issuer Charter will provide that the activities of the Issuer are limited to (1) acquiring, holding, owning, pledging and selling Collateral Debt Securities, Equity Securities, U.S. Agency Securities, Eligible Investments and the Treasury Strips for its own account, (2) entering into and performing its obligations under the Indenture, the Hedge Agreement, any CDS Agreement, the Collateral Management Agreement, the Collateral Administration Agreement, the Securities Purchase Agreement and the Preference Share Paying Agency Agreement (such agreements, the "Transaction Documents"), (3) issuing and selling, paying and redeeming the Offered Securities, (4) acquiring, owning and holding, solely for its own account, the capital stock of the Co-Issuer and (5) other incidental activities.

Independence VI CDO, Inc., a Delaware corporation (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers"), was incorporated for the sole purpose of co-issuing the Secured Notes. The entire authorized share capital of the Co-Issuer is owned by the Issuer.

The Issuer will not have any material assets other than the Collateral (as defined herein) and its equity interest in the Co-Issuer.

The Co-Issuer will not have any assets (other than the proceeds of its shares, being U.S.\$1,000) and will not pledge any assets to secure the Secured Notes. The Co-Issuer will not have any interest in the Collateral Debt Securities held by the Issuer.

Collateral Manager:

Declaration Management & Research LLC, a Delaware limited liability company ("Declaration" or the "Collateral Manager") based in McLean, Virginia, will manage the Collateral under a Collateral Management Agreement to be entered into on the

Closing Date between the Issuer and the Collateral Manager (the "Collateral Management Agreement"). Pursuant to the Collateral Management Agreement and in accordance with the Indenture, the Collateral Manager will manage the selection, acquisition and disposition of the Collateral Debt Securities (including exercising rights and remedies associated with the Collateral Debt Securities) based on the restrictions set forth in the Indenture (including the Reinvestment Criteria described herein) and on the Collateral Manager's research, credit analysis and judgment. The Collateral Manager will also monitor the Hedge Agreement and any CDS Agreement. For a summary of the provisions of the Collateral Management Agreement and certain other information concerning the Collateral Manager and key individuals associated therewith who will be managing the Issuer's portfolio, see "The Collateral Manager" and "The Collateral Management Agreement".

Use of Proceeds:

The gross proceeds received from the issuance and sale of the Offered Securities are expected to be approximately U.S.\$956,000,000. The net proceeds from the issuance and sale of the Offered Securities, together with an upfront payment made to the Issuer under the Hedge Agreement, are expected to be approximately U.S.\$948,500,000, which reflects the payment from such gross proceeds of organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser and the Collateral Manager), the expenses of offering the Notes (including placement agency fees payable in connection with the placement of the Offered Securities), the initial deposit into the Interest Reserve Account and the initial deposit into the Expense Account.

**Interest Payments
on the Secured Notes:**

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 0.45%.

The Class B Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.60%.

The Class C Notes will bear interest at a floating rate per annum equal to LIBOR plus 1.40%.

The Class D Notes will bear interest at a floating rate per annum equal to LIBOR plus 2.60%.

The Class E Notes will bear interest at a floating rate per annum equal to LIBOR plus 3.20%.

Interest on each of the Secured Notes and interest on Defaulted Interest in respect thereof will be computed on the basis of a 360-day year and the actual number of days elapsed.

Interest on the Secured Notes will accrue from the Closing Date. Accrued and unpaid interest will be payable quarterly in arrears on each Distribution Date if and to the extent that funds are available on such Distribution Date in accordance with the Priority of Payments set forth herein.

So long as any Class A-1 Note, Class A-2 Note or Class B Notes remains outstanding, failure to make payment in respect of interest on the Class C Notes on any Distribution 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 when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "Class C Deferred Interest").

So long as any Class A-1 Note, Class A-2 Note, Class B Note or Class C Note remains outstanding, failure to make payment in respect of interest on the Class D Notes on any Distribution Date by reason of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class D Notes that is not paid when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "Class D Deferred Interest").

So long as any Class A-1 Note, Class A-2 Note, Class B Note, Class C Note or Class D Note remains outstanding, failure to make payment in respect of interest on the Class E Notes on any Distribution Date by reason of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class E Notes that is not paid when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "Class E Deferred Interest", and together with the Class C Deferred Interest and Class D Deferred Interest, the "Deferred Interest").

Additionally, so long as any Class of Secured Notes is outstanding, if any Coverage Test applicable to such Class of Secured Notes is not satisfied on any Determination Date, then funds that would otherwise be used to make payments on the related Distribution Date in respect of interest on any Class of Secured Notes Subordinate to such Class will be used instead to repay principal of, *first*, each Class (if any) of Secured Notes Senior to such Class of Secured Notes (sequentially in direct order of Seniority) and, *second*, such Class of Secured Notes, until each applicable Coverage Test

is satisfied or the relevant Classes of Secured Notes are paid in full. See "Description of the Secured Notes—Priority of Payments".

Distributions on the Preference Shares:

On each Distribution Date, to the extent funds are available therefor, Interest Proceeds will be released from the lien of the Indenture for payment to the Preference Share Paying Agent only after the payment of interest on the Secured Notes and certain other amounts in accordance with the Priority of Payments. Until the Secured 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 (including the Class P Preference Shares). Subject to provisions of The Companies Law (2004 Revision) of the Cayman Islands governing the declaration and payment of dividends (as described herein), after the Secured Notes have been paid in full Interest Proceeds and Principal Proceeds remaining after all other applications under the Priority of Payments will be released from the lien of the Indenture in accordance with the Priority of Payments and paid to the Preference Share Paying Agent for distribution to the Preference Shareholders on each Distribution Date. Distributions will be made in cash (except certain liquidating distributions). See "Description of the Preference Shares—Distributions".

If any of the Coverage Tests is not satisfied on any Determination Date, funds that would otherwise be distributed to Preference Shareholders on the related Distribution Date (subject to the payment of certain other amounts prior thereto) will be used instead to repay principal of the Secured 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 of Moody's and Standard & Poor's prior to the first Determination Date following the Ramp-Up Completion Date, funds that would otherwise be distributed to Preference Shareholders (subject to the payment of certain other amounts prior thereto) will be used to repay the principal of the Secured Notes sequentially in direct order of Seniority, to the extent necessary to obtain a Rating Confirmation from each of Moody's and Standard & Poor's. See "Description of the Secured Notes—Priority of Payments".

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

**Maturity; Average Life;
Duration:**

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 of Class P Notes.

The stated maturity of the Notes is May 5, 2041 (the "Stated Maturity"). Each Class of Secured Notes will mature at the Stated Maturity unless redeemed or repaid prior thereto. The average life of each Class of Secured Notes and the Macaulay duration of the Preference Shares may be less than the number of years until the Stated Maturity. See "Maturity, Prepayment and Yield Considerations" and "Risk Factors—Projections, Forecasts and Estimates".

**Principal Repayment
of the Secured Notes:**

During the Substitution Period, Specified Principal Proceeds received by the Issuer during a Due Period will be used on the next Distribution Date to pay principal of the Secured Notes in accordance with the Priority of Payments (each such payment, a "Substitution Period Notes Prepayment"). The "Substitution Period" is the period from (and including) the Closing Date to (but excluding) the earliest of (a) the Distribution Date occurring in August 2008, (b) the Distribution Date on which the Collateral Manager specifies that no further investments in substitute Collateral Debt Securities will occur, (c) the first date on which the Discretionary Sales Percentage is equal to 0% and (d) the date of termination of such period as provided in the Indenture by reason of the occurrence of an Event of Default.

After the Substitution Period, all Principal Proceeds will be applied on each Distribution 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 Subordinate Class of Secured Notes. The amount and frequency of principal payments of a Class of Secured Notes will depend upon, among other things, the amount and frequency of payments of such principal and interest received with respect to the Collateral Debt Securities.

Payments of principal will also be made on the Secured Notes in the following circumstances (subject, in each case, to the Priority of Payments) from available Interest Proceeds in accordance with the Priority of Payments: (a) upon the failure of the Issuer to meet any Coverage Test applicable to any Class of Secured Notes as of the related Determination Date, (b) in the event of a Rating Confirmation Failure and (c) if there are available Interest Proceeds for such purpose, the payment of Class C Deferred Interest, Class D Deferred Interest or

Class E Deferred Interest. In addition, the Issuer may redeem the Secured Notes, in whole but not in part, at the applicable Redemption Price therefor on any Distribution Date occurring under the circumstances described in "Description of the Secured Notes—Optional Redemption and Tax Redemption", "—Mandatory Redemption", "—Auction Call Redemption" and "—Priority of Payments—Interest Proceeds". No Optional Redemption may occur prior to the end of the Substitution Period, and no Auction Call Redemption may occur until the Distribution Date occurring in August 2013.

Substitution Period:

Provided that no Event of Default has occurred and is continuing, any Collateral Debt Security that is not a Defaulted Security, Written Down Security or Deferred Interest PIK Security may be sold and the Sale Proceeds therefrom may be reinvested in substitute Collateral Debt Securities during the Substitution Period in compliance with the Reinvestment Criteria. See "Description of the Secured Notes—Substitution Period".

Non-Call Period

The period from the Closing Date to and including the Business Day immediately preceding the Distribution Date occurring in August 2008 (the "Non-call Period").

Mandatory Redemption:

Each Class of Secured Notes shall, on any Distribution Date, be subject to mandatory redemption in the event that any Coverage Test applicable to any Class of Secured Notes is not satisfied on the related Determination Date. Any such redemption will be effected, *first*, from Interest Proceeds and, *second* (to the extent that the application of Interest Proceeds pursuant to the Priority of Payments would be insufficient to cause such tests to be satisfied), from Principal Proceeds, in each case to the extent necessary to cause each applicable Coverage Test to be satisfied. Any such redemption will be applied to each outstanding Class of Secured Notes in accordance with its relative Seniority and will otherwise be effected as described below under "Description of the Secured Notes—Priority of Payments".

In the event of a Rating Confirmation Failure, as described under "Description of the Secured Notes—Mandatory Redemption", the Issuer will be required to apply on the first Distribution Date, *first*, Uninvested Proceeds, *second*, Interest Proceeds and, *third*, Principal Proceeds to the repayment of principal of *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes, *fifth*, the Class D Notes and *sixth*, the Class E Notes, in accordance with the Priority of Payments, as and to the extent necessary to obtain a Rating Confirmation from each of Moody's and Standard & Poor's.

Auction Call Redemption:

If the Secured Notes have not been redeemed in full prior to the Distribution Date occurring in August 2013 the Trustee will, at the expense of the Issuer and with the assistance of the Collateral Manager, conduct an auction for the sale of all (and not less than all) of the Collateral Debt Securities in accordance with the procedures set forth in the Indenture and, provided certain conditions described herein are satisfied, the Collateral Debt Securities will be sold and the Secured Notes will be redeemed on such Distribution Date. If such conditions are not satisfied and the auction is not successfully conducted prior to such Distribution Date, the Trustee will continue to conduct such auctions on a quarterly basis prior to each next succeeding Distribution Date until the Secured Notes are redeemed in full. The Auction Call Redemption will be conducted in accordance with the Auction Call Redemption Procedures set forth in the Indenture. See "Description of the Secured Notes—Auction Call Redemption".

Optional Redemption and Tax Redemption of the Secured Notes:

Subject to certain conditions described herein, on any Distribution Date occurring after the end of Non-Call Period, the Issuer may redeem the Secured Notes (such redemption, an "Optional Redemption"), in whole but not in part, at the direction of a Majority-in-Interest of Preference Shareholders at the applicable Redemption Price therefor. See "Description of the Secured Notes—Optional Redemption and Tax Redemption". No Optional Redemption may occur prior to the end of the Substitution Period.

In addition, upon the occurrence of a Tax Event, the Issuer may redeem the Secured Notes (such redemption, a "Tax Redemption"), in whole but not in part, at the direction of the holders of a majority in aggregate outstanding principal amount of any Class of Secured Notes (with respect to any Class, a "Majority") that, as a result of the occurrence of such Tax Event, has not received or will not receive 100% of the aggregate amount of principal and interest payable to such Class on any Distribution Date during or after the Substitution Period (each such Class, an "Affected Class"). Any such redemption may only be effected on a Distribution Date and only from (a) Sale Proceeds of the Collateral and (b) all other funds in the Interest Collection Account, the Principal Collection Account, the Uninvested Proceeds Account, the Expense Account, the Interest Equalization Account, the Interest Reserve Account, the Substitution Account and the Payment Account on such Distribution Date, at the applicable Redemption Price. No Tax Redemption may be effected, however, unless (i) all Sale Proceeds under clause (a) above are used to make such a Tax Redemption, (ii) funds under clauses (a) and (b) are sufficient to redeem all of the Secured Notes simultaneously and to pay certain other amounts in

accordance with the procedures set forth in the Indenture, (iii) a Tax Event shall have occurred and (iv) the Tax Materiality Condition is satisfied; *provided* that, in the case of a Tax Event where holders of an Affected Class elect to receive less than 100% of the aggregate outstanding principal amount and accrued and unpaid interest payable to such Affected Class, the Redemption Price for such Affected Class is the amount agreed to by the holders of such Affected Class. See "Description of the Secured Notes—Optional Redemption and Tax Redemption".

Security for the Secured Notes: Pursuant to the Indenture, the Secured Notes, together with the Issuer's obligations to the Collateral Manager under the Collateral Management Agreement, any CDS Agreement and the Hedge Agreement under the Hedge Agreement, will be secured by: (i) the Collateral Debt Securities and Equity Securities; (ii) amounts on deposit in the Custodial Account, the Expense Account, the Hedge Counterparty Collateral Account, the Interest Collection Account, the Interest Equalization Account, the Interest Reserve Account, the Payment Account, the Substitution Account, the Principal Collection Account, the Uninvested Proceeds Account, each Synthetic Security Counterparty Account and each Synthetic Security Issuer Account and Eligible Investments and U.S. Agency Securities purchased with funds on deposit in such accounts; (iii) the rights of the Issuer under the Collateral Management Agreement, the Collateral Administration Agreement, the Securities Purchase Agreement, any CDS Agreement, the Investor Application Forms and the Hedge Agreement; and (iv) all proceeds of the foregoing (collectively, the "Collateral"). The security interest granted under the Indenture in (a) each Synthetic Security Counterparty Account is subject to and subordinate to the security interest and rights of the relevant Synthetic Security Counterparty in and to such Synthetic Security Counterparty Account and (b) the Class P Reserve Account is for the benefit and security of the Class P Noteholders only. 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 respective priorities established by the Priority of Payments.

Acquisitions and Dispositions of Collateral:

On the Closing Date, the Issuer will have purchased or otherwise acquired (or entered into agreements to purchase or acquire for settlement following the Closing Date) Collateral Debt Securities having an aggregate par or notional amount of not less than U.S.\$850,000,000. The Issuer expects that, no later than the 120th day following the Closing Date, it will have purchased or otherwise acquired Collateral Debt Securities having an aggregate par or notional amount of approximately U.S.\$950,000,000.

The Collateral Debt Securities purchased or otherwise acquired by the Issuer will, on the date of acquisition, have the characteristics and satisfy the criteria set forth herein under "Security for the Secured Notes —Collateral Debt Securities" and "—Reinvestment Criteria". Although the Issuer expects that the Collateral Debt Securities purchased by it will, on the Ramp-Up Completion Date, satisfy the Collateral Quality Tests and Coverage Tests described herein, there is no assurance that such tests will be satisfied on such date. Failure to satisfy such tests on the Ramp-Up Completion 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—Mandatory Redemption".

No investment will be made in Collateral Debt Securities after the last day of the Substitution Period. No investments will be made from Specified Principal Proceeds. Any Specified Principal Proceeds will be used to pay principal of the Secured Notes in accordance with the Priority of Payments.

**Liquidation of
Collateral Debt Securities:**

On May 5, 2041 or in connection with any Optional Redemption, Tax Redemption or Auction Call Redemption, the Collateral Debt Securities, Eligible Investments and other Collateral will be liquidated, and there will be distributed to the Preference Shareholders in accordance with the Priority of Payments all net proceeds from such liquidation and all available cash after the payment (in the order of priorities set forth under "Description of the Secured Notes—Priority of Payments") of all (i) fees, (ii) expenses (including the amounts due to the Hedge Counterparty or any CDS Counterparty) and (iii) principal of and interest (including any Defaulted Interest and interest on Defaulted Interest, and any Deferred Interest and interest on such Deferred Interest) on the Secured Notes.

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 falling thirty six years and two days after the Closing Date, upon the Directors' determination to dissolve the Issuer, (ii) at any time after the sale or other disposition of all of the Issuer's assets, upon the Directors' determination to dissolve the Issuer, (iii) at any time after the Secured Notes are paid in full, upon the Directors' determination to dissolve the Issuer and (iv) on the date of a winding up pursuant to the provisions of or as contemplated by The Companies Law of the Cayman Islands as then in effect.

The Directors of the Issuer currently intend, in the event that the Preference Shares are not redeemed at the option of a Majority-in-Interest of Preference Shareholders following the repayment in full of the Secured Notes, to liquidate all of the

Issuer's remaining investments in an orderly manner and, subject to Cayman Islands Law, distribute the proceeds of such liquidation to the Preference Shareholders.

The Credit Default Swap Agreements:

On or after the Closing Date, the Issuer may enter into a 1992 or 2002 ISDA Master Agreement (Multicurrency-Cross Border) (together with the Schedule and any Confirmations thereto, a "CDS Agreement") with a counterparty (a "CDS Counterparty"), for the purpose of entering into credit default swap transactions (each, a "CDS Transaction") under which the Issuer will acquire or sell protection with respect to the related Reference Obligation, and each of which shall constitute a Synthetic Security for purposes of the Indenture.

Each CDS Transaction entered into under a CDS Agreement will be entered into under a separate trade confirmation (which is currently expected to be a Form-Approved CDS Confirmation but may be in a form that otherwise satisfies the Rating Condition) and constitute a separate transaction thereunder.

All of the CDS Transactions entered into under a CDS Agreement will be subject to the Collateral Quality Tests and the Reinvestment Criteria.

Credit events that satisfy the applicable Rating Agency criteria (each, a "Credit Event") will apply to each CDS Transaction entered into under a CDS Agreement. The CDS Transactions entered into under a CDS Agreement will be cash or physically settled. See "The CDS Agreements".

For purposes of the foregoing, "Form-Approved CDS Confirmation" means a credit default swap confirmation evidencing a CDS Transaction with respect to which (a) the Applicable Recovery Rate, the Standard & Poor's Rating, the Fitch Rating and the Moody's Rating will be determined based upon, respectively, the Applicable Recovery Rate, the Standard & Poor's Rating, the Fitch Rating and the Moody's Rating applicable to the related Reference Obligation without any additional required action by any of the Rating Agencies, (b) each of the related Reference Obligation is an Asset-Backed Security and (c) the documentation conforms in all material respects to a form as to which the Rating Condition was previously satisfied (as certified to the Trustee by the Collateral Manager); provided that (i) any Form-Approved CDS Confirmation shall be approved by each of the Rating Agencies prior to the initial use thereof, (ii) any material amendment to any Form-Approved CDS Confirmation must satisfy the Rating Condition and (iii) any Rating Agency may cancel a Form-Approved CDS Confirmation by written notice

to the Trustee and the Collateral Manager (provided that such cancellation shall not affect the continuing effectiveness of any transaction entered into under such cancelled Form-Approved CDS Confirmation or the determination of the Applicable Recovery Rate, the Standard & Poor's Rating, the Fitch Rating and the Moody's Rating with respect to any existing CDS Transaction entered into pursuant to a Form-Approved CDS Confirmation). It is anticipated that the terms of substantially all of the Synthetic Securities will not require the related Synthetic Security Counterparty to hold the related Reference Obligation(s).

The Placement:

The Offered Securities are being offered for sale by Merrill Lynch, Pierce, Fenner & Smith Incorporated and its affiliates (the "Initial Purchaser") to investors (the "Original Purchasers") (a) in the United States who are qualified institutional buyers as defined in Rule 144A (each a "Qualified Institutional Buyer") or, in the case of purchasers of Class P Notes or Preference Shares, accredited investors within the meaning of Rule 501(a) under the Securities Act (each an "Accredited Investor") in reliance on the exemption from registration under the Securities Act and, in each case, Qualified Purchasers acquiring the relevant Offered Securities for its own account for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A) and (b) outside the United States who are not U.S. Persons in offshore transactions in reliance on Regulation S and, in each case, in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. A "Qualified Purchaser" is (i) a "qualified purchaser" as defined in the Investment Company Act, (ii) a "knowledgeable employee" with respect to the Issuer within the meaning of Rule 3c-5 under the Investment Company Act or (iii) a company beneficially owned exclusively by one or more "qualified purchasers" and/or "knowledgeable employees" with respect to the Issuer. See "Plan of Distribution" and "Transfer Restrictions".

Ratings:

It is a condition to the issuance of the Offered Securities that the Class A-1 Notes and the Class A-2 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, Inc. ("Fitch" and, together with Moody's and Standard & Poor's, the "Rating Agencies"), that the Class B Notes be rated "Aa2" by Moody's, "AA" by Standard & Poor's and "AA" by Fitch, that the Class C Notes be rated "A2" by Moody's, "A" by Standard & Poor's and "A" by Fitch, that the Class D Notes be rated "Baa2" by Moody's, "BBB" by Standard & Poor's and "BBB" by Fitch and that the Class E Notes be rated "Baa3" by Moody's, "BBB-" by Standard &

Poor's and "BBB-" by Fitch. The Class P Notes will be rated "Aaa" by Moody's and the Preference Shares will be rated "Ba2" by Moody's. The ratings of the Class A Notes and the Class B Notes address the ultimate payment of principal of and timely payment of interest on such Notes. The ratings of the Class C Notes, the Class D Notes and the Class E Notes address the ultimate payment of principal of and interest on such Notes. The rating assigned to the Class P Notes (a) addresses only the ultimate receipt of the initial Class P Note Rated Balance (as defined herein), (b) will not at any time address the timely receipt of any payments, including payments on redemption or repurchase of the Class P Notes or any other distributions thereon and (c) will be monitored by Moody's on an ongoing basis. The rating assigned to the Class P Notes by Moody's will be withdrawn after the Class P Note Rated Balance is reduced to zero. The rating assigned to the Preference Shares by Moody's (a) addresses only the ultimate receipt of the initial Preference Share Rated Balance (as defined herein), (b) will not at any time address the timely receipt of any payments, including payments on redemption or repurchase of the Preference Shares or any other distributions thereon and (c) will be monitored by Moody's on an ongoing basis. The rating assigned to the Preference Shares by Moody's will be withdrawn after the Preference Share Rated Balance is reduced to zero.

Minimum Denominations:

The Secured Notes will be issuable in a minimum denomination of U.S.\$250,000 or an integral multiple of U.S.\$1,000 in excess thereof. See "Transfer Restrictions".

After issuance, (i) a Note may fail to be in compliance with the minimum denomination requirement stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments and (ii) Class C Notes, Class D Notes and Class E 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, respectively, Class C Deferred Interest, Class D Deferred Interest and Class E Deferred Interest.

The Preference Shares shall be sold and shall be transferable in a minimum trading lot of not fewer than two hundred and fifty (250) Preference Shares; *provided* that the Preference Shares may be sold to limited investors in a minimum trading lot of two hundred (200) Preference Shares.

Form, Registration and Transfer of the Secured Notes:

The Secured Notes offered in reliance upon Regulation S (the "Regulation S Secured Notes") will be represented by one or more global Secured Notes ("Regulation S Global Secured

Notes") in fully registered form without interest coupons deposited with the Trustee as custodian for, and registered in the name of, The Depository Trust Company ("DTC") (or its nominee) initially for the accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Interests in the Regulation S Global Secured Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants (including Euroclear and Clearstream, Luxembourg). By acquisition of a beneficial interest in a Regulation S Global Secured Note, any purchaser thereof will be deemed to represent that (a) it is not a U.S. Person and is purchasing such beneficial interest for its own account and not for the account or benefit of a U.S. Person and (b) if in the future it decides to transfer such beneficial interest, it will transfer such interest only to a person that is not a U.S. Person in an offshore transaction in accordance with Regulation S or to a person who takes delivery in the form of a Restricted Global Secured Note (or beneficial interest therein).

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

The Regulation S Global Secured Notes and the Restricted Global Secured Notes are collectively referred to herein as "Global Secured Notes". Under certain limited circumstances described herein, definitive registered notes may be issued in exchange for Global Secured Notes. The Global Secured Notes, the Regulation S Global Class P Notes and the Regulation S Global Preference Shares are collectively referred to herein as "Global Securities".

No Secured Note (or any interest therein) may be transferred to a transferee acquiring an interest in a Restricted Secured Note except (a) to a transferee 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 provided by Rule 144A, (b) to a transferee that is a Qualified Purchaser, (c) in compliance with the certification (if any) and other requirements set forth in the Indenture and (d) in accordance

with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

No Secured Note (or any interest therein) may be transferred to a transferee acquiring an interest in a Regulation S Secured Note except (a) to a transferee that is acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 903 or Rule 904 of Regulation S, (b) to a transferee that is not a U.S. Person unless such transferee is a Qualified Purchaser, (c) in compliance with the certification (if any) and other requirements set forth in the Indenture and (d) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

No Secured Note (or any interest therein) may be transferred, and neither the Trustee nor the Secured Note Registrar will recognize any such transfer, unless (a) such transfer is made in a manner exempt from registration under the Securities Act, (b) such transfer is made in denominations greater than or equal to the minimum denomination therefor, (c) such transfer would not have the effect of requiring either of the Co-Issuers or the Collateral to register as an investment company under the Investment Company Act and (d) the transferee is able to make all applicable certifications and representations required by the relevant transfer certificate attached as an exhibit to the Indenture (if the Indenture requires that a transfer certificate be delivered in connection with such a transfer). Notwithstanding the foregoing, (x) an owner of a beneficial interest in a Regulation S Global Secured Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Secured Note without the provision of written certification, *provided* that 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 and (y) an owner of a beneficial interest in a Restricted Global Secured Note may transfer such interest in the form of a beneficial interest in such Restricted Global Secured Note without the provision of written certification. Any such transferee must be able to make the representations set forth under "Transfer Restrictions". See "Description of the Secured Notes—Form, Denomination, Registration and Transfer" and "Transfer Restrictions".

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers determines that any beneficial owner of a Secured Note (or any interest therein) (A) is a U.S. Person and (B) is not both a

Qualified Institutional Buyer and also a Qualified Purchaser, then either of the Co-Issuers may require, by notice to such Secured Noteholder, that such Secured Noteholder sell all of its right, title and interest to such Secured Note (or the 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, (i) upon direction from the Collateral Manager or the Issuer, the Trustee, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Secured 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) to a person that certifies to the Trustee, the Co-Issuers and the Collateral Manager, in connection with such transfer, that such person is both a Qualified Institutional Buyer and a Qualified Purchaser and (ii) pending such transfer, no further payments will be made in respect of such Secured Note held by such beneficial owner.

**Form, Registration
and Transfer of the
Preference Shares:**

The Preference Shares being offered by the Issuer in the United States in reliance upon an exemption from the registration requirements of the Securities Act ("Restricted Preference Shares") will be represented by certificates in fully registered, definitive form registered in the name of the beneficial owner thereof (or a nominee acting on behalf of the disclosed beneficial owner thereof).

The Preference Shares offered in reliance upon Regulation S ("Regulation S Preference Shares") will be represented by one or more global certificates ("Regulation S Global Preference Shares") in fully registered form deposited with, and registered in the name of DTC (or its nominee) initially for the accounts of Euroclear and/or Clearstream, Luxembourg. Interests in the Regulation S Global Preference Shares will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants (including Euroclear and Clearstream, Luxembourg). By acquisition of a beneficial interest in a Regulation S Global Preference Share, any purchaser thereof will be deemed to represent that (a) it is not a U.S. Person and is purchasing such beneficial interest for its own account and not for the account or benefit of a U.S. Person and (b) if in the future it decides to transfer such beneficial interest, it will transfer such interest only to a person that is not a U.S. Person in an offshore transaction in accordance with Regulation S or to a

person who takes delivery in the form of a Restricted Preference Share.

Under certain limited circumstances described herein, definitive registered Preference Shares may be issued in exchange for Regulation S Global Preference Shares.

No Preference Share (or any interest therein) may be transferred to a transferee acquiring Restricted Preference Shares except (a)(i) to a transferee 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 provided by Rule 144A or (ii) to an Institutional Accredited Investor 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) to a transferee that is a Qualified Purchaser, (c) to a transferee that is not a Benefit Plan Investor or Controlling Person, (d) to a transferee that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (e) if such transfer is made in compliance with the certification and other requirements set forth in the Preference Share Paying Agency Agreement and (f) if such transfer is made in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

No Preference Share (or any interest therein) may be transferred to a transferee acquiring an interest in a Regulation S Global Preference Share except (a) to a transferee 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, (b) to a transferee that is not a U.S. Person unless such transferee is a Qualified Purchaser, (c) to a transferee that is not a Flow-Through Investment Vehicle unless such transferee is a Qualifying Investment Vehicle, (d) to a transferee that is not a Benefit Plan Investor or Controlling Person, (e) if such transfer is made in compliance with the certification and other requirements set forth in the Preference Share Paying Agency Agreement and (f) if such transfer is made in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. Without limiting the foregoing, no Preference Share may be transferred to a transferee acquiring an interest in a Regulation S Global Preference Share unless

the transferee executes and delivers to the Issuer, the Preference Share Paying Agent and the Collateral Manager a letter in the form attached as an exhibit to the Preference Share Paying Agency Agreement to the effect that such purchaser will not transfer such interest except in compliance with the transfer restrictions set forth in the Preference Share Paying Agency Agreement (including the requirement that any subsequent transferee execute and deliver such letter).

No Preference Share (or any interest therein) may be transferred, and none of the Trustee, the Issuer and the Preference Share Registrar will recognize any such transfer, unless (a) such transfer is made in a manner exempt from registration under the Securities Act, (b) such transfer is made in a number greater than or equal to the minimum denomination therefor, (c) such transfer would not have the effect of requiring either of the Co-Issuers or the Collateral to register as an investment company under the Investment Company Act and (d) the transferee is able to make all applicable certifications and representations required by the Preference Share Paying Agency Agreement. See "Description of the Preference Shares—Form, Registration and Transfer" and "Transfer Restrictions".

The Preference Share Paying Agency Agreement provides that if, notwithstanding the foregoing restrictions, the Issuer determines that any beneficial owner of Preference Shares (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 (1) a Qualified Institutional Buyer or an Institutional Accredited Investor (or an Accredited Investor that purchased such Preference Share (or any interest therein) or any interest therein directly from the Initial Purchaser) and (2) a Qualified Purchaser, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Preference Shares (or any interest therein) to a person that is (1) a Qualified Institutional Buyer or an Institutional 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 beneficial owner fails to effect the transfer required within such 30-day period, (I) upon direction from the Collateral Manager or the Issuer, the Preference Share Registrar (or any interest therein), on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Preference Shares (or any interest therein) to be transferred in a commercially reasonable sale (conducted by the Preference Share Paying Agent 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) to a person that certifies to the Preference Share Paying Agent, the

Preference Share Registrar, the Issuer and the Collateral Manager, in connection with such transfer, that such person is (x) a Qualified Institutional Buyer or an Institutional Accredited Investor and (y) a Qualified Purchaser and (II) pending such transfer, no further payments will be made in respect of the Preference Shares (or any interest therein) held by such beneficial owner.

Listing:

Application has been made to the Irish Stock Exchange to admit the Secured Notes to 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. 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. See "Listing and General Information".

Irish Listing Agent:

NCB Stockbrokers Limited.

Irish Paying Agent:

NCB Stockbrokers Limited.

Governing Law:

The Notes, the Indenture, the Investor Application Forms, the Collateral Management Agreement, the Hedge Agreement or any CDS Agreement, the Collateral Administration Agreement, the Preference Share Paying Agency Agreement and the Securities Purchase Agreement shall be construed in accordance with, and the Notes, the Indenture, the Investor Application Forms, the Collateral Management Agreement, the Hedge Agreement, any CDS Agreement, the Collateral Administration Agreement, the Preference Share Paying Agency Agreement and the Securities Purchase Agreement shall be governed by, the law of the State of New York. The Issuer Charter, the Preference Shares and the Administration Agreement will be governed by, and construed in accordance with, the law of the Cayman Islands.

Tax Matters:

See "Income Tax Considerations".

Benefit Plan Investors:

See "ERISA Considerations".

RISK FACTORS

An investment in the Offered Securities involves certain risks. Prospective investors should carefully consider the following factors, in addition to the matters set forth elsewhere in this Offering Circular, prior to investing in the Offered Securities. 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". There can be no assurance that the Collateral will not incur losses, that the Collateral Manager's investment objectives will be achieved or that the investors in any of the Offered Securities will receive a return of any or all of their invested capital.

Limited Liquidity and Restrictions on Transfer. 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 the Stated Maturity of the Secured Notes (or in the case of the Class P Notes and Preference Shares, the liquidation of the Issuer). Such restrictions on the transfer of the Offered Securities may further limit the liquidity of the Offered Securities. See "Transfer Restrictions".

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 Preference Share Paying Agent, the Initial Hedge Counterparty, the Administrator, the Rating Agencies, the Share Trustee, the Collateral Manager, the Initial Purchaser, any of their respective affiliates and any other person or entity will be obligated to make payments on the 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. The Class P Notes are secured only by the applicable 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 applicable 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. The Issuer's obligation to make distributions on the Preference Shares (including the Class P Preference Shares) will therefore not be a secured obligation of the Issuer. Preference Shareholders will only be entitled to receive amounts available for distributions after payment of all amounts payable prior thereto under the Priority of Payments and, except in the case of the payment of excess Principal Proceeds upon redemption of the Preference Shares, only to the extent of distributable profits of the Issuer and any balance in the Issuer's share premium account and (in each case) only to the extent that the Issuer is and will remain solvent following such distributions.

Subordination of each Class of Subordinate 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 are Senior to such Class and that remain outstanding has been paid in full. Payment of principal of any Class of Secured Notes will be made in accordance with the Priority of Payments to the extent of Principal Proceeds received in the related Due Period. See "Description of the Secured Notes—Priority of Payments". 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 Class A Notes or Class B Notes remain outstanding, the failure to make payment in respect of interest on the Class C Notes on any Distribution Date by reason of the Priority of Payments will not constitute an Event of Default under the Indenture. So long as any Class A Notes, Class B Notes or Class C Notes remain outstanding, the failure to make payment in respect of interest on the Class D Notes on any Distribution Date by reason of the Priority of Payments will not constitute an Event of Default under the Indenture. So long as any Class A Notes, Class B Notes, Class C Notes or Class D Notes remain outstanding, the failure to make payment in respect of interest on the Class E Notes on any Distribution 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, Class D Notes and Class E Notes that is not paid when due by operation of the Priority of Payments will be deferred. In the event of any realization on the Collateral, proceeds will be allocated to the Secured Notes and other amounts in accordance with the Priority of Payments prior to any distribution to the Preference Shareholders. See "Description of the Secured 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 Notes, such losses will be borne *first*, by the holders of the Preference Shares (including the Class P Preference Shares), *second*, by the holders of the Class E Notes, *third*, by the holders of the Class D Notes, *fourth*, by the holders of the Class C Notes, *fifth*, by the holders of the Class B Notes, *sixth*, by the holders of the Class A-2 Notes and *seventh*, by the holders of the Class A-1 Notes.

Payments in respect of the Preference Shares. The Preference Shares (including the Class P Preference Shares) are equity in the Issuer and are not secured by the Collateral Debt Securities or the other Collateral securing the Secured Notes. As such, the Preference Shareholders will, on a winding up of the Issuer, rank behind all of the creditors of the Issuer, whether secured or unsecured and known or unknown, including, without limitation, the Secured Noteholders, the Hedge Counterparty and any judgment creditors. Except with respect to the obligations of the Issuer to make payments as described under "Description of the Secured Notes—Priority of Payments", the Issuer does not expect to have any creditors.

Payments in respect of the Preference Shares are subject to certain requirements imposed by Cayman Islands law. Any amounts paid by the Preference Share Paying Agent as distributions by way of distribution on the Preference Shares pursuant to Preference Share Paying Agency Agreement and certain resolutions passed by the Issuer's Board of Directors concerning the Preference Shares (all such documents together, the "Preference Share Documents") will be payable only if the Issuer has sufficient distributable profits or share premium. In addition, such distributions and the final payment upon redemption of the 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 solvent if it is able to pay its debts as they come due. To the extent that such requirements under Cayman Islands law are not met, amounts otherwise payable to the Preference Shareholders will be retained by the Issuer until, in the case of a distribution by way of distribution, the next succeeding Distribution Date on which such requirements are met and, in the case of any payment on redemption of the Preference Shares, the next succeeding Business Day on which such requirements are met. Amounts so retained by the Issuer will not be available to pay amounts due to the Secured Noteholders, the Trustee, the Collateral Manager, the Hedge Counterparty, any CDS Counterparty or any other creditor of the Issuer whose claim is limited in recourse to the Collateral. However, amounts so retained will be subject to the claims of creditors of the Issuer (if any) that have not contractually limited their recourse to the Collateral. 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 (including the Class P Preference Shares). See "Description of the Secured Notes—Priority of Payments".

Limited Security for the Class P Notes. The Class P Notes are secured solely by the applicable Treasury Strips with respect to principal payments. 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 Class P Noteholders (with respect to distributions on the Class P Preference Shares) and the Preference Shareholders will rank behind all of the creditors, whether secured or unsecured and known or unknown, of the Issuer, including, without limitation, the Secured Noteholders 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 and Notes. The Preference Shares (including the Preference Shares related to the Class P Notes) (and to a lesser extent, the subordinated Classes of the Secured Notes) represent a leveraged investment in the underlying Collateral. Therefore, it is expected that changes in the value of the Preference Shares and one or more Classes of the Secured Notes will be greater than the change in the value of the underlying Collateral Debt Securities, which themselves are subject to credit, liquidity, interest rate and other risks.

Utilization of leverage is a speculative investment technique and involves certain risks to investors, particularly to investors that bear the first risk of loss. 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.

Acquisition and Disposition of, and Credit Risk under, Synthetic Securities. The Collateral Manager may only acquire or dispose of Synthetic Securities in accordance with the requirements of the Indenture and the Collateral Management Agreement. Such acquisitions or dispositions may have an adverse effect on the value of the Collateral and the ability of the Issuer to make payments on the Secured Notes. The customary terms in the credit default swap market are likely to change in the future, in which event the Rating Condition will need to be satisfied with respect to any amendment to a Form-Approved CDS Confirmation that is necessary to reflect such changed terms. Accordingly, there can be no assurance that the Issuer will be able to acquire Synthetic Securities to the extent or in the manner anticipated on the Closing Date. If the Rating Condition is satisfied with respect to such changed terms, then the terms of such Synthetic Securities (including, in the case of CDS Transactions, the Credit Events thereunder) may be materially different from the terms of the Synthetic Securities previously entered into by the Issuer (including CDS Transactions previously entered into under a CDS Agreement). If the Rating Condition is not satisfied with respect to such changed terms, the Issuer may not be able to acquire Synthetic Securities on the terms prevailing in the market and may as a result face increased difficulty and/or costs in remaining invested in Synthetic Securities to the full extent anticipated on the Closing Date. Furthermore, any change in the customary terms available in the credit default swap market may result in the Issuer facing additional difficulty and/or cost in effecting the disposition of CDS Transactions which utilize terms which have ceased to reflect the market standard. If the Issuer is not invested at all times in Synthetic Securities to the full extent anticipated on the Closing Date, or if it cannot acquire or dispose of Synthetic Securities, the Collateral may be less diversified than would otherwise be the case, Interest Proceeds or Principal Proceeds (as applicable) may be reduced and payments of interest or principal (including Deferred Interest) on the Secured Notes may not be made in full, with the result that investors in the Secured Notes may suffer a loss.

Either the Issuer or a CDS Counterparty may sell protection with respect to any Reference Obligation(s) (either party acting in such capacity, the "Protection Seller" and the other party in its capacity as purchaser of such protection, the "Protection Buyer"). Following the occurrence of a "credit event" with respect to a Reference Obligation under and as defined in the related CDS Agreement (a "Credit Event") (and subject to the satisfaction of the conditions to settlement), the Protection Seller will be required to pay to the Protection Buyer an amount equal to the relevant physical or cash settlement amount (if any). All or some of the Reference Obligations may fall below investment grade (or the equivalent credit quality). Under any CDS Transaction, the likelihood of the Protection Seller being obliged to make payment of a physical or cash settlement amount is greater than with investment grade assets. Payments of (a) any physical or cash settlement payments owing by the Issuer (in its capacity as Protection Seller) to a CDS Counterparty (in its capacity as Protection Buyer) under a CDS Transaction and (b) premium amounts payable to a CDS Counterparty (in its capacity as Protection Seller) by the Issuer (in its capacity as Protection Seller) under any CDS Transaction will, in each case, be made in accordance with the Priority of Payments, and will reduce the amount of Interest Proceeds and Principal Proceeds available for distribution to Secured Noteholders on any Distribution Date. Termination payments payable by the Issuer under a CDS Agreement will include the market value to the relevant CDS Counterparty of any terminated CDS Transactions entered into under such CDS Agreement, which may expose the Issuer to deterioration in the

credit of the Reference Obligations and result in losses to the Issuer, even where no Credit Event has occurred.

Short Synthetic Securities. The Issuer shall not enter into any Synthetic Security with respect to which it is the Protection Buyer (a "Short Synthetic Security") unless (i) the Issuer has previously entered into one or more Synthetic Securities relating to the Reference Obligation that is the subject of such Short Synthetic Security (or a Reference Obligation that forms part of the same Issue as the Reference Obligation that is the subject of such Short Synthetic Security) with respect to which the Issuer is the Protection Seller (each, a "Related Long Synthetic Security"), (ii) the termination date, credit events and elections with respect to payment measure and method for purposes of determination of the settlement amount are the same for such Short Synthetic Security and its Related Long Synthetic Security(ies), (iii) the aggregate premium payments payable by the Issuer under such Short Synthetic Security are less than the aggregate amount of all funds and other property credited to the Synthetic Security Counterparty Account relating to its Related Long Synthetic Security, (iv) the aggregate Notional Amount of its Related Long Synthetic Securities is greater than or equal to the Notional Amount of such Short Synthetic Security, (v) following such entry, the aggregate premium payable by the Issuer under all Short Synthetic Securities is less than the aggregate premium receivable by the Issuer under all Related Long Synthetic Securities and (vi) the related Underlying Instruments provide that any Subordinate CDS Termination Payment shall be subject to the Priority of Payments.

Limited Information with Respect to Reference Obligations. Although a list of the Reference Obligations relating to the Synthetic Securities acquired by the Issuer will be included in the monthly reports delivered by the Trustee on behalf of the Issuer to the Secured Noteholders, such Secured Noteholders will not otherwise have the right to obtain from the Issuer, the Trustee, the Preference Share Paying Agent, any CDS Counterparty, the Initial Purchaser, the Administrator or the Collateral Manager any other information regarding the Reference Obligations, the obligors relating thereto or information regarding any other obligations of such obligors. A CDS Counterparty will have no obligation to keep the Issuer, the Trustee, the Preference Share Paying Agent, the Collateral Manager or the Secured Noteholders informed as to matters arising in relation to any Reference Obligation or obligor thereon, including whether or not circumstances exist under which there is a possibility of the occurrence of a Credit Event. Accordingly, the Collateral Manager may not have access to material information concerning the obligors under the Reference Obligations, including information that may be available to a direct holder of a Reference Obligation.

None of the Issuer, the Trustee, the Preference Share Paying Agent, the Collateral Manager or the Secured Noteholders will have the right to inspect any records of a CDS Counterparty, and a CDS Counterparty will be under no obligation to disclose any further information or evidence regarding the existence or terms of any obligation of any Reference Obligation or any matters arising in relation thereto or otherwise regarding any Reference Obligation, any guarantor or any other person, unless and until a Credit Event has occurred and a CDS Counterparty (in its capacity as Protection Buyer) provides Publicly Available Information to the Issuer (in its capacity as Protection Seller) of the occurrence of such Credit Event as required under the terms of the related CDS Agreement.

Under any CDS Transaction, the Protection Seller will be obliged to pay to the Protection Buyer the physical or cash settlement amount (if any) in respect of losses incurred in respect of the related Reference Obligation in the event that any Credit Event occurs in respect of such Reference Obligation.

Settlement Risk. To the extent the Issuer acquires Synthetic Securities (including under a CDS Agreement), the Issuer may bear the risk of settlement default, particularly since the terms of Synthetic Securities may require physical settlement by the relevant Synthetic Security Counterparty (including a CDS Counterparty). Settlement risk will arise if the Issuer meets its payment obligation under a Synthetic Security before the Synthetic Security Counterparty meets its corresponding payment or delivery obligations thereunder. A failure to perform by a Synthetic Security Counterparty (including a CDS Counterparty) may be due to Synthetic Security Counterparty default, operational or administrative error or legal impediments. In particular, a CDS Counterparty is expected to seek to eliminate its credit exposure to the Reference Obligations by entering into back-to-back hedging transactions, and its ability to physically settle CDS Transactions will be dependent on whether or not the counterparties to such back-to-back hedging transactions perform their delivery obligations. Such risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily mark-to-market and settlement of positions, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections, and expose the parties to the risk of counterparty default. Furthermore, there may be practical or timing problems associated with enforcing the Issuer's rights to its assets in the case of an insolvency of any such Synthetic Security Counterparty including any CDS Counterparty.

No Legal or Beneficial Interest in Reference Obligations. With respect to Synthetic Securities, the Issuer will usually have a contractual relationship only with the counterparty of such Synthetic Security, and not the Reference Obligor(s) on the Reference Obligation(s). The Issuer generally will have no right directly to enforce compliance by the Reference Obligor(s) with the terms of either the Reference Obligation(s) or any rights of set-off against the Reference Obligor(s), nor will the Issuer generally have any voting or other consensual rights of ownership with respect to the Reference Obligation(s). The Issuer will not directly benefit from any collateral supporting the Reference Obligation(s) and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation(s).

Under a CDS Agreement, the Issuer will have a contractual relationship only with the related CDS Counterparty and not with the issuer or obligor of any Reference Obligation. Consequently, a CDS Agreement does not constitute a purchase or other acquisition or assignment of any interest in any Reference Obligation. The Issuer will not directly benefit from the collateral supporting any Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of any such Reference Obligation. In the event of the insolvency of a CDS Counterparty, the Issuer will be treated as a general creditor of such counterparty, and will not have any claim with respect to any Reference Obligation. The Issuer and the Trustee, therefore, will have rights solely against a CDS Counterparty in accordance with the related CDS Agreement and will have no right directly to enforce compliance by any Reference Obligor with the terms of any Reference Obligation nor any rights of set-off against any Reference Obligor.

In addition, neither a CDS Counterparty nor its affiliates will be (or be deemed to be acting as) the agent or trustee of the Issuer or the Secured Noteholders in connection with the exercise of, or the failure to exercise, any of the rights or powers (including, without limitation, voting rights) of such CDS Counterparty and/or its affiliates arising under or in connection with their respective holding of any Reference Obligation.

A CDS Counterparty will have only the duties and responsibilities expressly agreed to it under the related CDS Agreement and will not, by reason of its or any of its affiliates acting in

any other capacity, be deemed to have other duties or responsibilities or be deemed to be held to any higher standard of care than that set forth in such CDS Agreement or imposed by law. In no event shall a CDS Counterparty be deemed to have any fiduciary obligations to the Secured Noteholders or any other person by reason of acting in such capacity. A CDS Counterparty's actions may be inconsistent with or adverse to the interests of the Secured Noteholders.

In taking any action with respect to a CDS Agreement (including declaring or exercising its remedies in respect of a Credit Event or any other default under or termination of a CDS Agreement), the related CDS Counterparty may take such actions as it determines to be in its own commercial interests and not as agent, fiduciary or in any other capacity on behalf of the Issuer or the Secured Noteholders. A CDS Counterparty or one of its affiliates may act as a dealer for purposes of obtaining quotations with respect to a Reference Obligation.

A CDS Counterparty is expected to seek to eliminate its credit exposure to the Reference Obligations by entering into back-to-back hedging transactions. The physical or cash settlement amount owed to the Issuer by a CDS Counterparty in respect of the settlement of any CDS Transaction may be less than the physical or cash settlement amounts received by a CDS Counterparty upon the settlement of any related back-to-back hedging transactions.

A CDS Counterparty and its affiliates may (but are not required to) hold other obligations or securities of any issuer of a Reference Obligation, may deal in any such obligations or securities, may enter into other credit derivatives involving reference entities or reference obligations that may include the Reference Obligations (including credit derivatives relating to Reference Obligations), may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with, any issuer of a Reference Obligation, any affiliate of any issuer of a Reference Obligation or any other person or other entity having obligations relating to any issuer of a Reference Obligation, and may act with respect to such business in the same manner as if the related CDS Agreement did not exist, regardless of whether any such relationship or action might have an adverse effect on any Reference Obligation (including, without limitation, any action which might constitute or give rise to a Credit Event), or on the position of the Issuer, the Secured Noteholders or any other party to the transactions described herein or otherwise. In addition, a CDS Counterparty and/or its affiliates may from time to time possess interests in the issuers of Reference Obligations and/or Reference Obligations allowing such CDS Counterparty or its affiliates, as applicable (or any investment manager or adviser acting on its or their behalf), to exercise voting or consent rights with respect thereto, and such rights may be exercised in a manner that may be adverse to the interests of the Secured Noteholders or that may affect the market value of Reference Obligations and/or the amounts payable thereunder. A CDS Counterparty and its affiliates may, whether by reason of the types of relationships described herein or otherwise, at the date hereof or any time hereafter, be in possession of information in relation to any issuer of a Reference Obligation or Reference Obligation that is or may be material and that may or may not be publicly available or known to the Issuer, the Trustee or the Secured Noteholders and which information such CDS Counterparty, the Collateral Manager or such affiliates will not disclose to the Issuer, the Collateral Manager, the Trustee or the Secured Noteholders.

Reliance on Creditworthiness of a CDS Counterparty. The ability of the Issuer to meet its obligations under the Secured Notes will be partially dependent on its receipt of payments from a CDS Counterparty under the related CDS Agreement. Consequently, the Issuer is relying not only on the performance of the Reference Obligations, but also on the creditworthiness of a CDS Counterparty under the related CDS Agreement with respect to such payments. Because

the Issuer may enter into substantially all by Notional Amount of its Synthetic Securities with the same CDS Counterparty, there will be a degree of concentration risk with respect to the credit risk in relation to such CDS Counterparty. The same concentration risk would apply to any other Synthetic Security Counterparty which is the obligor under multiple Synthetic Securities comprising a comparable portion of the Collateral Portfolio.

The Collateral Manager will not perform an independent credit analysis of a CDS Counterparty. However, a CDS Counterparty will agree to specific rating downgrade provisions acceptable to the Rating Agencies as a condition to entering into the related CDS Agreement with the Issuer. A failure by a CDS Counterparty to comply with these requirements may result in the termination of the CDS Transactions entered into under the related CDS Agreement. In the event of any such termination, the Issuer may be required to make a termination payment to a CDS Counterparty and the amounts payable by such CDS Counterparty will cease to be payable to the Issuer. As a result, unless such CDS Transactions are replaced, there will be fewer funds available to the Issuer to discharge its obligation to make payments in respect of the Secured Notes and the Hedge Agreements. The Issuer is therefore relying in part on the creditworthiness of a CDS Counterparty with respect to such CDS Counterparty's performance of its obligations to make payments to the Issuer. There can be no assurance that the Issuer would be able to locate a replacement CDS Counterparty following termination of the transactions under a CDS Agreement, particularly since the Issuer is a special purpose vehicle. A CDS Counterparty will be required to transfer cash collateral to the Issuer in respect of its obligations under the related CDS Agreement pursuant to a collateral arrangement based on the form of the ISDA Credit Support Annex if it fails to comply with certain rating downgrade provisions set forth in such CDS Agreement required by the Rating Agencies, thereby reducing the Issuer's exposure to the credit risk of such CDS Counterparty.

Calculation Agency Function of CDS Counterparty. The Protection Seller under a CDS Transaction shall be required to pay to the Protection Buyer the physical or cash settlement amount calculated in accordance with a CDS Agreement. The calculation agent under a CDS Agreement will determine the physical or cash settlement amount for each Credit Event based upon the quotations obtained by the calculation agent, as provided in a CDS Agreement. A CDS Counterparty may be the calculation agent under the related CDS Agreement. A CDS Counterparty as calculation agent is entitled to select dealers in obligations or securities of the type of the Reference Obligations for which bid prices are to be obtained to act in such capacity under the related CDS Agreement. The quotations obtained by such calculation agent (and consequently the applicable physical or cash settlement amount) may be affected by factors other than the occurrence of such Credit Event. Such quotations may vary widely from dealer to dealer and may be adversely affected by the size of the relevant Reference Obligation and the time of occurrence of such Credit Event. The Reference Obligations or other permitted deliverable obligations, even absent a Credit Event, may be illiquid investments and such illiquidity may be expected to be more pronounced following the occurrence of a Credit Event, thereby adversely affecting any determination of the physical or cash settlement amount.

Other Synthetic Securities. The risk factors set forth above with respect to CDS Counterparties and the CDS Agreements apply equally (mutatis mutandis) to any other Synthetic Securities entered into by the Issuer with Synthetic Security Counterparties. In addition, a Synthetic Security Counterparty and its affiliates may have the right to exercise all of the voting and consent rights of a holder of a Reference Obligation and will exercise those rights in such manner as it determines to be in its own commercial interests.

Nature of Collateral. The Collateral is subject to credit, liquidity interest rate, market, operations, fraud and structural risks. In addition, a significant portion of the Collateral will be acquired by the Issuer after the Closing Date, and, accordingly, the financial performance of the Issuer may be affected by the price and availability of Collateral to be purchased. The amount and nature of the collateral securing the Secured Notes have been established to withstand certain assumed deficiencies in payment occasioned by defaults in respect of the Collateral Debt Securities. See "Rating of the Notes". If any deficiencies exceed such assumed levels, however, payment of the Notes and distributions on the Preference Shares could be adversely affected. To the extent that a default occurs with respect to any Collateral Debt Security securing the Secured Notes, if 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.

There do not exist reliable sources of statistical information with respect to the default rates for many of the types of Collateral Debt Securities eligible to be purchased by the Issuer. In addition, historical economic performance of a particular type of Collateral Debt Securities is not necessarily indicative of its future performance. Prospective purchasers of the Notes should consider and determine for themselves the likely level of defaults and the level of recoveries on the Collateral Debt Securities and the resulting consequences on their investment in the Notes.

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

Under the Indenture, the Collateral Manager may direct the Issuer to dispose of Collateral Debt Securities under certain limited circumstances. Notwithstanding such restrictions and satisfaction of the conditions set forth in the Indenture, sales and purchases of Collateral Debt Securities could result in losses by the Issuer, which losses could affect the timing and amount of payments in respect of the Notes and Preference Shares or result in the reduction in or withdrawal of the rating of any or all of the Notes or the Preference Shares by one or more of the Rating Agencies. On the other hand, circumstances may exist under which the Collateral Manager may believe that it is in the best interests of the Issuer to dispose of Collateral, but the Issuer will not be permitted to do so under the restrictions and conditions of the Indenture.

Early Redemption of the Secured Notes. In addition to the risk of early redemption of the Secured Notes discussed in the immediately preceding paragraph, the Secured Notes may be subject to early redemption three years after the Closing Date at the election of a Majority-in-Interest of Preference Shareholders. If either Coverage Test is breached, Interest Proceeds and then Principal Proceeds will be applied to pay Principal on the Secured Notes until the applicable Coverage Test is met. In addition, if the Secured Notes have not been paid in full prior to August 5, 2013, an auction of the Collateral will be conducted and subject to satisfaction of certain conditions, will be sold and used to redeem the Secured Notes. The Secured Notes may also be subject to early redemption on the occurrence of certain adverse tax events. See "Description of the Secured Notes—Optional Redemption and Tax Redemption".

Asset-Backed Securities. Most of the Collateral Debt Securities will consist of Asset-Backed Securities (or Synthetic Securities for which the Reference Obligation(s) are Asset-Backed Securities), which include, without limitation, Automobile Securities, CMBS Conduit Securities, CMBS Credit Tenant Lease Securities, CMBS Large Loan Securities, Credit Card Securities, Equipment Leasing Securities, High-Diversity CBO Securities, Low-Diversity CBO Securities, Prime Residential Mortgage Securities, Small Business Loan Securities, Student Loan Securities and Subprime Residential Mortgage Securities. "Asset-Backed Securities" are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities. See "Security for the Secured Notes—Asset-Backed Securities".

Holders of Asset-Backed Securities bear various risks, including credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks. Credit risk is an important issue in Asset-Backed Securities because of the significant credit risks inherent in the underlying collateral and because issuers are primarily private entities. The structure of an Asset-Backed Security and the terms of the investors' interest in the collateral can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Although the basic elements of all Asset-Backed Securities are similar, individual transactions can differ markedly in both structure and execution. Important determinants of the risk associated with issuing or holding the securities include the process by which principal and interest payments are allocated and distributed to investors, how credit losses affect the issuing vehicle and the return to investors in such Asset-Backed Securities, whether collateral represents a fixed set of specific assets or accounts, whether the underlying collateral assets are revolving or closed-end, under what terms (including maturity of the asset-backed instrument) any remaining balance in the accounts may revert to the issuing entity and the extent to which the entity that is the actual source of the collateral assets is obligated to provide support to the issuing vehicle or to the investors in such Asset-Backed Securities. See "Security for the Secured Notes—Asset-Backed Securities" below.

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

A significant portion of the Asset-Backed Securities acquired by the Issuer may consist of commercial mortgage-backed securities meeting the Reinvestment Criteria described herein,

including Synthetic Securities the reference obligations of which are commercial mortgage-backed securities. Commercial mortgage loans underlying commercial mortgage-backed securities are generally secured by multi-family or commercial property and may entail risks of delinquency and foreclosure, and risks of loss in the event thereof, that are greater than similar risks associated with loans secured by single-family residential property. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced (for example, if rental or occupancy rates decline or real estate tax rates or other operating expenses increase), the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by, among other things, tenant mix, success of tenant businesses, property management decisions (including responding to changing market conditions, planning and implementing rental or pricing structures and causing maintenance and capital improvements to be carried out in a timely fashion), property location and condition, competition from comparable types of properties, changes in laws that increase operating expense or limit rents that may be charged, any need to address environmental contamination at the property and the occurrence of any uninsured casualty at the property.

The value of an income-producing property is directly related to the net operating income derived from such property. Furthermore, the value of any commercial property may be adversely affected by risks generally incident to interests in real property, including various events which the related borrower and/or manager of the commercial property, the issuer, the depositor, the manager, the indenture trustee, the master servicer or the special servicer may be unable to predict or control, such as: changes in general or local economic conditions and/or specific industry segments; declines in 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, including environmental legislation; acts of God; environmental hazards; and social unrest and civil disturbances.

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.

Furthermore, 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 for any reason. 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.

With respect to Asset-Backed Securities that are supported by or otherwise related to commercial and residential real estate, the underlying owner, lessor or lessee of such real estate would typically be required to maintain comprehensive all-risk casualty insurance (which

may be provided under a blanket insurance policy), but documentary requirements may not specify the nature of the specific risks required to be covered by such insurance policies. In light of terrorist attacks in New York City, Arlington, Virginia and Pennsylvania in September, 2001, many reinsurance companies (which assume some of the risk of the policies sold by primary insurers) have eliminated, or indicated that they intend to eliminate, coverage for acts of terrorism from their reinsurance policies; many primary insurance companies have eliminated terrorism insurance coverage in their standard policies; coverage for terrorist acts may be available only at rates significantly higher than other types of insurance; and owners, lessors and lessees may not be able to obtain renewal policy coverage for terrorist acts at any price.

REIT Debt Securities. A portion of the Collateral Debt Securities may consist of REIT Debt Securities or Synthetic Securities the reference obligations of which are REIT Debt Securities. REIT Debt Securities will consist of obligations of real estate investment trusts ("REITs"), or qualified REIT subsidiaries meeting the Reinvestment Criteria described herein. The Issuer may invest in additional types of REIT Debt Securities, *provided* that the Rating Condition is satisfied with respect to such investment.

Investments in REIT Debt Securities involve special risks. In particular, REITs and qualified REIT subsidiaries (all discussion concerning the risks relating to REITs herein being generally applicable to such subsidiaries) 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 may be affected by the risks described above with respect to commercial mortgage loans and 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 generally incident to interests in real property, including those described above, (iv) risks that may be presented by the type and use of a particular commercial property and (v) the difficulty of converting certain property to an alternative use in the event that the operation of such commercial property for its original purpose becomes unprofitable for any reason.

In addition, risks of REIT Debt Securities may include (among other risks) (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 mandatory sinking fund or call/redemption provisions during periods of declining interest rates that could cause the Issuer to reinvest premature redemption proceeds in lower yielding Collateral Debt Securities, (v) the possibility that earnings of the REIT Debt Security 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 highly rated securities. For example, during an economic downturn or a sustained period of rising interest rates, issuers of REIT Debt Securities may be more likely to experience financial stress, especially if such issuers are highly leveraged. During such periods, timely service of debt obligations may also be adversely affected by specific issuer developments, or the unavailability of additional financing. The risk of

loss due to default by the issuer may be significant for the holders of REIT Debt Securities because such securities may be unsecured and may be subordinated to other creditors of the issuer of such securities.

Downward movements in interest rates could also adversely affect the performance of REIT Debt Securities. REIT Debt Securities may have call or redemption features that would permit the issuer thereof to repurchase the securities from the Issuer. If a call were exercised by the issuer of REIT Debt Securities during a period of declining interest rates, it is likely that the Issuer would have to replace such called REIT Debt Securities with lower yielding Collateral Debt Securities.

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 have 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 when necessary to meet the Issuer's liquidity needs or in response to a specific economic event such as a deterioration in the creditworthiness of the issuer of such securities. Reduced secondary market liquidity for certain REIT Debt Securities also may make it more difficult for the Issuer to obtain accurate market quotations for purposes of valuing the Issuer's portfolio. Market quotations are generally available on many REIT Debt Securities only from a limited number of dealers and may not necessarily represent firm bids of such dealers or prices for actual sales.

Violations of consumer protection laws may result in losses on RMBS Securities. Applicable state laws generally regulate interest rates and other charges and require specific disclosures. In addition, other state laws, public policy and general principles of equity relating to the protection of consumers from unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of the loans backing RMBS Securities. Depending on the provisions of the applicable law and the specific facts and circumstances involved, violations of these laws, policies and principles may limit the ability of the issuer of an RMBS Security to collect all or part of the principal of or interest on the underlying loans, may entitle a borrower to a refund of amounts previously paid and, in addition, could subject the owner of a mortgage loan to damages and administrative enforcement.

The mortgage loans are also subject to federal laws, including:

(1) the Federal Truth in Lending Act and Regulation Z promulgated under the Truth in Lending Act, which require particular disclosures to the borrowers regarding the terms of the loans;

(2) the Equal Credit Opportunity Act and Regulation B promulgated under the Equal Credit Opportunity Act, which prohibit discrimination on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act, in the extension of credit;

(3) the Americans with Disabilities Act, which, among other things, prohibits discrimination on the basis of disability in the full and equal enjoyment of the goods, services, facilities, privileges, advantages or accommodations of any place of public accommodation; and

(4) the Fair Credit Reporting Act, which regulates the use and reporting of information related to the borrower's credit experience.

Violations of particular provisions of these Federal laws may limit the ability of the issuer of an RMBS Security to collect all or part of the principal of or interest on the loans and in addition could subject such issuer to damages and administrative enforcement. In this event, the Issuer, as a holder of the RMBS Security, may suffer a loss.

Some of the mortgages loans backing an RMBS Security may have been underwritten with, and finance the cost of, credit insurance. From time to time, originators of mortgage loans that finance the cost of credit insurance have been named in legal actions brought by Federal and state regulatory authorities alleging that certain practices employed relating to the sale of credit insurance constitute violations of law. If such an action were brought against such issuer with respect to mortgage loans backing such RMBS Security and were successful, it is possible that the borrower could be entitled to refunds of amounts previously paid or that such issuer could be subject to damages and administrative enforcement.

In addition, numerous Federal and state statutory provisions, including the Federal bankruptcy laws, the Servicemembers Civil Relief Act of 2003, as amended, and state debtor relief laws, may also adversely affect the ability of an issuer of an RMBS Security to collect the principal of or interest on the loans, and holders of the affected RMBS Securities may suffer a loss if the applicable laws result in these loans becoming uncollectible.

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. A substantial portion of the Collateral Debt Securities will have interest rates that remain constant to maturity. Accordingly, their market value will generally fluctuate with changes in market rates of interest. Such market value will also generally fluctuate with, among other things, general economic conditions, world political events, developments or trends in a particular industry related to the underlying obligations, the conditions of the financial markets and the financial condition of the issuers, credit enhancers or underlying obligors with respect to the Collateral Debt Securities. There can be no assurance that the proceeds of any sale by the Trustee of the Collateral Debt Securities and other Collateral securing the Secured Notes, including following an Event of Default, will be sufficient to pay in full the principal of and interest on the Secured Notes, any amounts payable to the Hedge Counterparty, any CDS Counterparty, the Trustee and the other parties (and distributions to holders of the Preference Shares and Class P Notes may accordingly be reduced). Pursuant to the Indenture, certain conditions must be satisfied before the Trustee is permitted to sell the Collateral Debt Securities and other Collateral pledged as security for the Secured Notes following an Event of Default.

Reinvestment Risk. Subject to the limits described under "Description of the Securities—Substitution Period", Principal Proceeds resulting from the sale of Collateral Debt Securities other than Specified Principal Proceeds may be reinvested in substitute Collateral Debt Securities. The impact, including any adverse impact, of such sale or potential reinvestment on the Secured Noteholders 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 Notes by the leveraged nature of such respective Classes of Notes. See "Description of the Secured Notes—Substitution 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 Reinvestment Criteria and acceptable to the Collateral Manager. The need to satisfy such Reinvestment 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 Class P Preference Shares).

Rating Confirmation Failure; Mandatory Redemption. The Indenture requires that, no later than 10 days after the Ramp-Up Completion Date, the Co-Issuers notify each of Moody's and Standard & Poor's, any CDS Counterparty and the Hedge Counterparty of the occurrence of the Ramp-Up Completion Date and request in writing (each, a "Ramp-Up Notice") that each of Moody's and Standard & Poor's confirm in writing (a "Rating Confirmation") that it has not reduced or withdrawn the ratings (including any shadow, private and confidential ratings) assigned by it on the Closing Date to the Secured Notes. In the event that the Issuer fails to obtain a Rating Confirmation prior to the first Determination Date following the Ramp-Up Completion Date (a "Rating Confirmation Failure"), Uninvested Proceeds, Principal Proceeds and Interest Proceeds will be applied on the first Distribution Date following the Ramp-Up Completion Date in accordance with the Priority of Payments to the extent necessary for each of Moody's and Standard & Poor's to provide a Rating Confirmation (and, pending such application on such Distribution Date, each subsequent purchase of any Collateral Debt Security will be subject to the satisfaction of the Rating Condition). See "Description of the Secured Notes—Mandatory Redemption" and "—Priority of Payments". The notional amount of the Hedge Agreement will be reduced in connection with a redemption of Secured Notes on any Distribution Date by reason of any Rating Confirmation Failure by an amount proportionately equal 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 will be used by the Collateral Manager only as a preliminary indicator of investment quality. Investments in non-investment grade and comparable unrated obligations will be more dependent on the credit

analysis of the Collateral Manager than would be the case with investments in investment-grade debt obligations.

Whenever this Offering Circular includes a condition in relation to a specified rating of any issuer, obligation or security (except for the purposes of the definition of "Rating"), if such issuer, obligation or security has been put on a watch list for possible downgrade by Moody's by one or more rating subcategories, then such issuer, obligation or security will be deemed to have been downgraded by the relevant number of rating subcategories specified in such watch list (and, if not so specified, by one rating subcategory).

International Investing. A portion of the Collateral Debt Securities may consist of obligations of an issuer organized or incorporated under the laws of a Special Purpose Vehicle Jurisdiction or obligations of a Qualifying Foreign Obligor. Moreover, subject to compliance with certain of the Reinvestment Criteria described herein, collateral securing Asset-Backed Securities may consist of obligations of issuers or borrowers organized under the laws of various jurisdictions other than the United States. Investing outside the United States may involve greater risks than investing in the United States. These risks may include: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; (iii) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws therein; (iv) risk of economic dislocations in such other country and (v) less data on historic default and recovery rates for the Collateral Debt Securities. Moreover, many foreign companies are not subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies.

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

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

In many foreign countries there is the possibility of expropriation, nationalization or confiscatory taxation, limitations on the convertibility of currency or the removal of securities, property or other assets of the Issuer, political, economic or social instability or adverse diplomatic developments, each of which could have an adverse effect on the Issuer's

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

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

In general, if payments on a Collateral Debt Security are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as the Issuer) or from subsequent transferees of such payments (such as the holders of the Secured Notes). To the extent that any such payments are recaptured from the Issuer, the resulting loss will be borne in the first instance by the Preference Shareholders, then by the holders of the Class E Notes, then by the holders of the Class D Notes, then by the holders of the Class C Notes, then by the holders of the Class B Notes, then by the holders of the Class A-2 Notes and then by the holders of the Class A-1 Notes. However, a court in a bankruptcy or insolvency proceeding would be able to direct the recapture of any such payment from a holder of Secured Notes only to the extent that such court has jurisdiction over such holder or its assets. Moreover, it is likely that avoidable payments could not be recaptured directly from a holder that has given value in exchange for its Secured Notes, in good faith and without knowledge that the payments were avoidable. Nevertheless, since there is no judicial precedent relating to a structured transaction such as the Secured Notes, there can be no assurance that a holder of Secured Notes will be able to avoid recapture on this or any other basis.

The Collateral Debt Securities of obligors not domiciled in the United States will be subject to laws enacted in their home countries for the protection of creditors, which may differ from the U.S. laws described above and be less favorable to creditors than such U.S. laws.

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 overall investment activities of the Collateral Manager and its Affiliates. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

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 or the registered holders of the Secured Notes (the "Secured Noteholders" and, together with the Preference Shareholders and Class P Noteholders, the "Securityholders"), the Preference Shareholders or any beneficial owners thereof. 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 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 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, including the ownership by the Collateral Manager, its Affiliates or clients of securities of different ranking and with different rights than those owned by the Issuer, 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 make investment decisions that may be the same as or different from those made with respect to the Issuer's investments. No provision in the Collateral Management Agreement prevents the Collateral Manager or any of its Affiliates from rendering services of any kind to the issuers in whose obligations or securities the Issuer may invest or their affiliates, the Trustee, the Securityholders or any other entity.

Although the Collateral Manager will commit a significant amount of its efforts to the management of the Collateral Debt Securities, it plans to manage other investment products and vehicles and is not required (and will not be able) to devote all of its time to the management of the Collateral Debt Securities. Officers and employees of the Collateral Manager may have conflicts in allocating their time and services among the Issuer and the Collateral Manager's and its Affiliates' other accounts. In addition, the Collateral Manager and its Affiliates, in connection with their other business activities, may acquire material non-public confidential information that may restrict the Collateral Manager from purchasing securities or selling securities for itself or its clients (including the Issuer) or otherwise using such information for the benefit of its clients or itself. Neither the Collateral Manager nor its Affiliates will have liability to the Issuer or any Securityholder for failure to disclose such information or for taking, or failing to take, any action based upon such information.

The Collateral Manager currently serves as the collateral manager for seven companies organized to invest primarily in Asset-Backed Securities, and the Collateral Manager or its Affiliates may in the future serve as collateral manager of other such companies. The Collateral Manager or any of its Affiliates may from time to time simultaneously or at different times seek to purchase or sell investments for the Issuer and any similar entity for which it serves as collateral manager, or for its clients or Affiliates. It is the Collateral Manager's policy to allocate investment opportunities to the extent practicable to each account, including the Issuer, over

time in a manner which the Collateral Manager believes fair and equitable to each such account (taking into account constraints imposed by the Indenture). Nevertheless, under some circumstances, such allocation may adversely affect the Issuer with respect to the price or size of the investments obtainable or saleable.

In addition, the Collateral Manager, its Affiliates and client accounts for which the Collateral Manager or its Affiliates act as investment adviser may at times own Secured Notes of one or more Classes, Class P Notes or Preference Shares or any of the foregoing. The Collateral Manager and its Affiliates will not be entitled to vote the Offered Securities held by any of such Collateral Manager, its Affiliates and accounts for which such Collateral Manager or any Affiliate thereof acts as investment adviser (and for which such Collateral Manager or such Affiliate has discretionary authority) with respect to any assignment or termination of, any of the express rights or obligations of the Collateral Manager under the Collateral Management Agreement or the Indenture (including the exercise of any rights to remove the Collateral Manager or terminate the Collateral Management Agreement or approve or object to a Collateral Manager Replacement Officer), or any amendment or other modification of the Collateral Management Agreement or the Indenture increasing the rights or decreasing the obligations of the Collateral Manager. However, the Collateral Manager and its Affiliates will be entitled to vote Offered Securities held by them and by such accounts with respect to all other matters. For purposes hereof, "Affiliate" means, with respect to the Collateral Manager, (i) any other person who, directly or indirectly, is in control of, or controlled by, or is under common control with, the Collateral Manager or (ii) any other person who is a director, member, officer, employee or general partner of (a) the Collateral Manager or (b) any such other person described in clause (i) above. For the purposes of the foregoing definition, control of a person 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. The right of the Collateral Manager to receive fees payable under the Collateral Management Agreement and ownership by the Collateral Manager or any of its Affiliates of Offered Securities may give the Collateral Manager an incentive to take actions that vary from the interests of the Securityholders, including to approve and cause the Issuer to make more speculative investments in Collateral Debt Securities than it would otherwise make in the absence of such investment.

The Collateral Manager may direct the Issuer to sell Collateral Debt Securities subject to satisfaction of the conditions described in the Indenture. Such sales of Collateral Debt Securities may result in losses by the Issuer, which losses may result in the reduction or withdrawal of the rating of any or all of the Secured Notes by any of the Rating Agencies. See "The Collateral Management Agreement".

The Collateral Manager will be reimbursed by the Issuer for certain of its expenses incurred in connection with the organization of the Issuer (including legal fees and expenses) on the Closing Date and will be paid the Collateral Management Fee and reimbursed by the Issuer for certain of its expenses in its capacity as Collateral Manager on an ongoing basis in accordance with the Priority of Payments.

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 will act as the initial CDS Counterparty and may also act as counterparty with respect to one or more Synthetic Securities. In its role as CDS Counterparty and 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. See "—Calculation Agency Function of CDS Counterparty" and "—No Legal or Beneficial Interest in Reference Obligations" above. The Initial Purchaser or an affiliate thereof 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) the 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.

Purchase of Collateral Debt Securities. The Collateral Debt Securities purchased by the Issuer on the Closing Date will be purchased from a portfolio of Collateral Debt Securities held by Merrill Lynch International or one or more of its affiliates pursuant to a warehousing agreement between Merrill Lynch International, an affiliate of MLPFS and the Collateral Manager (the "Warehousing Agreement"). The Collateral Manager serves as an investment adviser pursuant to the Warehousing Agreement. Some of the Collateral Debt Securities subject to the Warehousing Agreement may have been originally acquired by MLPFS or an affiliate of MLPFS in connection with its underwriting or placement thereof. The Issuer will purchase Collateral Debt Securities from the Initial Purchaser or any affiliate thereof only to the extent the Collateral Manager determines that such purchases are consistent with the investment guidelines and objectives of the Issuer, the restrictions contained in the Indenture and applicable law. In any event, all purchases of such Collateral Debt Securities from any third party (including the Collateral Manager and its respective clients and Affiliates and the Initial Purchaser or any of its affiliates) will be (a) at fair market value (determined at the time such Collateral Debt Security is originally acquired pursuant to the Warehousing Agreement) and otherwise on an "arm's-length basis" and (b) consistent with investment guidelines and objectives of the Issuer, the restrictions contained in the Indenture and applicable law.

If the Initial Purchaser or any of its affiliates was to become the subject of a case or proceeding under the United States Bankruptcy Code, another applicable insolvency law or a stockbroker liquidation under the Securities Investor Protection Act of 1970, the trustee in bankruptcy, other liquidator or the Securities Investor Protection Corporation could assert that Collateral Debt Securities acquired from the Initial Purchaser or any of its affiliates are property of the insolvency estate of the Initial Purchaser or such affiliate. Property that the Initial Purchaser or any of its affiliates has pledged or assigned, or in which the Initial Purchaser or any of its affiliates has granted a security interest, as collateral security for the payment or performance of an obligation, would be property of the estate of the Initial Purchaser or such affiliate. Property that the Initial Purchaser or any of its affiliates has sold or absolutely assigned and transferred to another party, however, is not property of the estate of the Initial Purchaser or 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, will 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).

Dependence on Collateral Manager and Key Personnel Thereof; Relationship to Prior Investment Results. The Issuer has no employees and will be dependent on the employees of the Collateral Manager to make decisions on its behalf in accordance with the terms of the Indenture and the Collateral Management Agreement. Because the composition of the Collateral Debt Securities will vary over time, the performance of the Collateral Debt Securities depends on the investment strategy and investment process of the Collateral Manager in analyzing, selecting and managing the Collateral Debt Securities. As a result, the performance of the Issuer will be highly dependent on the financial and managerial experience of certain investment professionals associated with the Collateral Manager. There can be no assurance that the Collateral Manager's current investment professionals will continue to be affiliated with the Collateral Manager or actively involved in the management and administration of the Collateral for the Issuer. In the event that one or more of the investment professionals of the Collateral Manager were to cease to be affiliated with the Collateral Manager or actively involved in the management and administration of the Collateral for the Issuer, the Collateral Manager would have to reassign responsibilities internally and/or hire one or more replacement individuals and such a loss could have a material adverse effect on the performance of the Issuer. See "The Collateral Manager".

The prior investment results of the Collateral Manager and any persons associated with the Collateral Manager or any other entity or person described herein or otherwise made available to an investor are not indicative of the Issuer's future investment results. This follows from the fact that the nature of, and risks associated with, the Issuer's future investments may, and are likely to, differ substantially from those investments and strategies undertaken historically by such persons and entities. Accordingly, the Issuer's investments are not likely to perform in accordance with, and may perform less favorably than, the past investments of any such persons or entities. Moreover, certain historic investment information that may have been made available to an investor may not include all of the information necessary to evaluate the economic performance of such persons or entities. Any prospective investor in the Offered Securities should conduct its own independent analysis of such investment results and other investment information. See "The Collateral Manager".

In addition, subject to certain limited conditions, Declaration may resign at any time or be removed as the Collateral Manager under certain circumstances (including in connection with a Key Person Event as more fully described herein under "The Collateral Management Agreement"), in each case effective upon the appointment of a successor collateral manager. The Collateral Manager in its sole discretion may resign for any reason. See "Collateral Management Agreement".

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

Some important factors that could cause actual results to differ materially from those in any forward looking statements include changes in interest rates, market, financial or legal

uncertainties, the timing of acquisitions of Collateral Debt Securities, differences in the actual allocation of the Collateral Debt Securities among asset categories from those assumed, the timing of acquisitions of the Collateral Debt Securities, mismatches between the timing of accrual and receipt of Interest Proceeds and Principal Proceeds from the Collateral Debt Securities (particularly during ramp up), defaults under Collateral Debt Securities and the effectiveness of the Hedge Agreement, among others. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Co-Issuer, the Collateral Manager, the Trustee, the Initial Purchaser or any of their respective affiliates or any other person or entity of the results that will actually be achieved by the Issuer.

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

Money Laundering Prevention. "The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (the "USA PATRIOT Act"), effective as of October 26, 2001, requires broker-dealers registered with the Securities and Exchange Commission and the National Association of Securities Dealers (the "NASD") to establish and maintain anti-money laundering programs. With respect to the content of those programs, the NASD has enacted a rule that requires broker-dealers to establish and maintain anti-money laundering programs similar to those currently in place at U.S. banks. On September 18, 2002, the Treasury Department published proposed regulations that will, if enacted in their current form, force all "unregistered investment companies" to (a) establish and maintain an anti-money laundering compliance program, (b) periodically "test" the required compliance program, (c) designate and train responsible personnel and (d) file a written notice with the Treasury Department within 90 days of the effective date of the regulations that identifies certain information regarding the subject company, including the dollar amount of assets under company management and the number of interest holders in the subject company. As the proposed rule is currently drafted, an "unregistered investment company" includes any issuer that (i) would be an investment company but for the exclusion from registration provided for by Section 3(c)(7) of the Investment Company Act, (ii) permits an owner to redeem his or her ownership interest within two years of the purchase of that interest, (iii) has total assets over U.S.\$1,000,000 and (iv) is organized in the United States or is "organized, operated, or sponsored" by a U.S. Person. Pending further clarification by the Treasury Department, the Issuer is taking the view that it falls under the ambit of the proposed rule and will take all steps required to comply with it. It is possible that other legislation or regulation could be promulgated which will require the Collateral Manager or other service providers to the Co-Issuers to share information with governmental authorities with respect to investors in the Offered Securities in connection with the establishment of anti-money laundering procedures or require the Issuer to implement additional restrictions on the transfer of the Offered Securities.

Investment Company Act. The Co-Issuers have not registered with the United States Securities and Exchange Commission (the "SEC") as an investment company pursuant to the Investment Company Act. The Issuer has not so registered in reliance on an exception for investment companies organized under the laws of a jurisdiction other than the United States or any state thereof (a) whose investors resident in the United States are solely "qualified purchasers" or "knowledgeable employees" (within the meaning given to such terms in the Investment Company Act and the regulations of the SEC thereunder) or certain transferees

thereof identified in Rule 3c-6 under the Investment Company Act and (b) which do not make a public offering of their securities in the United States. Counsel for the Co-Issuers will opine, in connection with the issuance of the Offered Securities, that neither the Issuer nor the Co-Issuer is on the Closing Date an investment company required to be registered under the Investment Company Act (assuming, for the purposes of such opinion, that the Notes and Preference Shares are sold in accordance with the terms of the Indenture, the Preference Share Paying Agency Agreement and the Securities Purchase Agreement). No opinion or no-action position has been requested of the SEC.

To rely on Section 3(c)(7), the Issuer must have a "reasonable belief" that all purchasers of the Offered Securities that are U.S. Persons (including the Initial Purchaser and subsequent transferees) are Qualified Purchasers. Because transfers of beneficial interests in the Offered Securities will generally be effected only through DTC and its participants and indirect participants without delivery of written transferee certifications to the Issuer, the Issuer will establish the existence of such a reasonable belief by means of the deemed representations, warranties and agreements described under "Transfer Restrictions", the agreements of the Initial Purchaser referred to under "Plan of Distribution" and by taking the other actions consistent with procedures published by The Bond Market Association. Although the SEC has stated that it is possible for an issuer of securities to satisfy the reasonable belief standard referred to above by establishing procedures to provide a means by which such issuer can make a reasonable determination as to status of its securityholders as Qualified Purchasers, the SEC has not approved—and has stated that it will not approve—any particular set of procedures including the Section 3(c)(7) procedures published by The Bond Market Association. Accordingly, there can be no assurance that the Offered Securities will have satisfied the reasonable belief standard referred to above.

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 nonenforcement and would not be inconsistent with the purposes of the Investment Company Act. Should the Issuer or the Co-Issuer be subjected to any or all of the foregoing, the Issuer or the Co-Issuer, as the case may be, would be materially and adversely affected.

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

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers determines that any beneficial owner of a Restricted Secured 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 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 Secured Note (or any interest therein) to a person that is both (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (a) upon direction from the Collateral Manager or the Issuer, the Trustee, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Restricted Secured Note (or any interest therein) 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) to a person that certifies to the Trustee, the Co-Issuers and the Collateral Manager, in connection with such transfer, that such person is both (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser and (b) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner.

The Preference Share Paying Agency Agreement provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any beneficial owner of a Preference Share (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 (1) a Qualified Institutional Buyer or an Accredited Investor and (2) a Qualified Purchaser, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Preference Share (or any interest therein) to a person that is both (i) a Qualified Institutional Buyer or an Institutional Accredited Investor and (ii) a Qualified Purchaser with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (a) upon direction from the Collateral Manager or the Issuer, the Preference Share Paying Agent, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Preference Share to be transferred in a commercially reasonable sale (conducted by the Preference Share Paying Agent 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) 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 (i) a Qualified Institutional Buyer or an Institutional Accredited Investor and (ii) a Qualified Purchaser and (b) pending such transfer, no further payments will be made in respect of such Preference Share (or any interest therein) held by such beneficial owner.

Mandatory Repayment of the Secured Notes. If any Coverage Test applicable to a Class of Secured Notes is not met, Interest Proceeds and, after application of Interest Proceeds, Principal Proceeds, will be used, to the extent that funds are available in accordance with the Priority of Payments and to the extent necessary to restore the relevant Coverage Test(s) to certain minimum required levels, to repay principal of one or more Classes of Secured Notes (in order of seniority). See "Description of the Secured Notes—Mandatory Redemption". In addition, if the Issuer is unable to obtain a Rating Confirmation from each of Moody's and Standard & Poor's by the Determination Date following the Ramp-Up Completion Date, funds that would otherwise be distributed to Preference Shareholders (subject to the payment of certain other amounts prior thereto) will be used to redeem the Secured Notes, to the extent necessary (after the application of Principal Proceeds for such purpose) to obtain a Rating

Confirmation from each of Moody's and Standard & Poor's. Any of these events could result in an elimination, deferral or reduction in the interest payments or principal repayments made to the Secured Noteholders and distributions to the Class P Noteholders and Preference Shareholders, which could adversely impact the returns of the Secured Noteholders, the Class P Noteholders and the Preference Shareholders. See "Description of the Secured Notes—Principal" and "—Priority of Payments".

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 and distributions to the Class P Noteholders and Preference Shareholders, which could adversely impact the returns of such Securityholders.

Auction Call Redemption. If the Secured Notes have not been redeemed in full prior to the Distribution Date occurring in August 2013, an auction for the sale of all (and not less than all) of the Collateral Debt Securities will be conducted and, *provided* certain conditions described herein are satisfied, the Collateral Debt Securities will be sold and the Secured Notes will be redeemed on such Distribution Date. If such conditions are not satisfied, then the auction of the Collateral Debt Securities will not be completed, the redemption will not occur and the Trustee will continue to conduct such auctions on a quarterly basis until the Secured Notes are redeemed in full. See "Description of the Secured Notes—Redemption Price" and "—Auction Call Redemption". The Hedge Agreement and any CDS Agreement will terminate upon any Auction Call Redemption.

Optional Redemption. Subject to satisfaction of certain conditions, a Majority-in-Interest of Preference Shareholders may require that the Secured Notes be redeemed in whole and not in part as described under "Description of the Secured Notes—Optional Redemption and Tax Redemption". No Optional Redemption may occur prior to the end of the Substitution Period (which is the period from (and including) the Closing Date to (but excluding) the earliest of (a) the Distribution Date occurring in August 2008 (b) the Distribution Date on which the Collateral Manager specifies (by notice to the Trustee) that no further investments in substitute Collateral Debt Securities will occur, (c) the first date on which the Discretionary Sales Percentage is equal to 0% and (d) the date of termination of such period pursuant to the Indenture by reason of an Event of Default. Any amounts applied to the redemption of the Secured Notes shall be applied in order of seniority to the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes, respectively, in each case, *pro rata* in accordance with the aggregate outstanding principal amounts of such Class of Secured Notes on the date of such redemption. See "Description of the Secured Notes—Optional Redemption and Tax Redemption". The Hedge Agreement and any CDS Agreement will terminate upon any Optional Redemption.

Tax Redemption. Subject to satisfaction of certain conditions, upon the occurrence of a Tax Event, the Issuer may redeem the Secured Notes, in whole but not in part, on a Distribution Date and only from (a) Sale Proceeds of the Collateral and (b) all other funds in the Interest Collection Account, the Principal Collection Account, the Uninvested Proceeds Account, the Expense Account, the Interest Equalization Account, the Interest Reserve Account, the Substitution Account and the Payment Account on such Distribution Date, at the direction of a Majority of any Affected Class of Secured Notes, at the applicable Redemption Price. No Tax Redemption may be effected, however, unless (i) all Sale Proceeds under clause (a) above are used to make such Tax Redemption, (ii) funds under clauses (a) and (b) are sufficient to redeem all of the Secured Notes simultaneously and to pay certain other amounts in

accordance with the procedures set forth in the Indenture, (iii) a Tax Event shall have occurred and (iv) the Tax Materiality Condition is satisfied. See "Description of the Secured Notes—Optional Redemption and Tax Redemption". The Hedge Agreement and any CDS Agreement will terminate upon any Tax Redemption.

Interest Rate Risk. The Secured Notes bear interest at a rate based on LIBOR as determined on the relevant LIBOR Determination Date. The Collateral Manager expects that at least 80% (by principal balance) of the Collateral Debt Securities will bear interest based on LIBOR or other floating rate indices. A portion of the Collateral Debt Securities will consist of obligations that bear interest at fixed rates. As a result, there will be a floating/fixed rate mismatch between the Secured Notes and the underlying Collateral Debt Securities which bear interest at a fixed rate and there may be a timing mismatch between the Secured Notes and the Collateral Debt Securities which bear interest based on LIBOR or other floating rate indices as the interest rates on such Collateral Debt Securities may adjust more frequently or less frequently, on different dates and based on different indices than the interest rates on such Secured Notes. In addition, any payments of principal of or interest on Collateral Debt Securities received during a Due Period will be reinvested in Eligible Investments maturing not later than the Business Day immediately preceding the next Distribution Date. There is no requirement that Eligible Investments bear interest at LIBOR, and the interest rates available for Eligible Investments are inherently uncertain. As a result of these mismatches, an increase in 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). With a view to mitigating a portion of such interest rate mismatch, the Issuer will on the Closing Date enter into the Hedge Agreement. However, there can be no assurance that the Collateral Debt Securities and Eligible Investments, together with the Hedge Agreement, will in all circumstances generate sufficient Interest Proceeds to make timely payments of interest on the Secured Notes. Moreover, the benefits of the Hedge Agreement may not be achieved in the event of the early termination of the Hedge Agreement, including termination upon the failure of the Hedge Counterparty to perform its obligations thereunder. See "Security for the Secured Notes—The Hedge Agreement".

Subject to satisfaction of the Rating Condition with respect to such reduction, the Collateral Manager may on any Distribution Date direct the Issuer to reduce the notional amount of any interest rate swap or cap outstanding under the Hedge Agreement pursuant to the terms of the Hedge Agreement. In the event of any such reduction, the 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 Agreement".

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

The average life of each Class of Secured Notes and the Macaulay duration of the Preference Shares will be affected by the financial condition of the obligors on or issuers of the Collateral Debt Securities and the characteristics of the Collateral Debt Securities, including the existence and frequency of exercise of any prepayment, optional redemption or sinking fund features, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level of recoveries on any Defaulted Securities, the frequency of tender or exchange offers for the Collateral Debt Securities and any sales of Collateral Debt Securities and any dividends or other distributions received in respect of Equity Securities, as well as the risks

unique to investments in obligations of foreign issuers described above. During the Substitution Period, Specified Principal Proceeds received by the Issuer will be used to pay principal of the Secured Notes in accordance with the Priority of Payments. Accordingly, the average life of the Secured Notes and the Macaulay duration of the Preference Shares may be affected by the rate of principal payments on the underlying Collateral Debt Securities and, during the Substitution Period, by the receipt by the Issuer of Specified Principal Proceeds resulting from the sale of Defaulted Securities or Written-Down Securities. 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, Preference Shareholders will be entitled to receive distributions only to the extent permissible under the Indenture and Cayman Islands law (as described herein). The timing and amount of distributions payable to Preference Shareholders and the duration of the Preference Shareholders' investment in the Issuer therefore will be affected by the average life of the Secured Notes. See "—Average Life of the Secured Notes and Prepayment Considerations" above. Each Preference Shareholder will be prohibited, pursuant to the terms of the Preference Share Paying Agency Agreement, to 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 Secured 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.

Treatment as a "Variable Interest Entity". On January 17, 2003, the United States Financial Accounting Standards Board issued its Interpretation No. 46, *Consolidation of Variable Interest Entities*. This interpretation is intended to improve the public understanding and governance of "special purpose entities". At issue under this interpretation is when a participant in a financial transaction with a special purpose entity should include the assets, liabilities, revenues, and expenses of such special purpose entity in its own consolidated financial statements as opposed to accounting for just its investment in or contracts with such special purpose entity. This interpretation governs the consolidation of so-called "variable interest entities" by reason of factors other than ownership of a majority of the voting stock of a company. The Co-Issuers are likely to be treated as "variable interest entities" under this interpretation.

No Gross Up. The Issuer expects that payments of principal and interest on the Secured Notes and of distributions or return of capital on the Preference Shares (including the Class P Preference Shares) generally will not be subject to any withholding tax in the Cayman Islands, the United States or any other jurisdiction. See "Income Tax Considerations". If any withholding or deduction is required, the Issuer will not be obligated to make any additional payments to the holders of any Offered Securities in respect of such withholding or deduction.

U.S. Taxes on the Issuer. The Issuer expects to conduct its affairs so that its income generally will not be subject to tax on a net income basis in the United States or any other jurisdiction. The Issuer also expects that payments received under the Collateral Debt Securities (including any CDS Agreement) generally will not be subject to withholding tax imposed by the United States or other countries that may be treated as the source of the payments. The Issuer's income (including payments it receives under any CDS Agreement and other Collateral Debt Securities) might become subject to net income or withholding taxes in the

United States or other jurisdictions, however, due to unanticipated circumstances, change in law, contrary positions of relevant tax authorities or other causes. The imposition of unanticipated net income or withholding taxes on the Issuer could materially impair the Issuer's ability to make payments on the Offered Securities.

Tax Treatment of Holders of Preference Shares, Class E Notes, and Class P Notes.

Because the Issuer will be a passive foreign investment company, a U.S. person holding Preference Shares (including the Class P Preference Shares) may be subject to additional taxes unless it elects to treat the Issuer as a qualified electing fund and to recognize currently its proportionate share of the Issuer's income. The Issuer also may be a controlled foreign corporation, in which case U.S. persons holding Preference Shares (including Class P Preference Shares) could be subjected to different tax treatments. See "Income Tax Considerations".

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

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 underlying Class P Preference Shares and Treasury Strips for U.S. Federal, state and local income and franchise 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 Treasury Strips. See "Income Tax Considerations."

ERISA Considerations. The Issuer intends to restrict ownership of the Preference Shares (including the Class P Preference Shares) and the Class P Notes that are held by Benefit Plan Investors) (or any interest therein) so that no assets of the Issuer will be deemed to be "plan assets" subject to ERISA and/or Section 4975 of the Code as such term is defined in the Plan Asset Regulation issued by the United States Department of Labor. The Issuer intends to restrict the acquisition of the Class P Notes and Preference Shares by Benefit Plan Investors (which is defined in the Plan Asset Regulation to include all employee benefit plans, whether or not the plans are subject to Title I of ERISA, plans within the meaning of Section 4975 of the Code and entities whose underlying assets are deemed to include plan assets) on the Closing Date to less than 25% of the Preference Shares or less than 25% of the Class P Notes (excluding Class P Notes and Preference Shares held by Controlling Persons (as defined herein)). The Issuer intends to restrict transfers of the Class P Notes and Preference Shares so that after the Closing Date, no Class P Notes or Preference Shares (or any interest therein) will be transferred to Benefit Plan Investors. In particular, each owner of a Class P Note or Preference Share will be required to execute and deliver to the Issuer, the Trustee (in the case of the Class P Notes) and the Preference Share Paying Agent (in the case of the Preference Shares) a letter in the form attached as an exhibit to the Indenture (in the case of the Class P Notes) or the Preference Share Paying Agency Agreement (in the case of the Preference Shares) to the effect that such owner will not transfer such interest except in compliance with the transfer restrictions set forth in the Indenture or the Preference Share Paying Agency Agreement, in each case, including the requirement that any subsequent transferee execute

and deliver such letter as a condition to any subsequent transfer. Although each such owner will be required to indemnify the Issuer for the consequences of any breach of such obligations, there is no assurance that (i) an owner will not breach such obligations, (ii) ownership of Class P Notes or Preference Shares by Benefit Plan Investors will always remain below the applicable 25% threshold established under the Plan Asset Regulation or (iii) if such breach occurs, such owner will have the financial capacity and willingness to indemnify the Issuer for any losses that the Issuer may suffer.

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 Notes and the entering into of arrangements with respect thereto. The Issuer will have no significant assets other than the Collateral Debt Securities, Equity Securities, Eligible Investments and the Collection Accounts and its rights under the Hedge Agreement, any CDS Agreement and certain other agreements entered into as described herein. The Issuer will not engage in any business activity other than the issuance, sale, payment and redemption of the Offered Securities as described herein, holding, owning, pledging and selling for its own account, Collateral Debt Securities, Eligible Investments and U.S. Agency Securities and the Treasury Strips, the entry into of, and the performance of its obligations under, the Indenture, the Hedge Agreement, any CDS Agreement, the Collateral Management Agreement, the Collateral Administration Agreement, the Securities Purchase Agreement and the Preference Share Paying Agency Agreement, ownership of the Co-Issuer, and other incidental activities. Income derived from the Collateral and Treasury Strips will be the Issuer's only source of income.

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 issuer of the Class P Notes or the Preference Shares.

Certain Legal Investment Considerations. None of the Issuer, the Co-Issuer, the Collateral Manager and the Initial Purchaser make any representation as to the proper characterization of the Offered Securities for legal investment or other purposes, as to the ability of particular investors to purchase Offered Securities for legal investment or other purposes or as to the ability of particular investors to purchase Offered Securities under applicable investment restrictions. All institutions the activities of which are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult their own legal advisors in determining whether and to what extent the Offered Securities are subject to investment, capital or other restrictions. Without limiting the generality of the foregoing, none of the Issuer, the Co-Issuer, the Collateral Manager and the Initial Purchaser makes any representation as to the characterization of the Offered Securities as a U.S.-domestic or foreign (non-U.S.) investment under any state insurance code or related regulations, and they are not aware of any published precedent that addresses such characterization. Although they are not making any such representation, the Co-Issuers understand that the New York State Insurance Department, in response to a request for guidance, has been considering the characterization (as U.S.-domestic or foreign (non-U.S.)) of certain collateralized debt obligation securities co-issued by a non-U.S. issuer and a U.S. co-issuer. There can be no assurance as to the nature of any advice or other action that may result from such consideration. The uncertainties described above (and any unfavorable future determinations concerning legal investment or financial institution regulatory characteristics of the Offered Securities) may affect the liquidity of the Offered Securities.

Application of the German Investment Act and the German Investment Tax Act. The following is a general summary of certain selected German tax consequences of the acquisition, ownership, and disposition of a Note under the potential application of the German Investment Tax Act (*Investmentsteuergesetz*; "ITA") for persons who are subject to German tax. This general summary is not, and does not purport to be, a comprehensive description of all tax considerations which may be relevant to a decision to purchase a Note. In particular, this summary does not consider any specific facts or circumstances that may apply to a particular investor. This summary is based on the laws of Germany currently in force and as applied on the date hereof, which are subject to change, possibly with retroactive or retrospective effect.

The Issuer will be acquiring and disposing of a diversified portfolio of assets consisting mainly of Asset-Backed Securities and related Synthetic Securities. Due to this fact and to further circumstances, a German resident Securityholder could be viewed as having acquired in substance units of a foreign investment fund, that is, an asset that represents units in respect of a portfolio of assets within the meaning of the German Investment Act (*Investmentgesetz*; "IA"), which portfolio consists of securities falling within the scope of the IA and is invested according to the principle of risk diversification as required by §§ 1, 2nd sentence, 2(8) IA. As a consequence, the Offered Securities may not be publicly distributed in Germany and nothing in this Offering Circular shall be construed as such a public offering. The offering of the Offered Securities in Germany is permissible only under the German private placement rules for foreign investment units.

It should be noted that pursuant to an interpretation letter from the German Federal Ministry of Finance dated February 15th, 2005, CDOs do not fall under the ITA if pursuant to their terms of contract no more than 20% of the assets of the issuer may be sold prior to redemption. Prompted by an initiative of the fund industry, the Federal Ministry of Finance may extend this exemption to CDOs where at most 20% of the issuer's assets are annually available for sale in a comprehensive introductory letter on the ITA, which is currently available in draft form only (draft of March 14, 2005). Pursuant to this draft letter, CDOs to which the said exemption from the ITA applies, would also be outside the scope of the IA. The final version of the introductory letter is anticipated to be issued in 2005.

If one or more Classes of Secured Notes, the Class P Notes or the Preference Shares were to be qualified as investment units within the IA, the tax rules of the ITA would apply. In this case, the tax implications for the investors depend on whether the Notes would form part of one of the two broad categories of fund units, in particular (1) units of funds that generally comply with certain fairly detailed calculation, notification, publication and certification requirements (so called "Transparent Funds") or (2) units of non-compliant funds (so-called "Non-Transparent Funds"). Generally, the Non-Transparent Fund rules expose the investor to a form of punitive taxation. By contrast, an investor in a Transparent Fund is taxed under the beneficial regime of the ITA. Where a Transparent Fund is only partially compliant, the investor, while not subject to the punitive Non-Transparent Fund rules, will not be entitled to certain tax benefits.

As a prospective purchaser of Offered Securities, please note that the Co-Issuers will not be in a position to – and will not - comply with the calculation, notification, publication and certification requirements necessary for any of the Offered Securities to be considered as units in a Transparent Fund or a partially Transparent Fund. Instead a prospective purchaser of Offered Securities should expect that if one or more Classes of Secured Notes, the Class P Notes or the Preference Shares were to be qualified as investment units these units would be qualified as units in a Non-Transparent Fund. In consequence, a Securityholder would be taxed

on the distributions made in respect of the Offered Securities plus annually on 70% of the excess of the last redemption price over the first redemption price determined in respect of the Secured Notes in the calendar year; and in any event, at least 6% of the last redemption price determined in each calendar year would be assessed. If a redemption price is not determined, the exchange or market price is used to calculate the taxable amount. Further, a Securityholder would be taxed on 6% of the consideration for the redemption or disposal of the Offered Securities (so-called "Interim Profit Taxation").

Prospective purchasers of the Offered Securities are therefore strongly advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of any Offered Security.

DESCRIPTION OF THE SECURED NOTES

The Secured 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. Following the closing, copies of the Indenture may be obtained by prospective investors upon request to the Trustee at 600 Travis Street, 50th Floor, JP Morgan Chase Tower, Houston, Texas 77002 or, if and for so long as any Secured Notes are listed on the Irish Stock Exchange, to the Irish Paying Agent at NCB Stockbrokers Limited, 3 George's Dock, International Financial Services Centre, Dublin 1 Ireland.

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, all of the Class C Notes are entitled to receive payments *pari passu* among themselves, all of the Class D Notes are entitled to receive payments *pari passu* among themselves and all of the Class E Notes are entitled to receive payments *pari passu* among themselves. Except as otherwise described herein, the relative order of seniority of payment of each Class of Secured Notes is as follows: *first*, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes, *fourth*, Class C Notes, *fifth*, Class D Notes and *sixth*, Class E 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. 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 are Senior to such Class and that remain outstanding has been paid in full. See "Description of the Secured Notes—Priority of Payments". Payment of principal of any Class of Secured Notes will be made in accordance with the Priority of Payments to the extent of Principal Proceeds received in the related Due Period. See "Description of the Secured 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. The security interest granted under the Indenture in (a) each Synthetic Security Counterparty Account is subject to and subordinate to the security interest and rights of the relevant Synthetic Security Counterparty in and to such Synthetic Security Counterparty Account and (b) the Class P Beneficial Assets are for the benefit and security of the Class P Noteholders only.

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.

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 0.45%.

The Class B Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.60%.

The Class C Notes will bear interest at a floating rate per annum equal to LIBOR plus 1.40%.

The Class D Notes will bear interest at a floating rate per annum equal to LIBOR plus 2.60%.

The Class E Notes will bear interest at a floating rate per annum equal to LIBOR plus 3.20%.

Interest on each of the Secured Notes and interest on Defaulted Interest in respect thereof will be computed on the basis of a 360-day year and the actual number of days elapsed. Interest will accrue on the outstanding principal amount of each Class of Secured Notes (determined as of the first day of each Interest Period and after giving effect to any redemption or other payment of principal occurring on such day) from the Closing Date until such Secured Notes are paid in full. Interest accruing for any Interest Period will accrue for the period from and including the first day of such Interest Period to and including the last day of such Interest Period. In the event that the date of any Distribution Date or Redemption Date shall not be a Business Day, then notwithstanding any other terms of the Secured Notes or the Indenture described herein, payments need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the nominal date of any such Distribution Date or Redemption Date, as the case may be.

Payments of interest on the Secured Notes will be payable in U.S. Dollars quarterly in arrears on each November 5, February 5, May 5 and August 5, commencing November 5, 2005 (each, a "Distribution Date"), *provided* that (i) the final Distribution Date with respect to the Secured Notes shall be May 5, 2041 and (ii) if any such date is not a Business Day, the relevant Distribution Date will be the next succeeding Business Day.

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

So long as any Class A Notes or Class B Notes are outstanding, the failure on any Distribution Date to make payment in respect of interest on the Class C Notes by reason of operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class C Notes that is not paid when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "Class C Deferred Interest"). So long as any Class A Notes, Class B Notes or Class C Notes are outstanding, the failure on any Distribution Date to make payment in respect of interest on the Class D Notes by reason of operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class D Notes that is not paid when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "Class D Deferred Interest"). So long as any Class A Notes, Class B Notes, Class C Notes or Class D Notes are outstanding, the failure on any Distribution Date to make payment in respect of interest on the Class E Notes by reason of operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class E Notes that is not paid when due by operation of the Priority of Payments will be deferred (such interest being referred to herein as "Class E Deferred Interest" and, together with Class C Deferred Interest and Class D Deferred Interest, "Deferred Interest").

Interest will cease to accrue on each Secured Note or, in the case of a partial repayment, on such part, from the date of repayment or Stated Maturity of such Secured Note unless payment of principal is improperly withheld or unless default is otherwise made with respect to such payments. To the extent lawful and enforceable, interest on any Defaulted Interest on any Secured Note will accrue at the interest rate applicable to such Secured Note until paid. "Defaulted Interest" means any interest due and payable in respect of any Secured Note that is not punctually paid or duly provided for on the applicable Distribution Date or at the Stated Maturity of the Secured Notes and which remains unpaid. No Class C Deferred Interest, Class D Deferred Interest or Class E Deferred Interest will constitute "Defaulted Interest".

Definitions

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

With respect to each Interest Period, "LIBOR" for purposes of calculating the interest rate for each Class or Sub-Class of Secured Notes for such Interest Period will be determined by the Trustee, as calculation agent (the "Calculation Agent") in accordance with customary provisions. LIBOR for any Interest Period will generally equal the offered rate, as determined by the Calculation Agent, for Dollar deposits in Europe of three months that appears on Telerate Page 3750 (or such other page as may replace such Telerate Page 3750 for the purpose of displaying comparable rates) as of 11:00 a.m. (London time) on the applicable LIBOR Determination Date. "LIBOR Determination Date" means, with respect to any Interest Period, the second London Banking Day prior to the first day of such Interest Period. The Indenture contains provisions relating to the determination of LIBOR and various fallback rates in the event that such rate does not appear on the foregoing page and providing for linear interpolation if the relevant Interest Period is not three months.

For so long as any Secured Note remains outstanding, the Co-Issuers will at all times maintain an agent appointed to calculate LIBOR in respect of each Interest Period. As soon as possible after 11:00 a.m. (London time) on each LIBOR Determination Date, but in no event

later than 11:00 a.m. (London time) on the Business Day immediately following each LIBOR Determination Date, the Calculation Agent will calculate the interest rate for the Secured Notes for the related Interest Period and the amount of interest for such Interest Period payable in respect of each U.S.\$1,000 in principal amount of each Class of Secured Notes (in each case rounded to the nearest cent, with half a cent being rounded upward) on the related Distribution Date and will communicate such rates and amounts and the related Distribution Date to the Co-Issuers, the Trustee, the Preference Share Paying Agent, each Paying Agent, Euroclear Bank, as operator of the Euroclear System, Clearstream, Luxembourg, DTC and, for so long as any Secured Notes are listed on the Irish Stock Exchange, the Irish Paying Agent.

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 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 Secured Notes for each Interest Period by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

Principal

The Stated Maturity of the Secured Notes is May 5, 2041. Each Class of Secured Notes is scheduled to mature at the Stated Maturity of the Secured Notes unless redeemed or repaid prior thereto. However, the Secured Notes may be paid in full prior to their Stated Maturity. See "Risk Factors—Average Lives, Duration and Prepayment Considerations" and "Maturity, Prepayment and Yield Considerations". Any payment of principal with respect to any Class of Secured Notes (including any payment of principal made in connection with an Optional Redemption, Auction Call Redemption or Tax Redemption) will be made by the Trustee on a *pro rata* basis on each Distribution Date among the Secured Notes of such Class according to the respective unpaid principal amounts thereof outstanding immediately prior to such payment. The Trustee shall, so long as any Class of Secured Notes are listed on the Irish Stock Exchange, notify the Irish Stock Exchange not later than the second Business Day preceding each Distribution Date of the amount of principal payments to be made on the Secured Notes of each such Class of such Distribution Date, the amount of any Deferred Interest on such Class, the aggregate outstanding principal amount of the Secured Notes of each such Class and the percentage of the original aggregate outstanding principal amount of the Secured Notes of such Class after giving effect to the principal payments, if any, on such Distribution Date.

The "Substitution Period" is the period from (and including) the Closing Date to (but excluding) the earliest of (a) the Distribution Date occurring in August 2008, (b) the Distribution Date on which the Collateral Manager specifies (by notice to the Trustee) that no further investments in substitute Collateral Debt Securities will occur (c) the first date on which the Discretionary Sales Percentage is equal to 0% and (d) the date of termination of such period pursuant to the Indenture by reason of an Event of Default. During the Substitution Period, Specified Principal Proceeds received by the Issuer will be used to pay principal of the Secured Notes in accordance with the Priority of Payments (each such payment, a "Substitution Period Notes Prepayment"). After the Substitution Period, Principal Proceeds will be applied on each Distribution 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 Subordinate Class of Secured Notes then outstanding.

Substitution Period

Provided that no Event of Default has occurred and is continuing, any Collateral Debt Security that is not a Defaulted Security, Written Down Security or Deferred Interest PIK Security may be sold and the Sale Proceeds therefrom will be reinvested in substitute Collateral Debt Securities in compliance with the Reinvestment Criteria within ten Business Days from the date of such sale, but only if (i) the aggregate principal balance of all such Collateral Debt Securities sold for the period from and including the Closing Date to and including August 5, 2008 does not exceed the Discretionary Sale Percentage of the Net Outstanding Portfolio Collateral Balance as of the first day of such period; (ii) no Rating Agency has withdrawn its rating (including any private or confidential rating), if any, of any Class of Secured Notes or reduced any such rating below the rating in effect on the Closing Date by one or more rating subcategories (in the case of Secured Notes other than the Class C Notes, Class D Notes and Class E Notes) or two or more rating subcategories (in the case of the Class C Notes, Class D Notes and Class E Notes); and (iii) such sale occurs during the Substitution Period and the Collateral Manager determines, taking into account any factors it deems relevant, that such sales and any related purchases or substitutions will, in the Collateral Manager's judgment, benefit the Issuer in one or more of the following manners: an improvement in one or more of the Collateral Quality Tests or the Standard & Poor's CDO Monitor Test, an improvement in the credit quality of the portfolio, a narrowing of interest rate mismatches or any other improvement which, in the Collateral Manager's judgment, would result in a benefit to the Issuer (and, in each case, without adversely affecting one or more of the Collateral Quality Tests or the Standard & Poor's CDO Monitor Test). For this purpose, any determination of whether the extent of non-compliance with any of the Reinvestment Criteria may not be made worse by such reinvestment shall be made by comparing the Collateral Debt Securities held by the Issuer immediately prior to the sale of such Collateral Debt Security to the Collateral Debt Securities held by the Issuer immediately after such reinvestment.

Mandatory Redemption

Each Class of Secured Notes shall, on any Distribution Date, be subject to mandatory redemption in the event that any Coverage Test applicable to any Class of Secured Notes is not satisfied on the related Determination Date. Any such redemption will be effected, *first*, from Interest Proceeds and, *second* (to the extent that the application of Interest Proceeds pursuant to the Priority of Payments would be insufficient to cause such tests to be satisfied), from Principal Proceeds, in each case, to the extent necessary to cause each applicable Coverage Test to be satisfied. Any such redemption will be applied to each outstanding Class of Secured Notes in accordance with its relative Seniority and will otherwise be effected as described below under "—Priority of Payments".

The Indenture requires that, no later than 10 days after the Ramp-Up Completion Date, the Co-Issuers notify each of Moody's and Standard & Poor's and the Hedge Counterparty of the occurrence of the Ramp-Up Completion Date and request in writing that each of Moody's and Standard & Poor's confirm in writing (a "Rating Confirmation") that it has not reduced or withdrawn the ratings (including any shadow, private and confidential ratings) assigned by it on the Closing Date to the Secured Notes. In the event that the Issuer fails to obtain a Rating Confirmation prior to the first Determination Date following the Ramp-Up Completion Date (a "Rating Confirmation Failure"), Uninvested Proceeds, Principal Proceeds and Interest Proceeds

will be applied on the first Distribution Date following the Ramp-Up Completion Date to the repayment of principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes, *fifth*, the Class D Notes and *sixth*, the Class E Notes in accordance with the Priority of Payments to the extent necessary for each of Moody's and Standard & Poor's to provide a Rating Confirmation (and, pending such application on such Distribution Date, each subsequent purchase of any Collateral Debt Security shall be subject to the satisfaction of the Rating Condition).

Auction Call Redemption

In accordance with the procedures set forth in the Indenture (the "Auction Call Redemption Procedures"), the Trustee shall, at the expense of the Issuer, conduct an auction (an "Auction") of the Collateral Debt Securities if, on or prior to the Distribution Date occurring in August 2013, the Secured Notes have not been redeemed in full. The Auction shall be conducted no later than (1) 10 Business Days prior to the Distribution Date occurring in August 2013 and (2) thereafter, if the Secured Notes are not redeemed in full on the prior Distribution Date, 10 Business Days prior to each subsequent Distribution Date thereafter until the Secured Notes have been redeemed in full (each such date, an "Auction Date"). Any of the Collateral Manager, the Preference Shareholders, the Class P Noteholders, the Trustee or their respective affiliates may, but shall not be required to, bid. The Trustee shall sell and transfer all (and not less than all) of the Collateral Debt Securities (which may be divided into eight subpools) to the highest bidder therefor (or to the combination of bidders that would result in obtaining the highest price therefor) *provided* that:

- (i) the Auction has been conducted in accordance with the Auction Procedures;
- (ii) the Trustee has received bids for the Collateral Debt Securities (or for each related subpool) from at least two prospective purchasers (including the winning bidder or the combination of bidders that would result in the Issuer obtaining the highest price for all the Collateral Debt Securities) identified on a list of qualified bidders (each, a "Listed Bidder") provided by the Collateral Manager to the Trustee (at least one of the Listed Bidders must be an unaffiliated third party with respect to (x) the Collateral Manager and (y) the Initial Purchaser) for (A) the purchase of the Collateral Debt Securities or (B) the purchase of each subpool in accordance with the Indenture;
- (iii) the Collateral Manager certifies that the highest bid or combination of bids would result in the 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 Treasury Strips, Eligible Investments and cash held by the Issuer (other than Treasury Strips, cash and Eligible Investments held in any Hedge Counterparty Collateral Account, any Synthetic Security Issuer Account or any Synthetic Security Counterparty Account), will be at least equal to the sum of (A) Total Senior Redemption Amount plus (B) an amount equal to the greater of (a)(1) the aggregate original purchase price for the Preference Shares (as specified in the Investor Application Forms for the Preference Shares) minus (2) the aggregate amount of all cash distributions on the Preference Shares (or any interest therein) (whether in respect of distributions or redemption payments) made to the Preference Share Paying Agent for distribution to the Preference Shareholders on or prior to the relevant Auction Call Redemption Date and (b) zero (such sum, the "Auction Call Redemption Amount"); *provided* that holders of 100% of the aggregate outstanding principal amount of any Class of Secured Notes and/or holders of 100% of the Preference Shares may elect, in connection with any Auction Call Redemption, to receive less than 100% of the portion of the proceeds from the sale of the

Collateral Debt Securities conducted for the purpose of such Auction Call Redemption and the balance of Treasury Strips, Eligible Investments and cash held by the Issuer (other than Treasury Strips, cash and Eligible Investments held in any Hedge Counterparty Collateral Account, any Synthetic Security Issuer Account or any Synthetic Security Counterparty Account) that would otherwise be payable to holders of such Class and/or to the Preference Shareholders, in which case the Auction Call Redemption Amount shall be reduced accordingly for purposes of this definition; and

(iv) the highest bidder (or each of the bidders whose combination of bids would result in the Issuer obtaining the highest price for all the Collateral Debt Securities) enters into a written agreement with the Issuer in a form provided by the Collateral Manager (which the Issuer shall execute if the conditions set forth above and in the Indenture are satisfied, and the execution of which shall constitute certification to the Trustee that such conditions have been satisfied) that obligates the highest bidder (or each of the bidders whose combination of bids would result in obtaining the highest price for all the Collateral Debt Securities) to purchase all of the Collateral Debt Securities (or the relevant subpool(s) to be purchased by each such bidder) 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 all of the Collateral Debt Securities (or the related subpools constituting all of the Collateral), without representation, warranty or recourse, to such highest bidder (or to the combination of bidders that would result in obtaining the highest price for all the Collateral Debt Securities, 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 the Secured Notes and, to the extent funds are available therefor, the Preference Shares, shall be redeemed on the Distribution Date immediately following the relevant Auction Date (such redemption, the "Auction Call Redemption" and such Distribution Date, the "Auction Call Redemption Date").

If any of the foregoing conditions is not met with respect to any Auction, or if the highest bidder (or any of the bidders whose combined bids would result in obtaining the highest price for all the Collateral Debt Securities) fails to pay the purchase price before the sixth Business Day following the relevant Auction Date, (a) the Auction Call Redemption shall not occur on the Distribution Date following the relevant Auction Date, (b) subject to clause (c) 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 (c) until the Secured Notes are redeemed in full, the Trustee shall continue to conduct such Auctions on a quarterly basis prior to each next succeeding Distribution Date.

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 a Majority-in-Interest of Preference Shareholders at the applicable Redemption Price therefor on any Distribution Date. No Optional Redemption may occur prior to the end of the Non-Call Period.

In addition, upon the occurrence of a Tax Event, the Secured Notes shall be redeemable (such redemption, a "Tax Redemption"), in whole but not in part, by the Issuer at the direction of a Majority of any Class of Secured Notes that, as a result of the occurrence of a Tax Event, has

not received or will not receive 100% of the aggregate amount of principal and interest payable to such Class on any Distribution Date during or after the Substitution Period (each such Class, an "Affected Class"). Any such redemption may only be effected on a Distribution Date and only from (a) Sale Proceeds of the Collateral and (b) all other funds in the Interest Collection Account, the Principal Collection Account, the Uninvested Proceeds Account, the Expense Account, the Interest Equalization Account, the Interest Reserve Account, the Substitution Account and the Payment Account, 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 Secured Noteholders as provided for in the Indenture). No Tax Redemption may be effected, however, unless (i) all Sale Proceeds under clause (a) above are used to make such Tax Redemption, (ii) funds under clauses (a) and (b) are sufficient to redeem the Secured Notes simultaneously and to pay certain other amounts in accordance with the procedures set forth in the Indenture, (iii) a Tax Event shall have occurred and (iv) the Tax Materiality Condition is satisfied.

Notwithstanding the immediately preceding paragraph, in connection with any Tax Redemption, holders of at least 100% of the aggregate outstanding principal 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 and the minimum funding requirements specified in the immediately preceding paragraph will be reduced accordingly).

A "Tax Event" will occur if (i) any obligor is, or on the next scheduled payment date under any Collateral Debt Security any obligor will be, required to deduct or withhold from any payment under any Collateral Debt Security to the Issuer for or on account of any tax for whatever reason (whether or not as a result of any change in law or interpretation) and such obligor is not or will not be required to pay to the Issuer such additional amount as is necessary to ensure that the net amount actually received by the Issuer (free and clear of taxes, whether assessed against such obligor or the Issuer) will equal the full amount that the Issuer would have received had no such deduction or withholding occurred, (ii) any jurisdiction imposes net income, profits, or a similar tax on the Issuer or (iii) the Issuer, any Synthetic Security Counterparty or the Hedge Counterparty is required to deduct or withhold from any payment under a Synthetic Security or the Hedge Agreement for or on account of any tax and the Issuer is obligated, or such Synthetic Security Counterparty or Hedge Counterparty is not obligated, to make a gross up payment. The "Tax Materiality Condition" means, during any 12-month period, any combination of Tax Events results, in aggregate, in a payment by, or charge or tax burden to, the Issuer in excess of U.S.\$1,000,000.

Sale of Collateral

In connection with any sale of Collateral following an Event of Default pursuant to the Indenture or in connection with an Optional Redemption or a Tax Redemption (but not an Auction Call Redemption), the Collateral Manager will cause the Preference Share Paying Agent to deliver to each Preference Shareholder a statement identifying each item of Collateral to be sold and offering the opportunity for each Preference Shareholder that is a Qualified Bidder to submit to the Trustee and the Collateral Manager, as to each Collateral Debt Security (or any thereof as such Qualified Bidder shall specify), a firm and irrevocable bid for the purchase of such Collateral Debt Security; *provided* that (i) such bid, as to any Collateral Debt Security, is for the purchase (in cash and on a delivery versus payment basis) of the entire amount thereof held by the Issuer, (ii) such bid contains a certification that the Preference Shareholder is a Qualified Bidder, (iii) such bid is submitted to the Collateral Manager and the

Trustee not later than two Business Days after the date such notice is given by the Preference Share Paying Agent, (iv) such bid remains in effect for not less than 10 Business Days and (v) such bid complies with the other requirements set forth in the Indenture. Any sale of a Collateral Debt Security pursuant to this paragraph will be made to the Qualified Bidder that submitted the highest bid for such Collateral Debt Security complying with the foregoing requirements unless a higher bid meeting the requirements set forth in the Indenture is obtained by the Collateral Manager, the Trustee or the Issuer (including after the submission by such Qualified Bidder of its bid).

A "Qualified Bidder" means any Preference Shareholder or any holder of a beneficial interest in Preference Shares (or any interest therein) (a) that holds beneficial ownership of not less than 10% of the outstanding number of Preference Shares and (b) whose (i) short-term unsecured debt obligations (other than such obligations whose rating is based on the credit of a person other than such Preference Shareholder) have a credit rating of "P-1" by Moody's, at least "A-1" by Standard & Poor's and at least "F1" by Fitch or (ii) if its short-term unsecured debt obligations are not rated by either Moody's or Standard & Poor's, long-term unsecured debt obligations (other than such obligations whose rating is based on the credit of a person other than such Preference Shareholder) are rated by at least one of Moody's and Standard & Poor's and have a credit rating of (if rated by Moody's) at least "A2" by Moody's, (if rated by Standard & Poor's) "A" by Standard & Poor's and (if rated by Fitch) "A" by Fitch.

Redemption Procedures

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

The Secured Notes may not be redeemed pursuant to an Auction Call Redemption, Optional Redemption or Tax Redemption unless at least four Business Days before the scheduled Redemption Date, the Collateral Manager shall have furnished to the Trustee evidence, in form satisfactory to the Trustee, that the Collateral Manager on behalf of the Issuer has entered into a binding agreement or agreements with a financial institution or institutions whose long-term unsecured debt obligations (other than such obligations whose rating is based on the credit of a person other than such institution) have a credit rating from each Rating Agency at least equal to the rating of the Secured Notes or whose short-term unsecured debt obligations have a credit rating of "P-1" by Moody's, "A-1" by Standard & Poor's and "F1" by Fitch to sell, not later than the Business Day immediately preceding the scheduled Redemption Date, in immediately available funds, all or part of the Collateral Debt Securities at a purchase

price at least equal to an amount sufficient, together with the Eligible Investments maturing on or prior to the scheduled Redemption Date and all cash held by the Issuer (other than cash and Eligible Investments held in any Hedge Counterparty Collateral Account, any Synthetic Security Issuer Account or any Synthetic Security Counterparty Account), to pay amounts (including termination payments due and payable under the Hedge Agreement or any CDS Agreement) payable under the Priority of Payments prior to the payment of the Secured Notes (including fees and expenses incurred by the Trustee and the Collateral Manager in connection with such sale of Collateral Debt Securities), to pay any amounts due and payable by the Issuer pursuant to the Hedge Agreement (other than any Subordinate Hedge Termination Payment) and any CDS Agreement (other than any Subordinate CDS Termination Payment) and to redeem the Secured Notes on the scheduled Redemption Date at the applicable Redemption Price therefor, together with all accrued interest to the date of redemption and all Class C Deferred Interest, Class D Deferred Interest and Class E Deferred Interest (the aggregate amount required to make all such payments and to effect such redemption (or such lesser amount as reflects the election by all of the holders of an Affected Class to receive less than the amount that would otherwise be payable to them in the case of a Tax Redemption as described above), the "Total Senior Redemption Amount").

Any such notice of Auction Call Redemption, Optional Redemption or Tax Redemption may be withdrawn by the Issuer up to the fourth Business Day prior to the scheduled Redemption Date by written notice to the Trustee, the Hedge Counterparty, any CDS Counterparty and the Collateral Manager only if the Collateral Manager is unable to deliver the sale agreement or agreements referred to above in form satisfactory to the Trustee. Notice of any such withdrawal shall be given by the Trustee to each holder of Secured Notes at such holder's address in the Secured Note Register maintained by the Secured Note Registrar under the Indenture by overnight courier guaranteeing next day delivery, sent not later than the third Business Day prior to the scheduled Redemption Date.

For purposes of the foregoing:

"Subordinate CDS Termination Payment" means any payment that becomes payable under any CDS Agreement upon the early termination of such CDS Agreement (or the transactions outstanding thereunder) by reason of an "Event of Default" with a CDS Counterparty as the "Defaulting Party" or a "Termination Event" (other than an "Illegality" or a "Tax Event") as to which such CDS Counterparty is the sole "Affected Party". Terms in quotation marks used in this definition have the respective meanings given to such terms in such CDS Agreement.

"Subordinate Hedge Termination Payment" means any payment that becomes payable under the Hedge Agreement upon the early termination of the Hedge Agreement (or the transactions outstanding thereunder) by reason of an "Event of Default" with the Hedge Counterparty as the sole "Defaulting Party" or a "Termination Event" (other than an "Illegality" or a "Tax Event") as to which the Hedge Counterparty is the sole "Affected Party". Terms in quotation marks used in this definition have the respective meanings given to such terms in the Hedge Agreement.

Redemption Price

The amount payable in connection with any Auction Call Redemption, Optional Redemption or Tax Redemption of any Secured Note will be as set forth in the remainder of this paragraph and as set forth above (with respect to each Class of Secured Notes, the

"Redemption Price"). The Redemption Price payable with respect to any Secured Note will be an amount equal to (a) the outstanding principal amount of such Secured Note being redeemed plus (b) accrued interest thereon (including Defaulted Interest and accrued, unpaid and uncapitalized interest on Defaulted Interest, if any) plus (c) in the case of the Class C Notes, Class D Notes or Class E Notes, any Deferred Interest applicable thereto, to the extent that funds are available therefor in accordance with the Priority of Payments; *provided* that, in the case of a Tax Event where all of the holders of an Affected Class elect to receive less than the sum of 100% of the aggregate outstanding principal amount thereof and accrued and unpaid interest payable to such Affected Class, the Redemption Price for such Affected Class shall be the amount agreed to by such holders.

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

Payments in respect of principal of, and interest on, any Secured Note will be made to the person in whose name such Secured Note is registered 15 days prior to the applicable Distribution Date (the "Record Date"). Payments on each Secured Note will be payable by wire transfer in immediately available funds to a Dollar account maintained by the holder thereof in accordance with wire transfer instructions received by any paying agent appointed under the Indenture (each, a "Paying Agent") on or before the Record Date or, if no wire transfer instructions are received by a Paying Agent in respect of such Secured Note, by a Dollar check drawn on a bank in the United States mailed to the address of the holder of such Secured Note as it appears on the Secured Note Register at the close of business on the Record Date for such payment. Final payments in respect of principal of the Secured Notes will be made against surrender of such Secured Notes at the office of the Paying Agent.

If any payment on the Secured Notes is due on a day that is not a Business Day, then payment will be made on the next succeeding Business Day with the same force and effect as if made on the date for payment. For this purpose, "Business Day" means any day other than Saturday, Sunday or a day on which banking institutions are authorized or obligated by law, regulation or executive order to close in New York City, London or the city of the principal corporate trust office of the Trustee or, in the case of the final payment of principal of a Secured Note, the place of presentation of such Secured Note. To the extent action is required of the Issuer that has not been delegated to the Trustee, the Collateral Manager or any agent of the Issuer located outside of the Cayman Islands, the Cayman Islands shall be considered in determining "Business Day" for purposes of determining when such Issuer action is required. To the extent action is required of the Irish Paying Agent, Dublin, Ireland shall be considered in determining "Business Day" for purposes of determining when such Irish Paying Agent action is required. For so long as any Secured Notes are listed on the Irish Stock Exchange and the rules of such exchange shall so require, the Co-Issuers will maintain a listing agent and a Paying Agent with an office in Ireland.

Except as otherwise required by applicable law, any money deposited with the Trustee or any Paying Agent in trust for the payment of principal of or interest on any 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 request by the Issuer therefor, and the holder of such Secured Note shall thereafter, as an unsecured general creditor, look to the Co-Issuer for payment of

such amounts and all liability of the Trustee or such Paying Agent with respect to such trust money shall thereupon cease. The Trustee or the Paying Agent, before being required to make any such release of payment may, 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

On any Distribution Date, in accordance with a Note Valuation Report prepared by the Issuer as of the last day of the Due Period preceding such Distribution Date (a "Determination Date"), collections received during the related Due Period in respect of the Collateral will be divided into Interest Proceeds and Principal Proceeds and will be applied by the Trustee in the priority set forth below under "*-Interest Proceeds*" and "*-Principal Proceeds*" (collectively, the "Priority of Payments").

Interest Proceeds. On each Distribution Date, Interest Proceeds with respect to the related Due Period will be applied by the Trustee in the following order of priority (collectively, the "Interest Proceeds Priority of Payments"):

- (1) to pay administrative expenses, in the following order: (a) taxes and filing fees and registration fees (including annual return fees) payable by the Co-Issuers, if any; and then (b) any due and unpaid fees owing to the Trustee under the Indenture and the Collateral Administrator under the Collateral Administration Agreement up to an aggregate amount not to exceed 0.00375% of the Net Outstanding Portfolio Collateral Balance on the first day of such Due Period; and then (c) the amount of any other due and unpaid expenses not described in the foregoing clause (b) owing to the Trustee; and then (d) the amount of any other due and unpaid expenses not described in the foregoing clause (b) owing to the Collateral Administrator; and then (e) the amount of any due and unpaid expenses owing to the Administrator, the Preference Share Paying Agent and each Note Registrar; and then (f) the amount of any due and unpaid fees and expenses owing to any Rating Agency; and then (g) the amount of any due and unpaid administrative expenses (including indemnities) of the Issuer (including expenses payable to the Collateral Manager under the Collateral Management Agreement); and then (h) if the balance of all Eligible Investments and cash in the Expense Account on the related Determination Date is less than U.S.\$100,000, for deposit to the Expense 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 (subject to the proviso below) under sub-clauses (c), (d), (e), (f) and (g) of this clause (1) on such Distribution Date and (y) such amount as would have caused the balance of all Eligible Investments and cash in the Expense Account immediately after such deposit, to equal U.S.\$100,000 (unless the Collateral Manager directs that a lesser amount be deposited to the Expense Account); *provided* that the cumulative amount paid on any Distribution Date under (c), (d), (e), (f) and (g) of this clause (1) (excluding any administrative expenses due or accrued with respect to the actions

taken on or prior to the Closing Date and reasonable fees payable in connection with the exercise of any rights, privileges and remedies in connection with an Event of Default or delayed payment of proceeds) shall not exceed U.S.\$75,000;

- (2) to pay the Senior Collateral Management Fee with respect to such Distribution Date and any Senior Collateral Management Fee with respect to a previous Distribution Date that was not paid on a previous Distribution Date;
- (3) to pay (a) the Hedge Counterparty any amounts due to the Hedge Counterparty under the Hedge Agreement (excluding any Subordinate Hedge Termination Payment) and (b) any CDS Counterparty any amounts due to such CDS Counterparty in respect of premium under any CDS Transaction (excluding any Subordinate CDS Termination Payment);
- (4) to pay accrued and unpaid interest on the Class A-1 Notes (including Defaulted Interest and any interest thereon);
- (5) to pay accrued and unpaid interest on the Class A-2 Notes (including Defaulted Interest and any interest thereon);
- (6) to pay accrued and unpaid interest on the Class B Notes (including Defaulted Interest and any interest thereon);
- (7) if (a) either of the Class A/B Coverage Tests is not satisfied as of the related Determination Date, to pay principal of the Class A-1 Notes then Outstanding until such Class A/B Coverage Test is satisfied as of such Determination Date or until the Class A-1 Notes are paid in full, and then to pay principal of the Class A-2 Notes then Outstanding until such Class A/B Coverage Test is satisfied as of such Determination Date or until the Class A-2 Notes are paid in full, and then to pay principal of the Class B Notes then Outstanding until such Class A/B Coverage Test is satisfied as of such Determination Date or until the Class B Notes are paid in full; *provided* that, for purposes of determining if either of the Class A/B Coverage Tests is satisfied after giving effect to any payment of principal of the Secured Notes pursuant to this clause (7) on the related Distribution Date, the denominator of the Class A/B Overcollateralization Ratio shall be calculated on the related Determination Date after giving effect to such payment of principal; or (b) on the first Distribution Date, if a Rating Confirmation Failure has occurred, *first*, to the payment of principal of the Class A-1 Notes until the Class A-1 Notes have been paid in full, *second*, to the payment of principal of the Class A-2 Notes until the Class A-2 Notes have been paid in full and, *third*, to the payment of principal of the Class B Notes until the Class B Notes have been paid in full, in the aggregate amount necessary for each Rating Agency to confirm its respective ratings of the Secured Notes assigned on the Closing Date or until such confirmation is received or until each Class of Secured Notes is paid in full;

- (8) to pay accrued and unpaid interest on the Class C Notes (including any Defaulted Interest and any interest thereon, but excluding any Class C Deferred Interest);
- (9) if (a) either of the Class C Coverage Tests is not satisfied as of the related Determination Date, to pay principal of the Class A-1 Notes then Outstanding until such Class C Coverage Test is satisfied as of such Determination Date or until the Class A-1 Notes are paid in full, and then to pay principal of the Class A-2 Notes then Outstanding until such Class C Coverage Test is satisfied as of such Determination Date or until the Class A-2 Notes are paid in full, and then to pay principal of the Class B Notes then Outstanding until such Class C Coverage Test is satisfied as of such Determination Date or until the Class B Notes are paid in full, and then to pay principal of the Class C Notes then Outstanding until such Class C Coverage Test is satisfied as of such Determination Date or until the Class C Notes are paid in full; *provided* that, for purposes of determining if either of the Class C Coverage Tests is satisfied after giving effect to any payment of principal of the Notes pursuant to this clause (9) on the related Distribution Date, the denominator of the Class C Overcollateralization Ratio shall be calculated on the related Determination Date after giving effect to such payment of principal; or (b) on the first Distribution Date, if a Rating Confirmation Failure has occurred, *first*, to the payment of principal of the Class A-1 Notes until the Class A-1 Notes have been paid in full, *second*, to the payment of principal of the Class A-2 Notes until the Class A-2 Notes have been paid in full, *third*, to the payment of principal of the Class B Notes until the Class B Notes have been paid in full and, *fourth*, to the payment of principal of the Class C Notes until the Class C Notes have been paid in full, in the aggregate amount necessary for each Rating Agency to confirm its respective ratings of the Secured Notes assigned on the Closing Date or until such confirmation is received or until each Class of Secured Notes is paid in full;
- (10) to pay Class C Deferred Interest, if any (in reduction of the principal amount of the Class C Notes);
- (11) to pay accrued and unpaid interest on the Class D Notes (including any Defaulted Interest and any interest thereon, but excluding any Class D Deferred Interest);
- (12) if (a) either of the Class D Coverage Tests is not satisfied as of the related Determination Date, to pay principal of the Class A-1 Notes then Outstanding until such Class D Coverage Test is satisfied as of such Determination Date or until the Class A-1 Notes are paid in full, and then to pay principal of the Class A-2 Notes then Outstanding until such Class D Coverage Test is satisfied as of such Determination Date or until the Class A-2 Notes are paid in full, and then to pay principal of the Class B Notes then Outstanding until such Class D Coverage Test is satisfied as of such Determination Date or until the Class B Notes are paid in full, and then to pay principal of the Class C Notes then Outstanding until such Class D Coverage Test is satisfied as of such

Determination Date or until the Class C Notes are paid in full, and then to pay principal of the Class D Notes then Outstanding until such Class D Coverage Test is satisfied as of such Determination Date or until the Class D Notes are paid in full; *provided* that, for purposes of determining if either of the Class D Coverage Tests is satisfied after giving effect to any payment of principal of the Secured Notes pursuant to this clause (12) on the related Distribution Date, the denominator of the Class D Overcollateralization Ratio shall be calculated on the related Determination Date after giving effect to such payment of principal; or (b) on the first Distribution Date, if a Rating Confirmation Failure has occurred, *first*, to the payment of principal of the Class A-1 Notes until the Class A-1 Notes have been paid in full, *second*, to the payment of principal of the Class A-2 Notes until the Class A-2 Notes have been paid in full, *third*, to the payment of principal of the Class B Notes until the Class B Notes have been paid in full, *fourth*, to the payment of principal of the Class C Notes until the Class C Notes have been paid in full and, *fifth*, to the payment of principal of the Class D Notes until the Class D Notes have been paid in full, in the aggregate amount necessary for each Rating Agency to confirm its respective ratings of the Secured Notes assigned on the Closing Date or until such confirmation is received or until each Class of Secured Notes is paid in full;

- (13) to pay Class D Deferred Interest, if any (in reduction of the principal amount of the Class D Notes);
- (14) to pay accrued and unpaid interest on the Class E Notes (including any Defaulted Interest and any interest thereon, but excluding any Class E Deferred Interest);
- (15) if (a) either of the Class E Coverage Tests is not satisfied as of the related Determination Date, to pay principal of the Class A-1 Notes then Outstanding until such Class E Coverage Test is satisfied as of such Determination Date or until the Class A-1 Notes are paid in full, and then to pay principal of the Class A-2 Notes then Outstanding until such Class E Coverage Test is satisfied as of such Determination Date or until the Class A-2 Notes are paid in full, and then to pay principal of the Class B Notes then Outstanding until such Class E Coverage Test is satisfied as of such Determination Date or until the Class B Notes are paid in full, and then to pay principal of the Class C Notes then Outstanding until such Class E Coverage Test is satisfied as of such Determination Date or until the Class C Notes are paid in full, and then to pay principal of the Class D Notes then Outstanding until such Class E Coverage Test is satisfied as of such Determination Date or until the Class D Notes are paid in full, and then to pay principal of the Class E Notes then Outstanding until such Class E Coverage Test is satisfied as of such Determination Date or until the Class E Notes are paid in full; *provided* that, for purposes of determining if either of the Class E Coverage Tests is satisfied after giving effect to any payment of principal of the Secured Notes pursuant to this clause (15) on the related Distribution Date, the denominator of the Class E Overcollateralization Ratio shall be calculated on the related Determination Date after giving

effect to such payment of principal; or (b) on the first Distribution Date, if a Rating Confirmation Failure has occurred, *first*, to the payment of principal of the Class A-1 Notes until the Class A-1 Notes have been paid in full, *second*, to the payment of principal of the Class A-2 Notes until the Class A-2 Notes have been paid in full, *third*, to the payment of principal of the Class B Notes until the Class B Notes have been paid in full, *fourth*, to the payment of principal of the Class C Notes until the Class C Notes have been paid in full, *fifth*, to the payment of principal of the Class D Notes until the Class D Notes have been paid in full and, *sixth*, to the payment of principal of the Class E Notes until the Class E Notes have been paid in full, in the aggregate amount necessary for each Rating Agency to confirm its respective ratings of the Secured Notes assigned on the Closing Date or until such confirmation is received or until each Class of Secured Notes is paid in full;

- (16) to pay Class E Deferred Interest, if any (in reduction of the principal amount of the Class E Notes);
- (17) to pay (a) any due and unpaid administrative expenses owing to the Trustee, the Collateral Administrator, the Administrator, the Preference Share Paying Agent, each Note Registrar, any Rating Agency and any other due and unpaid administrative expenses (including indemnities) of the Issuer (including expenses payable to the Collateral Manager under the Collateral Management Agreement) to the extent, in each case, not paid in full under clause (1) above (and, in the same order of priority as set forth in clause (1) above), and (b) on a *pro rata* basis, any due and unpaid expenses and other liabilities of the Co-Issuers to the extent not paid under clause (1) above, whether as a result of an amount limitation imposed thereunder or otherwise;
- (18) to pay to the Collateral Manager the Subordinate Collateral Management Fee with respect to such Distribution Date and any due and unpaid Subordinate Collateral Management Fee with respect to a previous Distribution Date that was not paid on a previous Distribution Date;
- (19) to pay (a) any Subordinate Hedge Termination Payment due to the Hedge Counterparty under the Hedge Agreement and (b) any Subordinate CDS Termination Payment due to any CDS Counterparty under the related CDS Agreement; and
- (20) from Excess Interest Funds remaining after application of the amounts described in clauses (1) through (19) above, to the Preference Share Paying Agent for payment to the Preference Shareholders as a distribution of Interest Proceeds by way of distribution thereon.

All remaining Interest Proceeds after payment of clauses (1) through (19) under "*-Interest Proceeds*" above are referred to herein as the "Excess Interest Funds", and all remaining Principal Proceeds after payment of clauses (1) through (12) under "*-Principal Proceeds*" below are referred to herein as the "Excess Principal Funds" and, together with the Excess Interest Funds, the "Excess Funds".

Principal Proceeds. On each Distribution Date, Principal Proceeds with respect to the related Due Period will be applied by the Trustee in the following order of priority (collectively, the "Principal Proceeds Priority of Payments"):

- (1) to the payment of the amounts referred to in clauses (1) to (6) of "—Interest Proceeds" above in the same order of priority specified therein, but only to the extent not paid in full thereunder on such Distribution Date;
- (2) if such Distribution Date occurs during a Sequential Pay Period or if any of the Coverage Tests is not satisfied as of the related Determination Date (and after giving effect to the application of Interest Proceeds on such Distribution Date), to pay principal of the Class A-1 Notes then Outstanding until the Class A-1 Notes are paid in full (or, in the case of a Coverage Test failure only, until each Coverage Test is satisfied), and then to pay principal of the Class A-2 Notes then Outstanding until the Class A-2 Notes are paid in full (or, in the case of a Coverage Test failure only, until each Coverage Test is satisfied), and then to pay principal of the Class B Notes then Outstanding until the Class B Notes are paid in full (or, in the case of a Coverage Test failure only, until each Coverage Test is satisfied); *provided* that, for purposes of determining if any of Coverage Tests is satisfied after giving effect to any payment of principal of the Secured Notes pursuant to this clause (2) on the related Distribution Date, the denominator of each Overcollateralization Ratio shall be calculated on the related Determination Date after giving effect to such payment of principal and the application of any Principal Proceeds pursuant to this clause;
- (3) to the payment of principal (*pro rata* in accordance with the aggregate outstanding principal amounts thereof immediately prior to such payment) of the Class A-1 Notes, Class A-2 Notes and Class B Notes, in an aggregate amount up to the Class A/B Pro Rata Principal Payment Cap for such Distribution Date;
- (4) to the payment of the amount referred to in clause (8) under "—Interest Proceeds" above but only to the extent not paid in full thereunder on such Distribution Date;
- (5) if such Distribution Date occurs during a Sequential Pay Period or if any of the Coverage Tests (other than the Class A/B Coverage Tests) is not satisfied as of the related Determination Date (and after giving effect to the application of Interest Proceeds on such Distribution Date), to pay principal of the Class C Notes then Outstanding until the Class C Notes are paid in full (or, in the case of any such Coverage Test failure only, until each Coverage Test (other than the Class A/B Coverage Tests) is satisfied); *provided* that, for purposes of determining if any of Coverage Tests is satisfied after giving effect to any payment of principal of the Secured Notes pursuant to this clause (5) on the related Distribution Date, the denominator of each Overcollateralization Ratio shall be calculated on the related Determination Date after giving effect to such payment of principal and the application of any Principal Proceeds pursuant to this clause;

- (6) to the payment of principal of the Class C Notes (including Class C Deferred Interest), in an aggregate amount up to the Class C Pro Rata Principal Payment Cap for such Distribution Date;
- (7) to the payment of the amount referred to in clause (11) under "—Interest Proceeds" above, but only to the extent not paid in full thereunder on such Distribution Date;
- (8) if such Distribution Date occurs during a Sequential Pay Period or if any of the Coverage Tests (other than the Class A/B Coverage Tests and the Class C Coverage Tests) is not satisfied as of the related Determination Date (and after giving effect to the application of Interest Proceeds on such Distribution Date), to pay principal of the Class D Notes then Outstanding until the Class D Notes are paid in full (or, in the case of any such Coverage Test failure only, until each Coverage Test (other than the Class A/B Coverage Tests and the Class C Coverage Tests) is satisfied); *provided* that, for purposes of determining if any of Coverage Tests is satisfied after giving effect to any payment of principal of the Secured Notes pursuant to this clause (8) on the related Distribution Date, the denominator of each Overcollateralization Ratio shall be calculated on the related Determination Date after giving effect to such payment of principal and the application of any Principal Proceeds pursuant to this clause;
- (9) to the payment of principal of the Class D Notes (including Class D Deferred Interest), in an aggregate amount up to the Class D Pro Rata Principal Payment Cap for such Distribution Date;
- (10) to the payment of the amount referred to in clause (14) under "—Interest Proceeds" above, but only to the extent not paid in full thereunder on such Distribution Date;
- (11) to the payment of principal of the Class E Notes (including Class E Deferred Interest) until the Class E Notes are paid in full; *provided* that, for each Distribution Date through and including the last Distribution Date during the Substitution Period, amounts applied for payment under this clause (11) and clauses (1) through (10) above shall not exceed an amount equal to the Specified Principal Proceeds with respect to the related Due Period;
- (12) to the payment of amounts referred to in clauses (17), (18) and (19) under "—Interest Proceeds" above in the same order of priority therein, but only to the extent not paid thereunder on such Distribution Date; and
- (13) from Excess Principal Funds remaining after application of the amounts described in clauses (1) through (12) above, to the Preference Share Paying Agent for payment to the Preference Shareholders as a distribution of Principal Proceeds by way of distribution thereon; *provided* that, for each Distribution Date through and including the last Distribution Date during the Substitution Period, amounts applied for payment under this clause (13) and clauses (1) through (12) above shall not exceed an amount equal to the Specified Principal Proceeds with respect to the related Due Period.

Except as otherwise expressly provided in the Priority of Payments, if on any Distribution Date, the amount available in the Payment Account from amounts received in the related Due

Period is insufficient to make the full amount of the disbursements required by any clause in this section to different persons, the Trustee will, to the extent funds are available therefore, make the disbursements called for by each such paragraph ratably in accordance with the respective amounts of such disbursements then due and payable, without giving effect to such insufficiency.

If the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Preference Shares have not been redeemed prior to the Distribution Date in May 2041, the Issuer (or the Collateral Manager acting pursuant to the Collateral Management Agreement on behalf of the Issuer) will sell all of the Collateral Debt Securities and all Eligible Investments standing to the credit of the Accounts (other than the Hedge Counterparty Collateral Account, any Synthetic Security Issuer Account and any Synthetic Security Counterparty Account) and sell or liquidate all other Collateral. All net proceeds from such liquidation and all available cash will be applied to the payment (in the order of priorities set forth above) of all (i) fees, (ii) expenses (including any amount owing by the Issuer under the Hedge Agreement or any CDS Agreement), (iii) interest (including any Defaulted Interest and interest on Defaulted Interest, any Deferred Interest and interest on any Deferred Interest) on and principal of the Secured Notes, (iv) the return of U.S.\$1,000 of capital contributed to the Issuer by the owner of the Issuer's ordinary shares in accordance with the Issuer Charter and (v) a U.S.\$1,000 profit fee to the Issuer will be distributed to the ordinary shareholders, with the balance remaining being paid to the Preference Share Paying Agent, on behalf of the Issuer, for the payment of distributions on the Preference Shares in accordance with the Preference Share Documents.

Certain Definitions

"Applicable Recovery Rate" means, with respect to any Collateral Debt Security on any Measurement Date, the least of: (a) an amount equal to (i) 100% minus (ii) the percentage for such Collateral Debt Security set forth in the Moody's loss rate matrix attached as Part I of Schedule A in (x) the table corresponding to the relevant type of Asset-Backed Security, (y) the column in such table setting forth the Moody's Rating of such Collateral Debt Security as of the date of issuance of such Collateral Debt Security and (z) the row in such table opposite the percentage of the issue of which such Collateral Debt Security is a part relative to the total capitalization of (including both debt and equity securities issued by) the relevant issuer or obligor on such Collateral Debt Security determined as of the date of issuance of such Collateral Debt Security; *provided* that (1) if the timely payment of principal of and interest on such Collateral Debt Security is guaranteed by another Person (and such guarantee ranks at least equally and ratably with such guarantor's senior unsecured long-term debt), such amount shall be 30%, (2) if such Collateral Debt Security is a REIT Debt Security or a Synthetic Security entered into under a Form-Approved CDS Confirmation of which the relevant Reference Obligation is a REIT Debt Security, such amount shall be 40% (or 10% in the case of REIT Debt Securities—Health Care) and (3) if such Collateral Debt Security is a Reinsurance Security, such amount shall be assigned by Moody's upon the purchase of such Collateral Debt Security; (b) an amount equal to the percentage for such Collateral Debt Security set forth in the Standard & Poor's recovery rate matrix attached as Part II of Schedule A in (x) the applicable table and (y) the row in such table opposite the Standard & Poor's Rating of such Collateral Debt Security as of the date of issuance of such Collateral Debt Security; *provided* that, if the timely payment of principal of and interest on such Collateral Debt Security is guaranteed by a corporate guarantor (and such guarantee ranks at least equally and ratably with such corporate guarantor's senior unsecured long-term debt), such amount shall be the percentage specified in Paragraph E of Part II of Schedule A; and (c) the Fitch Recovery Rate for such Collateral Debt

Security; *provided* that, with respect to each of clauses (a), (b) and (c) of this definition, the Issuer shall request each Rating Agency to assign a recovery rate to any Synthetic Security not acquired pursuant to a Form-Approved CDS Confirmation prior to the acquisition thereof.

"Benchmark Rate" means (a) with respect to a Collateral Debt Security that bears interest at a floating rate, the offered rate for Dollar deposits in Europe of three months that appears on Telerate Page 3750 (or such other page as may replace such Telerate Page 3750 for the purpose of displaying comparable rates), as of 11:00 a.m. (London time) on the second London Banking Day preceding the date of acquisition of such Collateral Debt Security and (b) with respect to a Collateral Debt Security that does not bear interest at a floating rate, the yield reported, as of 10:00 a.m. (New York City time) on the second Business Day preceding the date of acquisition of such Collateral Debt Security, on the display designated as "Page 678" on the Telerate Access Service (or such other display as may replace Page 678 on Telerate Access Service) for actively traded U.S. Treasury securities or swaps having a maturity equal to the Aggregate Weighted Average Life of such Collateral Debt Security on such date of acquisition.

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

"CDO of CDO Securities" means a CDO Security that entitles the holder thereof to receive payments that depend on the credit exposure to or on cash flows from a portfolio consisting of other CDO Securities the aggregate principal balance of which is greater than 35% of the aggregate principal balance of such portfolio.

"CDS Principal Amortization" means, with respect to any Distribution Date and any CDS Transaction for which the Issuer is the Protection Seller, (a) any reduction during the related Due Period in the par reference amount of a CDS Transaction resulting from any principal payment of any Reference Obligation that is the subject of such CDS Transaction and (b) any other reduction during the related Due Period in the par reference amount of a CDS Transaction resulting from any early termination of all or part of such CDS Transaction, whether as a result of (i) the election of the parties to such CDS Transaction to effect such early termination or (ii) the occurrence of a "Credit Event" under (and as defined in) such CDS transaction.

"Class A Sequential Haircut Amount" means, with respect to any date of determination, an amount equal to the sum of:

(a) the product of (i) 50% multiplied by (ii) the aggregate principal balance of all pledged Collateral Debt Securities (other than Deferred Interest PIK Securities and Defaulted Securities) on such date of determination that have a Standard & Poor's Rating within the Standard & Poor's CCC Rating Category;

(b) the product of (i) 30% multiplied by (ii) the aggregate principal balance of all pledged Collateral Debt Securities (other than Deferred Interest PIK Securities and Defaulted Securities) on such date of determination that have a Standard & Poor's Rating within the Standard & Poor's B Rating Category; and

(c) the product of (i) 10% multiplied by (ii) the excess (if any) of (A) the aggregate principal balance of all pledged Collateral Debt Securities (other than Deferred Interest PIK

Securities and Defaulted Securities) on such date of determination that have a Standard & Poor's Rating within the Standard & Poor's BB Rating Category over (B) 4% of the Net Outstanding Portfolio Collateral Balance (other than Deferred Interest PIK Securities and Defaulted Securities).

For purposes of the Class A Sequential Haircut Amount, if a Collateral Debt Security falls within more than one of the five categories described in the foregoing clauses, then such Collateral Debt Security shall be included in the category that results in the greatest Class A Sequential Haircut Amount (and not in any of the four other categories).

"Class A Sequential Pay Ratio" means, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the sum of (i) the aggregate outstanding principal amount of the Class A-1 Notes plus (ii) the aggregate outstanding principal amount of the Class A-2 Notes.

"Class A Sequential Pay Test" means, for so long as any Class A Notes remain Outstanding, a test satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class A Sequential Pay Ratio on such Measurement Date is equal to or greater than 116.1%.

"Class A/B Pro Rata Principal Payment Cap" means, with respect to any Distribution Date, an amount equal to (a) the amount of Principal Proceeds available in accordance with the Priority of Payments on such Distribution Date to make payments pursuant to clause (3) under "Priority of Payments—Principal Proceeds" multiplied by (b) the sum of the aggregate outstanding principal amount of the Class A-1 Notes, Class A-2 Notes and Class B Notes (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal thereof on such Distribution Date, including from Interest Proceeds, prior to clause (3) under "Priority of Payments—Principal Proceeds", but without giving effect to any other payment of the principal thereof on such Distribution Date) divided by (c) the sum of the aggregate outstanding principal amount of the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal thereof on such Distribution Date, including from Interest Proceeds, prior to clause (3) under "Priority of Payments—Principal Proceeds", but without giving effect to any other payment of the principal thereof on such Distribution Date); *provided* that (A) if the aggregate outstanding principal amount of the Class A-1 Notes, Class A-2 Notes and the Class B Notes is zero, the "Class A/B Pro Rata Principal Payment Cap" shall be zero and (B) for each Distribution Date through and including the last Distribution Date during the Substitution Period, the "Class A/B Pro Rata Principal Payment Cap" shall be the lesser of (1) the amount determined in accordance with the foregoing and (2)(x) the aggregate Specified Principal Proceeds with respect to the related Due Period minus (y) the aggregate amount applied on such Distribution Date to the payment of amounts described in clauses (1) and (2) under "Priority of Payments—Principal Proceeds".

"Class C Pro Rata Principal Payment Cap" means, with respect to any Distribution Date, an amount equal to (a) the amount of Principal Proceeds available in accordance with the Priority of Payments on such Distribution Date to make payments pursuant to clause (6) under "Priority of Payments—Principal Proceeds" multiplied by (b) the aggregate outstanding principal amount of the Class C Notes (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal thereof on such Distribution Date, including from Interest Proceeds, prior to clause (6) under "Priority of Payments—Principal Proceeds", but without giving effect to any other payment of the principal thereof on such Distribution Date) divided by (c) the sum of (i) the

aggregate outstanding principal amount of the Class C Notes, Class D Notes and Class E Notes (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal thereof on such Distribution Date, including from Interest Proceeds, prior to clause (6) under "Priority of Payments—Principal Proceeds", but without giving effect to any other payment of the principal thereof on such Distribution Date); *provided* that (A) if the aggregate outstanding principal amount of the Class C Notes is zero, the "Class C Pro Rata Principal Payment Cap" shall be zero and (B) for each Distribution Date through and including the last Distribution Date during the Substitution Period, the "Class C Pro Rata Principal Payment Cap" shall be the lesser of (1) the amount determined in accordance with the foregoing and (2)(x) the aggregate Specified Principal Proceeds with respect to the related Due Period minus (y) the aggregate amount applied on such Distribution Date to the payment of amounts described in clauses (1) through (5) (inclusive) under "Priority of Payments—Principal Proceeds".

"Class D Pro Rata Principal Payment Cap" means, with respect to any Distribution Date, an amount equal to (a) the amount of Principal Proceeds available in accordance with the Priority of Payments on such Distribution Date to make payments pursuant to clause (9) under "Priority of Payments—Principal Proceeds" multiplied by (b) the aggregate outstanding principal amount of the Class D Notes (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal thereof on such Distribution Date, including from Interest Proceeds, prior to clause (9) under "Priority of Payments—Principal Proceeds", but without giving effect to any other payment of the principal thereof on such Distribution Date) divided by (c) the sum of (i) the aggregate outstanding principal amount of the Class D Notes and Class E Notes (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal thereof on such Distribution Date, including from Interest Proceeds, prior to clause (9) under "Priority of Payments—Principal Proceeds", but without giving effect to any other payment of the principal thereof on such Distribution Date); *provided* that (A) if the aggregate outstanding principal amount of the Class D Notes is zero, the "Class D Pro Rata Principal Payment Cap" shall be zero and (B) for each Distribution Date through and including the last Distribution Date during the Substitution Period, the "Class D Pro Rata Principal Payment Cap" shall be the lesser of (1) the amount determined in accordance with the foregoing and (2)(x) the aggregate Specified Principal Proceeds with respect to the related Due Period minus (y) the aggregate amount applied on such Distribution Date to the payment of amounts described in clauses (1) through (8) (inclusive) under "Priority of Payments—Principal Proceeds".

"Corporate Debt CDO Security" means a CDO Security of which, as of the date of purchase by the Issuer, at least 10% of the outstanding principal amount of the underlying collateral assets or reference assets of such CDO Security is comprised of a specified pool of corporate loans or debt securities or a Synthetic Security the payments on which are based on one or more Reference Obligations consisting primarily of corporate loans or debt securities.

"Deferred Interest PIK Security" means a PIK Security with respect to which payment of interest either in whole or in part has been deferred and capitalized in an amount equal to the amount of interest payable in respect of the lesser of (a) one payment period and (b) a period of six months, but only until such time as payment of interest on such PIK Security has resumed and all capitalized and deferred interest has been paid in accordance with the terms of the Underlying Instruments.

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

"Due Period" means, with respect to any Distribution Date, the period commencing immediately following the fourth Business Day prior to the preceding Distribution Date (or on the

Closing Date, in the case of the Due Period relating to the first Distribution Date) and ending on the fourth Business Day prior to such Distribution Date (without giving effect to any Business Day adjustment thereto) or, in the case of the Due Period that is applicable to the Distribution Date relating to the Stated Maturity of any Class of Secured Notes, such Due Period shall end on the day preceding the Stated Maturity.

"Equity Security" means any equity security 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.

"Excluded Synthetic CDO Security" means any Synthetic CDO Security that contains an underlying derivative transaction (or an instrument the underlying assets of which comprise or one or more underlying derivative transactions) for which (i) the protection seller under a credit derivative transaction (or any other derivative transaction which contains characteristics of a credit derivative transaction) undertakes to make payments to the protection buyer in respect of interest shortfalls on one or more Reference Obligations under such derivative transaction (an "Interest Shortfall Undertaking") and (ii) either, no interest shortfall cap is applicable, or a "Variable Cap" rather than a "Fixed Cap" is applicable such that the capped amount of interest shortfall payable in respect of an interest period by the protection seller shall not be limited to the premium payable to such protection seller for such interest period.

"Fitch Recovery Rate" means, with respect to any Defaulted Security or Deferred Interest PIK Security on any Measurement Date, an amount equal to the percentage corresponding to the domicile, original rating, tranche thickness and seniority of such Defaulted Security or Deferred Interest PIK Security, as applicable, as set forth in the Fitch Recovery Rate Matrix attached as Schedule B hereto; provided that the applicable percentage shall be the percentage corresponding to the most senior outstanding Class of Secured Notes then rated by Fitch.

"Interest Coverage Balance" means the sum of (i) the scheduled distributions of interest due (in each case regardless of whether the due date for any such interest payment has yet occurred) in the Due Period in which such Measurement Date occurs on (x) the Collateral Debt Securities (other than Interest Only Securities that are not Qualifying Interest Only Securities) and (y) any Eligible Investments held in the Collection Accounts (whether such Eligible Investments were purchased with Interest Proceeds or Principal Proceeds) plus (ii) any fees actually received by the Issuer during such Due Period that constitute Interest Proceeds plus (iii) the amount, if any, scheduled to be paid to the Issuer by the Hedge Counterparty under the Hedge Agreement on the Distribution Date relating to such Due Period minus (iv) the amount, if any, scheduled to be paid to the Hedge Counterparty by the Issuer under the Hedge Agreement on the Distribution Date relating to such Due Period minus (v) taxes and filing and registration fees owed by the Co-Issuers and payable on the Distribution Date relating to such Due Period minus (vi) the amounts scheduled to be paid (x)(1) to the Trustee and Collateral Administrator of accrued and unpaid fees (but not expenses) owing to them under the Indenture and the Collateral Administration Agreement, (2) the Trustee, the Collateral Administrator, the Preference Share Paying Agent, each Note Registrar, the Preference Share Registrar and the Administrator of accrued and unpaid fees and expenses (other than those described in the foregoing sub-clause (1)) owing to them under the Indenture, the Collateral Administration Agreement, the Preference Share Paying Agency Agreement and the Administration Agreement and (3) to any Rating Agency and for any other due and unpaid administrative expenses (including indemnities) of the Issuer (including expenses payable to the Collateral Manager under the Collateral Management Agreement) and (y) for other accrued and unpaid

administrative expenses of the Co-Issuers (excluding Collateral Management Fee and principal and interest on the Secured Notes), to the extent all such payments pursuant to (A) sub-clause (1) of this clause (vi) do not exceed for any Distribution Date 0.00375% of the Net Outstanding Portfolio Collateral Balance on the first day of the related Due Period and (B) sub-clauses (2) and (3) do not exceed for any Distribution Date U.S.\$75,000 minus (vii) the sum of the amount, if any, scheduled to be paid to the Collateral Manager of accrued and unpaid Senior Collateral Management Fees plus (viii) the amount released from the Interest Equalization Account for deposit into the Interest Collection Account with respect to such Due Period minus (ix) scheduled distributions of interest on Semi-Annual Pay Securities due in such Due Period required to be deposited into the Interest Equalization Account plus (x) the amount in respect of premium, if any, scheduled to be paid to the Issuer by any CDS Counterparty under the related CDS Agreement on the Distribution Date relating to such Due Period minus (xi) the amount, if any, scheduled to be paid to such CDS Counterparty by the Issuer under the related CDS Agreement on the Distribution Date relating to such Due Period.

"Interest Proceeds" means, with respect to any Due Period, the sum (without duplication) of: (1) all payments of interest on the Collateral Debt Securities during such Due Period (excluding both (a) accrued interest and interest in respect of Deferred Interest PIK Securities included in Principal Proceeds pursuant to clauses (8) and (9) of the definition of Principal Proceeds and (b) payments of interest on Semi-Annual Pay Securities during such Due Period required to be deposited into the Interest Equalization Account), together with the amount, if any, released from the Interest Equalization Account for deposit into the Interest Collection Account with respect to such Due Period; (2) all accrued interest received in cash by the Issuer with respect to Collateral Debt Securities sold by the Issuer (excluding (a) any accrued and unpaid interest on any Credit Improved Security or Credit Risk Security sold or reinvested at the option of the Collateral Manager in any other Collateral Debt Security, (b) Sale Proceeds received in respect of Defaulted Securities and Written Down Securities and (c) accrued interest included in Principal Proceeds pursuant to clause (8) of the definition of Principal Proceeds); (3) all payments of interest (including any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) on Eligible Investments standing to the credit of the Collection Accounts, the Interest Equalization Account, the Interest Reserve Account, the Uninvested Proceeds Account and amounts of interest actually transferred from the Substitution Account or any Synthetic Security Counterparty Account to the Interest Collection Account during such Due Period received in cash by the Issuer during such Due Period and all payments of principal, including repayments, on Eligible Investments purchased with amounts from the Interest Collection Account received by the Issuer during such Due Period; (4) all amendment and waiver fees, all late payment fees, and all other fees and commissions received in cash by the Issuer during such Due Period in connection with such Collateral Debt Securities, Eligible Investments and U.S. Agency Securities (other than fees and commissions received in respect of Defaulted Securities and Written Down Securities and yield maintenance payments included in Principal Proceeds pursuant to clause (10) of the definition thereof); (5) all payments received pursuant to the Hedge Agreement (excluding any payments received by the Issuer by reason of an event of default or termination event that are required to be used for the purchase of a replacement Hedge Agreement) less any deferred premium payments payable by the Issuer under the Hedge Agreement during such Due Period, (6) all payments of premium received from any CDS Counterparty (in its capacity as Protection Buyer) under the related CDS Agreement (including (i) the portion of any proceeds received in respect of the sale or other disposition of any CDS Transaction that is attributable to accrued but unpaid premium payable by the related CDS Counterparty and (ii) any payments received by the Issuer by reason of an "Event of Default" or "Termination Event" to the extent attributable to such CDS Counterparty's obligations in respect

of premium), (7) all payments of interest on, and Sale Proceeds representing accrued interest from the disposition of, U.S. Agency Securities to the extent not reinvested in Collateral Debt Securities on or before the Ramp-Up Completion Date; *provided* that Interest Proceeds shall in no event include (i) any payment or proceeds specifically defined as "Principal Proceeds" in the definition thereof (including all recoveries of principal and interest on Defaulted Securities and Written Down Securities up to the par amount thereof) and (ii) 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.

"Measurement Date" means any of the following: (a) the Closing Date and the Ramp-Up Completion Date, (b) any date upon which the Issuer acquires or disposes of any Collateral Debt Security, (c) any date after the Ramp-Up Completion Date on which a Collateral Debt Security becomes a Defaulted Security, (d) each Determination Date, (e) the 10th Business Day of any calendar month ending after the Ramp-Up Completion Date (excluding any month in which a Determination Date falls) and (f) with two Business Days' notice to the Issuer and the Trustee, any other Business Day that any Rating Agency or a Majority of any Class of Secured Notes requests to be a "Measurement Date"; *provided* that, if any such date would otherwise fall on a day that is not a Business Day, the relevant Measurement Date will be the next succeeding day that is a Business Day.

"Moody's B Rating Category" means, with respect to any Collateral Debt Security, such Collateral Debt Security having a Moody's Rating of "B1", "B2" or "B3".

"Moody's Ba Rating Category" means, with respect to any Collateral Debt Security, such Collateral Debt Security having a Moody's Rating of "Ba1", "Ba2" or "Ba3".

"Moody's Caa Rating Category" means, with respect to any Collateral Debt Security, such Collateral Debt Security having a Moody's Rating of "Caa1", "Caa2" or "Caa3".

"Net Outstanding Portfolio Collateral Balance" means, on any Measurement Date, an amount equal to (a) the aggregate principal balance on such Measurement Date of all Collateral Debt Securities plus (b) the aggregate principal balance of all Principal Proceeds and Uninvested Proceeds held as cash and Eligible Investments and U.S. Agency Securities purchased with Principal Proceeds or Uninvested Proceeds and any amount on deposit at such time in the Principal Collection Account, the Uninvested Proceeds Account or the Substitution Account minus (c) the aggregate principal balance on such Measurement Date of all Collateral Debt Securities that are (i) Defaulted Securities or Deferred Interest PIK Securities or (ii) Equity Securities plus (d) for each Defaulted Security or Deferred Interest PIK Security, the Calculation Amount with respect to such security minus (e) solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with any of the Overcollateralization Tests, the Overcollateralization Haircut Amount minus (f) solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Class A Sequential Pay Test, the Class A Sequential Haircut Amount; *provided* that during the Substitution Period, solely for the purposes of paragraphs (1) through (8) and (10) through (25) (in each case, inclusive) of the Reinvestment Criteria, the aggregate principal balance of all Collateral Debt Securities shall be deemed to be U.S.\$950,000,000.

"Non-Libor Floating Rate Security" means a floating rate security with an interest rate computed with respect to any Permitted Floating Rate Index other than the London interbank offered rate.

"Overcollateralization Haircut Amount" means, with respect to any date of determination, an amount equal to the sum of:

- (a) the product of (i) 50% multiplied by (ii) the aggregate principal balance of all pledged Collateral Debt Securities (other than Deferred Interest PIK Securities and Defaulted Securities) on such date of determination that have a Moody's Rating within the Moody's Caa Rating Category;
- (b) the product of (i) 30% multiplied by (ii) the excess, if any, of (x) the aggregate principal balance of all pledged Collateral Debt Securities (other than Deferred Interest PIK Securities and Defaulted Securities) on such date of determination that have a Standard & Poor's Rating within the Standard & Poor's CCC Rating Category over (y) 5% of the aggregate principal balance of all pledged Collateral Debt Securities (other than Deferred Interest PIK Securities and Defaulted Securities) on such date of determination;
- (c) the product of (i) 20% multiplied by (ii) the aggregate principal balance of all pledged Collateral Debt Securities (other than Deferred Interest PIK Securities and Defaulted Securities) on such date of determination that have a Moody's Rating within the Moody's B Rating Category;
- (d) the product of (i) 20% multiplied by (ii) the excess (if any) of (x) the aggregate principal balance of all pledged Collateral Debt Securities (other than Deferred Interest PIK Securities and Defaulted Securities) on such date of determination that have a Standard & Poor's Rating within the Standard & Poor's B Rating Category over (y) 5% of the aggregate principal balance of all pledged Collateral Debt Securities (other than Deferred Interest PIK Securities and Defaulted Securities) on such date of determination;
- (e) the product of (i) 10% multiplied by (ii) the excess (if any) of (x) the aggregate principal balance of all pledged Collateral Debt Securities (other than Deferred Interest PIK Securities and Defaulted Securities) on such date of determination that have a Moody's Rating within the Moody's Ba Rating Category over (y) 10% of the aggregate principal balance of all pledged Collateral Debt Securities (other than Deferred Interest PIK Securities and Defaulted Securities) on such date of determination; and
- (f) the product of (i) 10% multiplied by (ii) the excess (if any) of (x) the aggregate principal balance of all pledged Collateral Debt Securities (other than Deferred Interest PIK Securities and Defaulted Securities) on such date of determination that have a Standard & Poor's Rating within the Standard & Poor's BB Rating Category over (y) 5% of the aggregate principal balance of all pledged Collateral Debt Securities (other than Deferred Interest PIK Securities and Defaulted Securities) on such date of determination

If a Collateral Debt Security falls within more than one of the four categories described in the foregoing clauses, then such Collateral Debt Security shall be included in the category that results in the greatest Overcollateralization Haircut Amount (and not in any of the three other categories).

"Permitted Floating Rate Index" means the London interbank offered rate and any index based on the federal funds rate, the prime rate or a commercial paper rate, constant maturity treasuries (as reported by the Federal Reserve), the 12-month Treasury average of the monthly

average yields of U.S. Treasury securities adjusted to a constant maturity of one year, constant maturity swaps that exchange a LIBOR rate for a particular swap rate or the Cost of Funds Index (COFI) customarily used for resetting the coupon rate on adjustable rate mortgages; *provided* that in no event may any such index be determined based upon relevant underlier(s) with a constant maturity of greater than 12 months.

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

"Principal Proceeds" means, with respect to any Due Period, the sum (without duplication) of: (1) any Uninvested Proceeds transferred from the Uninvested Proceeds Account on the Ramp-Up Completion Date; (2) all payments of principal on the Collateral Debt Securities and Eligible Investments (other than Uninvested Proceeds and payments of principal of Eligible Investments acquired with Interest Proceeds) received in cash by the Issuer during such Due Period including prepayments or mandatory sinking fund payments, or payments in respect of optional redemptions, exchange offers, tender offers, recoveries of principal and interest on Defaulted Securities and Written Down Securities, up to the par amount thereof, including the proceeds of a sale of any Equity Security and any amounts received as a result of optional redemptions, exchange offers, tender offers for any Equity Security received in cash by the Issuer during such Due Period; (3) Sale Proceeds received by the Issuer during such Due Period (excluding those included in Interest Proceeds as defined above); (4) all payments of principal on Eligible Investments purchased with amounts from the Principal Collection Account or Uninvested Proceeds Account (excluding any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) received in cash by the Issuer during such Due Period; (5) all amendment, waiver, late payment fees and other fees and commissions, collected during the related Due Period in respect of Defaulted Securities and Written Down Securities; (6) any proceeds resulting from the termination and liquidation of (i) the Hedge Agreement, to the extent such proceeds exceed the cost of entering into a replacement Hedge Agreement in accordance with the requirements set forth in the Indenture or (ii) any CDS Agreement, to the extent such proceeds exceed the cost of entering into a replacement CDS Agreement in accordance therewith; (7) all payments received in cash by the Issuer during such Due Period that represent call, prepayment or redemption premiums; (8) all payments of interest received to the extent that they represent accrued interest purchased with Principal Proceeds or Uninvested Proceeds; (9) all payments of interest received in respect of Deferred Interest PIK Securities; (10) all yield maintenance payments received in cash by the Issuer during such Due Period; (11) all upfront payments received by the Issuer in connection with the purchase of a Synthetic Security; and (12) all other payments (including, without limitation, any physical or cash settlement amount received in connection with the termination of any Short Synthetic Security) received in connection with the Collateral Debt Securities, Eligible Investments, U.S. Agency Securities, any CDS Agreement and any Hedge Agreement (other than those standing to the credit of any Hedge Counterparty Collateral Account, any Synthetic Security Issuer Account or any Synthetic Security Counterparty Account) that are not included in Interest Proceeds; *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.

"Sale Proceeds" means (a) in the case of a Collateral Debt Security (other than a Synthetic Security), all proceeds received as a result of (i) the sale of Collateral Debt Securities, Equity Securities, U.S. Agency Securities and Eligible Investments pursuant to the Indenture; (ii) an

Auction net of reasonable out-of-pocket expenses of one or more of the Collateral Manager and the Trustee in connection with any such sale; or (iii) sales of U.S. Agency Securities on or prior to the Ramp-Up Completion Date and (b) in the case of any Synthetic Security (including any CDS Transaction), (i) the proceeds of sale of any Deliverable Obligations delivered to the Issuer in respect thereof, (ii) any physical or cash settlement amount received by the Issuer (in its capacity as Protection Buyer) from any CDS Counterparty (in its capacity as Protection Seller) and (iii) any distribution received in respect of property credited to a Synthetic Security Counterparty Account if the Synthetic Security or the Synthetic Security Counterparty's security interest therein is terminated or the Synthetic Security is sold or assigned.

"Sequential Pay Period" means the period commencing on the earlier of (a) the first Measurement Date on which the aggregate principal balance of all Collateral Debt Securities held by the Issuer is less than 50% of the Net Outstanding Portfolio Collateral Balance on the Ramp-Up Completion Date and (b) the first date on which the Class A Sequential Pay Test is not satisfied and ending on the date on which each Class of Secured Notes is paid in full.

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

"Standard & Poor's B Rating Category" means, with respect to any Collateral Debt Security, such Collateral Debt Security having a Standard & Poor's Rating of "B+", "B" or "B-".

"Standard & Poor's BB Rating Category" means, with respect to any Collateral Debt Security, such Collateral Debt Security having a Standard & Poor's Rating of "BB+", "BB" or "BB-".

"Standard & Poor's CCC Rating Category" means, with respect to any Collateral Debt Security, such Collateral Debt Security having a Standard & Poor's Rating of "CCC+", "CCC" or "CCC-".

"Structured Finance Security" means any Asset-Backed Security that is listed in the definition of "Specified Type".

"Synthetic CDO Securities" means (a) any Asset-Backed Security the issuer of which (i) obtains credit exposure to, or depends on the market value of or cashflow from, one or more credit default swaps or total return swaps (x) in an aggregate Notional Amount greater than 25% of the aggregate principal balance (or Notional Amount) of the underlying assets securing such Asset-Backed Security and (y) the reference portfolio of which contains the characteristics normally associated with CDO Securities under current market practice including, without limitation, the portfolio characteristics, investment and reinvestment criteria, and credit profile (e.g., probability of default, recovery upon default and expected loss characteristics) and (ii) invests the proceeds of such Asset-Backed Security in eligible investments the characteristics of which are substantially similar to (or more conservative than) the investments described in the definition of "Eligible Investments" including, without limitation, the type, quality and tenor of such investments, to secure the issuer's obligations under the credit default swaps or total return swaps or (b) any Synthetic Security that has the characteristics of a security described in

clause (a) other than a Synthetic Security with only a single Reference Obligation that is a CDO Security or a single Reference Obligor that is an issuer of a CDO Security.

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

"Uninvested Proceeds" means, at any time, the net proceeds received by the Issuer on the Closing Date from the initial issuance of the Secured Notes and from the Hedge Agreement, to the extent such proceeds have not been deposited in the Expense Account, the Interest Reserve Account or a Synthetic Security Counterparty Account or invested in Collateral Debt Securities in the manner described herein.

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 interest on Classes of Secured Notes Subordinate to such Class and certain other expenses (including the Subordinate Collateral Management Fee) and whether and to what extent Sale Proceeds may be reinvested in Collateral Debt Securities. In the event that any Class A/B Coverage Test is not satisfied on any Determination Date, funds that would otherwise be used to pay interest on the Class C Notes and certain other expenses and for reinvestment in Collateral Debt Securities must instead be used to pay principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, and *third*, the Class B Notes on the related Distribution Date, to the extent necessary to cause each Class A/B Coverage Test to be satisfied. In the event that any Class C Coverage Test is not satisfied on any Determination Date, funds that would otherwise be distributed to the Preference Shares and certain other expenses and for reinvestment in Collateral Debt Securities must instead be used to pay principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes and *fourth*, Class C Notes, including any Class C Deferred Interest on the related Distribution Date, to the extent necessary to cause each Class C Coverage Test to be satisfied. In the event that any Class D Coverage Test is not satisfied on any Determination Date, funds that would otherwise be distributed to the Preference Shares and certain other expenses and for reinvestment in Collateral Debt Securities must instead be used to pay principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, Class C Notes, including any Class C Deferred Interest on the related Distribution Date, and, *fifth*, the Class D Notes, including any Class D Deferred Interest on the related Distribution Date, to the extent necessary to cause each Class D Coverage Test to be satisfied. In the event that any Class E Coverage Test is not satisfied on any Determination Date, funds that would otherwise be distributed to the Preference Shares and certain other expenses and for reinvestment in Collateral Debt Securities must instead be used to pay principal of, *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes, including any Class C Deferred Interest on the related Distribution Date, *fifth*, the Class D Notes, including any Class D Deferred Interest on the related Distribution Date, and, *sixth*, the Class E Notes, including any Class E Deferred Interest on the related Distribution Date, to the extent necessary to cause each Class E Coverage Test to be satisfied. See "—Priority of Payments".

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

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

The Class A/B Coverage Tests:

Class A/B Overcollateralization Test

The "Class A/B Overcollateralization Test" will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class A/B Overcollateralization Ratio on such Measurement Date is equal to or greater than 102.9%.

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

Class A/B Interest Coverage Test

The "Class A/B Interest Coverage Test" will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date on which any Class A Notes or Class B Notes remain outstanding if the Class A/B Interest Coverage Ratio on such Measurement Date is equal to or greater than 115.0%.

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

(a) the Interest Coverage Balance

by

(b) an amount equal to the sum of the scheduled interest on the Class A Notes and the Class B Notes (including, in each case, any Defaulted Interest thereon and any accrued interest on such Defaulted Interest).

The Class C Coverage Tests:

Class C Overcollateralization Test

The "Class C Overcollateralization Test" will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class C Overcollateralization Ratio on such Measurement Date is equal to or greater than 101.8%.

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

Class C Interest Coverage Test

The "Class C Interest Coverage Test" will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date on which any Class C Notes remain outstanding if the Class C Interest Coverage Ratio on such Measurement Date is equal to or greater than 112.0%.

The "Class C Interest Coverage Ratio" as of any Measurement Date is the ratio (expressed as a percentage) obtained by dividing:

(a) the Interest Coverage Balance

by

(b) an amount equal to the sum of the scheduled interest on the Class A Notes, the Class B Notes and the Class C Notes (including, in each case, any Defaulted Interest thereon and any accrued interest on such Defaulted Interest, but excluding Class C Deferred Interest) payable on the related Distribution Date.

The Class D Coverage Tests:

Class D Overcollateralization Test

The "Class D Overcollateralization Test" will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class D Overcollateralization Ratio on such Measurement Date is equal to or greater than 101.2%.

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

Class D Interest Coverage Test

The "Class D Interest Coverage Test" will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date on which any Class D Notes remain outstanding if the Class D Interest Coverage Ratio on such Measurement Date is equal to or greater than 108.0%.

The "Class D Interest Coverage Ratio" as of any Measurement Date is the ratio (expressed as a percentage) obtained by dividing:

(a) the Interest Coverage Balance
by

(b) an amount equal to the sum of the scheduled interest on the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes (including, in each case, any Defaulted Interest thereon and any accrued interest on such Defaulted Interest, but excluding Class C Deferred Interest and Class D Deferred Interest) payable on the related Distribution Date.

The Class E Coverage Tests:

Class E Overcollateralization Test

The "Class E Overcollateralization Test" will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class E Overcollateralization Ratio on such Measurement Date is equal to or greater than 101.5%.

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

Class E Interest Coverage Test

The "Class E Interest Coverage Test" will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date on which any Class E Notes remain outstanding if the Class E Interest Coverage Ratio on such Measurement Date is equal to or greater than 104.0%.

The "Class E Interest Coverage Ratio" as of any Measurement Date is the ratio (expressed as a percentage) obtained by dividing:

(a) the Interest Coverage Balance

by

(b) an amount equal to the sum of the scheduled interest on the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes (including, in each case, any Defaulted Interest thereon and any accrued interest on such Defaulted Interest, but excluding Class C Deferred Interest, Class D Deferred Interest and Class E Deferred Interest) payable on the related Distribution Date.

For the purpose of determining compliance with any Interest Coverage Test, there will be excluded all scheduled payments of interest or principal on Defaulted Securities and Deferred Interest PIK Securities and any payment, including any amount payable to the Issuer

by the Hedge Counterparty or any CDS Counterparty, that will not be made in cash or received when due, as determined by the Collateral Manager in its judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement). For purposes of calculating any Interest Coverage Ratio, (i)(x) the expected interest and premium income on floating rate Collateral Debt Securities and Eligible Investments and under the Hedge Agreement and any CDS Agreement, (y) the expected interest payable on the Secured Notes and (z) the expected premium payable by the Issuer in its capacity as Protection Buyer under any CDS Transaction will, in each case, be calculated using the interest and premium rates applicable thereto on the applicable Measurement Date, (ii) accrued original issue discount on Eligible Investments will be deemed to be a scheduled interest payment thereon due on the date such original issue discount is scheduled to be paid and (iii) it will be assumed that no principal payments are made on the Secured Notes during the applicable periods.

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

Form, Denomination, Registration and Transfer

General

(i) Regulation S Secured Notes, which will be sold to persons that are not U.S. Persons in offshore transactions in accordance with Regulation S, will be represented by one or more permanent Regulation S 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, The Depository Trust Company ("DTC") or its nominee, initially for the accounts of Euroclear and Clearstream, Luxembourg. By acquisition of a beneficial interest in a Regulation S Secured Note, any purchaser thereof will be deemed to represent that (a) it is not a U.S. Person and is purchasing such beneficial interest for its own account and not for the account or benefit of a U.S. Person and (b) if in the future it decides to transfer such beneficial interest, it will transfer such interest only to a person that is not a U.S. Person in an offshore transaction in accordance with Regulation S or to a person who takes delivery in the form of a Restricted Secured Note (or beneficial interest therein). Beneficial interests in each Regulation S Global Secured Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg.

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

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

(iv) Owners of beneficial interests in Regulation S Global Secured Notes and Restricted Global Secured Notes will be entitled or required, as the case may be, under certain limited circumstances described below, to receive physical delivery of certificated Secured Notes ("Definitive Secured Notes") in fully registered, definitive form. No owner of a beneficial interest in a Regulation S Global Secured Note will be entitled to receive a Definitive Secured

Note unless such person provides written certification that such Definitive Secured Note is beneficially owned by a person that is not a U.S. Person and is not held for the account or benefit of a U.S. Person. No owner of a beneficial interest in a Restricted Global Secured Note will be entitled to receive a Definitive Secured Note unless such person provides written certification that such Definitive Secured Note is beneficially owned by a U.S. Person or in the United States in reliance upon an exemption from the registration requirements of the Securities Act. The Secured Notes are not issuable in bearer form.

(v) Pursuant to the Indenture, JPMorgan Chase 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 will provide for the registration of the Secured Notes and the registration of transfers of Secured Notes on behalf of the Issuer in the register maintained by it (the "Secured Note Register"). JPMorgan Chase Bank, National Association has also been appointed as a transfer agent with respect to the Secured Notes (in such capacity, the "Transfer Agent").

(vi) The Secured Notes will be issuable in a minimum denomination of U.S.\$250,000 or an integral multiple of U.S.\$1,000 in excess thereof;

(vii) After issuance, (i) a Secured Note may fail to be in compliance with the minimum denomination requirement stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments and (ii) Class C Notes, Class D Notes and Class E 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, respectively, Class C Deferred Interest, Class D Deferred Interest and Class E Deferred Interest.

Global Secured Notes

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

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

DTC, if they are participants in such system, or indirectly through organizations which are participants in such system.

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

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

Definitive Secured Notes

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

Transfer and Exchange of Secured Notes

(i) Transfers by a holder of a beneficial interest in a Regulation S Global Secured Note to a transferee who takes delivery of such interest through a Restricted Global Secured Note will be made only in accordance with the Applicable Procedures and upon receipt by the Secured Note Registrar of written certifications from the transferor of such beneficial interest in the form provided in the Indenture to the effect that, among other things, such transfer is being made (a) to a person whom the transferor reasonably believes is a Qualified Institutional Buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, (b) to a Qualified Purchaser and (c) in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and from the transferee in the form provided for in the Indenture. Exchanges or transfers by a holder of a Secured Note represented by a Definitive Secured Note to a transferee who takes delivery of such Secured Note through a Restricted Global Secured Note will be made no later than 10 days after the receipt by the Secured Note Registrar or Transfer Agent, as the case may be, of the Definitive Secured Notes to be so exchanged or transferred only in accordance with the Applicable Procedures, and, if applicable, upon receipt by the Secured Note Registrar of a written certification from the transferor in the form provided in the Indenture.

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 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".

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers determines that any beneficial owner of a Secured Note (or any interest therein) (A) is a U.S. Person and (B) is not both a Qualified Institutional Buyer and also a Qualified Purchaser, then either of the Co-Issuers may require, by notice to such Secured Noteholder, that such Secured Noteholder sell all of its right, title and interest to such Secured 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, (i) upon direction from the Collateral Manager or the Issuer, the Trustee, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Secured 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) to a person that certifies to the Trustee, the Co-Issuers and the Collateral Manager, in connection with such transfer, that such person is both a Qualified Institutional Buyer and a Qualified Purchaser and (ii) pending such transfer, no further payments will be made in respect of such Secured Note held by such beneficial owner.

(ii) Transfers by a holder of a beneficial interest in a Restricted Global Secured Note to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Secured Note will be made only (a) in accordance with the Applicable Procedures and (b) upon receipt by the Secured 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. Exchanges or transfers by a holder of a Secured Note represented by a Definitive Secured Note to a transferee who takes delivery of such Secured Note through a Regulation S Global Secured Note will be made no later than 10 days after the receipt by the Secured Note Registrar or Transfer Agent, as the case may be, of the Definitive Secured Notes to be so exchanged or transferred only in accordance with the Applicable Procedures, and upon receipt by the Secured Note Registrar of a written certification from the transferor in the form provided in the Indenture.

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

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

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

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

(vi) Definitive Secured 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 Secured Notes surrendered upon exchange or registration of transfer.

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

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

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

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

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

(xii) DTC has advised the Co-Issuers as follows: DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates.

Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("indirect participants").

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

(xiv) The Issuer may impose additional transfer restrictions to comply with the USA PATRIOT Act and any other applicable anti-money laundering laws and regulations, to the extent it is applicable to the Issuer and, in such event, each holder of Secured Notes will be required to comply with such transfer restrictions.

No Gross-Up

All payments on the Secured 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 any deduction or withholding is required, the Co-Issuers 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 or (C) if there are no Class A Notes, Class B Notes or Class C Notes outstanding, on any Class D Note or (D) if there are no Class A Notes, Class B Notes, Class C Notes or Class D Notes outstanding, on any Class E Note, when the same becomes due and payable, in each case which default continues for a period of three Business Days (or, in the case of a payment default resulting solely from an administrative error or omission by the Trustee, the Administrator, the Paying Agent or the Secured Note Registrar, such default continues for a period of seven days);

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

the Administrator, the Paying Agent or the Secured Note Registrar, such default continues for a period of seven days);

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

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

(v) a default in the performance, or breach, of any other covenant or other agreement (other than any covenant to meet the Collateral Quality Tests, the Class A Sequential Pay 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 days (or, if such default, breach or failure has an adverse effect on the validity, perfection or priority of the security interest granted under the Indenture, 15 days) after any of the Issuer, the Co-Issuer or the Collateral Manager has actual knowledge thereof or after notice thereof to the Issuer and the Collateral Manager by the Trustee or to the Issuer, the Collateral Manager and the Trustee by the holders of at least 25% in aggregate outstanding principal amount of Secured 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);

(vii) one or more final judgments being rendered against either of the Co-Issuers that exceed, in the aggregate, U.S.\$1,000,000 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, and unless (except as otherwise specified in writing by each Rating Agency) the Rating Condition shall have been satisfied; or

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

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

If an Event of Default occurs and is continuing (other than an Event of Default described in clause (vi) under "Events of Default" above), the Trustee (at the direction of a Majority of the Controlling Class) and otherwise a Majority of the Controlling Class, may declare the principal of

and accrued and unpaid interest on all of the Secured Notes to be immediately due and payable. If an Event of Default described in clause (vi) above under "Events of Default" occurs, such an acceleration will occur automatically and without any further action. Notwithstanding the foregoing, if the sole Event of Default is an Event of Default described in clause (i) or clause (ii) above under "Events of Default" with respect to a default in the payment of any principal 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. Any declaration of acceleration may under certain circumstances be rescinded by a Majority of the Controlling Class. The "Controlling Class" will be the Class A-1 Notes or, if there are no Class A-1 Notes outstanding, the Class A-2 Notes or, if there are no Class A-1 Notes or Class A-2 Notes outstanding, the Class B Notes or, if there are no Class A-1 Notes, Class A-2 Notes or Class B Notes outstanding, the Class C Notes or, if there are no Class A-1 Notes, Class A-2 Notes, Class B Notes or Class C Notes outstanding, the Class D Notes or, if there are no Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes or Class D Notes outstanding, the Class E Notes.

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 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 Secured Notes for principal and interest (including any Deferred Interest, Defaulted Interest and interest on Defaulted Interest, if any), due and unpaid administrative expenses payable under clauses (1) and (17) under "Priority of Payments—Interest Proceeds", any accrued and unpaid amounts (including termination payments) payable by the Issuer pursuant to the Hedge Agreement (other than any Subordinate Hedge Termination Payment) or any CDS Agreement (other than any Subordinate CDS Termination Payment); or

(B) (1) the holders of at least 66-2/3% in aggregate outstanding principal amount of each Class of Secured Notes, voting as a separate Class, and a Majority-in-Interest of Preference Shareholders, voting as a single class, (2) if a termination payment other than a Subordinate Hedge Termination Payment would be owing to the Hedge Counterparty upon early termination of the Hedge Agreement, the Hedge Counterparty, and (3) if a termination payment other than a Subordinate CDS Termination Payment would be owing to any CDS Counterparty upon early termination of the related CDS Agreement, any CDS Counterparty each direct the sale and liquidation of the Collateral.

A Majority 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 reasonable security or indemnity.

A Majority of the Controlling Class, acting together with the Hedge Counterparty and any CDS Counterparty, may, prior to the time a judgment or decree for the payment of money due has been obtained by the Trustee, waive any past default on behalf of the holders of all the Secured Notes and its consequences, except a default in the payment of the principal of any Secured Note or in the payment of interest (including any Defaulted Interest or interest thereon) on the Class A-1 Notes or, after the Class A-1 Notes have been paid in full, the Class A-2 Notes or, after the Class A-2 Notes have been paid in full, the Class B Notes or, after the Class B Notes have been paid in full, the Class C Notes or, after the Class C Notes have been paid in full, the Class D Notes or, after the Class D Notes have been paid in full, the Class E 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 Secured 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 Secured Note will have the right to institute any proceeding with respect to the Indenture unless (i) such holder previously has given to the Trustee written notice of an Event of Default, (ii) except in certain cases of a default in the payment of principal or interest, the holders of at least 25% in aggregate outstanding principal amount of the Secured Notes of the Controlling Class have made a written request upon the Trustee to institute such proceedings in its own name as Trustee and such holders have offered the Trustee reasonable indemnity, (iii) the Trustee has for 30 days failed to institute any such proceeding and (iv) except in certain cases of a default in the payment of principal or interest, no direction inconsistent with such written request has been given to the Trustee during such 30-day period by a Majority of the Controlling Class.

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

Notices

Notices to the Secured Noteholders will be given by first-class mail, postage prepaid, to the registered Secured Noteholders at their address appearing in the Secured Note Register. In addition, for so long as any Secured Notes are listed on the Irish Stock Exchange and the rules of such exchange so require, notice will also be given to the Company Announcements Office of the Irish Stock Exchange.

Modification of the Indenture

With the consent of (x) a Majority of each Class adversely affected thereby and a Majority-in-Interest of Preference Shareholders (if the Preference Shares are adversely affected thereby), (y) the consent of any CDS Counterparty (if adversely affected thereby) and (z) the consent of the Hedge Counterparty (if adversely affected thereby), the Trustee and Co-Issuers may enter into one or more 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 Secured Noteholders of such Class or the Preference Shares, the Hedge Counterparty or any CDS Counterparty, as the case may be, under the Indenture. Unless notified by a Majority of any Class of Secured Notes, a Majority-in-Interest of Preference Shareholders, any CDS Counterparty or the Hedge Counterparty that such Class of Secured Notes, the Preference Shares, such CDS Counterparty or the Hedge Counterparty, as the case may be, will be adversely affected, the Trustee may, consistent with the written advice of counsel, determine whether or not such Class of Secured Notes, the Preference Shares, any CDS Counterparty or the Hedge Counterparty would be adversely affected by such change (after giving notice of such change to the holders of such Class of Secured Notes, the Preference Shareholders, any CDS Counterparty and the Hedge Counterparty). Such determination shall be conclusive and binding on all present and future Secured Noteholders, Preference Shareholders, any CDS Counterparty and the Hedge Counterparty.

Notwithstanding the foregoing, the Trustee may not enter into any supplemental indenture without the consent of each holder of each outstanding Secured Note of each Class and each Preference Shareholder (which consent shall be evidenced by an officer's certificate of the Issuer certifying that such consent has been obtained), any CDS Counterparty (if adversely affected thereby) and the Hedge Counterparty (in connection with any change to the Reinvestment Criteria or the definition of "Specified Type" or otherwise if adversely affected thereby) if such supplemental indenture (i) changes the Stated Maturity of the principal of or the due date of any installment of interest on any Secured Note, reduces the principal amount thereof or the rate of interest thereon, or the redemption price with respect thereto, changes the date on which the Non-call Period expires or on which an Auction Call Redemption or Tax Redemption may occur, changes the provisions of the Indenture relating to the application of proceeds of any Collateral to the payment of principal of or interest on the Secured Notes, changes any place where, or the coin or currency in which, any Secured Note or the principal thereof or interest thereon is payable, or impairs the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the applicable redemption date), (ii) reduces the percentage in aggregate outstanding principal amount of holders of Secured Notes of each Class whose consent is required for the authorization of any supplemental indenture or for any waiver of compliance with certain provisions of the Indenture or certain defaults thereunder or their consequences, (iii) impairs or adversely affects the Collateral pledged under the Indenture except as otherwise permitted thereby, (iv) permits the creation of any lien ranking prior to or on a parity with the lien created by the Indenture with respect to any part of the Collateral or terminates such lien on any

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

The Co-Issuers and the Trustee may also enter into supplemental indentures without obtaining the consent of the Secured Noteholders, (except to the extent required by any CDS Agreement) any CDS Counterparty or (except to the extent required by the Hedge Agreement) the Hedge Counterparty in order to, among other things, (i) evidence the succession of any person to the Issuer or the Co-Issuer and the assumption by such successor of the covenants in the Indenture and the Secured Notes, (ii) add to the covenants of the Co-Issuers or the Trustee for the benefit of the holders of all of the Secured Notes or to surrender any right or power conferred upon the Co-Issuers, (iii) convey, transfer, assign, mortgage or pledge any property to or with the Trustee, (iv) evidence and provide for the acceptance of appointment by a successor trustee and to add to or change any of the provisions of the Indenture as shall be necessary to facilitate the administration of the trusts under the Indenture by more than one Trustee, (v) correct or amplify the description of any property at any time subject to the lien created by the Indenture, or to better assure, convey and confirm unto the Trustee any property subject or required to be subject to the lien created by the Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations) or to subject to the lien created by the Indenture any additional property, (vi) modify the restrictions on and procedures for resales and other transfers of the Secured Notes to reflect any changes in applicable law or regulation (or the interpretation thereof) or in accordance with the USA PATRIOT Act, the Proceeds of Criminal Conduct Law (2001 Revision) (enacted in the Cayman Islands), The Money Laundering Regulations, 2000 (of the Cayman Islands) and any other similar applicable laws or regulations or to enable the Co-Issuers to rely upon any less restrictive exemption from registration under the Securities Act or the Investment Company Act or to remove restrictions on resale and transfer to the extent not required thereunder, (vii) correct any inconsistency, defect or ambiguity in the Indenture, (viii) obtain ratings on one or more Classes or Series of the Secured Notes from any Rating Agency, (ix) make administrative changes as the Co-Issuers deem appropriate and that do not materially and adversely affect the interests of any Secured Noteholder, any CDS Counterparty or the Hedge Counterparty, (x) avoid imposition of tax on the net income of the Issuer or of withholding tax on any payment to the Issuer or the Co-Issuer or to avoid the Issuer or Co-Issuer being required to register as an investment company under the Investment Company Act, (xi) to accommodate the issuance of any Class of Secured Notes as Definitive Secured Notes or (xii) to conform to any requirement for listing the Secured Notes on any stock exchange; or, *provided that*, in each such case, such supplemental indenture would not materially and adversely affect any Secured Noteholder, any

CDS Counterparty or the Hedge Counterparty. Unless notified by holders of a Majority of any Class, a Majority-in-Interest of Preference Shareholders, any CDS Counterparty or the Hedge Counterparty that such Class, the Preference Shareholders, such CDS Counterparty or the Hedge Counterparty will be materially and adversely affected, the Trustee shall obtain, and be entitled to rely upon, an opinion of counsel as to whether the interests of any Secured Noteholder, Preference Shareholder, any CDS Counterparty or the Hedge Counterparty would be materially and adversely affected by any such supplemental indenture (after giving notice of such change to each Secured Noteholder, the Preference Share Paying Agent, such CDS Counterparty and the Hedge Counterparty). The Trustee may not enter into any supplemental indenture described in clause (vi) or (vii) of this paragraph without the written consent of the Collateral Manager. In addition, the Trustee may not enter into any supplemental indenture without the written consent of the Collateral Manager if such supplemental indenture alters the rights or obligations of the Collateral Manager in any respect, and the Collateral Manager will not be bound by any such supplemental indenture unless the Collateral Manager has consented thereto. The Trustee may not enter into any supplemental indenture unless the Rating Condition shall have been satisfied with respect to such supplemental indenture.

Modification of Certain Other Documents

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

Each of the Hedge Counterparty and any CDS Counterparty will be an express third party beneficiary of the Indenture.

Consolidation, Merger or Transfer of Assets

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

Petitions for Bankruptcy

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

Satisfaction and Discharge of Indenture

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

Trustee

JPMorgan Chase Bank, National Association will be the Trustee under the Indenture. The Co-Issuers, the Collateral Manager and their respective affiliates may maintain other banking relationships in the ordinary course of business with the Trustee. The payment of the fees and expenses of the Trustee is solely the obligation of the Co-Issuers. The Trustee and its affiliates may receive compensation in connection with the investment of trust assets in certain Eligible Investments as provided in the Indenture. Eligible Investments may include investments for which the Trustee and/or its affiliates provide services. The Indenture contains provisions for the indemnification of the Trustee for any loss, liability or expense incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture. Pursuant to the Indenture, the Issuer has granted to the Trustee a lien senior to that of the Secured Noteholders to secure payment by the Issuer of the compensation and expenses of the Trustee and any sums the Trustee may be entitled to receive as indemnification by the Issuer under the Indenture (subject to the dollar limitations set forth in the Priority of Payments with respect to any Distribution Date), which lien the Trustee is entitled to exercise only under certain circumstances. The Trustee may resign at any time by giving written notice thereof to the Co-Issuers, the Secured Noteholders, the Collateral Manager, the Hedge Counterparty, any CDS Counterparty, the Preference Share Paying Agent and each Rating Agency. The Trustee may be removed (i) at any time by a Majority of any Class of Secured Notes, (ii) at any time when an Event of Default shall have occurred and be continuing or (iii) when a successor Trustee has been appointed pursuant to the provisions set forth in the Indenture; *provided* that, no resignation or removal of the Trustee will become effective until the acceptance of appointment by a successor Trustee. 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 Secured Notes

The Issuer intends to treat the Secured Notes as indebtedness of the Issuer only for U.S. Federal, state and local income and franchise tax purposes. The Indenture will provide that each Secured Noteholder, by accepting a Secured Note, agrees to such treatment, to report all income (or loss) in accordance with such treatment and not to take any action inconsistent with such treatment unless otherwise required by any taxing authority under applicable law.

Governing Law

The Indenture, the Securities Purchase Agreement, the Collateral Administration Agreement, the Secured Notes, the Hedge Agreement, any CDS Agreement and the Collateral Management Agreement shall be construed in accordance with, and the Indenture, the Securities Purchase Agreement, the Collateral Administration Agreement, the Secured Notes, such CDS Agreement, the Hedge Agreement and the Collateral Management Agreement and all matters arising out of or relating in any way whatsoever (whether in contract, tort or otherwise) to the Indenture, the Securities Purchase Agreement, the Collateral Administration Agreement, the Secured Notes, such CDS Agreement, the Hedge Agreement and the Collateral Management Agreement shall be governed by, the law of the State of New York.

DESCRIPTION OF THE CLASS P NOTES

Overview

The Issuer will issue two Classes of Class P Notes due May 5, 2041 (the "Class P-1 Notes" and "Class P-2 Notes", and 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 be issued, though will not be capable of being traded independently and will be represented by the relevant certificates evidencing the Class P Notes.

The registered holders of Class P Notes (the "Class P Noteholders") will be treated as holders of the Preference Shares, to the extent of the applicable 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 applicable 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 Treasury Strips, the terms and conditions thereof. The 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:

(A) The Class P-1 Notes consist of (1) 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.\$621,000 upon maturity of the bond on November 5, 2020 and bearing CUSIP number " 912833LA6" (the "Class P-1 Treasury Strip") and (2) 270 Preference Shares with an aggregate liquidation preference of U.S.\$270,000 (the "Class P-1 Preference Shares").

(B) The Class P-2 Notes consist of (1) 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.\$5,226,000 upon maturity of the bond on November 5, 2015 and bearing CUSIP number " 912833JT8" (the "Class P-2 Treasury Strip" and, together with the Class P-1 Treasury Strip, the "Treasury Strips") and (2) 1,750 Preference Shares with an aggregate liquidation preference of U.S.\$1,750,000 (the "Class P-2 Preference Shares" and, together with the Class P-1 Preference Shares, the "Class P Preference Shares" and, together with the Treasury Strips, the "Class P Beneficial Assets").

Use of Proceeds

The Issuer will use the proceeds of the issuance of the Class P Notes to purchase the Treasury Strips and the Class P Preference Shares.

Rating

It is a condition to issuance of the Class P Notes that the Class P Notes be rated "Aaa" by Moody's. See "Rating of the Offered Securities".

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 applicable Class P Preference Shares, the risks of ownership of the Preference Shares and (b) with respect to the applicable Treasury Strips, the risk of ownership of such Treasury Strips. See "Risk Factors".

Transfer of Components

The Class P Beneficial Assets are not separately transferable. See "—Exchange of Class P Notes for 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.\$621,000 and the aggregate principal amount of Class P-2 Notes that may be issued under the Indenture may not exceed U.S.\$5,226,000, 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 Treasury Strips, any claims of the Class P Noteholders 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. 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.

Interest

The Class P Notes will not bear a stated rate of interest. The Class P Noteholders will be entitled to receive all proceeds received in respect of the applicable Treasury Strips and Class P Preference Shares, if, and to the extent, funds are available for such purposes as described below under "—Payments". The 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.

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.\$621,000	U.S.\$621,000, maturing November 5, 2020 CUSIP No: 912833LA6	270 Preference Shares	May 5, 2041
Class P-2 Notes	U.S.\$5,226,000	U.S.\$5,226,000, maturing November 5, 2015 CUSIP No: 912833JT8	1,750 Preference Shares	May 5, 2041

The aggregate initial principal amount of the Class P Notes of each Class is equal to the face amount of the Treasury Strip represented by the Class P Notes of such Class. On each Distribution Date, the aggregate principal amount of a Class P Note may be reduced at the option of the Class P Noteholder by the partial redemption of the applicable Treasury Strip, as described herein.

Denominations

The Class P-1 Notes will be issuable in a minimum denomination of U.S.\$621,000 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 will be issuable in a minimum denomination of U.S.\$750,000 and will be offered only 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.

Payments

The Indenture provides that on each Distribution 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 Distribution 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 Distribution Date on which any portion of a Treasury Strip is sold as described under "—Redemption of Class P Notes", the proceeds of each such sale shall be 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 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 either 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 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 Distribution Date, the Trustee shall, on the Business Day prior to such Distribution Date, sell a portion of the related 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 Treasury Strip, the Trustee shall not sell any portion of such Treasury Strip in respect of such Distribution Date. The Trustee shall, within two days after the related Distribution 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 Treasury Strip that was sold in connection with such redemption.

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

"Principal Amortization Amount" means, with respect to each of the Class P Notes, as of any Distribution Date, an amount equal to (x) the amount of distributions to be made on the Preference Shares included in the related Class P Preference Shares on such Distribution Date *divided by* (y) one *minus* the Conversion Factor with respect to such Distribution Date.

"Conversion Factor" means, with respect to each of the Class P Notes and any Distribution Date, the market price for the related Treasury Strip (as determined by the Trustee based on a quotation obtained from at least one market maker (which may be the Initial Purchaser) in such Treasury Strip, and expressed as a percentage of the amount payable at maturity on such Treasury Strip).

If the Trustee retains any portion of a Treasury Strip after the Distribution 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 Distribution Date, notify each holder of such Class P Notes who has an interest in such remaining portion of such 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 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 Treasury Strip "in kind" and such holder has not appointed a nominee permitted to hold such remaining portion of the related 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 Treasury Strip or (z) a Treasury Strip cannot (due to the minimum denomination and integral multiple requirements applicable to transfers of such Treasury Strip) be distributed to the relevant Class P Noteholders "in kind", the Trustee shall sell the remaining portion of such 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 a Treasury Strip "in kind" or the proceeds of the liquidation of the portion of a Treasury Strip shall constitute a redemption date with respect to the applicable Class P Notes.

Class P Reserve Account

On or prior to the Closing Date, JPMorgan Chase Bank, National Association shall establish a single, segregated account in the name of the Trustee for the benefit of the Class P Noteholders (the "Class P Reserve Account"), to which the Trustee shall credit on the Closing Date the Treasury Strips. The Trustee shall give to the Issuer and the Collateral Manager prompt notice if the Class P Reserve Account or any assets credited thereto shall become subject to any writ, order, judgment, warranty of attachment, execution or similar process. If invested, funds in the Class P Reserve Account will be invested in Eligible Investments. 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.

Form, Registration and Transfer

General

(i) The Class P Notes offered in the United States in reliance on Rule 144A ("Restricted Definitive Class P Notes") will be issued in the in definitive, fully-registered, certificated form, registered in the name of the beneficial owner thereof. The Restricted Definitive Class P Notes 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 Qualified Institutional Buyers in reliance on an exemption from registration under the Securities Act provided by Rule 144A thereunder or Institutional Accredited Investors in accordance with another exemption from the registration requirements of the Securities Act who, in each case, are also Qualified Purchasers. 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."

(ii) Class P Notes sold outside the United States will be sold to persons that are not U.S. Persons in offshore transactions in accordance with Regulation S, will be represented by one or more permanent global Class P Notes ("Regulation S Global Class P 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, initially for the accounts of Euroclear and Clearstream, Luxembourg. By acquisition of a beneficial interest in a Regulation S Global Class P Note, any purchaser thereof will be deemed to represent that (a) it is not a U.S. Person and is purchasing such beneficial interest for its own account and not for the account or benefit of a U.S. Person and (b) if in the future it decides to transfer such beneficial interest, it will transfer such interest only to a person that is not a U.S. Person in an offshore transaction in accordance with Regulation S or to a person who takes delivery in the form of a Restricted Definitive Class Note. Beneficial interests in each Regulation S Global Class P Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg. In addition, no beneficial owner of an interest in a Regulation S Global Class P Note will be able to exchange or transfer that interest, except in accordance with the applicable procedures of the depository and (in the case of a Regulation S Global Class P Note) Euroclear or Clearstream, Luxembourg (in addition to those under the Indenture), in each case to the extent applicable (the "Applicable Procedures").

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

(iv) 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, together with the Restricted Definitive Class P Notes, the "Definitive Class P Notes". The Regulation S Global Class P Notes and Regulation S Definitive Class P Notes are referred to herein as "Regulation S Class P Notes")

(v) Pursuant to the Indenture, JPMorgan Chase Bank, National Association has been appointed and will serve as the registrar with respect to the Class P Notes (in such capacity, the "Class P Note Registrar" and together with the Secured Note Registrar, the "Note Registrars") and will provide for the registration of the Class P Notes and the registration of transfers of Class P Notes on behalf of the Issuer in the register maintained by it (the "Class P Note Register" and together with the Secured Note Registrar, the "Note Registers"). JPMorgan Chase Bank, National Association has also been appointed as a transfer agent with respect to the Secured Notes and Class P Notes (in such capacity, the "Transfer Agent").

Restricted Definitive Class P Notes

Subject to the restrictions on transfer set forth in the Indenture and the Class P Notes, Class P Noteholders holding 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 Class P Noteholder in person, or by a duly authorized attorney in fact.

Definitive Class P Notes

Interests in a Regulation S Global Class P Note will be exchangeable or transferable, as the case may be, for a Regulation S Definitive Class P Note if (a) DTC notifies the Issuer that it is unwilling or unable to continue as depository for such Regulation S Global Class P Note, (b) DTC ceases to be a "Clearing Agency" registered under the Exchange Act, and a successor depository is not appointed by the Issuer within 90 days, (c) the transferee of an interest in such Regulation S Global Class P Note is required by law to take physical delivery of securities in definitive form or (d) the transferee is otherwise unable to pledge its interest in a Regulation S Global Class P Note. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause Regulation S Definitive Class P Notes bearing an appropriate legend (a "Legend") regarding restrictions on transfer to be delivered. Upon the transfer, exchange or replacement of Regulation S Definitive Class P Notes bearing a Legend, or upon specific request for removal of a Legend on a certificate representing the Class P Notes, the Issuer shall deliver through the Trustee or any Paying Agent to the holder and the transferee, as applicable, one or more Regulation S Definitive Class P Note corresponding to the aggregate outstanding amount of Class P Notes surrendered for transfer, exchange or replacement that bear such Legend, or will refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of U.S. counsel, as may reasonably be required by the Issuer that neither the Legend nor the restrictions on transfer set forth therein is required to ensure compliance with the provisions of the Securities Act or the Investment Company Act. Regulation S Definitive Class P Notes will be exchangeable or transferable for interests in other Definitive Class P Notes as described below.

Transfer and Exchange of Class P Notes

(a) Regulation S Global Class P Notes to Restricted Definitive 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 Definitive Class P Note will be made (a) in the case of a transfer by a holder of a beneficial interest in a Regulation S Global Class P Note, 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) (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, (y) an Institutional Accredited Investor entitled to take delivery of such Restricted Definitive Class P Note pursuant to another exemption from the registration requirements of the Securities Act (subject, in the case of clauses (y) and (z), to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) or (z) in the case of sales by the

Issuer or transfers by the Initial Purchaser, an Accredited Investor entitled to take delivery of such Restricted Definitive Class P Note pursuant to another exemption from 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.

(b) 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. In addition, each transferee acquiring an interest in Regulation S Global Class P Note will be required to execute and deliver to the Issuer, the Trustee and the Collateral Manager a letter in the form attached as an exhibit to the Indenture to the effect that such transferee will not transfer such interest except in compliance with the transfer restrictions set forth in the Indenture (including the requirement that any subsequent transferee execute and deliver such letter as a condition to any subsequent transfer).

(c) Restricted Definitive Class P Notes to Regulation S Global Class P Notes. Transfers or exchanges by a holder of a Restricted Definitive 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.

(d) Restricted Definitive Class P Note to Restricted Definitive Class P Note. Class P-1 Notes in the form of Restricted Definitive Class P Notes may be exchanged or transferred in whole or in part in an aggregate principal amount not less than U.S.\$621,000 (in the case of the Class P-1 Notes) and U.S.\$750,000 (in the case of the Class P-2 Notes) by surrendering such Restricted Definitive 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 Definitive Class P Notes, the transferor will be entitled to receive new Restricted Definitive Class P Notes representing the number of Class P Notes retained by the transferor after giving effect to such transfer. Restricted Definitive 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 Definitive 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 Definitive Class P Notes surrendered upon exchange or registration of transfer. No

Restricted Definitive Class P Note may be transferred to a Benefit Plan Investor or a Controlling Person.

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

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

(g) The laws of some states require that certain persons take physical delivery of securities in definitive form. Consequently, any transfer of beneficial interests in Regulation S Global Class P Notes to such persons may require that such interests in Regulation S Global Class P Notes be exchanged for Definitive Class P Notes. Because DTC can only act on behalf of Participants, which in turn act on behalf of indirect Participants and certain banks, the ability of a person having a beneficial interest in Regulation S Global Class P Notes 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 Regulation S Global Class P Notes be exchanged for Definitive Class P Notes. Interests in a Regulation S Global Class P Notes will be exchangeable for Definitive Class P Notes only as described above.

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

(i) Because of time zone differences, cash received by Euroclear or Clearstream, Luxembourg as a result of sales of interests in Regulation S Global Class P Notes by or through

a Euroclear or Clearstream, Luxembourg participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day following settlement in DTC.

(j) DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Class P Notes (or any interest therein) (including, without limitation, the presentation of Class P Notes for exchange as described above) only at the direction of one or more Participants to whose account with DTC interests in the Regulation S Global Class P Notes are credited and only in respect of the aggregate outstanding principal amount of the Class P Notes as to which such Participant or Participants has or have given such direction.

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

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

(m) If, notwithstanding the foregoing restrictions, the Issuer determines that any beneficial owner of Class P Notes (or any interest therein) (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 (1) a Qualified Institutional Buyer or an Institutional Accredited Investor (or an Accredited Investor that purchased such Class P Note or any interest therein directly from the Initial Purchaser) and (2) a Qualified Purchaser, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Class P Notes to a person that is (1) a Qualified Institutional Buyer or an Institutional 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 beneficial owner fails to effect the transfer required within such 30-day period, (l) upon direction from the Collateral Manager or the Issuer, the Class P Note Registrar, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in Class P Notes 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) to a person that certifies to the Trustee, Class P Note Registrar, the Issuer and the Collateral Manager, in connection with such transfer, that such person is (x) a Qualified Institutional Buyer or an Institutional Accredited

Investor and (y) a Qualified Purchaser and (II) pending such transfer, no further payments will be made in respect of the Class P Notes held by such beneficial owner.

(n) No transfer of Class P Notes will be effective, and neither the Issuer nor the Class P Note Registrar will recognize any such transfer if the transferee is a Benefit Plan Investor or Controlling Person.

(o) The Class P Note Registrar will effect exchanges and transfers of Class P Notes. In addition, the Class P Note Registrar will keep in the Class P Note Register records of the ownership, exchange and transfer of the Class P Notes.

(p) The Class P Notes will bear the applicable legends regarding the restrictions set forth herein under "Transfer Restrictions".

(q) No service charge will be made for exchange or registration of transfer of any Class P Note but the Class P Note Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith and expenses of delivery (if any) not made by regular mail. See "Transfer Restrictions".

(r) The Issuer may impose additional transfer restrictions to comply with the USA PATRIOT Act and any other applicable anti-money laundering laws and regulations, to the extent it is applicable to the Issuer and, in such event, Class P Noteholder will be required to comply with such transfer restrictions.

Exchange of Class P Notes for Treasury Strips and Preference Shares

The components of the Class P Beneficial Assets are not separately transferable. However, pursuant to the Indenture, a Class P Noteholder may exchange such Class P Notes for its ratable share of the Class P Preference Shares and the 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 Class P Noteholder shall receive its ratable share of (1) the Preference Shares 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 Class P Noteholder has delivered to the Trustee and to the Preference Share Paying Agent a certificate in the form attached as an exhibit to the Indenture and such other 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 Class P Noteholder's name on the Preference Share Register.

A Preference Shareholder (including a Preference Shareholder 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 Class P Noteholders will be given by first class mail, postage prepaid, to the registered Class P Noteholders 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 direct ownership of the underlying Class P Preference Shares and 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 unless otherwise required by any taxing authority under applicable law.

No Gross-Up

All payments made by the Issuer under the Class P 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.

Investor Application Forms

Each Original Purchaser of Class P Notes will be required to complete an Investor Application Form. See "Transfer Restrictions."

Listing

The Class P Notes will not be listed on any stock exchange.

DESCRIPTION OF THE PREFERENCE SHARES

The Preference Shares will be issued pursuant to the Preference Share Paying Agency Agreement dated as of June 30, 2005 (the "Preference Share Paying Agency Agreement") between JPMorgan Chase Bank, National Association, as Preference Share Paying Agent (in such capacity, the "Preference Share Paying Agent ") and the Issuer, and will be subject to the Investor Application Forms. Application will be made to the Channel Islands Stock Exchange for the Preference Shares to be listed thereon. 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. The following summary describes certain provisions of the Preference Shares, 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 Preference Share Paying Agency Agreement and the Investor Application Forms. After the closing, copies of the Preference Share Paying Agency Agreement and the form of Investor Application Form may be obtained by prospective investors upon request in writing to the Preference Share Paying Agent at 600 Travis Street, 50th Floor, JPMorgan Chase Tower, Houston, Texas 77002 Attention: Worldwide Securities Services – Independence VI CDO, Ltd.

Status

The Issuer is authorized to issue 38,300 Preference Shares, par value U.S.\$0.01 per share, at an issue price of U.S.\$ 1,000 per share, having an aggregate liquidation preference of U.S.\$38,300,000. The Preference Shares are participating shares in the capital of the Issuer and will rank *pari passu* with respect to distributions.

Rating

It is a condition to issuance of the Preference Shares that the Preference Shares be rated "Ba2" by Moody's. See "Rating of the Offered Securities".

Distributions

Until the Secured Notes and certain other amounts are paid in full, 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 Secured Notes and, in certain circumstances, principal due in respect of the Secured Notes and the payment of certain other amounts in accordance with the Priority of Payments. Any Interest Proceeds permitted to be released from the lien of the Indenture and paid to the Preference Share Paying Agent will be distributed to the Preference Shareholders on each Distribution Date. Until the Secured 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 Secured Notes—Priority of Payments—Interest Proceeds" and "—Principal Proceeds" 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 Secured Notes and certain other amounts have been paid in full, Interest Proceeds and Principal Proceeds remaining after all other applications under the Priority of Payments will be released from the lien of the Indenture in accordance with the Priority of Payments and paid to the Preference Share Paying Agent on

each Distribution Date for distribution to the Preference Shareholders on such Distribution Date. Cayman Islands law provides that dividends may only be paid by the Issuer if the Issuer has funds lawfully available for such purpose. Dividends may be paid out of profit and out of the Issuer's share premium account (which includes subscription monies in excess of the par value of each share); and the Issuer may pay dividends out of share premium; *provided* that the Issuer is solvent.

Distributions on any Preference Share will be made to the person in whose name such Preference Share is registered on the date which is 15 days prior to the applicable Distribution Date (the "Record Date"). Payments will be made by wire transfer in immediately available funds to a Dollar account maintained by the holder thereof appearing in the Preference Share Register in accordance with wire transfer instructions received from such holder by the Preference Share Paying Agent on or before the Record Date or, if no wire transfer instructions are received by the Preference Share Paying Agent, by a Dollar check drawn on a bank in the United States. Final distributions or payments made in the course of a winding up will be made only against surrender of the certificate representing such Preference Shares at the office of the Preference Share Registrar.

If any of the Coverage Tests is not satisfied on any Determination Date related to any Distribution Date, funds that would otherwise be distributed to Preference Shareholders (subject to the payment of certain other amounts prior thereto) will be used instead to repay principal of the Secured 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 of Moody's and Standard & Poor's by the 10th day following the Ramp-Up Completion Date, Interest Proceeds remaining after payment of interest on the Class B Notes will be used to repay the principal of *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes (including any Class C Deferred Interest), *fifth*, the Class D Notes (including any Class D Deferred Interest) and *sixth*, Class E Notes (including any Class E Deferred Interest) to the extent necessary to obtain a Rating Confirmation from each of Moody's and Standard & Poor's. See "Description of the Secured Notes—Priority of Payments".

Optional Redemption of the Preference Shares

On any Distribution Date on or after the Distribution Date on which the Secured Notes have been paid in full, the Preference Shares may be redeemed (in whole but not in part) at the direction of a Majority-in-Interest of Preference Shareholders given not less than 45 days notice prior to such Distribution Date at a redemption price per share equal to (a) the proceeds from the liquidation of the assets of the Issuer minus the sum of (i) the costs and expenses of such liquidation, (ii) any amounts payable to the creditors of the Issuer, (iii) the amount required to establish adequate reserves to meet all contingent, unliquidated liabilities or obligations of the Issuer and (iv) a payment to the holders of the ordinary shares of the Issuer of an amount equal to U.S.\$1.00 per share divided by (b) the number of Preference Shares.

Class P Preference Shares

All provisions in this Offering Circular relating to rights of the Preference Shareholders shall be equally applicable to the Class P Noteholders to the extent of their ownership of the Class P Preference Shares.

The Issuer Charter

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

Notices

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

Voting Rights

Set forth below is a summary of certain matters with respect to which Preference Shareholders are entitled to vote. This summary is not meant to be an exhaustive list, and, subject to 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.

Redemption of the Secured Notes: On any Distribution Date occurring on the last day of, or after, the Substitution Period, the Secured Notes may, subject to satisfaction of certain conditions described herein, be redeemed (in whole but not in part) at the direction of a Majority-in-Interest of Preference Shareholders, as described under "Description of the Secured Notes—Optional Redemption and Tax Redemption".

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

The Hedge Agreement: Subject to satisfaction of the Rating Condition with respect to such reduction, the Issuer may, on any Distribution Date, reduce the notional amount of any interest rate swap or cap outstanding under the Hedge Agreement. In the event of any such reduction, the Hedge Counterparty or the Issuer may be required to make a termination payment in respect of such reduction to the other party.

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 Secured 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 Distribution Date (including by amending any provision of the Priority of Payments or the manner in which principal of and interest on any Class of Secured Notes is calculated); (ii) extending the Stated Maturity of any Class of Secured 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 Secured Notes may be redeemed; (iv) impairing

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

Preference Share Paying Agency Agreement: The Issuer is not permitted to consent to any amendment of the Preference Share Paying Agency Agreement without the consent of all 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.

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

Modification of the Issuer Charter

As a general matter of Cayman Islands law, the Issuer Charter may be amended at any time by the holders of at least 66-2/3% of the Preference Shares then outstanding. However, each initial purchaser of Preference Shares will be required to represent and agree in an Investor Application Form for Preference Shares (and each transferee of Preference Shares will be required to covenant in a transfer certificate) that any modification of the Issuer Charter will require the affirmative vote of 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 Secured Notes, upon the determination of the holders of the ordinary shares to dissolve the Issuer, (ii) at any time after the sale or other disposition of all of the Issuer's assets, upon the determination of the holders of the ordinary shares to dissolve the Issuer, (iii) at any time after the Secured Notes are paid in full, upon the determination of the holders of the ordinary shares 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 Secured 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 Secured 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 an order for the winding-up 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 preference of the Preference Shares;
- (5) *fifth*, to pay the holders of the ordinary shares the nominal amount paid up thereon and the sum of U.S.\$1.00 per ordinary share; and
- (6) *sixth*, to pay to the Preference Shareholders the balance remaining.

Consolidation, Merger or Transfer of Assets

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

Petitions for Bankruptcy

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

Governing Law

The Preference Share Paying Agency Agreement and the Investor Application Forms shall be construed in accordance with, and the Preference Share Paying Agency Agreement and the Investor Application Forms and all matters arising out of or relating in any way

whatsoever (whether in contract, tort or otherwise) to the Preference Share Paying Agency Agreement and the Investor Application Forms shall be governed by, the law of the State of New York. The Preference Shares will be governed by, and construed in accordance with, the law of the Cayman Islands.

Certain Definitions

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

"Majority-in-Interest of Preference Shareholders" means, at any time, Preference Shareholders whose aggregate Voting Percentages at such time exceed 50% of all Preference Shareholders' Voting Percentages at such time.

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

"Voting Percentage" of a Preference Shareholder at any time means a percentage equal to the number of Preference Shares held by such Preference Shareholder at such time divided by the aggregate number of Preference Shares held by all Preference Shareholders at such time.

Form, Registration and Transfer

General

(i) The Preference Shares offered in the United States in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act will be issued in definitive, fully registered, certificated form ("Restricted Preference Shares"), registered in the name of the beneficial owner thereof. Each Original Purchaser of a Restricted Preference Share offered by the Issuer in the U.S. will be required to represent in an Investor Application Form that it is both an Accredited Investor and a Qualified Purchaser acquiring the Restricted Preference Shares for its own account for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A).

(ii) (a) Preference Shares offered by the Issuer to persons that are not U.S. Persons outside the United States ("Regulation S Preference Shares") will initially be represented by one or more permanent global certificates ("Regulation S Global Preference Shares") in definitive, fully registered form, and deposited with the Trustee as custodian for, and registered in the name of, The Depository Trust Company ("DTC") or its nominee, initially for the accounts of Euroclear and Clearstream, Luxembourg. By acquisition of a Regulation S Preference Share, any purchaser thereof will be required to represent in a transfer certificate (in the case of the Definitive Preference Shares) or be deemed to represent (in the case of the Regulation S Global Preference Shares) that (a) it is not a U.S. Person and is purchasing such Regulation S Preference Share for its own account and not for the account or benefit of a U.S. Person and (b) if in the future it decides to transfer such Regulation S Preference Share, it will transfer such Regulation S Preference Share to a person that is not a U.S. Person only in an offshore transaction in accordance with Regulation S or to a person who takes delivery in the form of a Restricted Preference Share. Beneficial interests in each Regulation S Global Preference Share will be shown on, and transfers thereof will be effected only through, records maintained

by DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg.

(b) Owners of beneficial interests in Regulation S Global Preference Shares will be entitled or required under certain limited circumstances described below, to receive physical delivery of certificated Preference Shares in fully registered, definitive form ("Definitive Preference Shares") in. No owner of a beneficial interest in a Regulation S Global Preference Share will be entitled to receive a Definitive Preference Share unless such person provides written certification that such Definitive Preference Share 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. The Preference Shares are not issuable in bearer form.

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

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

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

(f) With respect to the Regulation S Global Preference Shares, the Issuer expects that the depository for any Regulation S Global Preference Share or its nominee, upon receipt of any distribution on such Regulation S Global Preference Share, will

immediately credit the accounts of Participants with payments in amounts proportionate to their respective beneficial interests in the number of such Regulation S Global Preference Share as shown on the records of the depository or its nominee. The Issuer also expects that payments by Participants to owners of beneficial interests in Regulation S Global Preference Shares 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.

(g) JPMorgan Chase Bank, National Association has been appointed the transfer agent with respect to the Preference Shares (the "Preference Share Transfer Agent").

(iii) The Preference Shares are subject to the restrictions on transfer set forth in this Offering Circular under "Transfer Restrictions". Preference Shares may not be transferred if, after giving effect to such transfer, the transferee (or, if the transferor retains any Preference Shares, the transferor) would own less than 250 Preference Shares; *provided* that the Preference Shares may be sold to limited investors in minimum trading lots of 200 Preference Shares.

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

(v) Pursuant to the Preference Share Paying Agency Agreement, Walkers SPV Limited (on behalf of the Issuer) has been appointed and will serve as the registrar with respect to the Preference Shares (in such capacity, the "Preference Share Registrar") and will provide for the registration of Preference Shares and the registration of transfers of Preference Shares in the register maintained by it (the "Preference Share Register") on behalf of the Issuer. Written instruments of transfer are available at the office of the Preference Share Registrar.

(vi) The Issuer will issue 38,300 Preference Shares with an aggregate liquidation preference of U.S.\$38,300,000.

Definitive Preference Shares

Interests in a Regulation S Preference Share represented by a Regulation S Global Preference Share will be exchangeable or transferable, as the case may be, for a Definitive Preference Share if (a) DTC notifies the Issuer that it is unwilling or unable to continue as depository for such Regulation S Global Preference Share, (b) DTC ceases to be a "Clearing Agency" registered under the Exchange Act, and a successor depository is not appointed by the Issuer within 90 days, (c) the transferee of an interest in such Regulation S Global Preference Share is required by law to take physical delivery of securities in definitive form or (d) the transferee is otherwise unable to pledge its interest in a Regulation S Global Preference Share. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause Definitive Preference Shares bearing an appropriate legend (a "Legend") regarding restrictions on transfer to be delivered. Upon the transfer, exchange or replacement of Definitive Preference Shares bearing a Legend, or upon specific request for removal of a Legend on a certificate representing the Preference Shares, the Issuer shall deliver through the Preference Share Paying Agent or any Paying Agent to the holder and the transferee, as applicable, one or more Definitive Preference Shares corresponding to the number of Preference Shares surrendered for transfer, exchange or replacement that bear such Legend, or will refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of U.S. counsel, as may

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

Transfer and Exchange

- (i) (a) Transfers by a holder of a beneficial interest in a Regulation S Global Preference Share to a transferee who takes delivery of such interest through a Restricted Preference Share will be made only in accordance with the Applicable Procedures and upon receipt by the Preference Share Registrar of written certifications (1) from the transferor 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 (x) to a person whom the transferor reasonably believes is a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A or (y) to an Institutional Accredited Investor in accordance with another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act), and in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and (2) from the transferee of such beneficial interest in the form provided for in the Preference Share Paying Agency Agreement to the effect that, among other things, the transferee (w) is either a Qualified Institutional Buyer or an Institutional Accredited Investor, (x) is either a Qualified Purchaser or is not a U.S. Person and (y) is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle).

The holder of a beneficial interest in a Regulation S Global Preference Share may transfer such interest to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Preference Share without the provision of written certification. Any such transfer may only be made to a person that is not a U.S. Person and that is not acquiring such beneficial interest for the account or benefit of a U.S. Person and any such transfer may only be effected in an offshore transaction in accordance with Regulation S and only in accordance with the Applicable Procedures. Any such transferee must be able to make the representations set forth under "Transfer Restrictions", including the representation that it is not a Benefit Plan Investor or a Controlling Person. In addition, each transferee acquiring an interest in Regulation S Global Preference Shares will be required to execute and deliver to the Issuer, the Preference Share Paying Agent and the Collateral Manager a letter in the form attached as an exhibit to the Preference Share Paying Agency Agreement to the effect that such transferee will not transfer such interest except in compliance with the transfer restrictions set forth in the Preference Share Paying Agency Agreement (including the requirement that any subsequent transferee execute and deliver such letter as a condition to any subsequent transfer).

- (b) Transfers by a holder of a Restricted Preference Share to a transferee who takes delivery 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, (b) upon receipt by the Issuer, the Collateral Manager and the Preference Share Registrar of written

certification from each of the transferor and the transferee in the form provided in the Preference Share Paying Agency Agreement to the effect that, among other things, (i) 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 and (ii) from the transferee only, it is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle). Exchanges or transfers by a holder of a Definitive Preference Share to a transferee who takes delivery of such Preference Share through a Regulation S Global Preference Share will be made no later than 10 days after the receipt by the Preference Share Registrar or Transfer Agent, as the case may be, of the Definitive Preference Shares to be so exchanged or transferred only in accordance with the Applicable Procedures, and, if applicable, upon receipt by the Preference Share Registrar of a written certification from the transferor in the form provided in the Preference Share Paying Agency Agreement. In addition, each transferee acquiring an interest in Regulation S Global Preference Shares will be required to execute and deliver to the Issuer, the Preference Share Paying Agent and the Collateral Manager a letter in the form attached as an exhibit to the Preference Share Paying Agency Agreement to the effect that such transferee will not transfer such interest except in compliance with the transfer restrictions set forth in the Preference Share Paying Agency Agreement (including the requirement that any subsequent transferee execute and deliver such letter as a condition to any subsequent transfer).

Transfers by a holder of a Restricted Preference Share to a transferee who takes delivery of a Restricted Preference Share will be made only upon receipt by the Preference Share Registrar of written certifications from (1) the transferor in the form provided in the Preference Share Paying Agency Agreement to the effect that, among other things, such transfer is being made (i) to a person whom the transferor reasonably believes is a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A or (ii) to an Institutional Accredited Investor in accordance with another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act), in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and (2) the transferee in the form provided for in the Preference Share Paying Agency Agreement to the effect that, among other things, the transferee (w) is either a Qualified Institutional Buyer or an Institutional Accredited Investor, (x) is either a Qualified Purchaser or is not a U.S. Person and (y) is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle).

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

(d) Definitive Preference Shares and Restricted Preference Shares may be exchanged or transferred in whole or in part in the principal amount of authorized

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

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

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

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

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

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

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

(ii) If, notwithstanding the foregoing restrictions, the Issuer determines that any beneficial owner of Preference Shares (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 (1) a Qualified Institutional Buyer or an Institutional Accredited Investor (or an Accredited Investor that purchased such Preference Shares or any interest therein directly from the Initial Purchaser) and (2) a Qualified Purchaser, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Preference Shares to a person that is (1) a Qualified Institutional Buyer or an Institutional 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 beneficial owner fails to effect the transfer required within such 30-day period, (l) upon direction from the Collateral Manager or the Issuer, the Preference Share Registrar, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Preference Shares to be transferred in a commercially reasonable sale (conducted by the Preference Share Paying Agent 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) to a person

that certifies to the Preference Share Paying Agent, Preference Share Registrar, the Issuer and the Collateral Manager, in connection with such transfer, that such person is (x) a Qualified Institutional Buyer or an Institutional Accredited Investor and (y) a Qualified Purchaser and (II) pending such transfer, no further payments will be made in respect of the Preference Shares held by such beneficial owner.

(iii) No transfer of Preference Shares will be effective, and neither the Issuer nor the Preference Share Registrar will recognize any such transfer if the transferee is a Benefit Plan Investor or Controlling Person.

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

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

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

(vii) The Issuer may impose additional transfer restrictions to comply with the USA PATRIOT Act and any other applicable anti-money laundering laws and regulations, to the extent it is applicable to the Issuer and, in such event, Preference Shareholder will be required to comply with such transfer restrictions.

No Gross-Up

All distributions 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 to pay any such withholding taxes to the relevant taxing authority, but it will not be obligated to pay any additional amounts in respect of such withholding or deduction.

Tax Characterization

The Issuer intends to treat the Preference Shares (including the Class P Preference Shares) as equity interests in the Issuer for U.S. Federal, state and local income and franchise tax purposes. The Indenture will provide that each Preference Shareholder, by accepting a Preference Share, agrees to such treatment, to report all income (or loss) in accordance with such treatment, and not to take any action inconsistent with such treatment unless otherwise required by any tax authority under applicable law.

USE OF PROCEEDS

The gross proceeds received from the issuance and sale of the Secured Notes and Preference Shares on the Closing Date will be approximately U.S.\$956,000,000. The net proceeds from the issuance and sale of the Offered Securities, together with any upfront payment made to the Issuer under the Hedge Agreement, are expected to be approximately U.S.\$948,500,000 which reflects the payment from such gross proceeds of organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser and the Collateral Manager), the expenses of offering the Offered Securities (including any fees payable to the Initial Purchaser in connection with the offering of the Offered Securities), the initial deposit into the Interest Reserve Account of U.S.\$500,000 and the initial deposit into the Expense Account of U.S.\$100,000. Such net proceeds will be used by the Issuer to purchase a diversified portfolio of interests in (a) Asset-Backed Securities (including CDO Securities) and (b) Synthetic Securities that, in each case, satisfy the investment criteria described herein. On the Closing Date, the Issuer will have purchased (or entered into agreements to purchase for settlement following the Closing Date) Collateral Debt Securities having an aggregate par or notional amount of not less than 90% of the sum of the Aggregate Ramp-Up Par Amount. Net proceeds from the issuance of the Class P Notes will be used by the Issuer to purchase the Treasury Strips and Class P Preference Shares on the Closing Date. The Issuer expects that, no later than the 120th day following the Closing Date (the "Ramp-Up Completion Date"), it will have purchased Collateral Debt Securities having an aggregate par or notional amount of at least U.S.\$950,000,000 (the "Aggregate Ramp-Up Par Amount"). Any such proceeds not invested in Collateral Debt Securities or deposited into the Expense Account will be deposited by the Trustee in the Uninvested Proceeds Account and invested in Eligible Investments pending the use of such proceeds for the purchase of Collateral Debt Securities, as described herein, and, in certain limited circumstances described herein, for the payment of the Secured Notes. See "Security for the Secured Notes".

RATING OF THE OFFERED SECURITIES

It is a condition to the issuance of the Secured Notes that the Class A--1 Notes and the Class A-2 Notes be rated "Aaa" by Moody's Investors Service, Inc. ("Moody's"), "AAA" by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), and "AAA" by Fitch, Inc ("Fitch", and together with Moody's and Standard & Poor's, the "Rating Agencies"), that the Class B Notes be rated "Aa2" by Moody's, "AA" by Standard & Poor's and "AA" by Fitch, that the Class C Notes be rated "A2" by Moody's, "A" by Standard & Poor's and "A" by Fitch, that the Class D Notes be rated "Baa2" by Moody's, "BBB" by Standard & Poor's and "BBB" by Fitch and that the Class E Notes be rated "Baa3" by Moody's, "BBB-" by Standard & Poor's and "BBB-" by Fitch. The Class P Notes will be rated "Aaa" by Moody's and the Preference Shares will be rated "Ba2" by Moody's. The ratings of the Class A-1 Notes, the Class A-2 Notes and the Class B Notes address the ultimate payment of principal of and the timely payment of interest on such Notes. The ratings of the Class C Notes, the Class D Notes and the Class E Notes address the ultimate payment of principal of and interest on such Notes. The rating assigned to the Class P Notes (a) addresses only the ultimate receipt of the initial Class P Note Rated Balance, (b) will not at any time address the timely receipt of any payments, including payments on redemption or repurchase of the Class P Notes or any other distributions thereon and (c) will be monitored by Moody's on an ongoing basis. The rating assigned to the Class P Notes by Moody's will be withdrawn after the Class P Note Rated Balance is reduced to zero.

The "Class P Note Rated Balance" means an amount equal to (a) on the Closing Date, the initial principal amount of the Class P Notes and (b) on any Distribution Date, the Class P Note Rated Balance on the immediately preceding Distribution Date (or, with respect to the first Distribution Date, on the Closing Date), decreased by the aggregate amount of all cash distributions in respect of the underlying Class P Preference Shares and Treasury Strips distributed to the Class P Noteholders on such current Distribution Date.

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

The "Preference Share Rated Balance" means an amount equal to (a) on the Closing Date, the aggregate liquidation preference of the Preference Shares and (b) on any Distribution Date, the Preference Share Rated Balance on the immediately preceding Distribution Date (or, with respect to the first Distribution Date, on the Closing Date), decreased by the aggregate amount of all cash distributions in respect of the Preference Shares payable to the Preference Share Paying Agent for distribution to the Preference Shareholders on such current Distribution Date.

The Co-Issuers will request that each of Moody's and Standard & Poor's confirm, no later than 30 days after receiving a Ramp-Up Notice, that such Rating Agency has not reduced or withdrawn the rating (including shadow, private or confidential ratings, if any) assigned by it on the Closing Date, if any, to the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes (a "Rating Confirmation"). In the event of a Rating Confirmation Failure, the Issuer will prepay principal of the Secured Notes as and to the extent necessary for each of Moody's and Standard & Poor's to confirm the rating

assigned by it on the Closing Date, if any, to each Class of Secured Notes. See "Description of the Secured Notes—Mandatory Redemption" and "—Priority of Payments".

To the extent required by applicable stock exchange rules, the Co-Issuers will inform any such exchange on which any of the Secured Notes are listed if any rating assigned by any Rating Agency to such Secured Notes is reduced or withdrawn.

MATURITY, PREPAYMENT AND YIELD CONSIDERATIONS

The Stated Maturity of the Secured Notes is May 5, 2041. 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. Based on the portfolio of Collateral Debt Securities that the Collateral Manager expects the Issuer to purchase by the 120th day following the Closing Date, 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 Distribution Date occurring in August 2013, (d) LIBOR for each future Interest Period equals the rate for such Interest Period based on the zero coupon swap curve with such rate initially to be equal to approximately 3.50%, and (e) (i) the average life of the Class A-1 Notes would be approximately 5.6 years from the Closing Date, (ii) the average life of the Class A-2 Notes would be approximately 5.9 years from the Closing Date, (iii) the average life of the Class B Notes would be approximately 5.9 years from the Closing Date, (iv) the average life of the Class C Notes would be approximately 5.9 years from the Closing Date, (v) the average life of the Class D Notes would be approximately 5.9 years from the Closing Date, (vi) the average life of the Class E Notes would be approximately 5.9 years from the Closing Date and (vii) the Macaulay duration of the Preference Shares would be approximately 4.2 years. Such average lives of the Secured Notes and the Macaulay duration of the Preference Shares are presented for illustrative purposes only. Although the Collateral Manager prepared the list identifying the portfolio of Collateral Debt Securities that it expects the Issuer to purchase by the 120th day following the Closing Date based upon its experience and expertise as a manager of Asset-Backed Securities, the assumed identity of the portfolio purchased by the Issuer and the other assumptions used to calculate such average lives of the Secured 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 Substitution Period, 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 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 Secured Notes and the Macaulay duration of the Preference Shares and, accordingly, their own evaluation of the merits and risks of an investment in the Secured 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" refers to the weighted average term-to-maturity (expressed in years) of the cashflows 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 Secured 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 and registered on May 13, 2004 in the Cayman Islands pursuant to the Issuer Charter and is in good standing under the laws of the Cayman Islands, with the registered number 135762. The registered office of the Issuer is at the offices of Walkers SPV Limited, Walker House, 908GT, 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 Secured Notes and the Issuer's obligations to the Trustee.

Article 3 of the Issuer Charter sets out the objects of the Issuer, which include the business to be carried out by the Issuer in connection with the issuance of the Notes. The authorized share capital of the Issuer will consist of 1,000 ordinary shares, par value U.S.\$1.00 per share (which will be held in trust for charitable purposes by Walkers SPV Limited in the Cayman Islands (the "Share Trustee") under the terms of a declaration of trust) and 38,300 Preference Shares each with a par value of U.S.\$0.01 and having a liquidation preference of U.S.\$1,000 per share.

The Co-Issuer was incorporated on June 13, 2005 under the laws of the State of Delaware with the registered number 3984254, and its registered office is c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE 19808. The Third Article of the Co-Issuer's Certificate of Incorporation sets out the objects of the Co-Issuer, which include the business to be carried out by the Co-Issuer in connection with the issuance of the Secured Notes. The sole director and officer of the Co-Issuer is Donald J. Puglisi and he may be contacted at the registered office of the Co-Issuer. 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 Secured Notes. The Co-Issuer will not have any interest in the Collateral Debt Securities or other assets held by the Issuer.

The Secured Notes are obligations only of the Co-Issuers, the Class P Notes and the Preference Shares are obligations only of the Issuer, and none of the Offered Securities are obligations of the Trustee, the Share Trustee, the Administrator, the Collateral Manager, the Initial Purchaser or any of their respective affiliates or any directors or officers of the Co-Issuers.

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

The Administrator will be subject to the oversight of the Board of Directors of the Issuer. The directors of the Issuer are David Egglisshaw, Derrie Boggess and John Cullinane, each of whom is a director or officer of the Administrator and each of whose offices are at Walkers SPV

Limited, Walker House, P.O. Box 908 GT, Mary Street, George Town, Grand Cayman, Cayman Islands. The Administration Agreement may be terminated by either the Issuer (acting upon the recommendation of the Collateral Manager) or the Administrator upon 30 days' written notice.

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

Capitalization and Indebtedness of the Issuer and the Co-Issuer

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

Class A-1 Notes	U.S.\$675,000,000
Class A-2 Notes	U.S.\$94,500,000
Class B Notes	U.S.\$92,000,000
Class C Notes	U.S.\$15,950,000
Class D Note	U.S.\$21,250,000
Class E Notes	U.S.\$19,000,000
 Total Debt	 U.S.\$917,700,000
 Ordinary Shares	 U.S.\$1,000
Preference Shares	U.S.\$38,300,000*
 Total Equity	 U.S.\$38,301,000
 Total Capitalization	 U.S.\$956,001,000**

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

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

The Issuer will not have any material assets other than the Collateral and its equity interest in the Co-Issuer.

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 Secured 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 (1) acquiring, holding, owning, pledging and selling Collateral Debt Securities, Equity Securities, U.S. Agency Securities, Treasury Strips and Eligible Investments for its own account,

(2) the entry into, and the performance of its obligations under, the Indenture, the Hedge Agreement, any CDS Agreement, the Collateral Management Agreement, the Collateral Administration Agreement, the Securities Purchase Agreement and the Preference Share Paying Agency Agreement, (3) the issuance and sale, payment and redemption of the Offered Securities, (4) acquiring, owning and holding, solely for its own account, the capital stock of the Co-Issuer and (5) other incidental activities. The Issuer has no employees and no subsidiaries other than the Co-Issuer. The Co-Issuer will not undertake any business other than the issuance of the Secured Notes. The Co-Issuer will not pledge any assets to secure the Secured Notes and will not have any interest in the Collateral or Class P Beneficial Interests held by the Issuer.

The Issuer is not required under the laws of the Cayman Islands and the Issuer does not intend, and the Co-Issuer is not required under the laws of the State of Delaware and the Co-Issuer does not intend, to publish annual reports and accounts. The Indenture, however, requires the Issuer to provide the Trustee with written confirmation, on an annual basis, that to the best of its knowledge following a review of the activities of the prior year, no Event of Default or other matter required to be brought to the Trustee's attention has occurred or, if one has occurred, specifying the nature and status thereof, including actions undertaken to remedy the same.

SECURITY FOR THE SECURED NOTES

General

The Collateral securing the Secured Notes will consist of: (i) the Collateral Debt Securities and Equity Securities; (ii) amounts on deposit in the Custodial Account, the Payment Account, the Interest Collection Account, the Principal Collection Account, the Interest Reserve Account, the Expense Account, the Uninvested Proceeds Account, the Substitution Account, the Hedge Counterparty Collateral Account, each Synthetic Security Counterparty Account, each Synthetic Security Issuer Account and the Interest Equalization Account, and Eligible Investments and U.S. Agency Securities purchased with funds on deposit in such accounts; (iii) the rights of the Issuer under the Collateral Management Agreement, the Collateral Administration Agreement, the Securities Purchase Agreement, the Investor Application Forms, any CDS Agreement and the Hedge Agreement; and (iv) all proceeds of the foregoing (collectively, the "Collateral"). The security interest granted under the Indenture in (a) each Synthetic Security Counterparty Account is subject to and subordinate to the security interest and rights of the relevant Synthetic Security Counterparty in and to such Synthetic Security Counterparty Account and (b) the Class P Reserve Account is for the benefit and security of the Class P Noteholders only.

Collateral Debt Securities

A "Collateral Debt Security" includes:

- (a) any Asset-Backed Security that entitles the holders thereof to receive payments that depend on the cash flow from a portfolio consisting primarily of (i) commercial and industrial bank loans or corporate debt securities, (ii) Asset-Backed Securities, (iii) CMBS Conduit Securities, (iv) CMBS Large Loan Securities or (v) a combination of the foregoing; *provided* that such dependence may in addition be conditioned upon rights or additional assets designed to assure the servicing or timely distribution of proceeds to the holders of such Asset-Backed CDO Securities (a "CDO Security") issued by a collateralized debt obligation fund (a "CDO Issuer");
- (b) any Dollar-denominated Asset-Backed Security ("Other ABS") issued by an asset-backed securities issuer other than a CDO Issuer ("Other ABS Issuer");
- (c) any Synthetic Security (including any CDS Transaction) which, is (i) a CDO Security or Other ABS that would qualify to be included as a Collateral Debt Security hereunder if purchased directly by the Issuer or (ii) an obligation or security that by its terms converts into cash by a fixed date and which would, if acquired directly by the Issuer, not be prohibited by reason of its failure to satisfy any of clauses (viii), (ix) or (x) of the proviso below; and
- (d) any debt obligation that is delivered to the Issuer upon the occurrence of a "Credit Event" under (and as defined in) a Synthetic Security and that qualifies as a "Collateral Debt Security" under clauses (a) or (b) above (a "Deliverable Obligation");

provided that in no event will a Collateral Debt Security include:

- (i) any obligation or security (other than an Interest Only Security) that does not provide for a fixed amount of principal payable in cash no later than its stated maturity;

- (ii) any obligation or security that is not eligible under the instrument or agreement pursuant to which it was issued or created to be purchased by the Issuer and pledged to the Trustee;
- (iii) any obligation or security denominated or payable in, or convertible into an obligation or security denominated or payable in, a currency other than Dollars;
- (iv) any obligation or security that requires the Issuer to make future advances to the obligor or issuer;
- (v) any obligation or security that is (or any Synthetic Security as to which any related Reference Obligations are) guaranteed as to ultimate or timely payment of principal or interest;
- (vi) any obligation or security that does not have a Moody's Rating, a Standard & Poor's Rating and a Fitch Rating, in each case determined as provided herein;
- (vii) with regard to the selection or acquisition of obligations or securities by the Collateral Manager, any obligation or security issued by a collateralized bond obligation fund or collateralized loan obligation fund managed by the Collateral Manager or any of its Affiliates;
- (viii) any obligation or security unless it is in registered form for U.S. Federal income tax purposes and it (and if it is certificate of interest in a trust that is treated as a grantor trust, each of the obligations or securities held by such trust) was issued after July 18, 1984;
- (ix) any obligation or security unless the Issuer will receive payments due under the terms of such security and proceeds from disposing of such obligation or 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;
- (x) any obligation or security unless 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;
- (xi) an obligation or security (other than an Interest Only Security) whose timely payment of principal and interest is subject to substantial non-credit related risk, as determined by the Collateral Manager at the time of purchase by the Issuer;
- (xii) an obligation or security as to which interest is being deferred or paid in kind, or as to which there is any outstanding deferred interest or interest paid in kind, at the time of purchase by the Issuer (excluding, for these purposes, the accreted amount of any Zero Coupon Bond);

- (xiii) an obligation or security that at the time of purchase by the Issuer provides for conversion into or exchange for Equity Securities or includes any Equity Securities attached thereto or acquired as a "unit";
- (xiv) an obligation or security bearing interest at a floating rate whose interest rate is inversely or otherwise not proportionately related to an interest rate index or is calculated as other than the sum of an interest rate index plus a spread;
- (xv) any obligation or security that pays interest less frequently than annually;
- (xvi) any obligation or security the Rating of which from Standard & Poor's includes the subscript "r", "t", "p", "pi" or "q"; or
- (xvii) any Asset-Backed Security that is not listed in the definition of "Specified Type".

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

"Control" of any person means ownership of a majority of the voting power of such person or the power to direct or cause the direction of the management or policies of such person. "Collateral Manager Group" means the Collateral Manager and any of its direct or indirect subsidiaries.

Asset-Backed Securities

Most of the Collateral Debt Securities will consist of Asset Backed Securities (or Synthetic Securities for which the Reference Obligation(s) are Asset-Backed Securities), including, without limitation, an Automobile Security, a CMBS Conduit Security, a CMBS Credit Tenant Lease Security, a CMBS Large Loan Security, a Credit Card Security, an Equipment Leasing Security, a High-Diversity CBO Security, a Low-Diversity CBO Security, a Prime Residential Mortgage Security, a Small Business Loan Security, a Student Loan Security and a Subprime Residential Mortgage Security. Asset-Backed Securities are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities. The term "Asset-Backed Securities" is generally used to refer to securities for which the underlying collateral consists of assets such as credit card receivables, home equity loans, leases or commercial mortgage loans. Issuers of Asset-Backed Securities are primarily banks and finance companies, captive finance subsidiaries of non-financial corporations or specialized originators such as credit card lenders. Credit risk is an important issue in Asset-Backed Securities because of the significant credit risks inherent in the underlying collateral and because issuers are primarily private entities. Accordingly, Asset-Backed Securities generally include one or more credit

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

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

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

Asset-Backed Securities also use various forms of credit enhancements to transform the risk-return profile of underlying collateral, including third-party credit enhancements, recourse provisions, overcollateralization and various covenants. Third-party credit enhancements include standby letters of credit, collateral or pool insurance, or surety bonds from third parties. Recourse provisions are guarantees that require the originator to cover any losses up to a contractually agreed-upon amount. One type of recourse provision, usually seen in securities backed by credit card receivables, is the "spread account". This account is actually an escrow account whose funds are derived from a portion of the spread between the interest earned on the assets in the underlying pool of collateral and the lower interest paid on securities issued by the trust. The amounts that accumulate in this escrow account are used to cover credit losses in the underlying asset pool, up to several multiples of historical losses on the particular assets collateralizing the securities. Overcollateralization is another form of credit enhancement that covers a predetermined amount of potential credit losses. It occurs when the value of the underlying assets exceeds the face value of the securities. A similar form of credit enhancement is the cash-collateral account, which is established when a third party deposits cash into a pledged account. The use of cash-collateral accounts, which are considered by enhancers to be loans, grew as the number of highly rated banks and other credit enhancers declined in the early 1990s. Cash-collateral accounts provide credit protection to investors of a

securitization by eliminating "event risk," or the risk that the credit enhancer will have its credit rating downgraded or that it will not be able to fulfill its financial obligation to absorb losses. An investment banking firm or other organization generally serves as an underwriter for Asset-Backed Securities. In addition, a credit-rating agency often will analyze the policies and operations of the originator and servicer, as well as the structure, underlying pool of assets, expected cash flows and other attributes of the securities. Before assigning a rating to the issue, the rating agency will also assess the extent of loss protection provided to investors by the credit enhancements associated with the issue.

Although the basic elements of all Asset-Backed Securities are similar, individual transactions can differ markedly in both structure and execution. Important determinants of the risk associated with issuing or holding the securities include the process by which principal and interest payments are allocated and down-streamed to investors, how credit losses affect the trust and the return to investors, whether collateral represents a fixed set of specific assets or accounts, whether the underlying collateral assets are revolving or closed-end, under what terms (including maturity of the asset-backed instrument) any remaining balance in the accounts may revert to the issuing company and the extent to which the company that is the actual source of the collateral assets is obligated to provide support to the trust or conduit or to the investors. Further issues may arise based on discretionary behavior of the issuer within the terms of the securitization agreement, such as voluntary buybacks from, or contributions to, the underlying pool of loans when credit losses rise. A bank or other issuer may play more than one role in the securitization process. An issuer can simultaneously serve as originator of loans, servicer, administrator of the trust, underwriter, provider of liquidity and credit enhancer. Issuers typically receive a fee for each element of the transaction they undertake. Institutions acquiring Asset-Backed Securities should recognize that the multiplicity of roles that may be played by a single firm—within a single securitization or across a number of them—means that credit and operational risk can accumulate into significant concentrations with respect to one or a small number of firms.

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

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

Unlike closed-end installment loans, revolving credit receivables involve greater uncertainty about future cash flows. Therefore, Asset-Backed Securities structures using this

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

A number of banks have used a structure—a "special-purpose entity"—that is designed to acquire trade receivables and commercial loans from high-quality (often investment-grade) obligors and to fund those loans by issuing (asset-backed) commercial paper that is to be repaid from the cash flow of the receivables. Capital is contributed to the special-purpose entity by the originating bank that, together with the high quality of the underlying borrowers, is sufficient to allow the special-purpose entity to receive a high credit rating. The net result is that the special-purpose entity's cost of funding can be at or below that of the originating bank itself. The special-purpose entity is "owned" by individuals who are not formally affiliated with the bank, although the degree of separation is typically minimal. These securitization programs enable banks to arrange short-term financing support for their customers without having to extend credit directly. This structure provides borrowers with an alternative source of funding and allows banks to earn fee income for managing the programs. As the asset-backed commercial paper structure has developed, it has been used to finance a variety of underlying loans—in some cases, loans purchased from other firms rather than originated by the bank itself—and as a "remote origination" vehicle from which loans can be made directly. Like other securitization techniques, this structure allows banks to meet their customers' credit needs while incurring lower capital requirements and a smaller balance sheet than if it made the loans directly.

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

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

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

For the purpose of determining compliance with the Reinvestment Criteria set forth below, the Asset-Backed Securities to be pledged to the Trustee on Closing Date are divided into the following different "Specified Types" as follows; *provided* that notwithstanding anything to the contrary herein (including in the Reinvestment Criteria), the following specific Collateral Debt Securities may be acquired by the Issuer on the Closing Date: (i) the MVCOT 2005-1 D (CUSIP 57164RAV4) Time Share Security and (ii) the OSTAR 2004-A D (CUSIP 675067AE2) Shipping Security:

"ABS CDO Security" means any CDO Security that entitles the holders thereof to receive payments that depend on the cash flow either from a portfolio of commercial and industrial bank loans, debt securities, Asset-Backed Securities (which may include other ABS CDO Securities) or any combination of the foregoing.

"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 borrowers or lessees under the loans or leases generally do not have a poor credit rating; (4) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; and (5) such leases typically provide for the right of the lessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"CMBS Conduit Securities" means Asset-Backed Securities (A) issued by a single-seller or multi-seller conduit under which the holders of such Asset-Backed Securities have recourse to a specified pool of assets (but not other assets held by the conduit that support payments on other series of securities) and (B) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of commercial mortgage loans generally having the following characteristics: (1) the commercial mortgage loans have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the commercial mortgage loans are obligations of a relatively limited number of obligors (with the creditworthiness of individual obligors being less material than for CMBS Large Loan Securities and Credit Tenant Lease Securities) and accordingly represent a relatively undiversified pool of obligor credit risk; (4) upon original issuance of such Asset-Backed Securities, no more than five commercial mortgage loans account for more than 20% of the aggregate principal balance of the entire pool of commercial mortgage loans supporting payments on such securities; and (5) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium.

"CMBS Credit Tenant Lease Securities" means Asset-Backed Securities (other than CMBS Large Loan Securities and CMBS Conduit Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties leased to corporate tenants (or on the cash flow from such leases). They generally have the following characteristics: (1) the commercial mortgage loans or leases have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the leases are secured by leasehold interests; (4) the commercial mortgage loans or leases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment thereof can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans or termination of leases depending on numerous factors specific to the particular obligors or lessees and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; and (6) the creditworthiness of such corporate tenants is the primary factor in any decision to invest in these securities.

"CMBS Large Loan Securities" means Asset-Backed Securities (other than CMBS Conduit Securities and CMBS Credit Tenant Lease Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the

servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties. They generally have the following characteristics: (1) the commercial mortgage loans have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the commercial mortgage loans are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (4) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (5) the valuation of individual properties securing the commercial mortgage loans is the primary factor in any decision to invest in these securities.

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

"Equipment Leasing Securities" means Asset-Backed Securities (other than Healthcare Securities, Restaurant and Food Service Securities, Small Business Loan Securities and Oil and Gas 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 (other than automobiles) to commercial and industrial customers.

"High-Diversity CBO Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a portfolio of asset-backed securities or corporate debt securities or any combination of the foregoing, generally having the following characteristics: (1) the debt securities have varying contractual maturities; (2) the securities are obligations of obligors or issuers that represent a relatively diversified pool of obligor credit risk 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 debt securities depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of securities bearing interest at a fixed rate, such securities include an effective prepayment premium; and (4) proceeds from such repayments can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional debt securities.

"Low-Diversity CBO Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a portfolio of asset-backed securities or corporate debt securities or any combination of the foregoing, generally having the following characteristics: (1) the debt

securities have varying contractual maturities; (2) the 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 debt securities depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of securities bearing interest at a fixed rate, such securities include an effective prepayment premium; and (4) proceeds from such repayments can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional debt securities.

"Prime Residential Mortgage Securities" means Asset-Backed Securities (other than Subprime Residential Mortgage Securities) with a FICO score of 625 or higher 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.

"Small Business Loan Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from general purpose corporate loans made to "small business concerns" (generally within the meaning given to such term by regulations of the United States Small Business Administration), including those (a) made pursuant to Section 7(a) of the United States Small Business Act, as amended, and (b) partially guaranteed by the United States Small Business Administration. Small Business Loan Securities generally have the following characteristics: (1) the loans have payment terms that comply with any applicable requirements of the Small Business Act, as amended; (2) the loans are obligations of a relatively limited number of borrowers and accordingly represent an undiversified pool of obligor credit risk; and (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium.

"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.

"Subprime Residential Mortgage Securities" means Asset-Backed Securities with a FICO score of less than 625 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.

"Trust Preferred CDO Security" means a CDO Security of which the underlying assets include trust preferred securities.

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

"ABS Type Diversified Securities" means (1) Automobile Securities; (2) Credit Card Securities; (3) Equipment Leasing Securities; and (4) Student Loan Securities.

"ABS Type Residential Securities" means (1) Prime Residential Mortgage Securities; and (2) Subprime Residential Mortgage Securities.

"ABS Type Undiversified Securities" means each Specified Type of Asset-Backed Securities, other than (a) ABS Type Diversified Securities, (b) ABS Type Residential Securities or (c) CMBS Securities.

"CBO Securities" means (1) High-Diversity CBO Securities and (2) Low-Diversity CBO Securities.

After the Closing Date, any other type of Asset-Backed Security may be designated as a "Specified Type" (and designated as an "ABS Type Diversified Security", an "ABS Type Residential Security" or an "ABS Type Undiversified Security") in a notice from the Collateral Manager to the Trustee so long as Moody's has confirmed in writing to the Issuer, the Trustee and the Collateral Manager that such designation satisfies the Rating Condition. If any type of Asset-Backed Security shall be so designated as an additional Specified Type, the definition of each Specified Type of Asset-Backed Security in existence prior to such designation shall be construed to exclude such newly-designated Specified Type of Asset-Backed Security.

"ABS REIT Debt Securities" means (1) ABS REIT Debt Securities—Diversified, (2) ABS REIT Debt Securities—Health Care, (3) ABS REIT Debt Securities—Hotel, (4) ABS REIT Debt Securities—Industrial, (5) ABS REIT Debt Securities—Multi-Family, (6) ABS REIT Debt

Securities—Office, (7) ABS REIT Debt Securities—Retail, (8) ABS REIT Debt Securities—Residential and (9) ABS REIT Debt Securities—Storage.

Synthetic Securities

A portion of the Collateral Debt Securities may consist of agreements ("Synthetic Securities") entered into between the Issuer and a Synthetic Security Counterparty (including, without limitation, CDS Transactions entered into by the Issuer with any CDS Counterparty under the related CDS Agreement) with regard to a Reference Obligation. "Synthetic Security Counterparty" means any entity (including any CDS Counterparty) that (i) is required to make or receive payments on a Synthetic Security by reference to payments by one or more Reference Obligor(s) on, or the value of, one or more Reference Obligation(s) and (ii) on the date such Synthetic Security is acquired by the Issuer, is either (A) a bankruptcy remote issuer that has no outstanding indebtedness for borrowed money other than the related Synthetic Securities or (B) rated at least "AA" by Standard & Poor's or has a short-term issuer credit rating from Standard & Poor's of at least "A-1", has a long-term unsecured debt rating from Moody's of at least "Aa2" (and if rated "Aa2", such rating is not on watch for possible downgrade by Moody's) or has a short-term unsecured debt rating from Moody's, if rated by Moody's, of "P-1" and has a short-term issuer credit rating from Fitch of at least "F1" or, if there is no such short-term credit rating from Fitch, has a long-term issuer credit rating from Fitch of at least "AA", or the selection of such entity satisfies the Rating Condition with respect to the relevant Rating Agency. "Reference Obligation" means (a) any CDO Security (b) any Other ABS or (c) one or more specified financial assets that are of a type on which an issuer of an Asset-Backed Security of a Specified Type would insist, which, in each case, is the subject of a Synthetic Security and would, if purchased directly by the Issuer, satisfy the definition of "Collateral Debt Security".

For purposes of determining the principal balance of a Synthetic Security at any time, the principal balance of such Synthetic Security shall be equal (i) in the case of any Synthetic Security that does not provide that the Issuer has any (contingent or otherwise) payment obligations to the Synthetic Security Counterparty after an initial payment thereunder, the aggregate amount of the principal repayment obligations of the Synthetic Security Counterparty payable to the Issuer through the maturity of such Synthetic Security and (ii) in the case of any other Synthetic Security, the value of all securities in the related Synthetic Security Collateral Account reduced by the amount of any payments due and payable to the Synthetic Security Counterparty by reason of the occurrence of one or more "credit events" to the extent such payments have not yet been made. For purposes of the Coverage Tests and the Class A Sequential Pay Test, unless otherwise specified, a Synthetic Security shall be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligations.

For purposes of the Asset Correlation Test, (i) a Single Obligation Synthetic Security will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation (and the issuer thereof will be deemed to be the related Reference Obligor and not the Synthetic Security Counterparty) and (ii) a Synthetic Security that references more than one Reference Obligation will be included as a Collateral Debt Security having the characteristics of the Synthetic Security. Unless otherwise specified herein, for purposes of the Collateral Quality Tests other than the Asset Correlation Test, for purposes of the Standard & Poor's CDO Monitor Test, and for determining the Moody's Rating of a Synthetic Security (other than a Synthetic Security acquired pursuant to a Form-Approved CDS Confirmation of which the Moody's Rating will be determined based upon the related Reference Obligations), a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the Synthetic Security and

not of the related Reference Obligation(s), except that, for purposes of determining the industry with respect to any Synthetic Security for the Standard & Poor's CDO Monitor Test, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation(s).

The Issuer will not be permitted to enter into any Synthetic Security if (a) the amount receivable by the Issuer from the related 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 or payments made by the Issuer with respect thereto and (b) the acquisition (including the manner of acquisition), ownership, enforcement and disposition of such Synthetic Security will 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. The Issuer will not be permitted to enter into any Synthetic Security with respect to which the Issuer is the Protection Buyer (a "Short Synthetic Security") unless (i) the Issuer has previously entered into one or more Synthetic Securities relating to the Reference Obligation that is the subject of such Short Synthetic Security (or a Reference Obligation that forms part of the same Issue as the Reference Obligation that is the subject of such Short Synthetic Security) with respect to which the Issuer is the Protection Seller (each, a "Related Long Synthetic Security"), (ii) the termination date, credit events and elections with respect to payment measure and method for purposes of determination of the settlement amount are the same for such Short Synthetic Security and its Related Long Synthetic Security(ies), (iii) the aggregate premium payments payable by the Issuer under such Short Synthetic Security are less than the aggregate amount of all funds and other property credited to the Synthetic Security Counterparty Account relating to its Related Long Synthetic Security, (iv) the aggregate Notional Amount of its Related Long Synthetic Securities is greater than or equal to the Notional Amount of such Short Synthetic Security, (v) following such entry, the aggregate premium payable by the Issuer under all Short Synthetic Securities is less than the aggregate premium receivable by the Issuer under all Related Long Synthetic Securities and (vi) the related Underling Instruments provide that any Subordinate CDS Termination Payment shall be subject to the Priority of Payments.

Under the Indenture, upon the early termination of a Related Long Synthetic Security as a result of an "Event of Default" or "Termination Event" (each as defined in the related Underlying Instruments) with respect to the relevant Synthetic Security Counterparty, the Issuer will be required to terminate, or cause by its default the early termination of, any related Short Synthetic Security. Amounts released from the Synthetic Security Counterparty Account upon the early termination of such Related Long Synthetic Security shall first be applied to the payment of any termination payments payable by the Issuer under such Short Synthetic Security before being transferred to the Substitution Account for application as Substitution Principal Proceeds or the Principal Collection Account for application as Principal Proceeds, as applicable, pursuant to and in accordance with the Indenture.

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

The Collateral Quality Tests

The "Collateral Quality Tests" will be used primarily as criteria for purchasing Collateral Debt Securities. See "—Reinvestment Criteria". The Collateral Quality Tests will consist of the

Asset Correlation Test, the Fitch Weighted Average Rating Factor Test, the Moody's Maximum Rating Distribution Test, the Moody's Minimum Weighted Average Recovery Rate Test, the Weighted Average Coupon Test, the Weighted Average Spread Test, the Aggregate Weighted Average Life Test and the Standard & Poor's Minimum Recovery Rate 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 "Asset Correlation Test", for purposes of the Asset Correlation 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 Asset Correlation 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.

Ratings Matrix. Subject to the conditions set forth below, on and after the Closing Date, the Collateral Manager will have the option of electing which row of the table below (each, a "Ratings Matrix") shall be applicable for purposes of the Asset Correlation Test and the Moody's Maximum Rating Distribution Test. The maximum Asset Correlation Factor required to satisfy the Asset Correlation Test (the "Designated Maximum Asset Correlation Factor") and the Moody's Maximum Rating Distribution required to satisfy the Moody's Maximum Rating Distribution Test (the "Designated Moody's Maximum Rating Distribution") for each Ratings Matrix are set forth opposite such Ratings Matrix in the table below for the applicable period.

Ratings Matrix	Designated Maximum Asset Correlation Factor	Designated Moody's Maximum Rating Distribution
1	0.2315	400
2	0.2165	425
3	0.2090	450

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

Asset Correlation Test.

The "Asset Correlation Test" means a test that will be satisfied if on any Measurement Date the Asset Correlation Factor is no greater than the applicable number specified in the Ratings Matrix. "Asset Correlation Factor" means a single number determined in accordance with the asset correlation methodology provided from time to time to the Collateral Manager by Moody's (a copy of which the Collateral Manager shall promptly provide to the Trustee).

Moody's Maximum Rating Distribution Test. The "Moody's Maximum Rating Distribution Test" will be satisfied on any Measurement Date on or after the Ramp-Up Completion Date if the Moody's Maximum Rating Distribution of the Collateral Debt Securities as of such

Measurement Date is less than or equal to the Designated Moody's Maximum Rating Distribution for the Ratings Matrix in effect on such Measurement Date. The "Moody's Maximum Rating Distribution" on any Measurement Date is the number determined by dividing (i) the summation of the series of products obtained for any Collateral Debt Security that is not a Defaulted Security or Deferred Interest PIK Security, by multiplying (1) the principal balance on such Measurement Date of each such Collateral Debt Security by (2) its respective Moody's Rating Factor on such Measurement Date by (ii) the sum of (a) the aggregate principal balance on such Measurement Date of all Collateral Debt Securities that are not Defaulted Securities or Deferred Interest PIK Securities plus (b) the sum of the Calculation Amounts of each Defaulted Security and Deferred Interest PIK Security on such Measurement Date and rounding the result up to the nearest whole number. For the purpose of determining the Moody's Maximum Rating Distribution, the Applicable Recovery Rate used to determine the Calculation Amount of a Deferred Interest PIK Security shall be the Applicable Recovery Rate determined pursuant to clause (a) of the definition of "Applicable Recovery Rate".

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

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

For purposes of the Moody's Maximum Rating Distribution Test, 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.

The "Moody's Rating" of any Collateral Debt Security or Synthetic Security acquired pursuant to a Form-Approved CDS Confirmation of which the related Reference Obligation is a Collateral Debt Security, will be determined as follows:

(i) if such Collateral Debt Security or Reference Obligation (as applicable) is publicly rated by Moody's, the Moody's Rating shall be such rating, or, if such Collateral Debt Security is not publicly rated by Moody's, but the Issuer or the Collateral Manager on behalf of the Issuer has requested that Moody's assign a rating to such Collateral Debt Security or Reference Obligation (as applicable), the Moody's Rating shall be the rating so assigned by Moody's;

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

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

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

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

(iii) with respect to Guaranteed Corporate Debt Securities, if the related corporate guarantees are not publicly rated by Moody's but another security or obligation of the guarantor or obligor (an "Other Security") is publicly rated by Moody's, and no rating has been assigned in accordance with clause (a)(i), the Moody's Rating of such Guaranteed Corporate Debt Security shall be determined as follows:

(A) if the corporate guarantee is a senior secured obligation of the guarantor or obligor and the Other Security is also a senior secured obligation, the Moody's Rating of such Guaranteed Corporate Debt Security shall be the rating of the Other Security;

- (B) if the corporate guarantee is a senior unsecured obligation of the guarantor or obligor and the Other Security is a senior secured obligation, the Moody's Rating of such Guaranteed Corporate Debt Security shall be one rating subcategory below the rating of the Other Security;
- (C) if the corporate guarantee is a subordinated obligation of the guarantor or obligor and the Other Security is a senior secured obligation:
 - (1) rated "Ba3" or higher by Moody's, the Moody's Rating of such Guaranteed Corporate Debt Security shall be three rating subcategories below the rating of the Other Security; or
 - (2) rated "B1" or lower by Moody's, the Moody's Rating of such Guaranteed Corporate Debt Security shall be two rating subcategories below the rating of the Other Security;
- (D) if the corporate guarantee is a senior secured obligation of the guarantor or obligor and the Other Security is a senior unsecured obligation that is:
 - (1) rated "Baa3" or higher by Moody's, the Moody's Rating of such Guaranteed Corporate Debt Security shall be the rating of the Other Security; or
 - (2) rated "Ba1" or lower by Moody's, the Moody's Rating of such Guaranteed Corporate Debt Security shall be one rating subcategory above the rating of the Other Security;
- (E) if the corporate guarantee is a senior unsecured obligation of the guarantor or obligor and the Other Security is also a senior unsecured obligation, the Moody's Rating of such Guaranteed Corporate Debt Security shall be the rating of the Other Security;
- (F) if the corporate guarantee is a subordinated obligation of the guarantor or obligor and the Other Security is a senior unsecured obligation that is:
 - (1) rated "B1" or higher by Moody's, the Moody's Rating of such Guaranteed Corporate Debt Security shall be two rating subcategories below the rating of the Other Security; or
 - (2) rated "B2" or lower by Moody's, the Moody's Rating of such Guaranteed Corporate Debt Security shall be one rating subcategory below the rating of the Other Security;
- (G) if the corporate guarantee is a senior secured obligation of the guarantor or obligor and the Other Security is a subordinated obligation that is:
 - (1) rated "Baa3" or higher by Moody's, the Moody's Rating of such Guaranteed Corporate Debt Security shall be one rating subcategory above the rating of the Other Security;

- (2) rated below "Baa3" but not rated "B3" by Moody's, the Moody's Rating of such Guaranteed Corporate Debt Security shall be two rating subcategories above the rating of the Other Security; or
 - (3) rated "B3" by Moody's, the Moody's Rating of such Guaranteed Corporate Debt Security shall be "B2";
 - (H) if the corporate guarantee is a senior unsecured obligation of the guarantor or obligor and the Other Security is a subordinated obligation that is:
 - (1) rated "Baa3" or higher by Moody's, the Moody's Rating of such Guaranteed Corporate Debt Security shall be one rating subcategory above the rating of the Other Security; or
 - (2) rated "Ba1" or lower by Moody's, the Moody's Rating of such Guaranteed Corporate Debt Security shall also be one rating subcategory above the rating of the Other Security; and
 - (I) if the Guaranteed Corporate Debt Security is a subordinated obligation of the guarantor or obligor and the Other Security is also a subordinated obligation, the Moody's Rating of such Guaranteed Corporate Debt Security shall be the rating of the Other Security;
- (iv) with respect to Guaranteed Corporate Debt Securities the related corporate guarantees with respect to which are issued by U.S., U.K. or Canadian guarantors or by any other Qualifying Foreign Obligor, if such corporate guarantee is not publicly rated by Moody's, and no Other Security or obligation of the guarantor is rated by Moody's, then the Moody's Rating of such Guaranteed Corporate Debt Security may be determined using any one of the methods below:
 - (A)
 - (1) if such corporate guarantee is publicly rated by Standard & Poor's, then the Moody's Rating of such Guaranteed Corporate Debt Security will be (x) one rating subcategory below the Moody's equivalent of the rating assigned by Standard & Poor's if such security is rated "BBB-" or higher by Standard & Poor's and (y) two subcategories below the Moody's equivalent of the rating assigned by Standard & Poor's if such security is rated "BB+" or lower by Standard & Poor's; and
 - (2) if such corporate guarantee is not publicly rated by Standard & Poor's but another security or obligation of the guarantor is publicly rated by Standard & Poor's (a "Parallel Security"), then the Moody's equivalent of the rating of such Parallel Security will be determined in accordance with the methodology set forth in subclause (1) above, and the Moody's Rating of such Guaranteed Corporate Debt Security will be determined in accordance with the methodology set forth in clause (ii) above (for such purpose treating the Parallel Security as if it were rated by Moody's at the rating determined pursuant to this subclause (2));

- (B) if such corporate guarantee is not publicly rated by Moody's or Standard & Poor's, and no other security or obligation of the guarantor is publicly rated by Moody's or Standard & Poor's, then the Issuer or the Collateral Manager on behalf of the Issuer, may present such corporate guarantee to Moody's for an estimate of such Guaranteed Corporate Debt Security's rating factor, from which its corresponding Moody's rating may be determined, which shall be its Moody's Rating;
- (C) with respect to a corporate guarantee issued by a U.S. corporation, if (1) neither the guarantor nor any of its Affiliates is subject to reorganization or bankruptcy proceedings, (2) no debt securities or obligations of the guarantor are in default, (3) neither the guarantor nor any of its Affiliates have defaulted on any debt during the past two years, (4) the guarantor has been in existence for the past five years, (5) the guarantor is current on any cumulative dividends, (6) the fixed-charge ratio for the guarantor exceeds 125% for each of the past two fiscal years and for the most recent quarter, (7) the guarantor had a net profit before tax in the past fiscal year and the most recent quarter and (8) the annual financial statements of the guarantor are unqualified and certified by a firm of independent accountants of national reputation, and quarterly statements are unaudited but signed by a corporate officer, the Moody's Rating of such Guaranteed Corporate Debt Security will be "B3";
- (D) with respect to a corporate guarantee issued by a non-U.S. guarantor, if (1) neither the guarantor nor any of its Affiliates is subject to reorganization or bankruptcy proceedings and (2) no debt security or obligation of the guarantor has been in default during the past two years, the Moody's Rating of such Guaranteed Corporate Debt Security will be "Caa2"; and
- (E) if a debt security or obligation of the guarantor has been in default during the past two years, the Moody's Rating of such Guaranteed Corporate Debt Security will be "Ca";

provided that (u) the rating of any Rating Agency used to determine the Moody's Rating pursuant to any of clauses (i), (ii), (iii) or (iv) above shall be a public, non-exclusive rating (but not a ratings estimate, a shadow rating, any rating given for informational purposes only or any Standard & Poor's rating which contains a subscript) that addresses the obligation of the obligor (or guarantor, where applicable) to pay principal of and interest on the relevant Collateral Debt Security in full and is monitored on an ongoing basis by the relevant Rating Agency, (v) the aggregate principal balance of Collateral Debt Securities the Moody's Rating of which is based on a Standard & Poor's rating may not exceed 20% of the aggregate principal balance of all Collateral Debt Securities, (w) the ratings of not more than 10% of the aggregate principal balance of all Collateral Debt Securities may be assigned rating factors derived via notching from instruments rated by a only one Rating Agency, (x) with respect to ratings derived via notching from instruments rated by only one Rating Agency, the ratings of not more than 7.5% of the aggregate principal balance of all Collateral Debt Securities may be assigned rating factors derived via notching from instruments rated by any single Rating Agency, (y) with respect to any Synthetic Security not acquired pursuant to a Form-Approved CDS Confirmation, the Moody's Rating thereof shall be determined as

specified by Moody's at the time such Synthetic Security is acquired and (z) other than for the purposes of paragraph (5) of the Eligibility Criteria, (A) if a Collateral Debt Security is placed on a watch list for possible upgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be one rating subcategory (or, in the case of a CBO/CLO Security that would otherwise have a Moody's Rating below "A3", two rating subcategories) above the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list, (B) if a Collateral Debt Security is placed on a watch list for possible downgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be one rating subcategory (or, in the case of a CBO/CLO Security that would otherwise have a Moody's Rating below "A3", two rating subcategories) below the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list unless Moody's has notified the Collateral Manager that such downgrade treatment is no longer required.

"Guaranteed Corporate Debt Security" means a CDO Security or Other ABS guaranteed as to ultimate or timely payment of principal or interest, including a CDO Security or Other ABS guaranteed by a monoline financial insurance company.

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

Fitch Weighted Average Rating Factor Test. The "Fitch Weighted Average Rating Factor Test" will be satisfied on any Measurement Date if the Fitch Weighted Average Rating Factor of the Collateral Debt Securities does not exceed 5.0. The "Fitch Weighted Average Rating Factor" is the number determined by the Collateral Manager on behalf of the Issuer on any Measurement Date by dividing (i) the summation of the series of products obtained (a) for any pledged Collateral Debt Security that is not a Defaulted Security or Deferred Interest PIK Security, 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 Security, by multiplying (1) the Applicable Recovery Rate (determined for purposes of this definition pursuant to clause (c) of the definition of "Applicable Recovery Rate" for such Defaulted Security or Deferred Interest PIK Security by (2) the principal balance on such Measurement Date of each such Defaulted Security or Deferred Interest PIK Security 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 Securities plus (b) the summation of the series of products obtained by multiplying (1) the Applicable Recovery Rate (determined for purposes of this definition pursuant to clause (c) of the definition of "Applicable Recovery Rate" for each Defaulted Security or Deferred Interest PIK Security by (2) the principal balance on such Measurement Date of such Defaulted Security or Deferred Interest PIK Security, and rounding the result up to the nearest hundredth decimal.

The "Fitch Rating Factor" relating to any Collateral Debt Security or Eligible Investment is the number set forth in the table below opposite the Fitch Rating of 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		

The "Fitch Rating" of any Collateral Debt Security excluding any Structured Finance Securities (or, in the case of a Synthetic Security acquired pursuant to a Form-Approved CDS Confirmation, the related Reference Obligation) as of any date of determination will be determined as follows:

(i)(A) if there is an issuer rating or senior unsecured rating of the obligor in question by Fitch as published in any publicly available news source, such issuer rating or, if no issuer rating is available then the senior unsecured rating;

(B) if the Fitch Rating cannot be assigned pursuant to clause (i)(A), but there is a rating by Fitch on another security of the same obligor:

- (1) if such rating is on a senior secured obligation, one subcategory below such rating;
- (2) if such rating is on a subordinate obligation, one subcategory above such rating;

(C) if the Fitch Rating cannot be assigned pursuant to clause (i)(A) or (i)(B) and there is a publicly available senior implied rating by Moody's and issuer rating by Standard & Poor's, then the rating that corresponds to the average of the senior implied rating by Moody's and issuer rating by Standard & Poor's, if rated by both Moody's and Standard & Poor's, otherwise the sole senior implied or issuer rating by either Moody's or Standard & Poor's;

(D) if the Fitch Rating cannot be assigned pursuant to any of clauses (i)(A) through (i)(C), and there is a publicly available rating by Moody's and Standard & Poor's on another security (or, in the case of a Synthetic Security acquired pursuant to a Form-Approved CDS Confirmation, the related Reference Obligation) of the same obligor, using the average of Moody's or Standard & Poor's rating, if rated by both Moody's and Standard & Poor's, otherwise the sole rating from either Moody's or Standard & Poor's;

- (1) if such rating is on a senior secured obligation, one subcategory below such rating;
 - (2) if such rating is on a subordinate obligation, one subcategory above such rating;
- (E) if a Fitch Rating cannot be assigned pursuant to any of clauses (i)(A) through (i)(D), the Fitch Rating may be determined using any of the methods below:
- (1) the Issuer or the Collateral Manager, on behalf of the Issuer, may apply to Fitch for a Fitch shadow rating, which shall then be the Fitch Rating; or
 - (2) the Issuer may impute a Fitch Rating of “CCC”, provided that the obligor in question is not in default under such Collateral Debt Security; and
- (ii) with respect to any Structured Finance Security, the Fitch Rating as of any date of determination shall be:
- (A) if such Structured Finance Security is rated by Fitch, as published in any publicly available news source, such rating;
 - (B) if the Fitch Rating cannot be assigned pursuant to clause (B)(i) and there is a publicly available Structured Finance Security rating(s) by Moody's or Standard & Poor's, the rating that corresponds to the lower of Moody's or Standard & Poor's ratings, if rated by both Moody's and Standard & Poor's, otherwise the sole rating from either Moody's or Standard & Poor's;
 - (C) if the Fitch Rating cannot be assigned pursuant to clause (B)(i) or (B)(ii), the Issuer or the Collateral Manager, on behalf of the Issuer, shall apply to Fitch for a private rating which shall then be the Fitch Rating;

provided, that (x) if such Collateral Debt Security (including any Structured Finance Security) has been put on rating watch negative or negative credit watch for possible downgrade by Moody's or Standard & Poor's, then the rating used to determine the Fitch Rating above shall be one rating subcategory below such rating by that Rating Agency, and (y) if such Collateral Debt Security (including any Structured Finance Security) has been put on rating watch positive or positive credit watch for possible upgrade by Moody's or Standard & Poor's, then the rating used to determine the Fitch Rating 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 (including any Structured Finance Security) at any time.

The "Standard & Poor's Rating" of any Asset Backed Security or REIT Debt Security or Synthetic Security of which the related Reference Obligation is an Asset Backed Security or REIT Debt Security will be determined as follows:

- (i) if Standard & Poor's has assigned a rating to such Collateral Debt Security or (in the case of a Synthetic Security acquired pursuant to a Form-Approved CDS Confirmation only) Reference Obligation (as applicable) either publicly or privately (in the case of a private rating, with the appropriate consents for the use of such private rating), the Standard & Poor's Rating thereof (or of the related Synthetic Security, as applicable) shall be the rating assigned thereto (or to the Reference Obligation thereof, as applicable) by Standard & Poor's (or, in the case of a REIT Debt Security, the issuer credit rating assigned by Standard & Poor's), *provided that*, notwithstanding the foregoing, if any such Collateral Debt Security or Reference Obligation (as applicable) shall, at the time of its purchase by the Issuer, be listed for a possible upgrade or downgrade on Standard & Poor's then current credit rating watch list, then the Standard & Poor's Rating thereof (or of the related Synthetic Security, as applicable) shall be one subcategory above or below, respectively, the rating then assigned to such item by Standard & Poor's, as applicable; *provided that* if such Collateral Debt Security or Reference Obligation (as applicable) is removed from such list at any time, it shall be deemed to have its actual rating by Standard & Poor's;
- (ii) if such Collateral Debt Security (or, in the case of a Synthetic Security acquired pursuant to a Form-Approved CDS Confirmation, the related Reference Obligation) is not rated by Standard & Poor's, or such Collateral Debt Security is a Synthetic Security not acquired pursuant to a Form-Approved CDS Confirmation, but the Issuer or the Collateral Manager on behalf of the Issuer has requested that Standard & Poor's assign a rating to such Collateral Debt Security, the Standard & Poor's Rating shall be the rating so assigned by Standard & Poor's; *provided that* pending receipt from Standard & Poor's of such rating, if such Collateral Debt Security (or, in the case of a Synthetic Security acquired pursuant to a Form-Approved CDS Confirmation, the related Reference Obligation) is of a type listed on Part II of Schedule E or is not eligible for notching in accordance with Schedule D, such Collateral Debt Security shall have a Standard & Poor's Rating of "CCC-", otherwise such Standard & Poor's Rating shall be the rating assigned according to Part II of Schedule E until such time as Standard & Poor's shall have assigned a rating thereto; or
- (iii) if any Collateral Debt Security is a Collateral Debt Security that has not been assigned a rating by Standard & Poor's and is not a Collateral Debt Security listed in Schedule D, as identified by the Collateral Manager, refer to Part II of Schedule E to determine the Standard & Poor's Rating; *provided that* if any Collateral Debt Security shall, at the time of its purchase by the Issuer, be listed for a possible upgrade or downgrade on either Moody's or Fitch's then current credit rating watch list, then the Standard & Poor's Rating of such Collateral Debt Security shall be one subcategory above or below, respectively, the rating then assigned to such item by Standard & Poor's in accordance with Part II of Schedule E;

provided further, that the aggregate principal balance that may be given a rating based on subclause (iii) may not exceed 20% of the aggregate principal balance of all Collateral Debt Securities.

Moody's Minimum Weighted Average Recovery Rate Test. The "Moody's Minimum Weighted Average Recovery Rate Test" will be satisfied as of any Measurement Date, if the Moody's Weighted Average Recovery Rate is greater than or equal to 25.0%.

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

"CMBS Securities" means CMBS Conduit Securities, CMBS Credit Tenant Lease Securities and CMBS Large Loan Securities.

"Commercial ABS Securities" includes, without limitation but subject to approval by Fitch, Bank Guaranteed Securities, Equipment Leasing Securities, Insurance Company Guaranteed Securities, Monoline Guaranteed Securities, Small Business Loan Securities, Structured Settlement Securities and Tax Lien Securities.

"REIT Debt Securities" means (1) REIT Debt Securities—Diversified, (2) REIT Debt Securities—Health Care (3) REIT Debt Securities—Hotel, (4) REIT Debt Securities—Industrial, (5) REIT Debt Securities—Mortgage, (6) REIT Debt Securities—Multi-Family, (7) REIT Debt Securities—Office, (8) REIT Debt Securities—Residential, (9) REIT Debt Securities—Retail and (10) REIT Debt Securities—Storage.

"RMBS Securities " means Prime Residential Mortgage Securities and Subprime Residential Mortgage Securities.

Weighted Average Coupon Test. The "Weighted Average Coupon Test" will be satisfied on any Measurement Date if the Weighted Average Coupon is equal to or greater than (i) 5.60% as of the Closing Date and thereafter to but excluding the Ramp-Up Completion Date or (ii) 5.70% on the Ramp-Up Completion Date and thereafter.

The "Weighted Average Coupon" is, as of any date or Measurement Date, the sum (rounded up to the next 0.001%) of (a) the number obtained by (i) summing the products obtained by multiplying (x) the current interest rate on each Collateral Debt Security that is a fixed rate security (other than a Defaulted Security, Written Down Security, Deferred Interest PIK Security or Interest Only Security) by (y) the principal balance of such Collateral Debt Security and (ii) 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 Securities) plus (b) the number obtained by (i) summing the products obtained by multiplying (x) the imputed interest rate on each Qualifying Interest Only Security (computed relative to the principal amount that is the basis for the computation of interest payable on such Qualifying Interest Only Security) (excluding Defaulted Securities, Written Down Securities and Deferred Interest PIK Securities) that is a fixed rate security by (y) the principal amount that is the basis for the computation of interest payable on each such Qualifying Interest Only Security and (ii) dividing such sum by the aggregate principal balance of all Collateral Debt Securities that are fixed rate securities (excluding Defaulted Securities, Written Down Securities and Deferred Interest PIK Securities) plus (c) if such sum of the

numbers obtained pursuant to clauses (a) and (b) is less than (i) 5.60% as of the Closing Date and thereafter to but excluding the Ramp-Up Completion Date or (ii) 5.70% on the Ramp-Up Completion Date and thereafter, the Spread Excess, if any, as of such Measurement Date. For purposes of this definition, (1) a PIK Security shall be deemed to be a Deferred Interest PIK Security so long as any interest thereon has been deferred and capitalized for at least one payment date (until payment of interest on such PIK Security has resumed and all capitalized and deferred interest has been paid in accordance with the terms of the Underlying Instruments) and (2) no contingent payment of interest will be included in such calculation.

The "Spread Excess" as of any Measurement Date will equal a fraction (expressed as a percentage), the numerator of which is equal to the product of (a) the greater of zero and the excess, if any, of the Weighted Average Spread for such Measurement Date over (i) for the period from and including the Closing Date to but excluding the Ramp-Up Completion Date, 1.60% and (ii) thereafter, 1.65% and (b) the aggregate principal balance of all Floating Rate Securities (excluding Defaulted Securities, Written Down Securities or Deferred Interest PIK Securities) and the denominator of which is the aggregate principal balance of all fixed rate securities (excluding Defaulted Securities, Written Down Securities and Deferred Interest PIK Securities).

"Aggregate Weighted Average Price" means, as of any date of determination, the quotient (expressed as a percentage) obtained by dividing (i) the sum of the products obtained by multiplying (a) in the case of a Collateral Debt Security other than a Synthetic Security, (1) the purchase price paid by the Issuer for each Collateral Debt Security (without taking into account any interest accrued on such Collateral Debt Security prior to the date of acquisition by the Issuer) expressed as a percentage of the principal balance of such Collateral Debt Security by (2) the principal balance of such Collateral Debt Security or (b) in the case of a Synthetic Security, (1) the Reference Price (as defined in the underlying instruments relating to such Synthetic Security) by (2) the Notional Amount of such Synthetic Security by (ii) the aggregate principal balance of all Collateral Debt Securities.

"Notional Amount" means, with respect to any Synthetic Security, (a) the "Floating Rate Payer Calculation Amount" as defined in the Credit Derivatives Definitions, (b) the "notional amount" as defined in the related Underlying Instruments or (c) or any similar term in the related Underlying Instruments that refers to the par amount of indebtedness that would be valued for purposes of determining the cash or physical settlement obligations of the parties thereto.

For purposes of the Weighted Average Coupon Test, (a) a Synthetic Security shall be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligations and (b) for Collateral Debt Securities the fixed rate of which changes over the life of such Collateral Debt Security, the per annum rate of interest for purposes of calculating the Weighted Average Coupon shall be the current interest rate on such Collateral Debt Security.

Weighted Average Spread Test. The "Weighted Average Spread Test" will be satisfied on any Measurement Date if the Weighted Average Spread is equal to or greater than (i) 1.60% as of the Closing Date and thereafter to but excluding the Ramp-Up Completion Date or (ii) 1.65% on the Ramp-Up Completion Date and thereafter.

The "Weighted Average Spread" means, as of any date or Measurement Date, the sum (rounded up to the next 0.001%) of (a) a number obtained, as of any date or Measurement Date, by (i) summing the products obtained by multiplying (x) the stated spread above LIBOR at

which interest accrues on each Collateral Debt Security that is a Floating Rate Security (other than a Defaulted Security, Written Down Security, Deferred Interest PIK Security or Interest Only Security) as of such date by (y) the principal balance of such Collateral Debt Security as of such date, and (ii) dividing such sum by the aggregate principal balance of all Collateral Debt Securities that are Floating Rate Securities (excluding all Defaulted Securities, Written Down Securities and Deferred Interest PIK Securities) plus (b) the number obtained by (i) summing the products obtained by multiplying (x) the notional interest rate above LIBOR on each Qualifying Interest Only Security that is a Floating Rate Security (excluding Defaulted Securities, Written Down Securities and Deferred Interest PIK Securities) (computed relative to the principal amount that is the basis for the computation of interest payable on such Qualifying Interest Only Security) as of such date by (y) the principal amount that is the basis for the computation of interest payable on each such Qualifying Interest Only Security and (ii) dividing such sum by the aggregate principal balance of all Collateral Debt Securities that are Floating Rate Securities (excluding all Defaulted Securities, Written Down Securities and Deferred Interest PIK Securities) plus (c)(i)(A) the amount, if any, scheduled to be paid to the Issuer as Protection Seller with respect to any Synthetic Security minus (B) the amount, if any, scheduled to be paid by the Issuer as Protection Buyer with respect to any Synthetic Security divided by (ii) 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 Securities) plus (d) if such sum of the numbers obtained pursuant to clauses (a), (b) and (c) is less than (i) 1.60% as of the Closing Date and thereafter to but excluding the Ramp-Up Completion Date or (ii) 1.65% on the Ramp-Up Completion Date and thereafter, the Fixed Rate Excess, if any, as of such Measurement Date. For purposes of this definition, (1) a PIK Security shall be deemed to be a Deferred Interest PIK Security so long as any interest thereon has been deferred and capitalized for at least one payment date (until payment of interest on such PIK Security has resumed and all capitalized and deferred interest has been paid in accordance with the terms of the Underlying Instruments), (2) no contingent payment of interest will be included in such calculation, (3) a Synthetic Security shall be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligations, (4) the stated spread on any Floating Rate Security that does not bear interest at a rate expressed as a stated spread above or below the applicable Libor under the related underlying instruments shall be calculated as the difference between the coupon on such security and LIBOR (as determined on such date for purposes of calculating the interest rate payable on the Secured Notes) and (5) the stated spread on any Synthetic Security structured as a credit default swap or total return swap of which the related Reference Obligation bears interest based on a floating rate will be the aggregate annual amount (whether characterized as premium or otherwise) payable in respect of such Synthetic Security.

The "Fixed Rate Excess" as of any Measurement Date will equal a fraction (expressed as a percentage) the numerator of which is equal to the product of (a) the greater of zero and the excess, if any, of the Weighted Average Coupon for such Measurement Date over (i) for the period from and including the Closing Date to but excluding the Ramp-Up Completion Date, 5.60% and (ii) thereafter, 5.70% and (b) the aggregate principal balance of all fixed rate securities (excluding Defaulted Securities, Written Down Securities and Deferred Interest PIK Securities) and the denominator of which is the aggregate principal balance of all Floating Rate Securities (excluding Defaulted Securities, Written Down Securities and Deferred Interest PIK Securities).

Aggregate Weighted Average Life Test. The "Aggregate Weighted Average Life Test" will be satisfied as of any Measurement Date during any period set forth below if the Aggregate

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:

<u>As of any Determination Date occurring during the period below</u>	<u>Aggregate Weighted Average Life (Years)</u>
On the Ramp-Up Completion Date to and including the Distribution Date in August 2006	5.75
Thereafter to and including the Distribution Date in February 2007	5.15
Thereafter to and including the Distribution Date in August 2007	4.65
Thereafter to and including the Distribution Date in February 2008	4.15
Thereafter to and including the Distribution Date in August 2008	3.65
Thereafter	3.15

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

Standard & Poor's Minimum Recovery Rate Test. The "Standard & Poor's Minimum Recovery Rate Test" will be satisfied on any Measurement Date on or after the Ramp-Up Completion Date, if the Standard & Poor's Weighted Recovery Rate is equal to or greater than (a) 30.0% with respect to the Class A Notes, (b) 35.0% with respect to the Class B Notes, (c) 41.0% with respect to the Class C Notes, (d) 47.0% with respect to the Class D Notes and (e) 47.0% with respect to the Class E Notes.

The "Standard & Poor's Weighted Average Recovery Rate" means, as of any Measurement Date, the number (expressed as a percentage) obtained by summing the products obtained by (a) multiplying the principal balance of each Collateral Debt Security by its Applicable Recovery Rate (determined for purposes of this definition pursuant to clause (b) of the definition of "Applicable Recovery Rate", (b) dividing such sum by the aggregate principal balance of all such Collateral Debt Securities, and (c) rounding up to the first decimal place. For purposes of determining the Standard & Poor's Weighted Average Recovery Rate, the principal balance of a Defaulted Security and a Deferred Interest PIK Security will be deemed to be equal to its outstanding principal balance.

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 or the purchase of a Collateral Debt Security (or both), as the case may be, the Loss Differential for any Class of Secured Notes of the Proposed Portfolio is positive or if the Loss Differential for any Class of Secured Notes 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; *provided that* the Standard & Poor's CDO Monitor Test shall not apply to the sale of a Credit Risk Security. For purposes of the foregoing, "Loss Differential" means any of the Class A-1 Loss Differential, Class A-2 Loss Differential, Class B Loss Differential, Class C Loss Differential, Class D Loss Differential and Class E Loss Differential.

The "Class A-1 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 will result in sufficient funds remaining for the payment of the Class A-1 Notes in full by their Stated Maturity and the timely payment of interest on the Class A-1 Notes, as determined by the Standard & Poor's CDO Monitor.

The "Class A-1 Loss Differential" means, at any time, the rate calculated by subtracting the Class A-1 Scenario Default Rate at such time from the Class A-1 Break-Even Default Rate at such time.

The "Class A-1 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 the Standard & Poor's Rating of the Class A-1 Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

The "Class A-2 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 will result in sufficient funds remaining for the payment of the Class A-2 Notes in full by their Stated Maturity and the timely payment of interest on the Class A-2 Notes, as determined by the Standard & Poor's CDO Monitor.

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

The "Class A-2 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 the Standard & Poor's Rating of the Class A-2 Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

The "Class B 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 will result in sufficient funds remaining for the payment of the Class B Notes in full by their Stated Maturity

and the timely payment of interest on the Class B Notes as determined by the Standard & Poor's CDO Monitor.

The "Class B Loss Differential" means, at any time, the rate calculated by subtracting the Class B Scenario Default Rate at such time from the Class B Break-Even Default Rate at such time.

The "Class B 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 the Standard & Poor's Rating of the Class B Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

The "Class C 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 will result in sufficient funds remaining for the payment of the Class C Notes in full by their Stated Maturity and the ultimate payment of interest on the Class C Notes as determined by the Standard & Poor's CDO Monitor.

The "Class C Loss Differential" means, at any time, the rate calculated by subtracting the Class C Scenario Default Rate at such time from the Class C Break-Even Default Rate at such time.

The "Class C 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 the Standard & Poor's Rating of the Class C Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

The "Class D 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 will result in sufficient funds remaining for the payment of the Class D Notes in full by their Stated Maturity and the ultimate payment of interest on the Class D Notes as determined by the Standard & Poor's CDO Monitor.

The "Class D Loss Differential" means, at any time, the rate calculated by subtracting the Class D Scenario Default Rate at such time from the Class D Break-Even Default Rate at such time.

The "Class D 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 the Standard & Poor's Rating of the Class D Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

The "Class E 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 will result in sufficient funds remaining for the payment of the Class E Notes in full by their Stated Maturity

and the ultimate payment of interest on the Class E Notes as determined by the Standard & Poor's CDO Monitor.

The "Class E Loss Differential" means, at any time, the rate calculated by subtracting the Class E Scenario Default Rate at such time from the Class E Break-Even Default Rate at such time.

The "Class E 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 the Standard & Poor's Rating of the Class E Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

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

The "Current Portfolio" means the portfolio (measured by principal balance) of (a) pledged Collateral Debt Securities, (b) Principal Proceeds and Uninvested Proceeds held as cash and (c) Eligible Investments and U.S. Agency Securities purchased with Principal Proceeds or Uninvested Proceeds and any amount on deposit at such time in the Principal Collection Account or the Uninvested Proceeds Account existing immediately prior to the sale, maturity or other disposition of a Collateral Debt Security or immediately prior to the 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 on or prior to the Closing Date for the purpose of estimating the default risk of Collateral Debt Securities, as it may be modified by Standard & Poor's from time to time in connection with its confirmation of the ratings of the Secured Notes.

The Standard & Poor's CDO Monitor calculates the cumulative default rate of a pool of Collateral Debt Securities consistent with a specified benchmark rating level based upon Standard & Poor's proprietary corporate debt default studies. In calculating each Scenario Default Rate, the Standard & Poor's CDO Monitor considers each obligor's most senior unsecured debt rating, the number of obligors in the portfolio, the obligor and industry concentration in the portfolio and the remaining weighted average maturity of the Collateral Debt Securities and calculates a cumulative default rate based on the statistical probability of distributions of defaults on the Collateral Debt Securities.

There can be no assurance that actual defaults of the Collateral Debt Securities or the timing of defaults will not exceed those assumed in the application of the Standard & Poor's CDO Monitor or that recovery rates with respect thereto will not differ from those assumed in the Standard & Poor's CDO Monitor Test. Standard & Poor's makes no representation that actual defaults will not exceed those determined by the Standard & Poor's CDO Monitor. Neither the Collateral Manager nor the Issuer makes any representation as to the expected rate of defaults of the Collateral Debt Securities or the timing of defaults or as to the expected recovery rate or the timing of recoveries.

Dispositions of Collateral Debt Securities

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

- (1) any Defaulted Security (excluding any Synthetic Security Counterparty Defaulted Obligation not identified in clause (b) of the definition thereof) at any time;
- (2) any Equity Security at any time;
- (3) any Credit Risk Security at any time, *provided* that (A) during the Substitution Period, following the sale of a Credit Risk Security, the Collateral Manager may use its best efforts to purchase, no later than 30 Business Days after the sale of such Credit Risk Security, Substitute Collateral Debt Securities with an aggregate principal balance no less than the Sale Proceeds from such sale in compliance with the Reinvestment Criteria (other than the requirement of subclause (25) thereof relating to the Standard & Poor's CDO Monitor Test) and (B) the Collateral Manager may elect upon written notice to the Trustee not to purchase any Substitute Collateral Debt Securities with such Sale Proceeds and, if the Collateral Manager so elects, such Sale Proceeds shall constitute Specified Principal Proceeds and shall be applied in accordance with the Priority of Payments on the related Distribution Date;
- (4) any Credit Improved Security at any time, *provided* (A) that during the Substitution Period, such Credit Improved Security may be sold only if, in the Collateral Manager's judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), the resulting Sale Proceeds will be reinvested within 10 Business Days after the sale of such Credit Improved Security in one or more substitute Collateral Debt Securities having an aggregate principal balance (or Notional Amount) at least equal to 100% of the principal balance of the Credit Improved Security in compliance with the Reinvestment Criteria, and after the Substitution Period, such Credit Improved Security may be sold only if the Collateral Manager certifies to the Trustee in writing that (i) the Collateral Manager has determined that such security constitutes a Credit Improved Security and (ii) on the date of such sale, in the Collateral Manager's judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), the Sale Proceeds (net of any accrued interest included therein) from the sale of such Credit Improved Security will be equal to or greater than the principal balance of the Credit Improved Security being sold and (B) that any determination of whether the extent of non-compliance with any of the Reinvestment Criteria may not be made worse by such reinvestment shall be made by comparing the Collateral Debt Securities held by the Issuer immediately prior to the sale of such Credit Improved Security to the Collateral Debt Securities held by the Issuer immediately after such reinvestment; and
- (5) any Collateral Debt Security that is not a Defaulted Security, Credit Risk Security or Credit Improved Security, *provided* that no Event of Default has occurred and

is continuing and the Sale Proceeds therefrom will be reinvested in substitute Collateral Debt Securities in compliance with the Reinvestment Criteria within 10 Business Days after the date of such sale, but only if: (A) the aggregate principal balance of all such Collateral Debt Securities sold pursuant to this clause (v) for each period from and including the Closing Date (or anniversary thereof) to but excluding the date one year after the first year of such period does not exceed the Discretionary Sale Percentage of the Net Outstanding Portfolio Collateral Balance as of the first day of such period; (B) no Rating Agency has withdrawn its rating (including any private or confidential rating), if any, of any Class of Secured Notes or reduced any such rating below the rating in effect on the Closing Date by one or more rating subcategories (in the case of Secured Notes other than the Class C Notes) or two or more rating subcategories (in the case of the Class C Notes); and (C) such sale occurs during the Substitution Period and the Collateral Manager determines, taking into account any factors it deems relevant, that such sales and any related purchases or substitutions will, in the Collateral Manager's judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), benefit the Issuer in one or more of the following manners: an improvement in one or more of the Collateral Quality Tests or the Standard & Poor's CDO Monitor Test, an improvement in the credit quality of the portfolio, a narrowing of interest rate mismatches or any other improvement which, in the Collateral Manager's judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), would result in a benefit to the Issuer (and, in each case, without adversely affecting one or more of the Collateral Quality Tests or the Standard & Poor's CDO Monitor Test); provided, further, that (A) any determination of whether the extent of non-compliance with any of the Reinvestment Criteria may not be made worse by such reinvestment shall be made by comparing the Collateral Debt Securities held by the Issuer immediately prior to the sale of such Collateral Debt Security to the Collateral Debt Securities held by the Issuer immediately after such reinvestment and (B) the Issuer will not exercise its discretionary sale right under this clause (5) if such exercise would result, at any time during the period from and including the Ramp-Up Completion Date to and including the last day of the Substitution Period, in there being less than 250 Collateral Debt Securities that are identified by separate CUSIPs and have an outstanding principal balance greater than or equal to U.S.\$500,000.

"Credit Improved Security" means any Collateral Debt Security or any other security included in the Collateral (other than a Defaulted Security) that satisfies one of the following criteria:

(1) so long as no rating of any Class of Secured Notes has been reduced or withdrawn by Standard & Poor's or Moody's (and has not been reinstated), the Collateral Manager believes (based on its judgment exercised in accordance with the standard of care set forth in the Collateral Management Agreement) that such Collateral Debt Security has improved in credit quality; or

(2) if at the time of such proposed sale, the rating of any Class of Secured Notes has been reduced or withdrawn by Standard & Poor's or Moody's (and has not been reinstated), such Collateral Debt Security (or, in the case of a Synthetic Security acquired pursuant to a Form-Approved CDS Confirmation, the relevant Reference Obligation) has been upgraded or put on a watch list for possible upgrade by one or

more rating subcategories by Standard & Poor's or Moody's since it was acquired by the Issuer and the Collateral Manager believes (based on its judgment exercised in accordance with the standard of care set forth in the Collateral Management Agreement) that such Collateral Debt Security has improved in credit quality since such date.

"Credit Risk Security" means any Collateral Debt Security or any other security included in the Collateral that satisfies one of the following criteria:

(1) so long as no rating of any Class of Secured Notes has been reduced or withdrawn by Standard & Poor's or Moody's (and has not been reinstated), the Collateral Manager believes (based on its judgment exercised in accordance with the standard of care set forth in the Collateral Management Agreement) that such Collateral Debt Security has a significant risk of declining in credit quality and, with lapse of time, becoming a Defaulted Security or Written Down Security; or

(2) if at the time of such proposed sale, the rating of any Class of Secured Notes has been reduced or withdrawn by Standard & Poor's or Moody's (and has not been reinstated), such Collateral Debt Security (or, in the case of a Synthetic Security acquired pursuant to a Form-Approved CDS Confirmation, the relevant Reference Obligation) has been downgraded or put on a watch list for possible downgrade by any Rating Agency by one or more rating subcategories since it was acquired by the Issuer and the Collateral Manager believes (based on its judgment exercised in accordance with the standard of care set forth in the Collateral Management Agreement) that such Collateral Debt Security has a significant risk of declining in credit quality and, with lapse of time, becoming a Defaulted Security or Written Down Security.

"Defaulted Security" means any Collateral Debt Security:

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

(2) that ranks *pari passu* with or subordinate to any other material indebtedness for borrowed money owing by the issuer of such security (for purposes hereof, "Other Indebtedness") if such issuer had defaulted in the payment (beyond any applicable notice or grace period, which grace period shall not exceed five days) of principal or interest with respect to such Other Indebtedness, unless, in the case of a default or event of default consisting of a failure of the obligor on such security to make required interest payments, such Other Indebtedness has resumed current payments of interest (including all accrued interest) in cash (whether or not any waiver or restructuring has been effected); *provided* that a Collateral Debt Security will not be classified as a Defaulted Security under this clause (2) if (i) the Collateral Manager, in its judgment, determines that such Collateral Debt Security should not be so classified and gives notice of such determination to the Trustee and the Rating Agencies and (ii) such determination satisfies the Rating Condition;

(3) as 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 holders thereof a new security or package of securities that the Collateral Manager determines either (i) amounts to a diminished financial obligation of the relevant obligor or (ii) is intended solely to enable the relevant obligor to avoid defaulting in the performance of its obligations under such Collateral Debt Security; *provided* that a Collateral Debt Security shall not constitute a "Defaulted Security" under this clause (3) if such Collateral Debt Security was acquired in a distressed exchange or other debt restructuring and complies with the requirements of the definition of "Collateral Debt Security";

(4) that is rated (or, in the case of a Synthetic Security acquired pursuant to a Form-Approved CDS Confirmation, relates to a Reference Obligation that is rated) "Ca" or "C" by Moody's or as to which the rating thereof by such Rating Agency has been withdrawn;

(5) that is rated (or, in the case of a Synthetic Security acquired pursuant to a Form-Approved CDS Confirmation, relates to a Reference Obligation that is rated) "CC", "D" or "SD" by Standard & Poor's or as to which the rating thereof by Standard & Poor's has been withdrawn;

(6) that is rated (or, in the case of a Synthetic Security acquired pursuant to a Form-Approved CDS Confirmation, relates to a Reference Obligation that is rated) "CC" or lower by Fitch or as to which the rating thereof by Fitch has been withdrawn;

(7) that is a Defaulted Synthetic Security;

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

(9) that is a Deliverable Obligation that would not satisfy each of paragraphs (1) through (25) of the Reinvestment Criteria at the time such Deliverable Obligation is delivered to the Issuer.

"Defaulted Synthetic Security" a Synthetic Security referencing a Reference Obligation that would, if such Reference Obligation were a Collateral Debt Security, constitute a "Defaulted Security" under the definition thereof (other than paragraphs (7), (8) and (9) thereof); *provided* that, if a Synthetic Security references more than one Reference Obligation, such Synthetic Security shall constitute a "Defaulted Synthetic Security" for purposes of this definition only if and to the extent that all or part of the Notional Amount thereof is attributable to Reference Obligations that constitute "Defaulted Securities" under the definition thereof (other than paragraphs (7), (8) and (9) thereof). Any determination of whether a Collateral Debt Security is a "Defaulted Synthetic Security" for purposes of this definition shall be made by the Collateral Manager based on its judgment exercised in accordance with the standard of care set forth in the Collateral Management Agreement.

"Defeased Synthetic Security" means any Synthetic Security that requires payment by the Issuer after the date upon which it is pledged to the Trustee and that satisfies the following: (a) either (i) the Issuer has caused to be deposited in a Synthetic Security Counterparty Account an amount at least equal to the aggregate of all further payments (contingent or otherwise) that the Issuer is or may be required to make to the Synthetic Security Counterparty under the Synthetic Security or (ii) the Synthetic Security Counterparty has agreed that its recourse to the Issuer in

respect of all further payments (contingent or otherwise) that the Issuer is or may be required to make to the Synthetic Security Counterparty under the Synthetic Security will be limited to (A) in the case of payments other than any Subordinate CDS Termination Payment, the amount the Issuer has caused to be deposited in a Synthetic Security Counterparty Account on or after the date of entry into such Synthetic Security and (B) in the case of any Subordinate CDS Termination Payment and subject to the Priority of Payments, the Collateral; (b) the agreement relating to such Synthetic Security contains "non-petition" provisions with respect to the Issuer and "limited recourse" provisions limiting the Synthetic Security Counterparty's rights in respect of the Synthetic Security to the funds and other property credited to (i) in the case of payments other than any Subordinate CDS Termination Payment, the Synthetic Security Counterparty Account related to such Synthetic Security or (ii) in the case of any Subordinate CDS Termination Payment and subject to the Priority of Payments, the Collateral and (c) the agreement relating to such Synthetic Security contains provisions to the effect that upon the occurrence of an "Event of Default" or "Termination Event" (other than an "Illegality" or "Tax Event"), if any, where the Synthetic Security Counterparty is the sole "Defaulting Party" or the sole "Affected Party" (for purposes of the foregoing, "Event of Default", "Termination Event", "Illegality", "Tax Event", "Defaulting Party" or "Affected Party", as applicable, shall have the meanings given to such terms in the ISDA Master Agreement relating to such Synthetic Security) the Issuer may terminate its obligations under such Synthetic Security and, upon such termination, (x) any lien in favor of the Synthetic Security Counterparty over its related Synthetic Security Counterparty Account will be terminated and (y) the Issuer will no longer be obligated to make any payments to the Synthetic Security Counterparty with respect to such Synthetic Security.

"Discretionary Sale Percentage" means (i) if the Net Outstanding Portfolio Collateral Balance minus the aggregate outstanding principal amount of all Secured Notes is less than U.S.\$8,075,000, 0%, (ii) if the Net Outstanding Portfolio Collateral Balance minus the aggregate outstanding principal amount of all Secured Notes is less than U.S.\$16,150,000 but equals or exceeds U.S.\$8,075,000, 7.5% and (iii) otherwise, 15%.

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

(a) (i) the long-term debt obligations of the relevant Synthetic Security Counterparty are rated (A) less than "A2" by Moody's, (B) "less than BBB-" by Standard & Poor's or (C) less than "BBB-" by Fitch, or (ii) the rating of the relevant Synthetic Security Counterparty by Standard & Poor's is withdrawn for reasons relating to the credit quality of such Synthetic Security Counterparty; *provided* that the foregoing shall not apply in the case of a Defeased Synthetic Security so long as the Synthetic Security Counterparty shall periodically (and in no event less frequently than once each month) transfer collateral to the related Synthetic Security Issuer Account, together with all other collateral previously transferred, having a value at least equal to any termination payment that would be due to the Issuer upon the early termination of such Synthetic Security; or

(b) the Synthetic Security Counterparty has defaulted in the performance of any of its payment or delivery obligations under the Synthetic Security.

"Specified Principal Proceeds" means, with respect to any Due Period, (i) all payments of principal of any Collateral Debt Security (excluding any amount representing the accreted portion of a discount from the face amount of a Collateral Debt Security and excluding any amount referred to in subclause (ii) below) received in cash by the Issuer during such Due

Period, including prepayments, mandatory redemption payments or mandatory sinking fund payments, payments in respect of optional redemptions, exchange offers or tender offers, (ii) all Sale Proceeds from, and all payments received in respect of, any Defaulted Security, Written Down Security or Deferred Interest PIK Security made since such security became a Defaulted Security, Written Down Security or Deferred Interest PIK Security, up to an amount equal to the par amount at the time of determination (*provided* that, for the purposes of this subclause (ii), the par amount with respect to a Written-Down Security shall be deemed to be the original par amount thereof, and not the written-down amount thereof) and (iii) all Sale Proceeds that the Collateral Manager elects to apply as Principal Proceeds pursuant to clause 3 of "Security for the Secured Notes—Dispositions of Collateral Debt Securities."

"Substitution Principal Proceeds" means, with respect to any Due Period occurring prior to the end of the Substitution Period, all Principal Proceeds other than Specified Principal Proceeds (including, without limitation, any amounts designated by the Collateral Manager as "Substitution Principal Proceeds" and transferred from a Synthetic Security Counterparty Account to the Substitution Account pursuant to and in accordance with the Indenture).

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

Any Defaulted Security must be sold within one year after the related Collateral Debt Security became a Defaulted Security (or within one year of such later date as such security may first be sold in accordance with its terms), except that, subject to the satisfaction of the Rating Condition, such Defaulted Security may be sold within two years after the related Collateral Debt Security became a Defaulted Security (or within two years of such later date as such security may first be sold in accordance with its terms).

Any Equity Security received in exchange for a Defaulted Security must be sold within one year after the related Collateral Debt Security became a Defaulted Security (or within one year of such later date as such security may first be sold in accordance with its terms). Any other Equity Security 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).

In the event of an Auction Call Redemption, 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 Secured Notes to be redeemed simultaneously; and (ii) such proceeds are used to make such a redemption. See "Description of the Secured Notes—Auction Call Redemption" and "Optional Redemption and Tax Redemption".

Any purchase or disposition of a Collateral Debt Security will be conducted on an "arm's-length basis" for fair market value and in accordance with the requirements of the 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 Secured Noteholders as would be the case if such person were not so affiliated.

Principal Proceeds (other than Principal Proceeds constituting Specified Principal Proceeds received on or prior to the last day of the Substitution Period) will be applied to repayment of principal of the Secured Notes in accordance with the Priority of Payments. See "Description of the Secured Notes—Priority of Payments".

Reinvestment Criteria

No investment will be made in Collateral Debt Securities after the last day of the Substitution Period. The Issuer will not acquire any Collateral Debt Security during the Substitution Period unless the following criteria (the "Reinvestment Criteria") are satisfied with respect to such security on the date of such Grant and after giving effect thereto:

- | | |
|---|---|
| Collateral Debt Security | (1) such security is a Collateral Debt Security; |
| Rating | (2) (A) such security has been assigned a Moody's Rating, a Standard & Poor's Rating and a Fitch Rating, (B) if such security has a public rating from either Moody's or Standard & Poor's, the public rating of such security from Moody's is at least "Baa3" and from Standard & Poor's is at least "BBB-" on the date of acquisition thereof by the Issuer, (C) the aggregate principal balance of all Collateral Debt Securities that have a public rating below "A3" by Moody's (if publicly rated by Moody's) or below "A-" from Standard & Poor's (if publicly rated by Standard & Poor's) (using the lower of the two ratings if publicly rated by both) shall not exceed 95.0% of the Net Outstanding Portfolio Collateral Balance; and (D) such security has a Moody's Rating of at least "Baa3"; |
| No Defaulted Securities, Written Down Securities or Credit Risk Securities | (3) such security is not a Defaulted Security, Written Down Security or Credit Risk Security; |
| Limitation on Stated Final Maturity | (4) unless such security is an Interest Only Security, if the Stated Maturity of such security occurs later than the Stated Maturity of the Secured Notes, the aggregate principal balance of all such securities does not exceed 10.0% of the Net Outstanding Portfolio Collateral Balance; <i>provided</i> that no such security shall have a Stated Maturity occurring more than five years after the Stated Maturity of the Secured Notes; |
| Miscellaneous Limitations | (5) such security is not (and, with respect to subclause (B) below, any Equity Security acquired in connection with such security is not) (A) a security issued by an issuer incorporated or organized under the laws of a country that imposes foreign exchange controls that effectively limit the availability or use of Dollars to make when due the scheduled payments of principal of and interest on such security; (B) Margin Stock; (C) a financing by a debtor-in-possession in any insolvency proceeding; (D) a security that by the terms of its Underlying Instruments provides for mandatory conversion or exchange into equity capital, or conversion into any other |

security or obligation at the option of the issuer thereof, at any time prior to its maturity; (E) the subject of an Offer (nor has it been called for redemption); or (F) a lease;

No Future Advances

(6) after the acquisition of such security, the Issuer is not required by the Underlying Instruments related thereto to make any payment or advance to the issuer thereof or to the related Synthetic Security Counterparty under the related Underlying Instruments (other than a Defeased Synthetic Security); *provided* that the Issuer may acquire a Short Synthetic Security that is not a Defeased Synthetic Security subject to the conditions set forth in the Indenture;

Unregistered Securities

(7) if such security (i) was not issued pursuant to an effective registration statement under the Securities Act or (ii) is not eligible for resale under Rule 144A or Regulation S under the Securities Act, (A) the aggregate principal balance of all such securities does not exceed 10% of the Net Outstanding Portfolio Collateral Balance and (B) unless such security is a Synthetic Security, the Collateral Manager certifies that bona fide bids for the purchase of such Collateral Debt Security are available from at least three nationally recognized dealers in Asset-Backed Securities;

Corporate Guarantees

(8) if such security (including any Synthetic Security as to which the related Reference Obligation) provides for periodic payments of interest in cash less frequently than quarterly, the aggregate principal balance of all such securities does not exceed 15.0% of the Net Outstanding Portfolio Collateral Balance;

Floating Rate Security

(9) if such security (including any Synthetic Security as to which the related Reference Obligation) is (x) a Floating Rate Security, the aggregate principal balance of all such securities does, absent satisfaction of the Rating Condition, not exceed 90.0% of the Net Outstanding Portfolio Collateral Balance; *provided* that if the interest rate on such Floating Rate Security is comprised of a spread above a base rate other than LIBOR, (A) such Floating Rate Security satisfies the requirements of the definition of "Non-Libor Floating Rate Security" and (B) the aggregate principal balance of all Non-Libor Floating Rate Securities does not exceed 10.0% of the Net Outstanding Portfolio Collateral Balance or (y) a Fixed Rate Security, the aggregate principal balance of all such securities does not exceed 18.0% of the Net Outstanding Portfolio Collateral Balance;

Weighted Average Life

(10) if such security (including any Synthetic Security as to which the related Reference Obligation) has (A) an Average Life of at least 10 years but less than 15 years, the aggregate principal balance of all such securities does not exceed 10.0% of the Net Outstanding Portfolio Collateral Balance, (B) an Average Life of at least 12 years and not more than 15 years, the aggregate principal balance of all such securities does not exceed 3.0% of the Net Outstanding Portfolio Collateral Balance, (C) an Average Life greater than 8 years and not more than 15 years, the aggregate principal balance of all such securities does not exceed 16.0% of the Net Outstanding Portfolio Collateral Balance; or (D) a public rating of

"Baa1", "Baa2" or "Baa3" from Moody's or a public rating of "BBB+", "BBB" or "BBB-" from Standard & Poor's, the Aggregate Weighted Average Life of all such securities does not exceed 5.75 years; *provided* that no security shall have an Average Life in excess of 15 years;

Single Issuer (11) the aggregate principal balance of all securities that are (including Synthetic Securities as to which their Reference Obligations are) issued by the same issuer do not exceed 1.5% of the Net Outstanding Portfolio Collateral Balance;

Single Servicer (12) with respect to the Servicer in relation to such Collateral Debt Security, the aggregate principal balance of all Collateral Debt Securities serviced by such Servicer (together with the aggregate principal balance of any Synthetic Securities related thereto) does not exceed 7.5% of the Net Outstanding Portfolio Collateral Balance, except that:

(A) if such Servicer has (1) a credit rating of "Aa3" or higher by Moody's or a servicer ranking of "SQ1" by Moody's, (2) a servicer ranking of "Strong" by Standard & Poor's (or, if no servicer ranking has been assigned by Standard & Poor's, a credit rating of "AA-" or higher by Standard & Poor's) and (3) a servicer rating of "S1" by Fitch (or, if no servicer rating has been assigned by Fitch, a credit rating of "AA-" or higher by Fitch), the aggregate principal balance of Collateral Debt Securities serviced by such Servicer may equal up to 15.0% of the Net Outstanding Portfolio Collateral Balance;

(B) if such Servicer does not meet the requirements of clause (i) and has (1) a credit rating of "A3" or higher by Moody's or a servicer ranking of "SQ2" or higher by Moody's, (2) a servicer ranking of "Above Average" or higher by Standard & Poor's (or if no servicer ranking has been assigned by Standard & Poor's, a credit rating of "A-" or higher by Standard & Poor's) and (3) a servicer rating of "S2" or higher by Fitch (or if no servicer rating has been assigned by Fitch, a credit rating of "A-" or higher by Fitch), the aggregate principal balance of Collateral Debt Securities serviced by such Servicer may equal up to the greater of 10.0% of the Net Outstanding Portfolio Collateral Balance; and

(C) the aggregate principal balance of all Collateral Debt Securities serviced by Countrywide does not exceed 20.0% of the Net Outstanding Portfolio Collateral Balance; provided that Countrywide shall not be subject to or included in the requirements of (A) or (B) above with respect to this clause (12); and

(D) the aggregate principal balance of all Collateral Debt Securities serviced by Wells Fargo Bank, National Association does not exceed 20.0% of the Net Outstanding Portfolio Collateral Balance; provided that Wells Fargo Bank, National Association shall not be subject to or included in the requirements of (A) or (B) above with respect to this clause (12);

Synthetic Securities

(13) if such security is a Synthetic Security, then (A) such Synthetic Security is acquired from a Synthetic Security Counterparty that on the date of such Grant either (x) is a bankruptcy remote issuer that has no outstanding indebtedness for borrowed money other than the related Synthetic Securities or (y) has a rating of at least "AA" by Standard & Poor's or a short-term issuer credit rating from Standard & Poor's of at least "A-1", with a long-term unsecured debt rating from Moody's of at least "Aa2" (and if rated "Aa2", such rating is not on watch for possible downgrade by Moody's) or a short-term unsecured debt rating from Moody's, if rated by Moody's, of at least "P-1" and, if rated by Fitch, with a short-term issuer credit rating from Fitch of at least "F1" or, if there is no such short-term credit rating from Fitch, a senior unsecured debt rating from Fitch of at least "AA", or such Synthetic Security Counterparty's selection satisfies the Rating Condition with respect to the relevant Rating Agency, (B) the Rating Condition has been satisfied with respect to the acquisition of such Synthetic Security or it is a Form Approved Synthetic Security (and each of Moody's, Standard & Poor's and Fitch has assigned an Applicable Recovery Rate to such Synthetic Security, Standard & Poor's has assigned a Rating or credit estimate and there has been a Moody's Rating Factor assigned by Moody's), (C) the aggregate principal balance of all Collateral Debt Securities that are Synthetic Securities (other than Short Synthetic Securities) does not exceed 10.0% of the Net Outstanding Portfolio Collateral Balance, (D)(i) the Reference Obligation to which such Synthetic Security relates would (treating the acquisition of the Synthetic Security as acquisition of the Reference Obligation from the Synthetic Security Counterparty) not be prohibited from direct acquisition by the Issuer by reason of its failure to satisfy clause (viii), (ix) or (x) of the proviso to the definition of "Collateral Debt Security" or (ii) the Issuer and the Trustee receive an opinion of nationally recognized U.S. tax counsel to the effect that such Synthetic Security would not be prohibited from direct acquisition by the Issuer by reason of its failure to satisfy clause (viii), (ix) or (x) of the proviso to the definition of "Collateral Debt Security" and (E) if such Synthetic Security is a Defeased Synthetic Security, such security complies with the requirements of the definition of Defeased Synthetic Security;

PIK Securities

(14) if such security (including any Synthetic Security as to which the related Reference Obligation) is a PIK Security, the aggregate principal balance of all such securities does not exceed 5.0% of the Net Outstanding Portfolio Collateral Balance;

Backed by Obligations of Non-U.S. Obligors

(15) the Aggregate Attributable Amount of all securities (including all Synthetic Securities as to which their respective Reference Obligations are) related to (A) obligors that are not organized or incorporated under the law of the United States of America or any State thereof or any Special Purpose Vehicle Jurisdiction does not exceed 20.0% of the Net Outstanding Portfolio Collateral Balance, (B) obligors organized or incorporated under the law of the United Kingdom does not exceed 12.5% of the Net Outstanding Portfolio Collateral Balance, (C) obligors organized or incorporated under the law of Canada does not exceed 12.5% of the Net Outstanding Portfolio Collateral Balance, (D) Qualifying Foreign Obligors

organized or incorporated under the law of any other jurisdiction does not exceed 10.0% of the Net Outstanding Portfolio Collateral Balance, and (E) obligors, excluding Qualifying Foreign Obligors and obligors not organized or incorporated under the law of the United States of America or any State thereof does not exceed 5.0% of the Net Outstanding Portfolio Collateral Balance;

Step-Up Bonds (16) if such security (including any Synthetic Security as to which any related Reference Obligation) is a Step-Up Bond, the aggregate principal balance of all such securities does not exceed 5.0% of the Net Outstanding Portfolio Collateral Balance;

Step-Down Bonds (17) if such security (including any Synthetic Security as to which any related Reference Obligation) is a Step-Down Bond, the aggregate principal balance of all such securities does not exceed 5.0% of the Net Outstanding Portfolio Collateral Balance;

Excluded Securities (18) such security (including any Synthetic Security as to which any related Reference Obligation) is not an ABS Franchise Security, an Aerospace and Defense Security, a Catastrophe Bond, a Healthcare Security, a Manufactured Housing Security, a Bank Guaranteed Security, a Car Rental Security, an Enhanced Equipment Debt Trust Certificate, an Excluded Synthetic ABS CDO Security, a Guaranteed Corporate Debt Security, an Insurance Company Guaranteed Security, a NIM Security, a Corporate Debt CDO Security, a CDO of CDO Security, a Project Finance Security, a Reinsurance Security, a REIT Debt Security, a Structured Settlement Security, a Subprime Automobile Security, a Tax Lien Security, a Time Share Security, a Mutual Fund Fee Security, an Oil and Gas Security, a Restaurant and Food Service Security or a Tobacco Settlement Security;

Issuer Concentration (19) with respect to the particular issuer of the Collateral Debt Security being acquired and all Collateral Debt Securities:

(A) there are no more than 10 issuers for which the aggregate principal balance of all Collateral Debt Securities issued by any such issuer is greater than 1.0 of the Net Outstanding Portfolio Collateral Balance;

(B) there are no more than 60 issuers for which the aggregate principal balance of all Collateral Debt Securities issued by any such issuer is greater than 0.75% of the Net Outstanding Portfolio Collateral Balance;

(C) the aggregate principal balance of all Collateral Debt Securities issued by a CDO Issuer does not exceed 1.0% of the Net Outstanding Portfolio Collateral Balance; and

(D) there are a minimum of 150 issuers of all Collateral Debt Securities.

For purposes of clauses (A)-(D) of this paragraph (19), any issuers Affiliated with one another will be considered one issuer (other than issuers that are Affiliated solely by reason of common ownership by a Financial

Sponsor);

CDO Securities	(20) if such security is (i) a CDO Security (including CDO Securities backed predominantly by credit linked securities), the aggregate principal balance of all securities that are CDO Securities does not exceed 13.0% of the Net Outstanding Portfolio Collateral Balance, (ii) a CDO Security having a public rating below "A3" by Moody's (if publicly rated by Moody's) or below "A-" by Standard & Poor's (if publicly rated by Standard & Poor's), the aggregate principal balance of all such Collateral Securities does not exceed 7.5% of the Net Outstanding Portfolio Collateral Balance; <i>provided</i> that no CDO Security shall have a Weighted Average Life of more than 10 years;
Trust Preferred CDO Securities	(21) if such security is a Trust Preferred CDO Security, the aggregate principal balance of all securities that are Trust Preferred CDO Securities does not exceed 1.0% of the Net Outstanding Portfolio Collateral Balance;
Synthetic CDO Securities	(22) if such security is a Synthetic CDO Security, the related Reference Obligation is an ABS CDO Security and the aggregate principal balance of all securities that are Synthetic CDO Securities does not exceed 7.5% of the Net Outstanding Portfolio Collateral Balance;
Interest Only Securities	(23) if such security (including any Synthetic Security as to which the related Reference Obligation) is an Interest Only Security, the aggregate principal balance of all such securities does not exceed 5.0% of the Net Outstanding Portfolio Collateral Balance;
Purchase Price	(24) such security is purchased at a purchase price (calculated as a percentage of par and without regard to any interest accrued to the date of purchase) that is not less than 75% of the par amount thereof;
Securities other than ABS Type Residential Securities or a CMBS Securities	(25) if such Collateral Debt Security is a security other than an ABS Type Residential Security or a CMBS Security, the aggregate principal balance of all such Collateral Debt Securities does not exceed 30.0% of the Net Outstanding Portfolio Collateral Balance;
Collateral Quality Tests	(26) each of the Collateral Quality Tests and the Standard & Poor's CDO Monitor Test is satisfied on such date or, if immediately prior to such acquisition one or more of the Collateral Quality Tests or the Standard & Poor's CDO Monitor Test was not satisfied, the extent of non-compliance with such Collateral Quality Test(s) or the Standard & Poor's CDO Monitor Test may not be made worse (except to the extent that a reduction in the extent of compliance does not result in non-compliance); and
Coverage Tests	(27) each Coverage Test was satisfied on the preceding Determination Date (after giving effect to all distributions made or to be made on the related Distribution Date) and each of the Coverage Tests is satisfied on such date or, if immediately prior to such acquisition one or more of such other Coverage Tests was not satisfied, the extent of non-compliance with

such Coverage Test(s) may not be made worse (except to the extent that a reduction in the extent of compliance does not result in non-compliance).

The requirement that each reinvestment criterion listed above be satisfied is independent of the requirement that any other reinvestment criterion be satisfied, and no inference shall be drawn that the satisfaction of one reinvestment criterion shall constitute the satisfaction of another reinvestment criterion (even if related to the same subject matter). In addition, the Collateral Manager shall certify that the Collateral Debt Securities and Eligible Investments included in the Collateral on the Closing Date satisfy the requirements of the definitions of Collateral Debt Security and Eligible Investments.

"ABS Franchise Securities" means (1) Oil and Gas Securities and (2) Restaurant and Food Service Securities, to the extent that such Oil and Gas Securities or Restaurant and Food Service 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 such securities) on the cash flow from a pool of franchise loans made to operators of franchises.

"Aggregate Accreted Cost" means, with respect to any Interest Only Security, Step-Up Bond or Zero Coupon Bond as of any date of determination, (a) on the date of acquisition thereof by the Issuer, the cost of purchase thereof and (b) on any date thereafter, the present value of all remaining payments on such Interest Only Security, Step-Up Bond or Zero Coupon Bond discounted to such date of determination as of each subsequent Distribution Date at a discount rate per annum equal to the internal rate of return on such Interest Only Security, Step-Up Bond or Zero Coupon Bond as calculated at the time of purchase thereof by the Collateral Manager (in its judgment exercised in accordance with the standard of care set forth in the Collateral Management Agreement) on behalf of the Issuer.

"Aerospace and Defense Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from leases and subleases of aircraft, vessels and telecommunications equipment to businesses for use in the provision of goods or services to consumers, the military or the government, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the leases or subleases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, sublessee or third party of the underlying equipment; (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of lease term for excess usage or wear and tear; and (5) the obligations of the lessors or sublessors may be secured not only by the leased equipment but also by other assets of the lessee, sublessee or guarantees granted by third parties.

"Aggregate Attributable Amount" means, with respect to any specified Collateral Debt Security and issuers incorporated or organized under the laws of any specified jurisdiction or jurisdictions, (a) the aggregate principal balance of such Collateral Debt Security multiplied by (b) the aggregate par amount of collateral securing such Collateral Debt Security issued by issuers so incorporated or organized divided by (c) the aggregate par amount of all collateral securing such Collateral Debt Security. The Collateral Manager shall determine the Aggregate Attributable Amount with respect to any specified Collateral Debt Security and issuer or issuers

based upon information in the most recent servicing, trustee or other similar report delivered in accordance with the related Underlying Instruments and, if no such information is available after inquiry of the relevant issuer, Servicer, collateral manager or any other Person serving in a similar capacity, by estimating such Aggregate Attributable Amount using its judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement) based upon all relevant information otherwise available to the Collateral Manager.

"Bank Guaranteed Securities" means any Asset-Backed Security as to which, if interest thereon is not timely paid when due, or the principal thereof is not timely paid at stated legal maturity, a national banking association organized under United States law or banking corporation organized under the laws of a state of the United States has undertaken in an irrevocable letter of credit or other similar instrument to make such payment against the presentation of documents, but only if such letter of credit or similar instrument (1) expires no earlier than such stated maturity (or contains "evergreen" provisions entitling the beneficiary thereof to draw the entire undrawn amount thereof upon the failure of the expiration date of such letter of credit or other similar instrument to be extended beyond its then current expiry date), (2) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset-Backed Security and (3) was issued by a bank having a credit rating assigned by each nationally recognized statistical rating organization that currently rates such Asset-Backed Security higher than the credit rating assigned by such rating organization to such Asset-Backed Security, determined without giving effect to such letter of credit or similar instrument, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"Benchmark Rate Change" means, as of any date of determination with respect to any Fixed Rate Security, an amount (expressed as a percentage, which may be positive or negative) equal to (a) the Benchmark Rate with respect to such Fixed Rate Security on such date of determination minus (b) the Benchmark Rate with respect to such Fixed Rate Security on its date of original issuance.

"Car Rental Receivable Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from leases and subleases of vehicles to car rental systems (such as Hertz, Avis, National, Dollar, Budget, etc.) and their franchisees, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the subleases are obligations of numerous franchisees and accordingly represent a very diversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee or third party of the underlying vehicle; and (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"Catastrophe Bonds" means Asset-Backed Securities that entitle the holders thereof to receive a fixed principal or similar amount and a specified return on such amount, generally having the following characteristics: (1) the issuer of such Asset-Backed Security has entered into a swap, insurance contract or similar arrangement with a counterparty pursuant to which such issuer agrees to pay amounts to the counterparty upon the occurrence of certain specified events, including but not limited to: hurricanes, earthquakes and other events; and

(2) payments on such Asset-Backed Security depend primarily upon the occurrence and/or severity of such events.

"Countrywide" means Countrywide Financial Corporation, a corporation organized under the law of the State of Delaware.

"Financial Sponsor" means any Person, including any subsidiary of another Person, whose principal business activity is acquiring, holding and selling investments (including controlling interests) in otherwise unrelated companies that each are distinct legal entities with separate management, books and records and bank accounts, whose operations are not integrated one with another and whose financial condition and creditworthiness are independent of the other companies so owned by such Person.

"Fixed Rate Security" means (a) any Collateral Debt Security (other than a Synthetic Security or a Defaulted Security) which bears interest at a fixed rate and (b) any Synthetic Security (other than a Defaulted Security) that is a total return swap, credit-linked note, derivative instrument, structured note or trust certificate, the related Reference Obligation of which bears interest based at a fixed rate.

"Floating Rate Security" means (a) any Collateral Debt Security (other than a Synthetic Security or a Defaulted Security) which is expressly stated to bear interest based upon the London interbank offered rate or another floating rate index and (b) any Synthetic Security (other than a Defaulted Security) that is (i) a credit default swap (regardless of the basis on which the related Reference Obligation pays interest) or (ii) a total return swap, credit-linked note, derivative instrument, structured note or trust certificate, the related Reference Obligation of which bears interest based on the London interbank offered rate or another floating rate index.

"Form Approved Synthetic Security" means one or more Synthetic Securities, the form of the documents in respect of which has satisfied the Rating Condition with respect to Moody's, Fitch and Standard & Poor's.

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

"Insurance Company Guaranteed Securities" means any Asset-Backed Security as to which the timely payment of interest when due, and the payment of principal no later than stated legal maturity, is unconditionally guaranteed pursuant to an insurance policy, guarantee or other similar instrument issued by an insurance company organized under the laws of a state of the

United States, but only if such insurance policy, guarantee or other similar instrument (1) expires no earlier than such stated maturity, (2) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset-Backed Security and (3) is issued by an insurance company having a credit rating assigned by each nationally recognized statistical rating organization that currently rates such Asset-Backed Security higher than the credit rating assigned by such rating organization to such Asset-Backed Security determined without giving effect to such insurance policy, guarantee or other similar instrument, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other type of Asset-Backed Security.

"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.

"Issue" of Collateral Debt Securities means Collateral Debt Securities issued by the same issuer, having the same terms and conditions (as to, among other things, coupon, maturity, security and subordination) and otherwise being fungible with one another.

"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 Fee Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of brokerage fees and costs relating to various mutual funds, generally having the following characteristics: (1) the brokerage arrangements have standardized payment terms and require minimum payments; (2) the brokerage fees and costs arise out of numerous mutual funds and accordingly represent a very diversified pool of credit risk; and (3) the collection of brokerage fees and costs can vary substantially from the contractual payment schedule (if any), with collection depending on numerous factors specific to the particular mutual funds, interest rates and general economic matters.

"NIM Security" means a net interest margin security that is publicly rated by Moody's and Standard & Poor's.

"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.

"Oil and Gas Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from (a) a pool of franchise loans made to operators of franchises that provide oil and gasoline and provide other services related thereto and (b) leases or subleases of equipment to such operators for use in the provision of such goods and services. They generally have the following characteristics: (1) the loans, leases or subleases have varying contractual maturities; (2) the loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the obligations of the lessors or sublessors of the equipment may be secured not only by the leased equipment but also the related real estate; (4) the loans, leases and subleases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment of the loans can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; (6) the repayment stream on the leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, a sublessee or third party of the underlying equipment; (7) such leases and subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of a lease term for excess usage or wear and tear; and (8) the ownership of a franchise right or other similar license and the creditworthiness of such franchise operators is the primary factor in any decision to invest in these securities.

"Project Finance Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from (1) the sale of products, such as electricity, nuclear energy, steam or water, in the utility industry by a special purpose entity formed to own the assets generating or otherwise producing such products and such assets were or are being constructed or otherwise acquired primarily with the proceeds of debt financing made available to such entity on a limited-recourse basis (including recourse to such assets and the land on which they are located) or (2) fees or other usage charges, such as tolls collected on a highway, bridge, tunnel or other infrastructure project, collected by a special purpose entity formed to own one or more such projects that were constructed or otherwise acquired primarily with the proceeds of debt financing made available to such entity on a limited-recourse basis (including recourse to the project and the land on which it is located).

"Reinsurance Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend in part on the premiums from reinsurance policies held by a special purpose vehicle created for such purpose, generally having the following characteristics: (1) proceeds from the security are invested in a collateral account; (2) such collateral account is subject to claims from the reinsurance policies; and (3) the repayment of principal on the security is dependent on the exercise of the reinsurance policies.

"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" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages, commercial mortgage-backed securities, collateralized mortgage obligations and other similar mortgage-related securities (including Asset-Backed Securities issued by a hybrid form of such trust that invests in both commercial real estate and commercial mortgages), *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Multi-Family" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of residential mortgages on multi-family dwellings such as apartment blocks, condominiums and 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—Residential" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of residential mortgages (other than multi-family dwellings) and other similar real property interests, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Retail" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on retail stores, restaurants, bookstores, clothing stores and other similar real property interests used in one or more similar businesses, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Storage" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of storage facilities and other similar real property interests used in one or more similar businesses, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"Subprime 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 subprime 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 borrowers or lessors under the loans or leases have a poor credit rating; (4) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; and (5) such leases typically provide for the right of the lessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"Rating Condition" means, with respect to any action taken or to be taken under the Indenture, a condition that is satisfied when each of Moody's' and Standard & Poor's (or, if a particular Rating Agency is specified, such Rating Agency) 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 Secured Notes.

"Registered" means a debt obligation that was issued (and in the case of a certificate of interest in a grantor trust for U.S. Federal income tax purposes, each obligation or security held by the trust that was issued) after July 18, 1984 and is in registered form for U.S. Federal income tax purposes.

"Restaurant and Food Service Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from (a) a pool of franchise loans made to operators of franchises that provide goods and services relating to the restaurant and food services industries and (b) leases or subleases of equipment to such operators for use in the provision of such goods and services. They generally have the following characteristics: (1) the loans, leases or subleases have varying contractual maturities; (2) the loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the obligations of the lessors or sublessors of the equipment may be secured not only by the leased equipment but also the related real estate; (4) the loans, leases and subleases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment of the loans can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; (6) the repayment stream on the leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, a sublessee or third party of the underlying equipment; (7) such leases and subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of a lease term for excess usage or wear and tear; and (8) the ownership of a franchise right or other similar license and the creditworthiness of such franchise operators is the primary factor in any decision to invest in these securities.

"Servicer" means, with respect to any Issue of any Collateral Debt Security, the person that, absent any default, event of default or similar condition (however described), is primarily responsible for monitoring and otherwise administering the cash flows from which payments to investors in such Collateral Debt Securities are made; it being understood that a person that is a portfolio or investment manager for a CDO Security is not considered a Servicer for purposes of the Reinvestment Criteria.

"Step-Down Bond" means a security that 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 any Collateral Quality Test defined herein by reference to the spread (in the case of a floating rate Step-Down Bond) or coupon (in the case of a fixed rate Step-Down Bond) of a Step-Down Bond, the spread or coupon on any date shall be deemed to be the lowest spread or coupon, respectively, scheduled to apply to such Step-Down Bond on or after such date.

"Step-Up Bond" means a security that 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 will not include any such security providing for payment of a constant rate of interest at all times after the date of acquisition by the Issuer. In calculating any Collateral Quality Test by reference to the spread (in the case of a floating rate Step-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 will be deemed to be the spread or coupon stated to be payable in cash and in effect on such date.

"Tax Lien Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of tax obligations owed by businesses and individuals to state and municipal governmental taxing authorities, generally having the following characteristics: (1) the obligations have standardized payment terms and require minimum payments; (2) the tax obligations are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (3) the repayment stream on the obligation is primarily determined by a payment schedule entered into between the relevant tax authority and obligor, with early repayment on such obligation predominantly dependent upon interest rates and the income of the obligor following the commencement of amortization.

"Time Share Securities" means Asset-Backed Securities (other than Prime Residential Mortgage Securities and Subprime Residential Mortgage Securities) that entitle the holders thereof to receive payments that depend primarily on the cash flow from residential mortgage loans (secured on a first priority basis, subject to permitted liens, easements and other encumbrances) by residential real estate the proceeds of which were used to purchase fee simple interests in timeshare estates in units in a condominium, generally having the following characteristics: (1) the mortgage loans have standardized payment terms and require minimum monthly payments; (2) the mortgage loans are obligations of numerous borrowers and accordingly represent a diversified pool of obligor credit risk; (3) repayment of such securities can vary substantially from their contractual payment schedules and depends entirely upon the rate at which the mortgage loans are repaid; and (4) the repayment of such mortgage loans is subject to a contractual payment schedule, with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium and with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling and generally no penalties for early repayment.

"Tobacco Settlement Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from receivables representing the right of litigation claimants in legal actions related to tobacco products to receive future scheduled payments under settlement agreements that are funded by annuity contracts, which receivables may have varying maturities.

"Zero Coupon Bond" means a Collateral Debt Security that, pursuant to the terms of its Underlying Instruments, on the date on which it is purchased by the Issuer does not provide for the payment of interest, or provides that all payments of interest will be deferred until the final maturity thereof.

If the Issuer has previously entered into a commitment to acquire an obligation or security for inclusion in the Collateral, then the Issuer need not comply with any of the Reinvestment Criteria on the date of such acquisition if the Issuer was in compliance with each of the Reinvestment Criteria on the date on which the Issuer entered into such commitment. However, the Issuer may only enter into commitments to acquire securities for inclusion in the Collateral if such commitments to acquire securities do not extend beyond a 30-day period.

Notwithstanding the foregoing provisions, if an Event of Default shall have occurred and be continuing, no Collateral Debt Security may be acquired unless it was the subject of a commitment entered into by the Issuer prior to the occurrence of such Event of Default.

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

The Hedge Agreement

The Issuer will on the Closing Date enter into an interest rate protection agreement (such agreement, and any replacement therefor entered into in accordance with the Indenture, the "Hedge Agreement") consisting of an interest rate swap with a counterparty with respect to which the Rating Condition has been satisfied (the "Hedge Counterparty"). The Initial Hedge Counterparty shall be AIG Financial Products Corp. (the "Initial Hedge Counterparty"), located at 50 Danbury Road, Wilton, CT 06897-4444. The Issuer will not, however, 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. Scheduled payments required to be made by the Issuer under the Hedge Agreement, together with any termination payments payable by the Issuer other than any Subordinate Hedge Termination Payment, will be payable in accordance with the Priority of Payments. The Hedge Agreement will be governed by New York law.

In respect of any Hedge Counterparty (other than the Initial Hedge Counterparty), if: (x)(i) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of the relevant Hedge Rating Determining Party (or any affiliate of the Hedge Counterparty that unconditionally and absolutely guarantees the obligations of the Hedge Counterparty) are rated below "A1" by Moody's or rated "A-1" by Moody's and (ii) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of the relevant Hedge Rating Determining Party are rated "P-1" by Moody's or (y) if such 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 such Hedge Rating Determining Party are rated below "Aa3" by Moody's or are rated "Aa3" by Moody's, then the Hedge Counterparty shall, within 10 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.

In respect of any Hedge Counterparty (other than the Initial Hedge Counterparty), if the relevant Hedge Rating Determining Party fails to satisfy the Ratings Threshold, then such Hedge Counterparty shall assign its rights and obligations in and under the related Hedge Agreement (at its own expense) to another Hedge Counterparty that has ratings at least equal to the Hedge Counterparty Ratings Requirement. The Trustee shall deposit all collateral received from the Hedge Counterparty under the Hedge Agreement in a securities account in the name of the Trustee that will be designated the "Hedge Counterparty Collateral Account",

which account will be maintained for the benefit of the Secured Noteholders, the Hedge Counterparty and the Trustee.

In respect of the Initial Hedge Counterparty:

- (i) if a Collateralization Event occurs, the Initial Hedge Counterparty and the Issuer shall enter into an agreement, solely at the expense of the Initial Hedge Counterparty, in the form of the ISDA Credit Support Annex attached as Annex B to the Hedge Agreement; provided that, a Ratings Event will be deemed to have occurred if the Initial Hedge Counterparty has not, within 30 days following a Collateralization Event, (A) provided sufficient collateral as required under the Hedge Agreement, (B) found another Hedge Counterparty in accordance with clause (iii), (C) obtained a guarantor for the obligations of the Initial Hedge Counterparty under the Hedge Agreement with ratings at least equal to 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 Hedge Counterparty may require (as confirmed to the Collateral Manager by the Rating Agencies in writing) in order to maintain the rating of each Class of outstanding Secured Notes in effect prior to such Collateralization Event;
- (ii) at any time following a Collateralization Event, the Initial Hedge Counterparty may elect, upon 10 days' prior written notice to the Issuer and the Trustee, to transfer the Hedge Agreement and assign its rights and obligations thereunder to any Person (as used in this clause (ii), a "Transferee"); provided that (A) as of the date of such transfer neither the Transferee nor the Issuer will be required to withhold or deduct on account of any Tax from any payments under the Hedge Agreement in excess of what would have been required to be withheld or deducted in the absence of such transfer, (B) a Termination Event or Event of Default does not occur under the Hedge Agreement as a result of such transfer, (C) each of the transferor and transferee will be a dealer in notional principal contracts as that term is used in U.S. Treasury regulations section 1.1001-4(a), (D) the Transferee satisfies the Hedge Counterparty Ratings Requirement, (E) the Transferee assumes the obligations of the Initial Hedge Counterparty under the Hedge Agreement (through an assignment and assumption agreement in form and substance reasonably satisfactory to the Issuer) or replaces the outstanding Transactions hereunder with transactions on substantially identical terms, except that the Initial Hedge Counterparty shall be replaced as counterparty, (F) the Initial Hedge Counterparty will be responsible for any stamp taxes and any reasonable costs or expenses incurred by the Trustee or the Issuer in connection with such transfer, and (G) such transfer satisfies the Rating Condition. Upon successful consummation of any such transfer and assignment, the Initial Hedge Counterparty's obligations to post collateral contemplated above shall terminate and the Issuer shall release its security interest in, and return to the Initial Hedge Counterparty, any then-posted collateral;
- (iii) At any time following a Collateralization Event, the Initial Hedge Counterparty may terminate the Hedge Agreement on any Distribution Date; *provided* that (A) the Initial Hedge Counterparty has identified a new counterparty (the "New Counterparty") which has agreed to enter into, effective as of such termination date, a new agreement with the Issuer on terms substantially identical to the

terms of the Hedge Agreement and all transactions thereunder (a "Replacement Hedge Agreement") (including, without limitation, that neither the New Counterparty nor the Issuer will be required to withhold or deduct on account of any tax from any payment under the Replacement Hedge Agreement in excess of what would have been required to be withheld or deducted in the absence of such transfer), (B) the New Counterparty satisfies the Hedge Counterparty Ratings Requirement, (C) the Initial Hedge Counterparty will be responsible for any stamp taxes and any reasonable costs or expenses incurred by the Trustee or the Issuer in connection with the entry into the Replacement Hedge Agreement, and (D) the entry into the Replacement Hedge Agreement satisfies the Rating Condition;

- (iv) following the occurrence of a Ratings Event, the Issuer may terminate the Hedge Agreement unless the Initial Hedge Counterparty has assigned its rights and obligations in and under the 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 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 soon as practicable but in no event later than 10 Business Days following such Ratings Event.

"Collateralization Event" means, in respect of the Initial Hedge Counterparty, the occurrence of any of the following: (i)(a) the long-term senior unsecured debt rating of the 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 the 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 the 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 the Hedge Rating Determining Party has no short-term senior debt rating only, (iii) the long-term senior unsecured debt rating of the Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to "A1" (and on credit watch for possible downgrade) or below "A1" or the short-term senior unsecured debt rating of the Initial Hedge Counterparty or, if no such rating is available, the Hedge Rating Determining Party or, if no such rating is available, a guaranteed affiliate thereof (based solely on the support of the Initial Hedge Counterparty's Credit Support Provider (as defined in the Hedge Agreement)) from Moody's, if so rated by Moody's, falls to "P-1" (and on credit watch for possible downgrade) or below "P-1"; or (iv) the short-term issuer credit rating of the Hedge Rating Determining Party is withdrawn, suspended or falls to "F2" or, if no such rating is then available, the long term senior unsecured debt rating of the Hedge Rating Determining Party from Fitch is withdrawn, suspended or falls below "A".

"Hedge Rating Determining Party" means, with respect to the Hedge Agreement, (a) unless clause (b) applies with respect to the Hedge Agreement, the related Hedge Counterparty or any transferee thereof or (b) any Affiliate of the related Hedge Counterparty --- or any transferee thereof that unconditionally and absolutely guarantees (pursuant to a form of guarantee that satisfies all applicable published rating criteria of the Rating Agencies) the

obligations of such Hedge Counterparty or such transferee, as the case may be, under the Hedge Agreement. For the purpose of this definition, no direct or indirect recourse against one or more shareholders of the Hedge Counterparty or any such transferee (or against any Person in control of, or controlled by, or under common control with, any such shareholder) shall be deemed to constitute a guarantee, security or support of the obligations of such Hedge Counterparty or any such transferee.

The "Hedge Counterparty Ratings Requirement" means, with respect to any Hedge Counterparty (other than the Initial Hedge Counterparty), (a) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of the related Hedge Rating Determining Party are rated at least "A-1" by Standard & Poor's or (ii) if no short term debt obligations of such Hedge Rating Determining Party are rated by Standard & Poor's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A+" by Standard & Poor's, (b)(i)(x) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated higher than "A1" by Moody's or are rated "A1" by Moody's and (y) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Rating Determining Party are rated at least "P-1" by Moody's or (ii) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated higher than "Aa3" by Moody's or are rated "Aa3" by Moody's and (c) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Rating Determining Party are rated at least "F1" by Fitch or (ii) if there is no such short-term debt rating by Fitch, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A" by Fitch. With respect to the Initial Hedge Counterparty and any replacement thereof, clause (c) of this definition of "Hedge Counterparty Ratings Requirement" shall only apply if the related Hedge Rating Determining Party is rated by Fitch.

"Ratings Event" means, with respect to the Hedge Agreement entered into on the Closing Date between the Issuer and the Initial Hedge Counterparty, the occurrence of any of the following: (i) the long-term senior unsecured debt rating of the Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to or below "A2", if the Hedge Rating Determining Party has no short-term senior unsecured debt rating; (ii) the long-term senior unsecured debt rating of the Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to or below "A3" or the short-term senior unsecured debt rating of the Initial Hedge Counterparty or, if no such rating is available, the Hedge Rating Determining Party or, if no such rating is available, a guaranteed affiliate thereof (based solely on the support of the Initial Hedge Counterparty's Credit Support Provider (as defined in the Hedge Agreement)) from Moody's, if so rated by Moody's, falls to or below "P-2"; (iii) the long-term senior unsecured debt rating of the Hedge Rating Determining Party from Standard & Poor's is withdrawn, suspended or falls below "BBB-"; (iv) the short-term issuer credit rating of the Hedge Rating Determining Party from Fitch is withdrawn, suspended or falls below "F2" or, if no such rating is available, the long term senior unsecured debt rating of the Hedge Rating Determining Party from Fitch is withdrawn, suspended or falls below "BBB+"; or (v) the failure of the Hedge Counterparty to provide, within 10 days following a Collateralization Event, sufficient collateral as required under Part 5(b)(1)(ii) of the Hedge Agreement.

"Ratings Threshold" means, with respect to any Hedge Counterparty (other than the Initial Hedge Counterparty), (a) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of the related Hedge Rating Determining Party are rated at least "A-1" by Standard & Poor's or (ii) if the related Hedge Rating Determining Party

does not have a short-term rating from Standard & Poor's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A+" by Standard & Poor's, (b) (i) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of the related Hedge Rating Determining Party are rated at least "A3" by Moody's and (ii) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Rating Determining Party are rated at least "P-1" by Moody's and (c) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of the related Hedge Rating Determining Party are rated at least "F1" by Fitch or (ii) if there is no such short-term rating by Fitch, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A" by Fitch. With respect to any Hedge Counterparty replacing the Initial Hedge Counterparty, clause (c) of this definition of "Ratings Threshold" shall only apply if the related Hedge Rating Determining Party is rated by Fitch.

The Hedge Agreement will be subject to termination upon the earlier to occur of (a) an Event of Default followed by the liquidation of the Collateral in accordance with the Indenture and (b) any Auction Call Redemption, Optional Redemption or Tax Redemption. In the event that amounts are applied to the redemption of Secured Notes on any Distribution Date in accordance with the Priority of Payments by reason of a Rating Confirmation Failure or a failure to satisfy any of the Coverage Tests, then, subject to the satisfaction of the Rating Condition, the floating-fixed rate interest swap under the Hedge Agreement will be subject to partial termination on such Distribution Date with respect to a portion of the notional amount thereof equal to the aggregate outstanding principal amount of Secured Notes so redeemed on such Distribution Date. In addition, subject to satisfaction of the Rating Condition, and the prior consent of the Hedge Counterparty with respect to such reduction, the Collateral Manager and a Majority-in-Interest of Preference Shareholders (acting together) may on any Distribution Date direct the Issuer to reduce the notional amount of any interest rate swap or cap outstanding under the Hedge Agreement. Upon any such termination or reduction of a notional amount, a termination payment with respect to the notional amount terminated or reduced may become payable by the Hedge Counterparty or the Issuer to the other party under the Hedge Agreement, with such termination payment being calculated as described below.

Amounts payable upon any such termination or reduction will be based upon standard replacement transaction valuation methodology set forth in the 1992 ISDA Master Agreement published by the International Swaps and Derivatives Association, Inc. If any amount is payable by the Issuer to the Hedge Counterparty in connection with the occurrence of any such partial termination or notional amount reduction, such amount, together with interest on such amount for the period from and including the date of termination to but excluding the date of payment at a rate per annum equal to the interest rate set forth in the Hedge Agreement shall be payable on such Distribution Date to the extent funds are available for such purpose in accordance with the Priority of Payments, and any amount not so paid on such Distribution Date shall be payable on the first Distribution Date on which such amount may be paid in accordance with the Priority of Payments.

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

THE CDS AGREEMENTS

General

On or after the Closing Date, the Issuer may enter into a 1992 or 2002 ISDA Master Agreement (Multicurrency-Cross Border) (together with the Schedule and any Confirmations thereto, a "CDS Agreement") with a counterparty (a "CDS Counterparty"), under which the Issuer, as buyer or seller, and a CDS Counterparty, as seller or buyer, will from time to time enter into credit default swap transactions (each, a "CDS Transaction", which shall also constitute a "Synthetic Security" for all purposes of the Indenture) with respect to specified Reference Obligations. The Issuer shall not, however, enter into a CDS 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 Collateral Manager shall only direct the Issuer to enter into CDS Transactions with a CDS Counterparty that themselves satisfy, and with respect to which all Reference Obligations would satisfy, if acquired directly by the Issuer, the definition of Collateral Debt Security. In addition, each such CDS Transaction must require physical or cash settlement upon the occurrence of a Credit Event thereunder.

On or after the Closing Date the Issuer may modify all or a portion of any CDS Agreement in accordance with the terms thereof and subject to satisfaction of the Rating Condition with respect thereto. Upon termination of a CDS Agreement pursuant to the terms thereof, the Issuer shall use reasonable efforts to enter into a replacement CDS Agreement that (a) either (i) satisfies the Rating Condition or (ii) is a Form-Approved CDS Agreement and (b) is a Collateral Debt Security.

Each of the CDS Transactions entered into under a CDS Agreement are expected to be made subject to and incorporates the 2003 ISDA Credit Derivatives Definitions, as supplemented by the May 2003 Supplement to such Definitions, as published by the International Swaps and Derivatives Association, Inc. ("ISDA"), (as so supplemented and as the same may be amended, modified or otherwise supplemented from time to time, the "Credit Derivatives Definitions").

"Form-Approved CDS Agreement" means a 1992 or 2002 ISDA Master Agreement (Multicurrency-Cross Border) entered into by the Issuer for the purpose of effecting credit default swap transactions, the documentation of which conforms in all material respects to a form as to which the Rating Condition was previously satisfied (as certified to the Trustee by the Collateral Manager); *provided* that (i) any Form-Approved CDS Agreement shall be approved by each of the Rating Agencies and a Majority of the Controlling Class prior to the initial use thereof, (ii) any material amendment to any Form-Approved CDS Agreement must satisfy the Rating Condition and be approved by a Majority of the Controlling Class and (iii) any Rating Agency or a Majority of the Controlling Class may cancel a Form-Approved CDS Agreement by written notice to the Trustee and the Collateral Manager.

Each Synthetic Security entered into under a CDS Agreement will be entered into under a separate trade confirmation (which is currently expected to be a Form-Approved CDS Confirmation but may be in a form that otherwise satisfies the Rating Condition) and constitute a separate transaction thereunder. Accordingly, a sale or other disposition in whole or in part of a Synthetic Security entered into under a CDS Agreement will constitute a termination or partial termination (as applicable) of the related CDS Transaction only.

All of the CDS Transactions acquired under a CDS Agreement will be subject to the Collateral Quality Tests and the Reinvestment Criteria to the extent described herein.

Payments to a CDS Counterparty in respect of any CDS Transactions entered into by the Issuer under a CDS Agreement will be made on each Distribution Date, subject to, and in accordance with, the Priority of Payments. See "Description of the Secured Notes—Priority of Payments".

Settlement

The CDS Transactions entered into under a CDS Agreement will be physically or cash settled. A CDS Counterparty may seek to eliminate its credit exposure to the Reference Obligations by entering into back-to-back hedging transactions. The physical or cash settlement amount owed to the Issuer by a CDS Counterparty in respect of the settlement of any CDS Transaction may be less than the physical or cash settlement amounts received by such CDS Counterparty upon the settlement of any related back-to-back hedging transactions.

Ratings Provisions

A CDS Counterparty must satisfy the rating criteria of each of the Rating Agencies.

Fixed Amount Payments

On each Distribution Date, the Protection Buyer will be required to pay to the Protection Seller with respect to each Synthetic Security entered into under a CDS Agreement an amount equal to the Notional Amount thereof multiplied by an agreed fixed rate.

Conditions to Payment

In order for a physical or cash settlement amount to be due to the Protection Buyer from the Protection Seller in respect of a CDS Transaction entered into under a CDS Agreement, the conditions to payment set forth in the related Underlying Instruments must be satisfied in relation to the relevant Reference Obligation.

The Accounts

Collection Accounts

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

Amounts received in the Collection Accounts during a Due Period and amounts received in prior Due Periods and retained in the Collection Accounts under the circumstances set forth above in "Description of the Secured Notes—Priority of Payments" will be invested in Eligible Investments (as described below) with stated maturities no later than the Business Day immediately preceding the next Distribution Date. All such proceeds will be retained in the Collection Accounts unless used to purchase Collateral Debt Securities on or prior to the last day of the Substitution Period in accordance with the Reinvestment Criteria, to honor commitments with respect thereto entered into prior to the last day of the Substitution Period, or used as otherwise permitted under the Indenture. See "—Reinvestment Criteria".

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

- (a) cash;
- (b) direct Registered obligations of, and Registered obligations the timely payment of principal and interest on which is fully and expressly guaranteed by, the United States or any agency or instrumentality of the United States the obligations of which are expressly backed by the full faith and credit of the United States;
- (c) demand and time deposits in, certificates of deposit of, bankers' acceptances payable within 183 days of issuance by, or Federal funds sold by any depository institution (including JPMorgan Chase Bank, National Association) or trust company incorporated under the laws of the United States or any state thereof and subject to supervision and examination by Federal and/or state banking authorities so long as the commercial paper and/or the debt obligations of such depository institution or trust company (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have a credit rating of not less than "Aa2" by Moody's, "AA+" by Standard & Poor's and "AA+" by Fitch (if rated by Fitch) in the case of long-term debt obligations, or "P-1" by Moody's, "A-1+" by Standard & Poor's and "F1+" by Fitch (if rated by Fitch) in the case of commercial paper and short-term debt obligations; *provided* that (i) in any case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's and "AA+" by Fitch (if rated by Fitch), and (ii) in the case of commercial paper and short-term debt obligations with a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's and "AA+" by Fitch (if rated by Fitch);
- (d) unleveraged repurchase obligations with respect to (i) any security described in clause (b) above or (ii) any other Registered security issued or guaranteed by an agency or instrumentality of the United States (in each case without regard to the Stated Maturity of such security), in either case entered into with a U.S. Federal or state depository institution or trust company (acting as principal) described in clause (c) above or entered

into with a corporation (acting as principal) whose long-term rating is not less than "Aa2" by Moody's, "AA+" by Standard & Poor's and "AA+" by Fitch (if rated by Fitch) or whose short-term credit rating is "P-1" by Moody's, "AA+" by Standard & Poor's and "AA+" by Fitch (if rated by Fitch);

- (e) Registered debt securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States or any state thereof that have a credit rating of not less than "Aa2" by Moody's, "AA+" by Standard & Poor's and "AA+" by Fitch (if rated by Fitch);
- (f) commercial paper or other short-term obligations with a maturity of not more than 183 days from the date of issuance and having at the time of such investment a credit rating of "P-1" by Moody's, "A-1+" by Standard & Poor's and "F1+" by Fitch (if rated by Fitch); *provided* that, in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's, "AA+" by Standard & Poor's and "AA+" by Fitch (if rated by Fitch);
- (g) Registered reinvestment agreements issued by any bank (if treated as a deposit by such bank) or any insurance company or other corporation or entity organized under the laws of the United States or any state thereof (if treated as debt by such entity), in each case, that has a credit rating of not less than "P-1" by Moody's, "A-1+" by Standard & Poor's and "F1+" by Fitch (if rated by Fitch); *provided* that, in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's, "AA+" by Standard & Poor's and "AA+" by Fitch (if rated by Fitch); and
- (h) interests in any money market fund or similar investment vehicle having at the time of investment therein the highest credit rating assigned by each of the Rating Agencies;

and, in each case (other than clause (a)), with a Stated Maturity (giving effect to any applicable grace period) no later than the Business Day immediately preceding the Distribution Date next following the Due Period in which the date of investment occurs; *provided* that Eligible Investments may not include (i) any mortgaged-backed security, (ii) any Interest Only Security, (iii) any security purchased at a price in excess of 100% of the par value thereof, (iv) any investment the income 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 its jurisdiction of incorporation, (v) any security or obligation the Rating of which from Standard & Poor's includes the subscript "r", "t", "p", "pi" or "q", (vi) any security whose repayment is subject to substantial non-credit related risk as determined in the judgment of the Collateral Manager (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), (vii) any Floating Rate Security whose interest rate is inversely or otherwise not proportionately related to an interest rate index or is calculated as other than the sum of an interest rate index plus a spread or (viii) any security that is subject to an Offer.

Interest Equalization Account

During any Due Period, the Trustee will deposit such amount of distributions received on any Semi-Annual Pay Security during any Due Period that the Collateral Manager reasonably determines necessary to equalize quarterly interest cash flows and to the extent such distributions or proceeds constitute Interest Proceeds. Such amounts will be remitted to a

single, segregated account established and maintained under the Indenture by the Trustee (the "Interest Equalization Account"). The Interest Equalization Account shall be maintained for the benefit of the Secured Noteholders, and amounts deposited therein in respect of any Due Period will be available, together with investment earnings thereon (to the extent allocable on a pro rated basis in accordance with the frequency of interest payments on the relevant Semi-Annual Pay Security to a subsequent Due Period), for payment to the Interest Collection Account on the last day of the next succeeding Due Period (to be applied as "Interest Proceeds"). In addition, in connection with any redemption of the Secured Notes, the full amount on deposit in the Interest Equalization Account will, to the extent allocable on a pro rated basis in accordance with the frequency of interest payments on the relevant Semi-Annual Pay Security to a subsequent Due Period, be paid to the Interest Collection Account and be available to pay the redemption price of the Secured Notes as if such amount had originally been on deposit in the Interest Collection Account.

Amounts on deposit in the Interest Equalization Account will be invested in Eligible Investments with stated maturities no later than the last day of the next succeeding Due Period.

As used herein, "Semi-Annual Pay Security" means any Collateral Debt Security that, pursuant to the terms of the related Underlying Instruments, pays interest less frequently than quarterly.

Payment Account

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

Uninvested Proceeds Account

On the Closing Date, the Trustee will deposit into a single, segregated account established and maintained by the Trustee under the Indenture (the "Uninvested Proceeds Account") all Uninvested Proceeds (other than the organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser and the Collateral Manager), the expenses of offering the Offered Securities and amounts deposited in the Expense Account on such date). The Collateral Manager on behalf of the Issuer may only direct the Trustee to, and upon such direction the Trustee shall, (i) invest funds in the Uninvested Proceeds Account in (a) Collateral Debt Securities, (b) Eligible Investments or (c) U.S. Agency Securities designated by the Collateral Manager or (ii) withdraw cash in the Uninvested Proceeds Account and deposit it into a Synthetic Security Counterparty Account in connection with the purchase of a Synthetic Security; *provided* that, (i) after the Ramp-Up Completion Date, the Issuer shall not be permitted to hold any U.S. Agency Securities in the Uninvested Proceeds Account and (ii) the maximum aggregate principal balance of U.S. Agency Securities the Issuer may hold at any time in the Uninvested Proceeds Account is U.S.\$50,000,000. Interest and other income from such investments shall be deposited in the Uninvested Proceeds Account, any gain realized from

such investments shall be credited to the Uninvested Proceeds Account, and any loss resulting from such investments shall be charged to the Uninvested Proceeds Account. On each Distribution Date prior to the Ramp-Up Completion Date, remaining investment earnings on Eligible Investments in the Uninvested Proceeds Account will be transferred to the Interest Collection Account and applied as Interest Proceeds on such Distribution Date. After any application required pursuant to "Description of the Secured Notes — Mandatory Redemption", on the first Distribution Date after the Ramp-Up Completion Date, Uninvested Proceeds remaining on deposit in the Uninvested Proceeds Account will be transferred to the Interest Collection Account and distributed on such date as Interest Proceeds in accordance with the Priority of Payments, or to the extent the Collateral Manager shall otherwise direct, to the Principal Collection Account for application pursuant to the Priority of Payments.

"U.S. Agency Securities" means obligations of (i) the U.S. Treasury, (ii) any Federal agency or instrumentality of the United States of America or (iii)(A) the Federal National Mortgage Association, (B) the Student Loan Marketing Association or (C) the Federal Home Loan Mortgage Corporation, in each case with a stated maturity that does not exceed final maturity of the Secured Notes.

Expense Account

On the Closing Date, after payment of the organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser and the Collateral Manager) and the expenses of offering the Offered Securities, U.S.\$100,000 from the proceeds of the offering of the Offered Securities will be deposited by the Trustee into a single, segregated account established and maintained by the Trustee under the Indenture (the "Expense Account"). All funds on deposit in the Expense Account will be invested in Eligible Investments. On each Distribution Date, to the extent that funds are available for such purpose in accordance with the Priority of Payments and subject to the dollar limitation set forth in clause (2) under "Description of the Secured Notes— Priority of Payments—Interest Proceeds", the Trustee will deposit into the Expense Account an amount from Interest Proceeds (and, to the extent that Interest Proceeds are insufficient, from Principal Proceeds) such that the amount on deposit in the Expense Account (after giving effect to such deposit) will equal U.S.\$100,000. Amounts on deposit in the Expense Account may be withdrawn from time to time to pay accrued and unpaid expenses of the Co-Issuers (other than fees and expenses of the Trustee and the Collateral Management Fee, but including other amounts payable by the Issuer to the Collateral Manager under the Collateral Management Agreement or the Indenture).

All funds on deposit in the Expense Account at the time when substantially all of the Issuer's assets have been sold or otherwise disposed of (as determined by the Collateral Manager) will be deposited by the Trustee into the Payment Account for application as Interest Proceeds on the immediately succeeding Distribution Date.

Interest Reserve Account

On the Closing Date, after payment of the organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser and the Collateral Manager) and the expenses of offering the Offered Securities, U.S.\$500,000 from the proceeds of the offering of the Offered Securities will be deposited by the Trustee into a single, segregated account established and maintained by the Trustee under the Indenture (the "Interest Reserve Account"). If invested,

funds on deposit in the Interest Reserve Account will be invested in Eligible Investments, as directed in writing by the Collateral Manager acting on behalf of the Issuer. The only permitted withdrawal from or application of funds on deposit in, or otherwise standing to the credit of, the Interest Reserve Account shall be as follows: (A) at least one Business Day prior to the first Distribution Date, the Trustee will transfer U.S.\$500,000 from the Interest Reserve Account to the Payment Account for application (x) as Interest Proceeds on the first Distribution Date for distribution to the holders of Class A-1 Notes if, and only to the extent, necessary for the holders of the Class A-1 Notes to receive the Interest Distribution Amount due and payable in respect of such Class A-1 Notes on such first Distribution Date pursuant to clause (4) under "Description of the Secured Notes—Priority of Payments—Interest Proceeds" and (y) to the extent that there are any amounts remaining after application as provided in the preceding clause (x), for application as Interest Proceeds in accordance with the Priority of Payments.

"Interest Distribution Amount" means, with respect to any Class of Secured Notes and any Distribution Date, the sum of (i) the aggregate amount of interest accrued at the applicable interest rate for such Class, during the Interest Period ending immediately prior to such Distribution Date, on the aggregate outstanding principal amount of the Secured Notes of such Class on the first day of such Interest Period plus (ii) any Defaulted Interest in respect of the Secured Notes of such Class and accrued interest thereon. The "Interest Distribution Amount" for any Distribution Date for the Class C Notes, Class D Notes and Class E Notes will not include any Deferred Interest on such Secured Notes.

Substitution Account

During the Substitution Period, Substitution Principal Proceeds received in respect of the sale of Collateral Debt Securities and Eligible Investments and as a result of transfers from any Synthetic Security Counterparty Account directed by the Collateral Manager shall be deposited and held in a single, segregated securities account established by the Trustee in the name of the Trustee as entitlement holder in trust for the benefit of the Secured Parties (the "Substitution Account") for investment in substitute Collateral Debt Securities and Eligible Investments, until such Substitution Principal Proceeds are (A) reinvested in substitute Collateral Debt Securities, (B) applied to redeem the Secured Notes upon the failure of any Coverage Test or a Rating Confirmation Failure, in each case in accordance with the Priority of Payments set forth herein, (C) applied to redeem the Secured Notes in connection with an Auction Call Redemption, Optional Redemption or Tax Redemption or otherwise applied in accordance with the Priority of Payments applicable thereto or (D) transferred to the Payment Account on any Distribution Date for application as Principal Proceeds either because (1) the Collateral Manager has elected upon notice to the Trustee to designate such amounts as "Specified Principal Proceeds" or (2) the Issuer has failed to comply with its obligation to reinvest the Sale Proceeds of a Credit Risk Security no later than 30 Business Days after the sale of such Credit Risk Security (*provided* that, for purposes of determining the extent of such non-compliance, Substitution Principal Proceeds on deposit in the Substitution Account shall be deemed to be applied in the order in which they are received). The Collateral Manager, on behalf of the Issuer, may (or in the case of clauses (B), (C) and (D)(2) above, shall) direct the Trustee to, and, upon receipt of such direction, the Trustee will, (x) withdraw any funds in the Substitution Account for application in accordance with any of clause (A), (B), (C) and (D) above and the provisions of the Indenture and (y) invest funds on deposit in the Substitution Account in Eligible Investments. Funds on deposit in the Substitution Account may not be invested in assets other than Eligible Investments. On each Distribution Date, the Trustee, upon the Collateral Manager's direction, will transfer all interest and other income received in respect of Eligible Investments standing to the credit of the Substitution Account to the Interest Collection Account for application as

Interest Proceeds in accordance with the Priority of Payments on such Distribution Date. Until such transfer, all interest and other income from Eligible Investments standing to the credit of the Substitution Account will be deposited in the Substitution Account. Any gain realized from Eligible Investments standing to the credit of the Substitution Account will be credited to the Substitution Account, and any loss resulting from such Eligible Investments will be charged to the Substitution Account.

Funds held in the Substitution Account at the end of the Substitution Period shall be transferred to the Payment Account for application as Principal Proceeds in accordance with the Priority of Payments. See "Description of the Secured Notes—Priority of Payments" herein.

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

Synthetic Security Counterparty Accounts

For each Defeased Synthetic Security (including any CDS Transaction that is a Defeased Synthetic Security), the Trustee will establish a single, segregated account (each such account, a "Synthetic Security Counterparty Account") that will be held in the name of the Trustee in trust for the benefit of the related Synthetic Security Counterparty and over which the Trustee will have exclusive control and the sole right of withdrawal in accordance with the applicable Synthetic Security and the Indenture. The Trustee and the Issuer shall, in connection with the establishment of a Synthetic Security Counterparty Account, enter into a separate account control agreement with the Synthetic Security Counterparty setting forth the rights and obligations of the Issuer, the Trustee and the Synthetic Security Counterparty with respect to such account and pursuant to which the Issuer shall grant the Trustee a first priority security interest in such Synthetic Security Counterparty Account for the benefit of the Synthetic Security Counterparty. Upon the written direction of the Issuer (or the Collateral Manager acting on behalf of the Issuer), the Trustee will withdraw from the Uninvested Proceeds Account and deposit into each Synthetic Security Counterparty Account the amount required to secure the obligations of the Issuer in accordance with the terms of the related Defeased Synthetic Security to the extent that the relevant amount has not been deposited in the Synthetic Security Counterparty Account from the net proceeds received by the Co-Issuers from the issuance of the Secured Notes and the Preference Shares, which amount shall be at least equal to the amount referred to in paragraph (a) of the definition of Defeased Synthetic Security.

In accordance with the terms of the applicable Defeased Synthetic Security and related account control and security agreement, amounts standing to the credit of a Synthetic Security Counterparty Account shall be invested in (i) Eligible Investments or (ii) other investments whose deposit into the Synthetic Security Counterparty Account satisfies the Rating Condition, *provided* that under no circumstances may amounts be invested in 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 its jurisdiction of incorporation. Amounts and property credited to a Synthetic Security Counterparty Account shall be withdrawn by the Trustee and applied to the payment of any amounts payable by the Issuer to the related Synthetic Security Counterparty in

accordance with the terms of such Defeased Synthetic Security. To the extent that the Issuer is entitled to receive interest on investments credited to a Synthetic Security Counterparty Account, the Collateral Manager shall, acting on behalf of the Issuer, direct the Trustee to deposit such amounts in the Interest Collection Account.

After payment of all amounts owing by the Issuer to a Synthetic Security Counterparty in accordance with the terms of the related Defeased Synthetic Security or a default by the Synthetic Security Counterparty which entitles the Issuer to terminate its obligations with respect to such Synthetic Security Counterparty, the Collateral Manager shall, acting on behalf of the Issuer, direct the Trustee to (A) *first*, in the case of the termination of a Related Long Synthetic Security as a result of an "Event of Default" or "Termination Event" (each, as defined in such Related Long Synthetic Security) with respect to the related Synthetic Security Counterparty, apply funds and other property standing to the credit of the related Synthetic Security Counterparty Account (or the proceeds thereof) to the payment of any termination payments payable by the Issuer under any Short Synthetic Security relating to such Related Long Synthetic Security which the Issuer is required to terminate under the Indenture as a result of the termination of such Related Long Synthetic Security (and accordingly the Issuer shall not make any payment in respect of any such termination payments under the Priority of Payments), (B) *second*, during the Substitution Period only, transfer all or part (as determined by the Collateral Manager in its sole discretion) of any remaining funds and other property standing to the credit of the related Synthetic Security Counterparty Account (or the proceeds thereof) to the Substitution Account for application as "Substitution Principal Proceeds" and (C) *third*, transfer all remaining funds and other property standing to the credit of the related Synthetic Security Counterparty Account (or the proceeds thereof) to the Principal Collection Account (in the case of cash and Eligible Investments) and the Custodial Account (in the case of Collateral Debt Securities and other financial assets) for application in accordance with the terms of the Indenture. Notwithstanding anything to the contrary herein, the Collateral Manager, acting on behalf of the Issuer, shall be entitled to direct the Issuer to sell or otherwise liquidate all or part of the property credited to a Synthetic Security Counterparty Account for purposes of satisfying any obligations of the Issuer to the related Synthetic Security Counterparty or any application of such property contemplated by any of the foregoing clauses (A), (B) and (C) without reference to any restrictions on the disposition of Collateral Debt Securities set forth in "Security for the Secured Notes--Dispositions of Collateral Debt Securities", and the Trustee shall comply with such instructions.

Any proceeds standing to the credit of a Synthetic Security Counterparty Account that are received in respect of the termination of a Synthetic Security shall constitute "Principal Proceeds". Except for interest on investments standing to the credit of a Synthetic Security Counterparty Account and payable to the Issuer as described pursuant to the preceding paragraph, funds and other property standing to the credit of a Synthetic Security Counterparty Account shall not be considered to be assets of the Issuer for purposes of the Collateral Quality Tests, Coverage Tests or Class A Sequential Pay Test; *provided* that the Defeased Synthetic Security that relates to such Synthetic Security Counterparty Account shall be considered an asset of the Issuer for such purposes.

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

Synthetic Security Issuer Accounts

If the terms of any Synthetic Security require the Synthetic Security Counterparty to secure its obligations with respect to such Synthetic Security, the Trustee shall cause to be established a single, segregated securities account in respect of such Synthetic Security (each such account, a "Synthetic Security Issuer Account"), which shall be held in the name of the Trustee as entitlement holder in trust for the benefit of the Secured Parties. Upon the written direction of the Issuer (or the Collateral Manager acting on behalf of the Issuer), the Trustee, the Issuer and the Custodian shall enter into an account control agreement with respect to such account in a form substantially similar to the Account Control Agreement. The Trustee shall credit to any such Synthetic Security Issuer Account all funds and other property received from the applicable Synthetic Security Counterparty to secure the obligations of such Synthetic Security Counterparty in accordance with the terms of such Synthetic Security.

Amounts credited to a Synthetic Security Issuer Account shall be invested in Eligible Investments upon the written direction of the Issuer (or the Collateral Manager acting on behalf of the Issuer) and in accordance with the terms of the applicable Synthetic Security. Income received on amounts credited to such Synthetic Security Issuer Account shall be withdrawn from such account and paid to the related Synthetic Security Counterparty in accordance with the terms of the applicable Synthetic Security.

Funds and other property standing to the credit of any Synthetic Security Issuer Account shall not be considered to be assets of the Issuer for purposes of any of the Collateral Quality Tests, the Coverage Tests and the Class A Sequential Pay Test; *provided* that the Synthetic Security that relates to such Synthetic Security Issuer Account shall be considered an asset of the Issuer for such purposes.

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

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

THE COLLATERAL MANAGER

The information appearing in this section 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 responsibility for the accuracy, completeness or applicability of such information.

Declaration Management & Research LLC

Declaration Management & Research LLC, a Delaware limited liability company ("Declaration"), will act as Collateral Manager to the Issuer (in such capacity, together with any successor, the "Collateral Manager") and in such capacity will be responsible for certain administrative and investment advisory functions relating to the Collateral Debt Securities and other assets included in the Collateral. The offices of Declaration are located at 1650 Tysons Boulevard, Suite 1100, McLean, Virginia 22102. The Collateral Manager is a registered investment adviser under the Investment Advisers Act of 1940, as amended. Copies of its most recent Form ADV Part I are publicly available and copies of its most recent Form ADV Part II are available upon request from the Collateral Manager.

As of May 31, 2005, Declaration had total assets under management of approximately U.S.\$9.3 billion and had approximately 30 professional and eight administrative staff members. Declaration is the collateral manager of seven issuers of collateral debt obligations: Independence I CDO, Ltd., which completed its offering in December 2000, Independence II CDO, Ltd., which completed its offering in July 2001, Independence III CDO, Ltd., which completed its offering in May 2002, Independence IV CDO, Ltd., which completed its offering in June 2003, Independence V CDO, Ltd., which completed its offering in February 2004, Straits Global ABS CDO I, Ltd., which completed its offering in October 2004 and Kent Funding, Ltd, which completed its offering in April 2005. The prior investment results of the Collateral Manager and any persons associated with the Collateral Manager or any other entity or person described herein or otherwise made available to an investor are not indicative of the Issuer's future investment results. This follows from the fact that the nature of, and risks associated with, the Issuer's future investments may, and are likely to, differ substantially from those investments and strategies undertaken historically by such persons and entities. Accordingly, the Issuer's investments are not likely to perform in accordance with, and may perform less favorably than, the past investments of any such persons or entities. Moreover, certain historic investment information that may have been made available to an investor may not include all of the information necessary to evaluate the economic performance of such persons or entities. Any prospective investor in the Offered Securities should conduct its own independent analysis of such investment results and other investment information.

Declaration is an indirect wholly-owned subsidiary of John Hancock Life Insurance Company ("John Hancock"). John Hancock, an indirect wholly-owned subsidiary of Manulife Financial Corporation ("Manulife Financial"), is one of the largest life insurance companies in the United States. Founded in 1862, John Hancock offers a broad range of financial products and services, including whole life, term life, variable life, and universal life insurance, as well as college savings products, fixed and variable annuities, long-term care insurance, mutual funds and various forms of business insurance.

Manulife Financial is a leading Canadian-based financial services group serving millions of customers in 19 countries and territories worldwide. Operating as Manulife Financial in Canada and most of Asia, and primarily through John Hancock in the United States, Manulife

Financial offers clients a diverse range of financial protection products and wealth management services through its extensive network of employees, agents and distribution partners. Funds under management by Manulife Financial and its subsidiaries were Cdn\$350.3 billion as of March 31, 2005.

Biographies

Set forth below are the professional experiences of certain officers and employees of the Collateral Manager. Such persons will not be engaged full time in the management of the Collateral. 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.

William P. Callan, Jr., President

Bill chairs the Declaration Investment Committee, manages portfolios, oversees research and product development, and is a firm principal. He has been in the industry since 1984 and joined Declaration in 1989. Previously, Bill worked for Merrill Lynch Capital Markets. He has a BBA in Finance from the Bernard M. Baruch College of the City University of New York. Bill is Series 7 licensed.

CDO Investment & Trading

Michael E. Stern, Senior Vice President, Director of Structured Products

Michael oversees all aspects of Declaration's structured products and funding programs and is a firm principal. He joined Declaration in 1989. Michael has a BS in Computer Science from Northwestern University. He is a member of the Declaration Management & Research Investment Committee.

Larry Guillard III, Vice President, Structured Products

Larry assists with the management, structuring, and operational aspects of Declaration's structured products. He has been in the industry since 1995 and joined Declaration in 1999. Previously, Larry worked for Daiwa Securities America and National Westminster Bank. He has a BS from Drexel University.

Matthew J. Roberts, Senior Investment Officer, Structured Products

Matt assists with the management, structuring, and operational aspects of Declaration's structured products. He has been in the industry since 1998 and joined Declaration in 2002. Previously, Matt worked for Lord, Abbett & Company and Deutsche Bank. He has a BA from Cornell University.

Jessica Melnicove, Associate, Structured Products

Jessica reconciles Declaration's CDOs with custodian banks and performs other operational aspects for the firm's structured products. She joined Declaration in 2004. Jessica has a BA in Economics and Spanish from the University of Virginia.

James E. Shallcross, Senior Vice President, Director of Portfolio Management

Jim oversees the management of all fixed income portfolios, supervises the investment staff and is a firm principal. He has been in the industry since 1986 and joined Declaration in 1991. Previously, Jim worked for Lehman Brothers and Stephenson & Co. He has a BSBA in Finance from the University of Denver and an MBA in Finance from New York University. Jim is a member of the Declaration Investment Committee.

Wade M. Walters, Senior Vice President, Director of ABS Trading & Research

Wade is the Director of ABS/RMBS portfolio management, research and trading. He also oversees the ABS investment staff and is a firm principal. Wade has been in the industry since 1988 and joined Declaration in 1990. Previously, he worked for the First National Bank of Maryland. Wade has an AS in Engineering from Johns Hopkins University, a BS in Finance from the University of Baltimore and an MS in Finance from Drexel University. Wade is a member of the Declaration Management & Research Investment Committee.

Jennifer P. Bowers, CFA, Vice President, Portfolio Management

Jennifer manages short-term cash portfolios, trades and values ABS and MBS positions, and assists in analyzing current and prospective ABS and MBS portfolio positions. She joined Declaration in 1993. Jennifer has a BS from Vanderbilt University. She is a member of the Association for Investment Management & Research and the Washington Society of Investment Analysts.

Peter M. Farley, CFA, First Vice President, Portfolio Management

Peter manages fixed income portfolios, trades and values CMBS and corporate bonds, and conducts CMBS and corporate bond research. He has been in the industry since 1995 and joined Declaration in 1996. Previously, Peter worked for GIT Investment Funds. He has a BA in Economics and Political Science from the University of Connecticut and an MBA from The George Washington University. Peter is a member of the CFA Institute and the Washington Society of Investment Analysts. He is Series 7 and 63 licensed. Peter is a member of the Declaration Management & Research Investment Committee.

William L. Paolino, Jr., Vice President, Portfolio Management

Will develops and manages our Synthetic CDO/CLN portfolios and works on business development projects and structured finance product development. Will has been in the industry since 1999 and joined Declaration in 2000. Previously, he worked for John Hancock, Ernst & Young, Fleet Bank and Aetna. Will has a BS in Finance from Syracuse University and an MBA and a JD from the University of Connecticut. He is a member of the American Bar Association and the American Bankruptcy Institute. Will is admitted to practice law in the Commonwealth of Massachusetts and in the District of Columbia.

Fundamental Research

Vivek Agrawal, Vice President, Investment Research

Vic conducts corporate bond analysis, monitors existing exposures, and performs credit surveillance and relative valuation analysis. He has been in the industry since 1996 and joined

Declaration in 2004. Previously, Vic worked for H.C. Wainwright & Co., BlueStone Capital Partners and Bank of America. He has a BS in Finance from the University of Maryland and an MBA in Finance from Fordham University.

Dimiter Christof, CFA, Vice President, Investment Research

Dimiter conducts corporate bond analysis, monitors existing exposures, and performs credit surveillance and relative valuation analysis. He has been in the industry since 1988 and joined Declaration in 2001. Previously, Dimiter worked for Allianz AG, Dun & Bradstreet and Creditansalt AG. He has a BS in Finance from the University of Sofia and an MBA in Finance from the University of Akron. Dimiter is a member of the CFA Institute, the Baltimore Society of Security Analysts and the Financial Management Association.

James P. Doyle, CFA -- Vice President, Investment Research

Jim conducts ABS bond analysis, monitors existing exposures, and performs credit surveillance and relative valuation analysis. He has been in the industry since 1993 and joined Declaration in 2004. Previously, Jim worked for The Vanguard Group, UBS Securities and Bear Stearns. He has a BS in Commerce and Engineering with a concentration in Finance from Drexel University. Jim is a member of the CFA Institute and the Philadelphia Society of Security Analysts.

Bradley Lutz, CFA, Vice President, Investment Research

Brad conducts corporate bond analysis, monitors existing exposures, and performs credit surveillance and relative valuation analysis. He has been in the industry since 1992 and joined Declaration in 2002. Previously, Brad worked for Pacholder Associates and Summit Investment Partners. He has a BS in Finance from Miami University (Ohio). Brad is a member of the CFA Institute.

Florence L. Sirleaf, Vice President, Investment Research

Florence conducts corporate bond analysis, monitors existing exposures, and performs credit surveillance and relative valuation analysis. She has been in the industry since 1995 and joined Declaration in 2001. Previously, Florence worked for Bank of America, Legg Mason Wood Walker and SpaceVest Management Group. She has a BBA in Finance from Howard University.

Mary Ann Martuccio, Senior Research Officer

Mary Ann conducts real estate-related ABS bond analysis, monitors existing exposures, and performs credit surveillance and relative valuation analysis. She joined Declaration in 2001. Mary Ann has a BA in Economics from Drew University.

Brad A. Murphy, Research Officer

Brad conducts real estate-related ABS bond analysis, monitors existing exposures, and performs credit surveillance and relative valuation analysis. He joined Declaration in 2003. Previously, Brad worked for Chevy Chase Bank as a Risk Analyst. He has a BA in Economics from The University of Florida.

Jason N. Costa, Research Associate

Jason assists portfolio managers and analysts with real estate-related asset-backed securities analysis and credit surveillance. He joined Declaration in 2004. Jason has a BA in Economics from Dartmouth College.

Andrea Gourdine, Research Associate

Andrea assists portfolio managers and analysts with commercial mortgage-backed securities analysis and credit surveillance. She joined Declaration in 2003. Andrea has a BA from the University of Connecticut.

Quantitative Research

Robert Rush, PhD, Vice President, Director of Quantitative Research

Bob is the Director of Quantitative Research. His responsibilities include the development and application of trading analytics, ABS prepayment/default modeling, corporate (including synthetic) default analysis, portfolio risk management and the structural analysis of CDOs and other structured products. Bob has been in the industry since 1996 and joined Declaration in 2004. Previously, he worked for John Hancock Financial Services. Bob has a PhD and MS in Operations Research & Statistics from Rensselaer Polytechnic Institute and a BS in Mathematics from Fordham University.

David S. Whitaker, CFA, Senior Quantitative Officer

David focuses on portfolio risk management with a special emphasis on default and prepayment modeling for structured products. He has been in the industry since 1989 and joined Declaration in 2004. Previously, David worked for Ned Davis Research, Mullin Consulting, Management Compensation Group and First Capital Life Insurance Company. He has an MBA and Master of Science in Computational Finance from Carnegie Mellon University (where he was a Henry Ford II Scholar) and a BA in Mathematics from the University of California. David is a member of the CFA Institute.

Habib Shamsamand, CFA, Senior Quantitative Officer

Habib focuses on investment analytics and portfolio risk management with a special emphasis on quantitative analysis of mortgage related ABS credit. He has been in the industry since 1997 and joined Declaration in 2005. Previously, Habib worked for Prudential Investments and IBM (in the Global Risk Management Group). He has a Master of Science in Computational Finance from Carnegie Mellon University and a BA in Statistics and BS in Finance from Rutgers University. Habib is a member of the CFA Institute.

THE COLLATERAL MANAGEMENT AGREEMENT

Certain advisory and administrative functions with respect to the Collateral will be performed by the Collateral Manager under a collateral management agreement to be entered into between the Issuer and the Collateral Manager (the "Collateral Management Agreement"). Pursuant to the Collateral Management Agreement, the Collateral Manager has agreed to supervise and direct the acquisition, disposition, investment and reinvestment of the Collateral and to perform on behalf of the Issuer the duties that have been specifically delegated to the Collateral Manager in the Indenture. The Collateral Manager has no obligation under the Collateral Management Agreement to perform any duties other than as specified therein or in the Indenture. To the extent necessary or appropriate to perform such duties, the Collateral Manager has the power under the Collateral Management Agreement to negotiate, execute and deliver all necessary and appropriate documents and instruments on behalf of the Issuer, including any purchase or sale agreement with respect to any Collateral Debt Security, Equity Security, U.S. Agency Security or Eligible Investment and any confirmation under any Hedge Agreement. The Collateral Management Agreement is governed by the law of the State of New York.

In addition, pursuant to the terms of the Collateral Administration Agreement (the "Collateral Administration Agreement") between the Issuer, the Collateral Manager and JPMorgan Chase Bank, National Association, as collateral administrator (in such capacity, the "Collateral Administrator"), the Issuer will retain JPMorgan Chase Bank, National Association 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 JPMorgan Chase Bank, National Association 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 under "Description of the Secured Notes—Priority of Payments."

Under the Collateral Management Agreement, the Collateral Manager is required to make all investment decisions as to Collateral to be acquired by the Issuer in accordance with the investment criteria set forth in the Indenture and in the Collateral Management Agreement, to monitor the Collateral on an ongoing basis and to provide to the person or persons entitled to receive the same all reports, certificates, schedules and other data that the Issuer is required to prepare and deliver under the Indenture. In addition, the Collateral Manager is required under the Collateral Management Agreement to determine to the extent reasonably practicable whether a Collateral Debt Security has become a Credit Risk Security, a Credit Improved Security, a Defaulted Security or an Equity Security. The Collateral Manager shall also monitor the Hedge Agreement and any CDS Agreement and determine whether and when the Issuer should exercise any rights available thereunder.

The Collateral Manager (as agent for the Issuer) is, under the Collateral Management Agreement and subject to and in accordance with the provisions of the Indenture, (A) required to direct the Issuer and the Trustee to dispose of Equity Securities, Defaulted Securities and other assets as required by the Indenture and (B) authorized to at any time direct the Trustee (i) to dispose of a Collateral Debt Security (including any Credit Risk Security, Credit Improved Security or Defaulted Security), Equity Security or Eligible Investment in the open market or otherwise and (ii) to acquire one or more Collateral Debt Securities, Equity Securities or Eligible Investments as security for the Secured Notes in substitution for or in addition to any one or more Collateral Debt Securities, Equity Securities or Eligible Investments previously included in the Collateral. In particular, the Collateral Manager is authorized, subject to and in accordance

with the provisions of the Indenture, to require the Trustee to take the following actions with respect to a Collateral Debt Security, Equity Security or Eligible Investment: (i) retain such Collateral Debt Security, Equity Security or Eligible Investment; (ii) dispose of such Collateral Debt Security, Equity Security or Eligible Investment in the open market or otherwise; (iii) if applicable, tender such Collateral Debt Security, Equity Security or Eligible Investment; (iv) if applicable, consent to any proposed amendment, modification or waiver; (v) retain or dispose of any securities or other property (if other than cash) received with respect to such Collateral Debt Security, Equity Security or Eligible Investment; (vi) waive or elect not to exercise remedies in respect of any default with respect to any Defaulted Security; (vii) vote to accelerate the maturity of any Defaulted Security; (viii) participate on behalf of the Issuer in a committee or group formed by creditors of an issuer of, or an obligor under, a Collateral Debt Security or Eligible Investment and agree on behalf of the Issuer to any restructuring of any Collateral Debt Security or Eligible Investment (including the acceptance of any security or other property in exchange for or in satisfaction of such Collateral Debt Security or Eligible Investment) and/or the reorganization of any person with an obligation under, or with respect to, any Collateral Debt Security or Eligible Investment; or (ix) exercise any other rights or remedies with respect to such Collateral Debt Security, Equity Security or Eligible Investment as provided in the related Underlying Instruments or take any other action consistent with the terms of the Indenture which is in the best interests of the Issuer.

Notwithstanding the foregoing, the Issuer will not be permitted to purchase or otherwise acquire any equity security except as expressly permitted by the Indenture.

If any vote is solicited with respect to any Collateral Debt Security or Equity Security, the Collateral Manager, on behalf of the Issuer, is required under the Collateral Management Agreement to vote in any manner permitted by the Indenture that the Collateral Manager has determined will be in the best interests of the Issuer. In addition, with respect to any Defaulted Security, so long as no Event of Default has occurred and is continuing, the Collateral Manager, on behalf of the Issuer, may instruct the trustee for such Defaulted Security to enforce the Issuer's rights under the Underlying Instruments governing such Defaulted Security or any applicable law, rule or regulation in any manner permitted under the Indenture that the Collateral Manager has determined will be in the best interests of the Issuer.

The Collateral Management Agreement requires that the Collateral Manager take the following actions: (1) upon the occurrence and during the continuation of a Tax Event satisfying the Tax Materiality Condition, the Collateral Manager is required to take such action on behalf of the Issuer in order that the Issuer may effect a Tax Redemption, if so directed in writing by a Majority of the Affected Class, on any Tax Redemption Date in accordance with the Indenture; (2) if the Issuer is so directed in writing by a Majority of the Affected Class, the Collateral Manager is required to take such action on behalf of the Issuer in order that the Issuer may, on any Distribution Date occurring after the end of the Non-Call Period, effect an Optional Redemption in accordance with the Indenture; and (3) if the Trustee conducts an Auction of the Collateral Debt Securities pursuant to the Indenture, the Collateral Manager is required to provide assistance to the Trustee and the Issuer in the conduct of such Auction by performing such services and taking such actions as are expressly required to be performed or taken by the Collateral Manager pursuant to the Indenture.

In performing its duties under the Collateral Management Agreement, the Collateral Manager is obligated to seek to maximize the value of the Collateral for the benefit of the Issuer taking into account the investment criteria and limitations applicable to the Issuer and the Collateral Manager set forth in the Collateral Management Agreement and in the Indenture.

However, the Collateral Manager will not be responsible if such objectives are not achieved so long as the Collateral Manager performs its duties under the Collateral Management Agreement in good faith and in the manner provided for in the Collateral Management Agreement (and any liability of the Collateral Manager will be subject to the limitations described below). In any event, there shall be no recourse to the Collateral Manager with respect to the Notes or any other obligations of the Co-Issuers. The Collateral Manager is obligated to perform its obligations under the Collateral Management Agreement with reasonable care, (i) using a degree of skill and attention no less than that which the Collateral Manager exercises with respect to comparable assets that it manages for itself or any of its Affiliates and (ii) to the extent not inconsistent with the foregoing, in a manner consistent with the customary standards, policies and procedures followed by institutional managers of national standing relating to assets of the nature and character of the Collateral.

The Collateral Manager is not bound to follow any amendment to the Indenture until it has received written notice thereof and until it has received a copy of the amendment from the Issuer or the Trustee. In addition, the Collateral Manager is not bound by any amendment to the Indenture that increases the duties or liabilities of the Collateral Manager unless the Collateral Manager has consented thereto in writing.

The Collateral Management Agreement provides that none of the Collateral Manager, its Affiliates or any of the officers, agents, shareholders, partners, members, directors or employees of either of the foregoing will, except to the extent otherwise expressly provided by applicable law, have any liability, whether direct or indirect and whether in contract, tort or otherwise, (a) for any action taken or omitted to be taken by any of them under the Collateral Management Agreement or under the Indenture or in connection therewith unless such act or omission was performed or omitted in bad faith or constituted gross negligence or willful misconduct or (b) for any action taken or omitted to be taken by any of them at the express direction of the Issuer, the Trustee or any other person entitled under the Indenture to give directions to the Collateral Manager.

The Collateral Manager is required under the Collateral Management Agreement to cause the purchase or sale of any Collateral to be effected on an arm's length basis. However, any Collateral purchased pursuant to the Warehousing Agreement will be deemed to be purchased on an arms' length basis.

The Collateral Manager will not have any duties or obligations except those expressly set forth in the Collateral Management Agreement. In particular, (i) the Collateral Manager will not be subject to any implied duties, (ii) the Collateral Manager will not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Collateral Management Agreement, and (iii) other than in connection with an Auction, the Collateral Manager will not have any duty to disclose, and will not be liable for the failure to disclose, any information relating to any issuer of any Collateral Debt Security, Equity Security, U.S. Agency Security or Eligible Investment or any of such issuer's Affiliates that is communicated to or obtained by the Collateral Manager or any of the Collateral Manager's Affiliates. In taking actions under the Collateral Management Agreement, the Collateral Manager will be entitled to rely upon any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by a person authorized to give or make such notice, request, certificate, consent, statement, instrument, document or other writing. The Collateral Manager may consult with legal counsel (which may be counsel for an issuer of any Collateral Debt Security, Equity Security, U.S. Agency Security or Eligible Investment or any of such issuer's Affiliates),

independent accountants and other experts selected by it in good faith, and will not be liable for any action taken or not taken by it in good faith in accordance with the advice of any such counsel, accountants or experts.

The Collateral Manager is obligated under the Collateral Management Agreement to use reasonable efforts to obtain the best net prices and execution for all orders placed with respect to the Collateral, considering all circumstances that are relevant in its reasonable determination. Nonetheless, in selecting brokers, the Collateral Manager will not be obligated to employ a broker solely on the basis of the rate of commission or the spread offered by such broker. Subject to the objective of obtaining best prices and execution, the Collateral Manager may take into consideration the full range and quality of services furnished by brokers and dealers. The Collateral Manager may aggregate sales and purchase orders of securities placed with respect to the Collateral with similar orders being made simultaneously for other clients, including affiliated clients, where the Collateral Manager believes this to be appropriate, in the best interest of the client accounts (including the Issuer), and consistent with applicable legal requirements. In addition to the foregoing, but subject to applicable provisions of the Collateral Management Agreement, the Collateral Manager may, on behalf of the Issuer, direct the Trustee to acquire any or all of the Eligible Investments or other Collateral from, or sell Collateral Debt Securities or other Collateral to, any of the Initial Purchaser and its Affiliates.

The Collateral Manager will (i) cause a firm of independent certified public accountants of recognized national reputation to prepare on behalf of the Issuer any U.S. and non-U.S. income tax or information returns that the Issuer or Co-Issuer may from time to time be required to file under applicable law (each a "Tax Return"), (ii) deliver, at least 30 days before any applicable time limit, each Tax Return, properly completed, to the Administrator for signature by an authorized officer of the Issuer or Co-Issuer, (iii) file such Tax Return on behalf of the Issuer or Co-Issuer within any applicable time limit, and (iv) cause the Collateral Administrator or a firm of independent certified public accountants of recognized national reputation to prepare the information required by the Preference Share Paying Agency Agreement and to make any elections, as needed, to preserve the status of the Issuer as a corporation for U.S. Federal income tax purposes.

Performance by the Collateral Manager of its duties under the Collateral Management Agreement will not prevent the Collateral Manager or any of its Affiliates from engaging in other businesses, or from rendering services of any kind to the Issuer and its Affiliates, the Trustee, the Securityholders or any other person or entity to the extent permitted by applicable law. More particularly, the Collateral Manager, its Affiliates and any current or former member, director, officer, employee and agent of either of the foregoing may, among other things, but subject to the limitations specified in the Indenture and the Collateral Management Agreement: (a) serve as directors (whether supervisory or managing), officers, members, employees, agents, nominees or signatories for the Issuer, any issuer of any Collateral Debt Security or Equity Security included or to be included in the Collateral or any Affiliate of the foregoing; (b) receive fees for services of any nature rendered to an issuer of any Collateral Debt Security included or to be included in the Collateral or any of its Affiliates, (c) be a secured or unsecured creditor of, and/or hold an equity interest in, the Issuer, an issuer of any Collateral Debt Security or Equity Security included or to be included in the Collateral or an Affiliate of either of the foregoing; (d) serve as a member of any "creditors' committee" with respect to any Collateral Debt Security or Equity Security included or to be included in the Collateral which has become or, in the Collateral Manager's opinion, may become a Defaulted Security; and (e) engage in any other business and furnish investment management and advisory services to others, including persons that may have investment policies similar to those followed by the Collateral

Manager with respect to the Collateral and which may own securities of the same class, or which are the same type, as the Collateral Debt Securities or other securities of the issuers of Collateral Debt Securities. In addition, subject to certain limitations set forth in the Collateral Management Agreement, the Collateral Manager may refrain from directing the purchase or sale under the Collateral Management Agreement of securities issued by (i) persons of which the Collateral Manager, its Affiliates or any of its or their officers, directors or employees are directors or officers, (ii) persons for which the Collateral Manager or any of its Affiliates acts as financial adviser or underwriter or (iii) persons about which the Collateral Manager or any of its Affiliates has information that the Collateral Manager deems confidential or non-public or otherwise might prohibit it from trading such securities in accordance with applicable law. Certain employees of the Collateral Manager and its Affiliates may possess information relating to certain issuers that have issued Collateral Debt Securities or Equity Securities included or to be included in the Collateral that is not known to employees of the Collateral Manager who are responsible for monitoring the Collateral and performing the other obligations of the Collateral Manager under the Collateral Management Agreement. Finally, the Collateral Manager will be required to act under the Collateral Management Agreement with respect to any information within its possession only if such information was known or should reasonably have been known to those employees of the Collateral Manager responsible for performing the obligations of the Collateral Manager under the Collateral Management Agreement.

After the Closing Date, (a) the Collateral Manager will not direct the Trustee to acquire any Collateral Debt Security for inclusion in the Collateral from the Collateral Manager or any of its Affiliates as principal or to sell any Collateral Debt Security from the Collateral to the Collateral Manager or any of its Affiliates as principal and (b) the Collateral Manager will 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 adviser or direct the Trustee to sell any Collateral Debt Security to any account or portfolio for which the Collateral Manager serves as investment adviser.

In addition to reimbursement of any costs and expenses, as described below, and in consideration of the performance of the obligations of the Collateral Manager under the Collateral Management Agreement, the Collateral Manager will be entitled to receive, at the times set forth in the Indenture and subject to the conditions thereof and the Priority of Payments, to the extent funds are available therefor, the Collateral Management Fee. The Collateral Management Fee will be prorated in accordance with the Indenture with respect to any Due Period as to which the Collateral Management Fee is in effect. The "Collateral Management Fee" consists of the Senior Collateral Management Fee and the Subordinate Collateral Management Fee. The "Senior Collateral Management Fee" will accrue (on the basis of a year of 360 days and actual days elapsed) for each Due Period at a rate per annum of 0.20% of the average of the aggregate principal balance of the Collateral Debt Securities, U.S. Agency Securities, Eligible Investments, U.S. Agency Securities and cash for such Due Period, excluding amounts distributed as Interest Proceeds or Principal Proceeds on the prior Distribution Date. The "Subordinate Collateral Management Fee" will accrue (on the basis of a year of 360 days and actual days elapsed) for each Due Period at a rate per annum of 0.25% of the average of the aggregate principal balance of the Collateral Debt Securities, U.S. Agency Securities, Eligible Investments and cash for such Due Period, excluding amounts distributed as Interest Proceeds or Principal Proceeds on the prior Distribution Date.

The Collateral Manager will be responsible for the ordinary expenses incurred in the performance of its obligations under the Collateral Management Agreement. However, any extraordinary expenses incurred by the Collateral Manager in the performance of such

obligations (including, but not limited to, any reasonable expenses, including legal or consultant fees, reasonably necessary in connection with the default or restructuring of any Collateral Debt Security or other unusual matters arising in the performance of its duties under the Collateral Management Agreement) will be reimbursed by the Issuer to the extent funds are available therefor in accordance with the Priority of Payments. The Collateral Manager will not be responsible for the following expenses and costs: (1) the costs and expenses (including the fees and disbursements of counsel and accountants) incurred by the Collateral Manager in connection with the negotiation and preparation of and the initial execution of the Collateral Management Agreement, and all matters incident thereto; (2) the reasonable expenses and costs of legal advisers, accountants and other professionals retained by the Issuer or by the Collateral Manager, whether on behalf of the Issuer or on its own behalf, in connection with the performance of the Collateral Manager's duties under the Collateral Management Agreement or under the Indenture and otherwise in the amendment, enforcement or administration of any Transaction Document; (3) legal advisers and other professionals retained by the Issuer or by the Collateral Manager on the Issuer's behalf for the restructuring of, or the enforcement of rights under, the Collateral and otherwise in the amendment, enforcement or administration of any Transaction Document and (4) the travel expenses (airfare, meals, lodging and other transportation) incurred by the Collateral Manager as is reasonably necessary in connection with the services it renders under the Collateral Management Agreement or under the Indenture.

Under the Collateral Management Agreement, the Collateral Manager will not be responsible for any action or inaction of the Issuer or the Trustee in following or declining to follow any advice, recommendation or direction of the Collateral Manager. Notwithstanding any other provision therein, the Collateral Manager, its Affiliates and the directors, officers, shareholders, partners, members, agents and employees of either of the foregoing will not be liable to the Issuer, the Trustee, the Secured Parties or any other person for any losses, claims, damages, judgments, assessments, costs or other liabilities (collectively, "Liabilities") incurred by the Issuer, the Trustee, the Secured Parties or any other person (i) that arise out of or in connection with any action or inaction by or on behalf of the Collateral Manager of its duties under the Collateral Management Agreement or under the Indenture or any actions taken or recommended by or on behalf of the Collateral Manager under the Collateral Management Agreement or under the Indenture, unless such action or inaction was taken or not taken in bad faith or constituted gross negligence or willful misconduct, (ii) for any action taken or omitted to be taken by or on behalf of the Collateral Manager at the express direction of any person entitled under the Indenture, to give directions to the Collateral Manager or (iii) for any information included in or omitted from this Offering Circular other than the sections of the Offering Circular entitled "The Collateral Manager" and "Risk Factors—Certain Conflicts of Interest—Conflicts of Interest Involving the Collateral Manager" (other than the information in the first paragraph, last sentence of the second paragraph, last sentence of the third paragraph, the fifth paragraph, the sixth paragraph and the seventh paragraph under such caption). Any matter excluded pursuant to clause (i) or (iii) above from the limitation on the Liabilities of Collateral Manager set forth above is referred to herein as a "Collateral Manager Breach". The Collateral Manager will indemnify and hold harmless the Issuer, each of its Affiliates and each of the shareholders, partners, members, directors, officers, agents and employees of any of the foregoing against and from any and all Liabilities, and will reimburse each such indemnified party for all Expenses as such Expenses are incurred in investigating, preparing, pursuing or defending any Actions, caused by, or arising out of or in connection with, any Collateral Manager Breach.

Pursuant to the Collateral Management Agreement, the Issuer will indemnify and hold harmless the Collateral Manager, its Affiliates and each of the shareholders, partners, members, directors, officers, agents and employees of either of the foregoing against and from any and all Liabilities, and will reimburse each such indemnified party for all reasonable fees and expenses (including reasonable fees and expenses of counsel) as such expenses are incurred in investigating, preparing, pursuing or defending any claim, action, proceeding or investigation with respect to any pending or threatened litigation, caused by, or arising out of or in connection with, the issuance of the Offered Securities, the transactions contemplated by this Offering Circular, the Indenture or the Collateral Management Agreement, and/or any action taken by, or any failure to act by, such indemnified party pursuant to the Collateral Management Agreement; provided that no indemnified party will be indemnified against any Liabilities or expenses it incurs as a result of any Collateral Manager Breach.

Except as otherwise described below, the Collateral Management Agreement will remain in effect until the liquidation of the Collateral and the final distribution of the proceeds of such liquidation to the Preference Shareholders. Subject to the appointment of a replacement as described below, the Collateral Manager may be removed by the Issuer at the direction of holders of not less than 66-2/3% of the aggregate outstanding principal amount of the Secured Notes and a Special-Majority-in-Interest of Preference Shareholders, upon 45 days' prior written notice to the Collateral Manager. The Collateral Management Agreement will terminate automatically in the event of its assignment by the Collateral Manager in violation of the Collateral Management Agreement. In addition, the Collateral Manager removed for cause upon 15 Business Days' prior written notice by the Issuer or the Trustee, which will effect such removal (i) as to clauses (1) through (8) below, at the direction of a Special-Majority-in-Interest of Preference Shareholders, or holders of 66-2/3%, by aggregate outstanding principal amount, of the Controlling Class of Secured Notes and (ii) as to clause (9) below, if prior written consent to a Change of Control is not obtained from a Majority-in-Interest of Preference Shareholders:

(1) the Collateral Manager willfully breaches, or takes any action that it knows violates, any provision of the Collateral Management Agreement or any term of the Indenture applicable to it;

(2) the Collateral Manager breaches in any material respect any provision of the Collateral Management Agreement or any terms of the Indenture applicable to it and fails to cure such breach within 30 days after notice of such failure is given to the Collateral Manager unless, if such failure is remediable, the Collateral Manager has taken action that the Collateral Manager in good faith believes will remedy, and that does in fact remedy, such failure within 90 days after notice of such failure is given to the Collateral Manager;

(3) the Collateral Manager (A) ceases to be able to, or admits in writing its inability to, pay its debts when and as they become due, (B) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or takes advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (C) makes an assignment for the benefit of its creditors, (D) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or (E) is adjudicated as insolvent or to be liquidated;

(4) the occurrence of an act by the Collateral Manager that constitutes fraud or criminal activity in the performance of its obligations under the Collateral Management Agreement or the Collateral Manager being convicted of a criminal offense materially related to its primary business, in each case pursuant to final adjudication by a court of competent jurisdiction;

(5) an Event of Default occurs under the Indenture (other than as described herein in clause (d) under "Events of Default") resulting from a breach of the Collateral Manager's duties under the Collateral Management Agreement or under any terms of the Indenture applicable to it;

(6) either of the Co-Issuers or the pool of Collateral becomes an investment company required to be registered under the Investment Company Act resulting from actions taken or recommended by the Collateral Manager and such requirement has not been eliminated after a period of 45 days;

(7) the Collateral Manager consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another person and either (A) at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee person fails to assume all the obligations of such party under the Collateral Management Agreement by operation of law or pursuant to an agreement reasonably satisfactory to the other party to the Collateral Management Agreement or (B) the creditworthiness of the resulting, surviving or transferee person is materially weaker than that of such party immediately prior to such action;

(8) the Collateral Manager changes the location from which it performs its duties under the Collateral Management Agreement, or assigns or delegates its obligations to a third party, if such change in location would cause adverse tax consequences to the Issuer; or

(9) an assignment or delegation that constitutes an "assignment" as defined in Section 202(a)(1) of, and that is not excluded by Rule 202(a)(1) 1 under, the Investment Advisers Act (a "Change of Control").

Subject to the appointment of a replacement, the Collateral Manager has the right to resign and terminate the Collateral Management Agreement (i) upon 90 days' written notice to the Issuer or (ii) upon any change in applicable law or regulation that renders the performance by the Collateral Manager of its duties under the Collateral Management Agreement or the Indenture to be a violation of such law or regulation.

No removal, termination or resignation of the Collateral Manager will be effective unless (a) a successor collateral manager (the "Replacement Collateral Manager") has agreed in writing to assume all of the Collateral Manager's duties and obligations pursuant to the Collateral Management Agreement and (b) the Replacement Collateral Manager is not objected to by holders of at least 75% in aggregate outstanding principal amount of the Controlling Class of Secured Notes or than a Majority-in-Interest of Preference Shareholders within 30 days after notice. In addition, no removal or resignation of the Collateral Manager while any Secured Notes or Preference Shares are outstanding will be effective until the appointment by the Issuer of a Replacement Collateral Manager that is an established institution (i) which 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 under the Collateral Management Agreement and under the applicable terms of the Indenture; (ii) which will not cause either of the Co-Issuers or the pool of Collateral to become required to register under the provisions of the Investment Company Act; (iii) whose appointment and performance of its duties as collateral manager will not cause adverse tax consequences to the Issuer or any Securityholders; and (iv) the Rating Condition has been satisfied with respect to the appointment of such Replacement Collateral Manager.

If any three of (w) Michael E. Stern, (x) James E. Shallcross, (y) William P. Callan and (z) Wade M. Walters cease to be, for any reason, (i) employees of the Collateral Manager who are actively involved in the management of the Collateral Debt Securities or (ii) responsible for supervising a management-level or professional-level employee of the Collateral Manager who is responsible for the day-to-day management of the Collateral Debt Securities (any such an event, a "Key Person Event"), the Collateral Manager will, not later than 60 days after the earlier of any such event or of its receipt of notice of any set of facts that would result in the foregoing, propose (by notice to the Issuer and the Trustee) a replacement officer or officers to assume the duties described in clauses (i) or (ii) above (each, a "Collateral Manager Replacement Officer"), with respect to the appointment of whom the Rating Agency Confirmation has been obtained. The appointment of any Collateral Manager Replacement Officer will be rejected if holders of at least 75% of the aggregate outstanding principal amount of all of the Secured Notes or a Special-Majority-in-Interest of Preference Shareholders within 30 days after notice of a proposed Collateral Manager Replacement Officer is delivered to such holders (the "First Period"), provide notice to the Trustee of objection to any such Collateral Manager Replacement Officer. In the event that the Collateral Manager Replacement Officer or Collateral Manager Replacement Officers are rejected within the First Period, the holders of at least 66-2/3% of the aggregate outstanding principal amount of all the Secured Notes and a Special-Majority-in-Interest of Preference Shareholders may appoint and approve a Replacement Collateral Manager within 60 days after the termination of the First Period (the "Second Period"), in accordance with voting procedures set forth in the Indenture. In the event that a Replacement Collateral Manager is not approved before the conclusion of the Second Period, the Collateral Manager may, but shall not be required to, appoint a Replacement Collateral Manager. No such appointment of a Replacement Collateral Manager shall be effective unless such Replacement Collateral Manager shall have agreed in writing to assume all of the Collateral Manager's duties and obligations under the Collateral Management Agreement and shall meet the other requirements of a Replacement Collateral Manager set forth in the preceding paragraph.

The Collateral Management Agreement and any obligations or duties of the Collateral Manager under the Collateral Management Agreement may be delegated by the Collateral Manager, in whole or in part, only (i) if such delegation would not subject the Issuer to tax in a jurisdiction outside its jurisdiction of incorporation and (ii) with the prior written consent of the Issuer, a Majority-in-Interest of Preference Shareholders and a Majority of the Controlling Class of Secured Notes. Notwithstanding the foregoing, the Collateral Manager may, by notice to the Rating Agencies, assign all of its rights (but not its obligations) under the Collateral Management Agreement to an Affiliate without the consent of the Issuer, the Trustee or the Securityholders so long as such assignment does not subject the Issuer to tax in any jurisdiction outside its jurisdiction of incorporation. No such delegation of obligations or duties by the Collateral Manager will relieve the Collateral Manager from any liability thereunder.

The Collateral Management Agreement may not be assigned by the Issuer without the prior written consent of the Collateral Manager and the Trustee and subject to satisfaction of the

Rating Condition, except, in the case of assignment by the Issuer to (i) an entity which is a successor to the Issuer permitted under the Indenture, in which case such successor organization will be bound under the Collateral Management Agreement and by the terms of said assignment in the same manner as the Issuer is bound thereunder or (ii) the Trustee as contemplated by the Indenture. Any assignment of the Collateral Management Agreement, by operation of law or otherwise, to any person, in whole or in part, by the Collateral Manager will be deemed null and void under the Collateral Management Agreement unless such assignment is consented to in writing by the parties required to consent to a Change of Control (as defined in the Collateral Management Agreement).

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

Various potential and actual conflicts of interest may arise from the overall investment activities of the Collateral Manager and its Affiliates. In certain circumstances, the interests of the Issuer or the holders of the Secured Notes with respect to matters as to which the Collateral Manager is advising the Issuer may conflict with the interests of the Collateral Manager or its Affiliates. See "Risk Factors—Certain Conflicts of Interest".

Without limiting its obligations under the above paragraph on conflicts of interest, the Collateral Management Agreement will provide that when purchasing or entering into CDO Securities or Other ABS on behalf of the Issuer, the Collateral Manager shall be deemed to have satisfied the requirements in clause (ix) of the definition of "Collateral Debt Security" as to manner of acquisition if it (and, if it is a certificate of beneficial interest in a trust that is treated as a grantor trust and not as a REMIC or FASIT for U.S. Federal income tax purposes, each of the debt instruments or securities held by such trust) satisfies one of the four following requirements:

- (1) the obligation or security was issued pursuant to an effective registration statement under the Securities Act in a firm commitment underwriting for which neither the Collateral Manager nor an Affiliate thereof served as underwriter;
- (2) the obligation or security was not purchased by the Issuer (A) directly or indirectly from its issuer or from the Collateral Manager, (B) from any person pursuant to a legally binding commitment made before the issuance of the obligation or security or (C) from any Affiliate of the Collateral Manager or any account or fund managed or controlled by the Collateral Manager or any of its Affiliates unless such Affiliate, account or fund (1) regularly acquires securities of the same type for its own account, (2) could have held the obligation or security for its own account consistent with its investment policies, (3) did not identify the obligation or security as intended for sale to the Issuer within 90 days of its issuance and (4) held the obligation or security for at least 90 days;

- (3) the obligation or security is a privately placed obligation or security eligible for resale under Rule 144A or Regulation S under the Securities Act and
- (A) the obligation or security was originally issued pursuant to an offering memorandum, private placement memorandum or similar offering document;
- (B) the Issuer, the Collateral Manager and the Affiliates of the Collateral Manager and accounts and funds managed or controlled by the Collateral Manager or any of its Affiliates either (i) did not at original issuance acquire 50% or more of the aggregate principal amount of such securities or 50% or more of the aggregate principal amount of any other class of securities offered by the issuer of the obligation or security in the offering and any related offering or (ii) did not at original issuance acquire 5% or more of the aggregate principal amount of all classes of securities offered by the issuer of the obligation or security in the offering and any related offering, *provided* in each case that any acquisition by an Affiliate of the Collateral Manager that is not a member of the Collateral Manager Group or any account or fund managed by such an Affiliate of the Collateral Manager shall be included only if the Collateral Manager or any of its employees or agents knew or had reason to know of such acquisition; and
- (C) the Issuer, the Collateral Manager and any Affiliate of the Collateral Manager did not participate in negotiating or structuring the terms of the obligation or security, except for the purposes of (i) commenting on offering documents to an unrelated underwriter or placement agent where the ability to comment on such documents was generally available to investors or (ii) due diligence of the kind customarily performed by investors in securities, *provided* that any participation in negotiating or structuring by any Affiliate of the Collateral Manager that is not a member of the Collateral Manager Group shall be included only if the Collateral Manager or any of its employees or agents knew or had reason to know of such participation; or
- (4) it is the sole material obligation of a repackaging vehicle formed and operated exclusively to hold (A) a single Asset-Backed Security that the Issuer could have acquired directly but for one or more terms (which may include rating) of the Asset-Backed Security, (B) a derivative financial instrument or guarantee designed solely to offset fully the terms of the Asset-Backed Security that prevented the Issuer from acquiring it directly and (C) net cash proceeds of (A) and (B) held pending distribution.

Furthermore, the Collateral Manager agrees to acquire CDO Obligations and Other ABS for inclusion as a Collateral Debt Security only if (A) such obligation or security, for U.S. Federal income tax purposes, is (i) debt, (ii) issued only by one or more corporations, (iii) issued only by persons not engaged in a trade or business within the United States or (iv) issued only by a grantor trust all the assets of which satisfy this paragraph or (B) if the Issuer has received an opinion of nationally recognized U.S. tax counsel that ownership of the obligation or security will not cause the Issuer to be engaged in a trade or business within the United States for U.S. Federal income tax purposes or otherwise subject the Issuer to U.S. Federal tax on a net income basis.

With respect to acquiring or committing to acquire a Synthetic Security, the Collateral Manager shall be deemed to have satisfied the requirements in clause (ix) of the definition of "Collateral Debt Security" as to manner of acquisition if (a) the Reference Obligation would, if acquired directly by the Issuer, satisfy one of the four clauses described above and the

additional requirement in the immediately preceding paragraph and (b) it satisfies the following seven requirements:

- (1) the criteria used by the Collateral Manager to determine whether to enter into (or terminate) any particular Synthetic Security are similar to the criteria used by any fixed-income portfolio manager to determine whether to make (or sell) investments in debt securities of similar type to the Reference Obligation, and the Collateral Manager uses methods of investment analysis and internal approval procedures with a view toward maximizing the Issuer's return with respect to that Synthetic Security, and (in the case of credit default swaps) not with a view to minimizing risk of loss through "pooling" of large numbers of similar or identical risks;
- (2) the Collateral Manager is not seeking (including on behalf of the Issuer) to benefit from any bid/ask spread;
- (3) at the time the Issuer enters into the Synthetic Security, the Issuer has no expectation that the Reference Obligation or Reference Obligations will default;
- (4) the Issuer does not enter into the Synthetic Security with a view towards finding another party to assume the Issuer's risk (whether under the Synthetic Security or through another offsetting transaction), and does not enter into a transaction that reduces the Issuer's risk with respect to the Synthetic Security unless there has been a material change in circumstances relating to the Issuer, the Issuer's counterparty, the market, or one or more of the Reference Obligations that materially affects the value of the Synthetic Security or causes the Issuer to believe that the Synthetic Security is a less attractive position (whether absolutely or relative to other investments) than the Issuer believed at the time the Issuer originally entered into the position, in which case the Issuer may enter into an offsetting or other transaction as a means to effectively reduce or eliminate the Issuer's economic exposure under the Synthetic Security;
- (5) the Issuer enters into the Synthetic Security only with a counterparty that (x) is not an insurance company and (y) is a broker-dealer or other person holding itself out as being willing to enter into derivatives of this type with customers in the ordinary course of business;
- (6) the Collateral Manager initiates all proposals to enter into and to terminate a Synthetic Security and the Issuer enters into a Synthetic Security only upon the initiation of the Collateral Manager and not upon the recommendation, request, solicitation of any counterparty; provided that (A) the Collateral Manager may accept a specific offer from a dealer to enter into or terminate a Synthetic Security if the Collateral Manager, on behalf of the Issuer, had previously contacted the dealer's sales and trading desk to express an interest in entering into or terminating derivatives referencing a particular Reference Obligor (or specified class of Reference Obligors) or a particular Reference Obligation (or specified class of Reference Obligations) and the dealer subsequently, based on that expression of interest, proposes to the Collateral Manager specific terms on which a Synthetic Security referencing such Reference Obligor or Reference Obligation is entered into or terminated, (B) the Collateral Manager may accept a specific proposal from a dealer to enter into or terminate a Synthetic Security if the proposal was in the form of a list regularly posted or published on a recognized trading medium, or of a list regularly disseminated by the dealer to its customers generally, setting forth indicative prices at which the dealer is willing to enter into (including with parties other than

dealers) derivatives on a number of different Reference Obligors or Reference Obligations or (C) the Collateral Manager may receive market information from a dealer so long as the dealer regularly distributes that information to its customers generally; and

- (7) the Synthetic Security (A) is written on standard form ISDA documentation; (B) does not require that the protection buyer hold the Reference Obligation or (in the case of a credit default swap) demonstrate an actual loss in order to require performance by the other party; (C) permits the Issuer to assign any Synthetic Security to a creditworthy third party reasonably acceptable to the Synthetic Security Counterparty; and (D) provides for settlement in cash (and there is no legal or practical impediment to the exercise of that right).

INCOME TAX CONSIDERATIONS

The following is a summary based on present law of certain Cayman Islands and U.S. Federal income tax considerations for prospective purchasers of the Notes. It addresses only purchasers that buy in the original offering at the original offering price, that hold the Offered Securities as capital assets and use the 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 dealers or persons holding the Offered Securities 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 MATTERS ARE MADE TO SUPPORT MARKETING OF THE OFFERED SECURITIES. NO TAXPAYER CAN RELY ON THEM TO AVOID U.S. FEDERAL TAX PENALTIES. EACH TAXPAYER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN OFFERED SECURITIES.

For purposes of this discussion, a "Holder" is a beneficial owner of a Secured Note, Class P Note or a Preference Share. A "U.S. Holder" is a Holder that is for U.S. Federal income tax purposes (i) an individual citizen or resident of the United States, (ii) a corporation, partnership or other business entity organized in or under the laws of the United States 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, has received 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 30 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

The Issuer expects to receive an opinion from Freshfields Bruckhaus Deringer LLP, special U.S. Federal income tax counsel to the Issuer, that the Issuer will not be engaged in a trade or business within the United States for U.S. Federal income tax purposes except to the extent it holds certain equity securities 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, its net income will not be subject to U.S. Federal income tax. Should the Issuer acquire equity securities issued by a non-corporate entity engaged in a U.S. trade or business, those investments should not cause the Issuer's income from other investments to become subject to net income tax in the United States. The Issuer also expects that payments received on the Collateral Debt Securities, the Eligible Investments and U.S. Agency Securities and under the Hedge Agreement generally will not be subject to withholding taxes imposed by the United States or other countries from which such payments are sourced. There can be no assurance, however, that the Issuer's income will not become subject to net income or withholding taxes in the United States or other countries as the result of unanticipated activities by the Issuer, changes in law, contrary conclusions by relevant tax authorities or other causes. Income from equity securities of U.S. issuers is likely to be subject to U.S. tax. The extent to which United States 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 impair the Issuer's ability to pay principal, interest and other amounts on the Secured Notes and to make distributions on the Preference Shares (including the Class P Preference Shares).

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 Secured 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

The Issuer expects to receive an opinion from Freshfields Bruckhaus Deringer LLP, special U.S. Federal income tax counsel to the Issuer, that the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will, and that the Class E Notes should, be treated as debt for U.S. Federal income tax purposes. The Issuer intends, and the Indenture provides that each Holder will agree, to treat all of the Secured Notes as debt for such purposes, and the following discussion assumes that the Secured Notes will be treated as debt.

U.S. Holders. Class A Notes and Class B Notes. Interest paid on the Class A Notes and the Class B Notes generally will be includible in the gross income of a U.S. Holder in accordance with its regular method of accounting. Since those Notes bear stated interest at floating rates, stated interest will be treated as accruing at a hypothetical fixed rate equal to the rate on the 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 during that period. A U.S. Holder generally will

recognize a gain or loss on the redemption or disposition of a Class A Note or Class B Note equal to the difference between the amount realized (excluding accrued but unpaid interest) and the U.S. Holder's adjusted tax basis.

U.S. Holders. Class C Notes, Class D Notes and Class E Notes. A U.S. Holder of a Class C Note, Class D Note or Class E Note must accrue original issue discount ("OID") into gross income on a constant yield to maturity basis. Generally, the excess of stated redemption price at maturity over issue price is treated as OID unless that excess is less than $\frac{1}{4}$ of 1% of stated redemption price at maturity multiplied by the number of complete years to maturity ("de minimis"). Issue price of a Class is the initial offering price at which a substantial amount is sold (excluding sales to brokers or similar persons). Stated redemption price at maturity is the total of all payments due other than payments of qualified stated interest.

Because stated interest on the Class C Notes, Class D Notes and Class E Notes may be deferred, all interest (including interest on accrued but unpaid interest) will be OID rather than qualified stated interest unless the likelihood of deferral is remote. The Issuer is not able to determine whether the likelihood of interest being deferred is for this purpose remote. Thus, the Issuer will treat the Class C Notes, Class D Notes and Class E Notes as issued with OID that includes all stated interest as well as any excess of their par amount over issue price (since any such excess will, together with stated interest, exceed the de minimis amount).

Since the Class C Notes, Class D Notes and Class E Notes bear stated interest at floating rates, for purposes of determining accrual of OID, stated interest will be treated as accruing at a hypothetical fixed rate equal to the rate on the issue date. The amount of income actually recognized for any accrual period will increase (or decrease) if the interest payable during the period is more (or less) than the amount accrued at the hypothetical rate. The timing of accrual of OID could be subject to special rules applicable to debt instruments that are subject to principal acceleration due to prepayments on debt obligations that secure them. U.S. Holders should consult their tax advisors about the proper basis for accruing OID.

A U.S. Holder generally will recognize a gain or loss on the redemption or disposition of a Class C Note, Class D Note or Class E Note in an amount equal to the difference between the amount realized and the U.S. Holder's adjusted tax basis in the Secured Note. Adjusted basis will be increased by any OID accrued into income and reduced by any payments.

U.S. Holders. All Secured Notes. Interest and any accrued OID will be ordinary income and, assuming the Issuer is not engaged in a U.S. trade or business, will generally be from sources outside the United States. The gain or loss on disposition generally will be capital gain or loss 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. Even 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 such amounts are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States. Gain realized by a Non-U.S. Holder on the 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 E Notes, as debt of the Issuer. If the challenge were to succeed, 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.

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. Dividends will not be eligible for the dividends-received deduction allowable to corporations or for the preferential capital gain 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. If U.S. Holders together hold at least half (by vote or value) of the Preference Shares and other interests treated as equity in the Issuer, however, a percentage of the dividend income equal to the proportion of the Issuer's income that comes from U.S. sources will be treated as income from sources within the United States. Except as otherwise required by the rules discussed below, gain or loss on the sale or other disposition of the Preference Shares will be capital gain or loss. Gain and loss realized by a U.S. Holder generally will be U.S. source income.

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, whether or not the Issuer makes distributions, its pro rata share of the Issuer's net earnings. That income will be long-term capital gain to the extent of the U.S. Holder's pro rata share of the Issuer's net capital gains. The remainder will be ordinary income. "Net capital gains" generally means net long-term capital gains reduced by net short-term capital losses. Amounts recognized by a U.S. Holder making a QEF election generally are treated as income from sources outside the United States. If U.S. Holders together hold at least half (by vote or value) of the Preference Shares and other interests treated as equity in the Issuer, however, a percentage of those amounts equal to the proportion of the Issuer's income that comes from U.S. sources will be U.S. source income for the U.S. Holders. 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 received from the Issuer. Income may exceed distributions when, for example, the Issuer uses earnings to repay principal on the Secured Notes or accrues original issue discount or market discount on Collateral Debt Securities. A U.S. Holder that makes a QEF election will be required to include in income currently its *pro rata* share of the earnings or discount whether or not the Issuer actually makes distributions. The holder may be able to elect to defer payment, subject to an interest charge for the deferral period, of the tax on income recognized on account of the QEF election. Prospective purchasers should consult their tax advisors about the advisability of making the QEF and deferred payment elections.

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 (each such U.S. Holder, a "10% U.S. Shareholder") together own more than 50% (by vote or value) of the Preference Shares and any other interests treated as equity in the Issuer. If the Issuer is a CFC, a 10% U.S. Shareholder will be subject to the CFC rules rather than the PFIC rules. A 10% U.S. Shareholder on the last day of the Issuer's taxable year must recognize ordinary income equal to its *pro rata* share of the Issuer's net earnings (including both ordinary earnings and capital gains) for the tax year whether or not the Issuer makes a distribution. The income will be treated as income from sources within the United States to the extent it is derived by the Issuer from U.S. sources. Earnings on which a U.S. Holder pays tax currently will not be taxed again when they are distributed to the U.S. Holder. A U.S. Holder's basis in its interest in the Issuer will increase by any amounts the holder includes in income currently and decrease by any amounts not subject to tax when distributed. If the Issuer is a CFC, (i) the Issuer will incur U.S. withholding tax on interest received from a related U.S. person, (ii) special reporting rules will apply to directors of the Issuer and certain other persons and (iii) certain other restrictions may apply. Subject to a special limitation for individual U.S. Holders that have held the Preference Shares for more than one year, gain from disposition of Preference Shares recognized by a U.S. Holder that is (or recently has been) a 10% U.S. Shareholder will be treated as dividend income to the extent earnings attributed to the Preference Shares accumulated while the U.S. Holder held the Preference Shares and the Issuer was a CFC.

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 that 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 U.S.\$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 regulations on tax shelter transactions. When a 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 to a Non-U.S. Holder of Preference Shares will not be subject to U.S. tax unless the distributions are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States. Gain realized by a Non-U.S. Holder on the sale or other disposition of the Preference Shares will not be subject to U.S. tax unless (i) the gain is effectively connected with the holder's conduct of a U.S. trade or business or (ii) the holder is an individual present in the United States for at least 183 days during the taxable year of disposition and certain other conditions are met.

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 related Treasury Strips and the Class P Preference Shares attributable thereto. 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 Treasury Strips and 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 Treasury Strips and Class P Preference Shares to the extent properly attributable to related payments on such Treasury Strips and Class P Preference Shares. A sale or exchange of a Class P Note should be treated as a sale or exchange of the underlying Treasury Strips and Class P Preference Shares, and the amount realized should be allocated between the underlying Treasury Strips and Class P Preference Shares in accordance with their relative fair market values. The exchange of Class P Notes for the underlying Treasury Strips and 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 Treasury Strips".

U.S. Taxation of Treasury Strips

The 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 Treasury Strips. The amount of OID on a 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 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 Treasury Strips (including redemption of a portion of the 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 Treasury Strips. The adjusted basis of the Treasury Strips generally will equal the portion of the U.S. Holder's purchase price paid for the Class P Note allocable to the 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 Treasury Strips.

Gain or loss recognized on the sale, redemption or other taxable disposition of the Treasury Strips generally will be capital gain or loss from sources within the United States.

Tax-Exempt Investors

Special considerations apply to pension plans and other investors that are subject to tax only on their unrelated business taxable income ("UBTI"). A tax-exempt investor's interest income and gain from the Notes and Preference Shares generally would not be treated as UBTI if the investor's investment in the Notes or Preference Shares is not debt-financed. However, a tax-exempt investor in Secured Notes that also owns (directly, indirectly or by attribution) more than 50% (by vote or value) of the Preference Shares (including by owning Class P Notes) should consider the possible application of the special UBTI rules for interest received from controlled entities. Each prospective tax-exempt investor should consult its own tax advisor regarding the tax consequences to it of an investment in the Notes or the Preference Shares.

U.S. Information Reporting and Backup Withholding

Payments of principal and interest on the Secured Notes, distributions on the Preference Shares, payments on the 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 NOTES OR THE PREFERENCE SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

ERISA CONSIDERATIONS

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

THE STATEMENTS ABOUT U.S. FEDERAL INCOME TAX MATTERS ARE MADE TO SUPPORT MARKETING OF THE OFFERED SECURITIES. NO TAXPAYER CAN RELY ON THEM TO AVOID U.S. FEDERAL TAX PENALTIES. EACH TAXPAYER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN OFFERED SECURITIES.

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

Each of the Issuer, the Co-Issuer, the Initial Purchaser and the Collateral Manager as a result of its 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 Offered Securities are acquired by a Plan with respect to which any of the Issuer, the Co-Issuer, the Initial Purchaser, the Collateral Manager, the obligors on the Collateral Debt Securities or any of their respective affiliates is a Party-In-Interest or disqualified person. In addition, if a Party-In-Interest or disqualified person with respect to a Plan owns or acquires a beneficial interest in the Issuer or the Co-Issuer, the acquisition or holding of Offered Securities by or on behalf of the Plan could be considered to constitute an indirect prohibited transaction. Moreover, the acquisition or holding of Offered Securities or other indebtedness issued by the Issuer or the Co-Issuer by or on behalf of a Party-In-Interest or disqualified person with respect to a Plan that owns or acquires a beneficial interest in the Issuer or the Co-Issuer, as the case may be, also could give rise to an indirect prohibited transaction. Certain exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are PTE 90-1, regarding investments by insurance company pooled separate accounts; PTE 91-38, regarding investments by bank collective investment funds; PTE 84-14, regarding transactions effected by a "qualified professional asset manager"; PTE 96-23, regarding investments by certain in-house asset managers; and PTE 95-60, regarding investments by insurance company general accounts. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. If a purchase of Offered Securities were to be a non-exempt prohibited transaction, the purchase might have to be rescinded.

Governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to 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, exercising control over the assets of the entity or providing investment advice with respect to such assets for a fee, direct or indirect (such as the Collateral Manager), or any affiliates of such persons (any such person, a "Controlling Person")) is held by Benefit Plan Investors (the "25% Threshold").

There is little pertinent authority in this area. However, it is not anticipated that the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes and Class D Notes will

constitute "equity interests" in the Co-Issuers. Based primarily on the investment-grade rating of the Class D 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 D Notes, it is anticipated that the Class D 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 D Notes by Benefit Plan Investors. It should be noted that the debt treatment of the Secured 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 Secured Notes changes. The risk of recharacterization is enhanced for subordinate classes of Secured Notes.

The Preference Shares and Class P Notes will likely constitute "equity interests" in the Issuer. It is intended that the ownership interests in the Preference Shares and Class P Notes (or any interest therein) 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 each of the Preference Shares and Class P Notes (or any interest therein) that may be held by Benefit Plan Investors to below the 25% Threshold. In order to achieve this result, each Original Purchaser and each subsequent transferee of Regulation S Class P Notes and Regulation S Preference Shares will be required to represent and warrant that it is not (and for so long as it holds such Regulation S Class P Notes or Regulation S Preference Share will not be) and is not acting on behalf of (and for so long as it holds such Regulation S Class P Notes and Regulation S Preference Shares will not be acting on behalf of) a Benefit Plan Investor or a Controlling Person. Each Original Purchaser of Class P Notes or Preference Shares will be required to provide information in an Investor Application Form pursuant to which such Class P Notes or Preference Shares were purchased as to what portion, if any, of the funds it is using to purchase and hold Class P Notes or Preference Shares is comprised of assets of a Benefit Plan Investor and whether or not it is a Controlling Person. Any subsequent transferee that acquires Class P Notes or Preference Shares (or any interest therein) will be deemed to represent and warrant that it is not (and for so long as it holds such Class P Note or Preference Share or interest therein will not be) and is not acting on behalf of (and for so long as it holds such Class P Note or Preference Share or interest therein will not be acting on behalf of) a Benefit Plan Investor or a Controlling Person. No initial purchase of a Regulation S Class P Note or Regulation S Preference Share by, or subsequent transfer to, a person that has represented that it is (or is using the assets of) a Benefit Plan Investor or a Controlling Person will be permitted. Moreover, no Original Purchaser will be permitted to purchase Restricted Definitive Class P Notes or Restricted Preference Shares, and the Class P Note Registrar and the Preference Share Registrar will not register any such purchase, to the extent that it is determined that such purchase would result in persons that have represented in writing to the Issuer that they are Benefit Plan Investors owning 25% or more of all Class P Notes or Preference Shares immediately after such proposed purchase, excluding Class P Notes and Preference Shares held by Controlling Persons. The Indenture (in the case of a Class P Note) and the Preference Share Paying Agency Agreement (in the case of a Preference Share) permits the Issuer to demand that any person holding a Class P Note or Preference Share, as the case may be, (or a beneficial interest therein) (other than a person holding a Restricted Definitive Class P Note or Restricted Preference Share who acquired such Class P Note or Preference Share from the Initial Purchaser on the Closing Date) who is determined to be a Benefit Plan Investor or a Controlling Person to sell such Class P Note or Preference Share (or a beneficial interest therein) to a person who is neither a Benefit Plan Investor nor 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 the Class P Note or Preference Share. There can be no assurance, however, that ownership of the Class P Notes or the Preference Shares by Benefit Plan Investors will always remain below the 25% Threshold.

If for any reason the assets of either of the Co-Issuers are deemed to be "plan assets" of a Plan subject to ERISA or Section 4975 of the Code because one or more of such Plans is an owner of 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 either of the Co-Issuers are deemed to be "plan assets" of a Plan subject to Title I of ERISA or Section 4975 of the Code, the payment of certain of the fees payable to the Collateral Manager might be considered to be a non-exempt "prohibited transaction" under Section 406 of ERISA or Section 4975 of the Code. Moreover, if the underlying assets of either of the Co-Issuers were deemed to be assets constituting "plan assets", there are several provisions of ERISA that could be implicated if an ERISA Plan were to acquire and hold Class P Notes or Preference Shares either directly or by investing in an entity whose underlying assets are deemed to be assets of the ERISA Plan. It is also not clear whether (i) the assets of the Issuer could be subject to ERISA's reporting and disclosure requirements, (ii) a fiduciary causing a Benefit Plan Investor to make an investment in the equity of the Issuer could be deemed to have delegated its responsibility to manage the assets of the Benefit Plan Investor, (iii) various providers of fiduciary or other services to the Issuer, and any other parties with authority or control with respect to the Issuer, could be deemed to be Plan fiduciaries or otherwise Parties-in-Interest or Disqualified persons by virtue of their provision of such services, and (iv) it is not clear that Section 404(b) of ERISA, which generally prohibits plan fiduciaries from maintaining the indicia of ownership of assets of plans subject to Title I of ERISA outside the jurisdiction of the district courts of the United States, would be satisfied in all instances.

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

EACH ORIGINAL PURCHASER AND EACH SUBSEQUENT TRANSFEREE OF A NOTE AND EACH ORIGINAL PURCHASER OF A RESTRICTED DEFINITIVE CLASS P NOTE OR RESTRICTED PREFERENCE SHARE WILL BE REQUIRED TO CERTIFY, THAT EITHER (A) IT IS NOT, AND, FOR SO LONG AS IT HOLDS SUCH OFFERED SECURITIES WILL NOT BE AND IS NOT ACTING ON BEHALF OF AND, FOR SO LONG AS IT HOLDS SUCH OFFERED SECURITIES, WILL NOT BE ACTING ON BEHALF OF, (I) A PLAN, 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 OR (II) ANOTHER "BENEFIT PLAN INVESTOR", AS DEFINED IN UNITED STATES DEPARTMENT OF LABOR REGULATIONS AT 29 C.F.R. §2510.3-101(f) OR (B) ITS PURCHASE AND OWNERSHIP OF OFFERED SECURITIES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, A VIOLATION OF ANY MATERIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW).

EACH ORIGINAL PURCHASER OF REGULATION S CLASS P NOTES AND REGULATION S PREFERENCE SHARES AND EACH SUBSEQUENT TRANSFEREE OF ANY SUCH CLASS P NOTES OR PREFERENCE SHARES WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS SUCH CLASS P NOTES OR PREFERENCE SHARES WILL NOT BE) AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH REGULATION S CLASS P NOTES OR REGULATION S PREFERENCE SHARES WILL NOT BE ACTING ON BEHALF OF) A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON.

EACH ORIGINAL PURCHASER OF RESTRICTED DEFINITIVE CLASS P NOTES OR RESTRICTED PREFERENCE SHARES WILL BE REQUIRED TO CERTIFY WHETHER THE PURCHASER IS, OR IS ACTING ON BEHALF OF, (I) A "BENEFIT PLAN INVESTOR", AS DEFINED IN UNITED STATES DEPARTMENT OF LABOR REGULATIONS AT 29 C.F.R. §2510.3-101(f), INCLUDING (1) ANY EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA), WHETHER OR NOT IT IS 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 OR (II) A PERSON WHO EXERCISES CONTROL OVER THE ASSETS OF THE ISSUER (SUCH AS THE COLLATERAL MANAGER) OR PROVIDES INVESTMENT ADVICE TO THE ISSUER FOR A FEE OR IS AN AFFILIATE OF ANY SUCH PERSON.

THE INDENTURE (IN THE CASE OF A CLASS P NOTE) AND THE PREFERENCE SHARE PAYING AGENCY AGREEMENT (IN THE CASE OF A PREFERENCE SHARE) PERMITS THE ISSUER TO DEMAND THAT ANY PERSON HOLDING A CLASS P NOTE OR PREFERENCE SHARE, AS THE CASE MAY BE, (OR A BENEFICIAL INTEREST THEREIN) (OTHER THAN A PERSON HOLDING A RESTRICTED DEFINITIVE CLASS P NOTE OR RESTRICTED PREFERENCE SHARE WHO ACQUIRED SUCH CLASS P NOTE OR PREFERENCE SHARE FROM THE INITIAL PURCHASER ON THE CLOSING DATE) WHO IS DETERMINED TO BE A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON TO SELL SUCH CLASS P NOTE OR PREFERENCE SHARE (OR A BENEFICIAL INTEREST THEREIN) TO A PERSON WHO IS NEITHER A BENEFIT PLAN INVESTOR NOR 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 THE CLASS P NOTE OR PREFERENCE SHARE.

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. NO TRANSFER OF A CLASS P NOTE OR PREFERENCE SHARE TO ANY CONTROLLING PERSON THEREOF WILL BE EFFECTIVE, AND NONE OF THE ISSUER, THE CLASS P NOTE REGISTRAR (IN THE CASE OF THE CLASS P NOTES), THE PREFERENCE SHARE REGISTRAR (IN THE CASE OF THE PREFERENCE SHARES), THE TRUSTEE (IN THE CASE OF THE CLASS P NOTES) OR THE PREFERENCE SHARE

PAYING AGENT (IN THE CASE OF THE PREFERENCE SHARES) WILL RECOGNIZE ANY SUCH TRANSFER.

It should be noted that an insurance company's general account may be deemed to include assets of ERISA Plans under certain circumstances, e.g., where an ERISA Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court in *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993). An insurance company considering the purchase of Offered Securities with assets of its general account should consider such purchase and the insurance company's ability to make the representations described above in light of *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, Section 401(c) of ERISA and 29 C.F.R. §2550.401c-1.

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

PLAN OF DISTRIBUTION

The Co-Issuers and the Initial Purchaser have entered into a Securities Purchase Agreement (the "Securities Purchase Agreement"), relating to the offering and sale of the Offered Securities to be delivered on the Closing Date. In the Securities Purchase Agreement, the Co-Issuers (or the Issuer, in relation to the purchase of Preference Shares under the Securities Purchase Agreement) have agreed to sell to the Initial Purchaser, and the Initial Purchaser has agreed to purchase, the entire principal amount of the Offered Securities as set forth in the Securities Purchase Agreement. The Offered Securities 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 or modify such offer and to reject orders in whole or in part. The obligations of the Initial Purchaser under the Securities Purchase Agreement are subject to the satisfaction of certain conditions set forth in the Securities Purchase Agreement. Pursuant to the Securities Purchase Agreement, each of the Co-Issuers has agreed to indemnify the Initial Purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchaser may be required to make in respect thereof.

Each Original Purchaser of a Preference Share and Class P Note will be required to execute and deliver an Investor Application Form in form and substance satisfactory to the Initial Purchaser and the Issuer.

The Co-Issuers have been advised by the Initial Purchaser that the Initial Purchaser proposes to sell the Offered Securities (a) in the case of a sale in the United States in reliance upon an exemption from the registration requirements of the Securities Act, to (i) "qualified institutional buyers" as defined in Rule 144A under the Securities Act ("Qualified Institutional Buyers") and (ii) solely in the case of the Restricted Preference Shares and Restricted Definitive Class P Notes, a limited number of "accredited investors" within the meaning of Rule 501(a) of the Securities Act ("Accredited Investors") that, in each case, are Qualified Purchasers and (b) to certain persons who are not U.S. Persons in offshore transactions in reliance on Regulation S under the Securities Act.

Certain Selling Restrictions

United States

The Offered Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except pursuant to an exemption from the registration requirements under the Securities Act provided by Section 4(2) or Rule 144A.

(1) In the Securities Purchase Agreement, the Initial Purchaser will represent and agree that it has not offered or sold Offered Securities and will not offer or sell Offered Securities, except to non-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 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 has complied and will comply with the offering restrictions requirements of Regulation S.

(2) In the Securities Purchase Agreement, the Initial Purchaser will agree that it will not, acting either as principal or agent, offer or sell any Offered Securities in the United States

other than Offered Securities in registered form bearing a restrictive legend thereon, and it will not, acting either as principal or agent, offer, sell, reoffer or resell any of such Offered Securities (or approve the resale of any of such Offered Securities):

- (a) except (1) inside the United States through a U.S. broker dealer that is registered under the Exchange Act to investors each of which (x) the Initial Purchaser reasonably believes is a Qualified Institutional Buyer or (y) in the case of the Restricted Preference Shares or Restricted Definitive Class P Notes, is an Accredited Investor that has such knowledge and experience in financial and business matters that it is capable of evaluating and bearing the risks of investing in the Offered Securities or is represented by a fiduciary or agent with sole investment discretion having such knowledge and experience that is also a Qualified Purchaser or (2) otherwise in accordance with the restrictions on transfer set forth in such Offered Securities, the Securities Purchase Agreement and this Offering Circular; or
- (b) by means of any form of general solicitation or general advertisement, including but not limited to (1) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio and (2) any seminar or meeting whose attendees have been advised by any general solicitation or general advertising.

Prior to the sale of any Offered Securities 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 Offering Circular in the form the Issuer and the Initial Purchaser shall have agreed most recently shall be used for offers and sales in the United States (the initial such form being this Offering Circular).

(3) In the Securities Purchase Agreement, the Initial Purchaser will represent and agree that in connection with each sale of Restricted Preference Shares and Restricted Definitive Class P Notes to an Accredited Investor it has taken or will take reasonable steps to ensure that the purchaser is aware that the Offered Securities have not been and will not be registered under the Securities Act and that transfers of Offered Securities are restricted as set forth herein.

United Kingdom

The Initial Purchaser will also represent and agree as follows:

(1) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any Offered Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Offered Securities in circumstances in which Section 21(1) of said Act does not apply to either of the Co-Issuers; and

(3) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Offered Securities in, from or otherwise involving the United Kingdom.

Cayman Islands

The Initial Purchaser will represent and agree that it has not made and will not make any invitation to the public in the Cayman Islands to subscribe for the Offered Securities.

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 Offered Securities 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; 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 Offered Securities that is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the Securities Laws of Hong Kong), other than with respect to Offered Securities which are or are intended to be disposed of only to persons outside Hong Kong or to be disposed of in Hong Kong only to "professional investors" within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) of Hong Kong and any rules made thereunder.

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Offered Securities or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuer or the Offered Securities in any country or jurisdiction where action for that purpose is required. Accordingly, the Offered Securities may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Offered Securities may be distributed or published, in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Purchasers of the Offered Securities may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the purchase price.

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.

Investor Representations on Original Purchase. Each Original Purchaser of Secured Notes will be deemed (and each Original Purchaser of Preference Shares and Class P Notes, will be required in an Investor Application Form) to acknowledge, represent to and agree with the Issuer or the Co-Issuers, as the case may be, 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, nor has the SEC or any other governmental authority or agency passed upon the accuracy or adequacy of this Offering Circular. The purchaser further understands that any representation to the contrary is a criminal offense.

(2) *Certification Upon Transfer.* Each purchaser of a Note (if required by the Indenture) and each purchaser of Preference Shares will, prior to any sale, pledge or other transfer by it of any Note or Preference Share (or any interest therein), obtain from the transferee and deliver to the Issuer or the Co-Issuers, as the case may be, and the applicable Note Registrar (in the case of a Note) or the Preference Share Registrar (in the case of Preference Shares) a duly executed transferee certificate addressed to each of the Co-Issuers and the Trustee (in the case of a Secured Note), the Issuer and the Trustee (in the case of a Class P Note), the Issuer and the Preference Share Paying Agent (in the case of a Preference Share) and the Collateral Manager in the form of the relevant exhibit attached to the Indenture or the Preference Share Paying Agency Agreement and such other certificates and other information as the Issuer, the Collateral Manager, the Trustee, the applicable Note Registrar or the Preference Share Registrar, as the case may be, may reasonably require to confirm that the proposed transfer substantially complies with the applicable transfer restrictions contained in this Offering Circular, the Indenture and the Preference Share Paying Agency Agreement.

(3) *Minimum Denominations and Original Capital Contributions; Form of Notes and Preference Shares.* The purchaser agrees that no Note or Preference Share (or any interest therein) may be sold, pledged or otherwise transferred (i) in the case of a Note, in a denomination of less than the applicable minimum denomination set forth in the Indenture and described herein or (ii) in the case of Preference Share, if, after giving effect to such transfer, the transferee (or, if the transferor retains any Preference Shares, the transferor) would own less than 250 (or in certain limited circumstances, 200) Preference Shares. In addition, the purchaser understands that Restricted Definitive Class P Notes and Restricted Preference Shares will be issued in fully registered, definitive form without interest coupons and will be transferable only by delivery thereof.

(4) *Securities Law Limitations on Resale.* The purchaser understands that the Offered Securities have not been registered under the Securities Act and, therefore, cannot be offered or sold in the United States or to U.S. Persons unless they are registered under the Securities Act or unless an exemption from registration is available. Accordingly, the certificates representing the Offered Securities will bear a legend stating

that the Offered Securities have not been registered under the Securities Act and setting forth certain of the restrictions on transfer of the Offered Securities described herein. The purchaser understands that neither the Issuer nor (in the case of the Secured Notes) the Co-Issuer has any obligation to register any of the Offered Securities under the Securities Act or to comply with the requirements for any exemption from the registration requirements of the Securities Act (other than to supply information specified in Rule 144A(d)(4) of the Securities Act as required by the Indenture and the Preference Share Paying Agency Agreement).

(5) *Qualified Institutional Buyer, Institutional Accredited Investor or Non-U.S. Person Status; Investment Intent.* In the case of a purchaser who takes delivery of the Offered Securities in the form of a Restricted Secured Note, Restricted Definitive Class P Note or takes delivery of Restricted Preference Shares (or an interest therein), it is (a) a Qualified Institutional Buyer or (b) in the case of the Preference Shares and Class P Notes, an Accredited Investor in accordance with another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act), in each case acquiring the Notes or Preference Shares 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 who takes delivery of Secured Notes in the form of a beneficial interest in a Regulation S Global Secured Note, Regulation S Global Class P Note or Regulation S Global Preference Share, (a) it is not a U.S. Person and is purchasing such beneficial interest for its own account and not for the account or benefit of a U.S. Person and (b) if in the future it decides to transfer such beneficial interest, it will transfer such interest only to a person that is not a U.S. Person in an offshore transaction in accordance with Regulation S or to a person who takes delivery in the form of a Restricted Global Secured Note, Restricted Definitive Class P Note or Restricted Preference Share, as applicable.

(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 the Offered Securities, (b) is financially able to bear such risk, (c) in making such investment is not relying on the advice or recommendations of any of the Initial Purchaser, the Issuer, the Co-Issuer or any of their respective affiliates (or any representative of any of the foregoing) and (d) has determined that an investment in the Offered Securities is suitable and appropriate for it. The purchaser has received, and has had an adequate opportunity to review the contents of, this Offering Circular. The purchaser has had access to such financial and other information concerning the Co-Issuers, 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 Co-Issuers and the terms and conditions of the offering of the Offered Securities.

(7) *Certain Resale Limitations; Rule 144A.* No Offered Security (or any interest therein) may be offered, sold, pledged or otherwise transferred to (i) a transferee acquiring a Restricted Secured Note, Restricted Definitive Class P Note or Restricted

Preference Share (or any interest therein) except (a) to a transferee (1) whom the seller reasonably believes is a Qualified Institutional Buyer or (2) solely in the case of the Restricted Preference Shares and Restricted Definitive Class P Notes, that is an Institutional Accredited Investor in accordance with another exemption from the registration requirements of the Securities Act, in each case 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 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 the registration requirements of the Securities Act), (b) to a transferee that is a Qualified Purchaser, (c) to a transferee that is not a Benefit Plan Investor or Controlling Person, (d) to a transferee that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (e) if such transfer is made in compliance with the certification and other requirements set forth in the Indenture or the Preference Share Paying Agency Agreement and (f) if such transfer is made in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction or (ii) a transferee acquiring an interest in a Regulation S Secured Note, Regulation S Class P Note or a Regulation S Preference Share except (a) to a transferee that is acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 903 or Rule 904 of Regulation S, (b) to a transferee that is not a U.S. Person unless such transferee is a Qualified Purchaser, (c) to a transferee that is not a U.S. Person or a transferee that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (d) if such transfer is made in compliance with the certification and the other requirements set forth in the Indenture or the Preference Share Paying Agency Agreement, as applicable (including the execution and delivery of a letter in the form attached as an exhibit to the Indenture or the Preference Share Paying Agency Agreement, as applicable, addressed to each of the Issuer, the Trustee or the Preference Share Paying Agent, as applicable, and the Collateral Manager) and (e) if such transfer is made in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

(8) *Limited Liquidity.* The purchaser understands that there is no market for any Class of Secured Notes, Class P Notes or Preference Shares and that no assurance can be given as to the liquidity of any trading market for any Class of Secured Notes, Class P Notes or Preference Shares and that it is unlikely that a trading market for any Class of Secured Notes, Class P Notes or Preference Shares will develop. The purchaser further understands that, although the Initial Purchaser may from time to time make a market in any Class of Secured Notes, Class P Notes or Preference Shares, the Initial Purchaser is under no obligation to do so and, following the commencement of any market-making, may discontinue the same at any time. Accordingly, the purchaser must be prepared to hold the Offered Securities for an indefinite period of time or until their maturity.

(9) *Investment Company Act.* The purchaser either (a) is not a U.S. 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 (a) to a transferee acquiring Restricted Secured Notes, Restricted Definitive Class P Notes or Restricted Preference Shares except to a transferee that is a Qualified Purchaser, (b) to a transferee acquiring an interest in a Regulation S Secured Note, a Regulation S Class P

Note or a Regulation S Preference Share except to a transferee that is not a U.S. Person or (c) if such transfer would have the effect of requiring either of the Co-Issuers or the pool of Collateral to register as an investment company under the Investment Company Act. If the purchaser is a U.S. Person that is an entity that would be an investment company but for the exception provided for in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act (any such entity, an "excepted investment company"): (x) all of the beneficial owners of outstanding securities (other than short-term paper) of such entity (such beneficial owners determined in accordance with Section 3(c)(1)(A) of the Investment Company Act) that acquired such securities on or before April 30, 1996 ("pre-amendment beneficial owners"); and (y) all pre-amendment beneficial owners of the outstanding securities (other than short-term paper) of any excepted investment company that, directly or indirectly, owns any outstanding securities of such entity, have consented to such entity's treatment as a "qualified purchaser" in accordance with the Investment Company Act. Such purchaser (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) will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any transferee.

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers determines that any beneficial owner of a Note (or any interest therein) (A) is a U.S. Person and (B) is not a Qualified Institutional Buyer (or, in the case of a Class P Note, an Institutional Accredited Investor or Accredited Investor that purchased such Note (or any interest therein) directly from the Initial Purchaser) and also a Qualified Purchaser, then either of the Co-Issuers (or the Issuer, in the case of the Class P Notes) may require, by notice to such holder, that such holder sell all of its right, title and interest to such Note, to a person that is both a Qualified Institutional Buyer (or an Institutional Accredited Investor in the case of the Class P Notes) 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, (i) upon direction from the Collateral Manager or the Issuer, the Trustee, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Note 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) to a person that certifies to the Trustee, the Co-Issuers and the Collateral Manager, in connection with such transfer, that such person is both a Qualified Institutional Buyer (or an Institutional Accredited Investor in the case of the Class P Notes) and a Qualified Purchaser and (ii) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner.

The Preference Share Paying Agency Agreement provides, that if, notwithstanding the foregoing restrictions, the Issuer determines that any beneficial owner of Preference Shares (or any interest therein) (A) is a U.S. Person and (B) is not both (1) a Qualified Institutional Buyer or an Institutional Accredited Investor (or an Accredited Investor that purchased such Preference Share or any interest therein directly from the Initial Purchaser) and (2) a Qualified Purchaser, then the Issuer may

require, by notice to such holder, that such holder sell all of its right, title and interest to such Preference Shares to a person that is (1) a Qualified Institutional Buyer or an Institutional 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 beneficial owner fails to effect the transfer required within such 30-day period, (I) upon direction from the Collateral Manager or the Issuer, the Preference Share Registrar, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Preference Shares to be transferred in a commercially reasonable sale (conducted by the Preference Share Paying Agent 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) to a person that certifies to the Preference Share Paying Agent, the Preference Share Registrar, the Issuer and the Collateral Manager, in connection with such transfer, that such person is (x) a Qualified Institutional Buyer or an Institutional Accredited Investor (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (y) a Qualified Purchaser and (II) pending such transfer, no further payments will be made in respect of the Preference Shares held by such beneficial owner.

(10) *ERISA*. In the case of a Secured Note, either (i) the purchaser is not (and for so long as it holds any Secured Note or interest therein will not be) and is not acting on behalf of (and for so long as it holds any Secured Note or interest therein, will not be acting on behalf of) (a) an "employee benefit plan" within the meaning of Section 3(3) of ERISA, a "plan" within the meaning of Section 4975(e)(1) of the Code (either such entity, a "plan"), an entity which is deemed to hold the assets of any such plan pursuant to the Plan Asset Regulation of the United States Department of Labor, 29 C.F.R. §2510.3-101 (the "Plan Asset Regulation"), 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 materially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code ("Similar Law") or (b) another Benefit Plan Investor or (ii) the purchase and ownership of such Secured Notes will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or any Similar Law.

With respect to a purchaser of Regulation S Class P Notes or Regulation S Preference Shares, the purchaser represents and warrants that it is not (and for so long as it holds such Regulation S Class P Notes or Regulation S Preference Shares will not be) and is not acting on behalf of (and for so long as it holds such Regulation S Class P Notes or Regulation S Preference Shares will not be acting on behalf of), (i) an employee benefit plan within the meaning of Section 3(3) of ERISA, a plan within the meaning of Section 4975(e)(1) of the Code, or an entity which is deemed to hold the assets of any such employee benefit plan or plan pursuant to the Plan Asset Regulation, (ii) another Benefit Plan Investor or (iii) a person who has control over the assets of the Issuer (such as the Collateral Manager) or provides investment advice to the Issuer for a fee, direct or indirect, or is an affiliate of any such person.

With respect to a purchaser of Class P Notes or Preference Shares, the purchaser understands that the Indenture (in the case of a Class P Note) and the Preference Share Paying Agency Agreement (in the case of a Preference Share) permits the Issuer to demand that any person holding a Class P Note or Preference

Share, as the case may be, (or a beneficial interest therein) (other than a person holding a Restricted Definitive Class P Note or Restricted Preference Share who acquired such Class P Note or Preference Share from the Initial Purchaser on the Closing Date) who is determined to be a Benefit Plan Investor or a Controlling Person to sell such Class P Note or Preference Share (or a beneficial interest therein) to a person who is neither a Benefit Plan Investor nor 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 the Class P Note or Preference Share.

With respect to a purchaser of Restricted Definitive Class P Notes or Restricted Preference Shares, the purchaser has disclosed whether it is (and for so long as it holds such Class P Notes or Preference Shares will be), or is not (and for so long as it holds such Class P Notes or Preference Shares will not be), acting on behalf of, (i) an employee benefit plan within the meaning of Section 3(3) of ERISA, a plan within the meaning of Section 4975(e)(1) of the Code, or an entity which is deemed to hold the assets of any such employee benefit plan or plan pursuant to the Plan Asset Regulation, which plan or entity is subject to Title I of ERISA or Section 4975 of the Code, (ii) another Benefit Plan Investor or (iii) except as otherwise disclosed in an Investor Application Form (or, in the case of a transfer, the transfer certificate), a person who exercises control over the assets of the Issuer (such as the Collateral Manager) or provides investment advice to the Issuer for a fee (direct or indirect) or is an affiliate of any such person.

No initial purchase of Class P Notes or Preference Shares will be permitted, if, after giving effect to such purchase, 25% or more of the aggregate principal amount of each of the Preference Shares or Class P Notes (or any interest therein), as determined under the Plan Asset Regulation (e.g., excluding Restricted Definitive Class P Notes or Restricted Preference Shares held by persons, other than Benefit Plan Investors, having discretionary authority or control over the Issuer's assets or who provide investment advice to the Issuer for a fee, direct or indirect, or any affiliates thereof), would be held by Benefit Plan Investors. The purchaser further understands and agrees that the information supplied above will be utilized to determine whether Benefit Plan Investors own less than 25% of the aggregate principal amount of each of the Class P Notes or the Preference Shares.

The purchaser further understands that no transfer of any Class P Notes or Preference Shares, whether Restricted Definitive Class P Notes, Restricted Preference Shares, Regulation S Class P Notes or Regulation S Preference Shares, may be made after the Closing Date to a Benefit Plan Investor or a Person, other than a Benefit Plan Investor, having discretionary authority or control over the Issuer's assets or who provides investment advice to the Issuer for a fee, direct or indirect, or any affiliate thereof.

In addition, if the purchaser is, or is acting on behalf of, a Plan subject to Title I of ERISA or an employee benefit plan that is not subject to Title I of ERISA but is subject to provisions of a Similar Law, the fiduciaries of such Plan or such employee benefit plan, as applicable, represent and warrant that they have been informed of and understand the Issuer's investment objectives, policies and strategies and that the decision to invest such Plan's assets or such employee benefit plan's assets, as the case may be, in Notes 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.* In the case of a purchaser that is a U.S. Person, it is either (a) not a Flow-Through Investment Vehicle or (b) a Qualifying Investment Vehicle. A purchaser is a "Flow-Through Investment Vehicle" if (a) if it would be an investment company but for the exception in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act and the amount of whose investment in the Notes (including in all classes of the Notes) and the Preference Shares does not exceed 40% of the total assets (determined on a consolidated basis with its subsidiaries) of the purchaser; (b) any person owning any equity or similar interest in the purchaser has the ability to control any investment decision of such purchaser or to determine, on an investment-by-investment basis, the amount of such person's contribution to any investment made by the purchaser; (c) the purchaser was organized or reorganized for the specific purpose of acquiring a Note or a Preference Share; and (d) 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 a Note or a Preference Share. For this purpose, a "Qualifying Investment Vehicle" is a Flow-Through Investment Vehicle as to which all of the beneficial owners of any securities issued by the Flow-Through Investment Vehicle have made, and as to which (in accordance with the document pursuant to which the Flow-Through Investment Vehicle 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, to the Co-Issuers, the Collateral Manager and the Note Registrar (or, with respect to the Preference Shares, the Preference Share Registrar) each of the representations set forth herein and in (a) the Indenture and the Investor Application Forms or (b) the transfer certificate pursuant to which the Notes or the Preference Shares were transferred to such Flow-Through Investment Vehicle (in each case, with appropriate modifications to such representations satisfactory to the Collateral Manager and the Issuer to reflect the indirect nature of the interests of such beneficial owners in such Notes or Preferences Shares and including any modification permitting an initial beneficial owner of securities issued by such entity to represent that it is an Institutional Accredited Investor).

If the purchaser is a U.S. Person that is a Qualifying Investment Vehicle (a) either (i) none of the beneficial owners of its securities is a U.S. Person or (ii) some or all of the beneficial owners of its securities are U.S. Persons and each such beneficial owner has certified to the purchaser that it is a Qualified Purchaser and (b) the purchaser has only one class of securities outstanding (other than any nominal share capital the distributions in respect of which are not correlated to or dependent upon distributions on, or the performance of, the Offered Securities).

(12) *Certain Transfers Void.* The purchaser agrees that (a) any sale, pledge or other transfer of Offered Securities (or any interest therein) made in violation of the transfer restrictions contained in this Offering Circular and in the Indenture or the Preference Share Paying Agency Agreement, or made based upon any false or inaccurate representation made by the purchaser or a transferee to the Issuer, the Trustee and/or the applicable Note Registrar (in the case of the Notes) or the Issuer, Preference Share Paying Agent and Preference Share Registrar (in the case of the Preference Shares) will be void and of no force or effect and (b) none of the Issuer, the

Trustee, the Note Registrars (in the case of the Notes) and/or the Preference Share Paying Agent (in the case of the Preference Shares) has any obligation to recognize any sale, pledge or other transfer of a Note (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 Initial Purchaser, the Trustee, the Preference Share Paying Agent and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties made or deemed to have been made by it in connection with its purchase of the Offered Securities are no longer accurate, the purchaser will promptly notify the Issuer, the Initial Purchaser, the Trustee and the Preference Share Paying Agent.

(14) *Cayman Islands.* The purchaser is not a member of the public in the Cayman Islands.

(15) *Tax Treatment.* The purchaser acknowledges that for U.S. Federal, state and local income and franchise tax purposes, the Issuer will be treated as a corporation, the Secured Notes will be treated as debt of the Issuer only, the Preference Shares will be treated as equity in the Issuer and the Class P Notes will be treated as direct ownership of the underlying Treasury Strips and Class P Preference Shares. The purchaser agrees to such treatment, to report all income (or loss) in accordance with such treatment and to take no action inconsistent with such treatment, unless otherwise required by any taxing authority under applicable law.

(16) *Legend for Secured Notes.* The purchaser understands and agrees that a legend in substantially the following form will be placed on each certificate representing any Secured Notes:

THIS SECURED NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), PURCHASING FOR ITS OWN ACCOUNT TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A, OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT ("REGULATIONS"), (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 OF THE CO-ISSUERS HAS BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). NO TRANSFER OF THIS SECURED NOTE (OR ANY INTEREST

HEREIN) MAY BE MADE (AND NEITHER THE TRUSTEE NOR THE SECURED NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO IS A U.S. PERSON (WITHIN THE MEANING OF REGULATIONS) THAT IS NOT BOTH (X) A QUALIFIED INSTITUTIONAL BUYER AND ALSO (Y) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT AND RELATED RULES, A "KNOWLEDGEABLE EMPLOYEE" WITH RESPECT TO THE ISSUER WITHIN THE MEANING OF RULE 3c-5 UNDER THE INVESTMENT COMPANY ACT OR A COMPANY BENEFICIALLY OWNED EXCLUSIVELY BY ONE OR MORE "QUALIFIED PURCHASERS" AND/OR "KNOWLEDGEABLE EMPLOYEES" (EACH, A "QUALIFIED PURCHASER"), (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING EITHER OF THE CO-ISSUERS OR THE POOL OF COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE INDENTURE), OR (D) SUCH TRANSFER WOULD BE MADE TO A PERSON WHO IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE (IF REQUIRED BY THE INDENTURE) ATTACHED AS AN EXHIBIT TO THE INDENTURE REFERRED TO BELOW. THIS SECURED NOTE OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED TO A PERSON WHO ACQUIRES A BENEFICIAL INTEREST IN A REGULATION S SECURED NOTE ONLY UPON RECEIPT BY THE TRUSTEE OF A TRANSFER CERTIFICATE FROM THE TRANSFEROR SUBSTANTIALLY IN THE FORM SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS SECURED NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

In addition, the legend set forth on the Class A Notes, Class B Notes, Class C Notes and Class D Notes shall have the following:

EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER (A) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS SECURED NOTE 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 OR (B) THE PURCHASE AND OWNERSHIP OF THIS SECURED NOTE 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 MATERIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW). THIS SECURED NOTE OR ANY BENEFICIAL INTEREST HEREIN MAY BE

TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE.

The legend set forth on any Restricted Global Secured Note will also have the following:

IF, NOTWITHSTANDING THE RESTRICTIONS ON TRANSFER CONTAINED IN THE INDENTURE, THE ISSUER DETERMINES THAT ANY BENEFICIAL OWNER OF A SECURED NOTE (OR ANY INTEREST THEREIN) (A) IS A U.S. PERSON (WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT) AND (B) IS NOT BOTH (I) A QUALIFIED INSTITUTIONAL BUYER 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 SECURED 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 COLLATERAL MANAGER OR THE ISSUER, THE TRUSTEE, ON BEHALF OF AND AT THE EXPENSE OF THE ISSUER, SHALL CAUSE SUCH BENEFICIAL OWNER'S INTEREST IN SUCH SECURED NOTE TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610(b) OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE CO-ISSUERS AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (I) A QUALIFIED INSTITUTIONAL BUYER AND (II) A QUALIFIED PURCHASER AND (2) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF SUCH SECURED NOTE HELD BY SUCH BENEFICIAL OWNER.

IN ADDITION, NO TRANSFER OF THIS SECURED NOTE (OR ANY INTEREST HEREIN) MAY BE MADE (AND NONE OF THE TRUSTEE, THE SECURED NOTE REGISTRAR AND THE CO-ISSUERS WILL RECOGNIZE ANY SUCH TRANSFER) IF SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS (A) A DEALER DESCRIBED IN PARAGRAPH (a)(1)(ii) OF RULE 144A WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.\$25,000,000 IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER OR (B) A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, UNLESS INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN. THE TRANSFEREE, AND EACH ACCOUNT FOR WHICH IT IS PURCHASING, IS REQUIRED TO HOLD AND TRANSFER AT LEAST THE MINIMUM DENOMINATIONS OF THE SECURED NOTES. EACH TRANSFEREE IS REQUIRED TO PROVIDE WRITTEN NOTICE OF THE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREES.

The following shall be inserted in the case of Global Secured Notes:

UNLESS THIS SECURED NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE

SECURED 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.

The legend on the Class C Notes, the Class D Notes and the Class E Notes will also have the following:

THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF OID, ISSUE DATE AND YIELD TO MATURITY OF THIS NOTE MAY BE OBTAINED BY WRITING TO: DIRECTOR, STRUCTURED CREDIT PRODUCTS GROUP, MERRILL LYNCH, PIERCE, FENNER & SMITH, INCORPORATED, (NORTH TOWER), 4 WORLD FINANCIAL CENTER, 7TH FLOOR, NEW YORK, NY 10080.

(17) *Legend for 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 UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), PURCHASING FOR ITS OWN ACCOUNT TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT ("REGULATIONS") OR (3) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR") IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (SUBJECT TO THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE ISSUER CHARTER AND THE PREFERENCE SHARE ISSUING AND PAYING AGENCY AGREEMENT REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER RELEVANT JURISDICTION.

NEITHER THE ISSUER NOR THE POOL OF COLLATERAL HAS BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (TOGETHER WITH THE RULES THEREUNDER, THE "INVESTMENT COMPANY ACT"). NO TRANSFER OF A PREFERENCE SHARE REPRESENTED HEREBY (OR ANY INTEREST HEREIN) MAY BE MADE (AND THE PREFERENCE SHARE PAYING AGENT, THE PREFERENCE SHARE REGISTRAR AND THE ISSUER WILL NOT RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO IS A U.S. PERSON (WITHIN THE MEANING OF REGULATION S) THAT IS NOT BOTH (X)(1) A QUALIFIED INSTITUTIONAL BUYER OR (2) AN INSTITUTIONAL ACCREDITED INVESTOR AND ALSO (Y) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT AND RELATED RULES, A "KNOWLEDGEABLE EMPLOYEE" WITH RESPECT TO THE ISSUER WITHIN THE MEANING OF RULE 3c-5 UNDER THE INVESTMENT COMPANY ACT OR A COMPANY BENEFICIALLY OWNED EXCLUSIVELY BY ONE OR MORE "QUALIFIED PURCHASERS" AND/OR "KNOWLEDGEABLE EMPLOYEES" WITH RESPECT TO THE ISSUER (EACH, A "QUALIFIED PURCHASER") THAT TAKES DELIVERY OF THE PREFERENCE SHARES REPRESENTED HEREBY (OR INTEREST HEREIN) IN THE FORM OF A RESTRICTED PREFERENCE SHARE, (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING THE ISSUER OR THE POOL OF COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE INDENTURE), (D) SUCH TRANSFER WOULD HAVE THE EFFECT OF CAUSING THE ASSETS OF THE ISSUER TO BE DEEMED TO BE "PLAN ASSETS" FOR PURPOSES OF ERISA, (E) SUCH TRANSFER WOULD BE MADE AFTER THE CLOSING DATE TO A TRANSFEREE THAT IS (i) AN EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A PLAN WITHIN THE MEANING OF SECTION 4975(e)(1) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN PURSUANT TO TITLE 29, SECTION 2510.3-101(f) OF THE UNITED STATES CODE OF FEDERAL REGULATIONS (THE "PLAN ASSET REGULATION") (EACH SUCH EMPLOYEE BENEFIT PLAN, PLAN, OR ENTITY, A "BENEFIT PLAN INVESTOR"), (ii) ANOTHER BENEFIT PLAN INVESTOR OR (iii) A PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO EXERCISES CONTROL OVER THE ASSETS OF THE ISSUER (SUCH AS THE COLLATERAL MANAGER) OR PROVIDES INVESTMENT ADVICE TO THE ISSUER FOR A FEE, DIRECT OR INDIRECT, OR IS AN AFFILIATE OF ANY SUCH PERSON, OR (F) 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 ISSUING AND PAYING AGENCY AGREEMENT. ACCORDINGLY, AN INVESTOR IN PREFERENCE SHARES MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THE PREFERENCE SHARES REPRESENTED HEREBY OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED IN THE UNITED STATES OR TO U.S. PERSONS IN THE FORM OF RESTRICTED PREFERENCE SHARES ONLY IF THE

PURCHASER IS (A)(1) A QUALIFIED INSTITUTIONAL BUYER OR AN INSTITUTIONAL ACCREDITED INVESTOR AND (2) A QUALIFIED PURCHASER AND (B) ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT, AND IN TRADING LOTS OF NOT LESS THAN 250 (OR, IN CERTAIN LIMITED CIRCUMSTANCES, 200) PREFERENCE SHARES. THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED TO A PERSON WHO ACQUIRES A BENEFICIAL INTEREST IN A REGULATION S PREFERENCE SHARE UPON RECEIPT BY THE PREFERENCE SHARE PAYING AGENT OF A TRANSFER CERTIFICATE FROM THE TRANSFEROR SUBSTANTIALLY IN THE FORM SPECIFIED IN THE PREFERENCE SHARE ISSUING AND PAYING AGENCY AGREEMENT.

IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE PREFERENCE SHARE ISSUING AND 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)(1) A QUALIFIED INSTITUTIONAL BUYER OR (2) AN INSTITUTIONAL ACCREDITED INVESTOR (OR AN ACCREDITED INVESTOR THAT PURCHASED SUCH PREFERENCE SHARE OR ANY INTEREST THEREIN DIRECTLY FROM THE INITIAL PURCHASER) AND (B) A QUALIFIED PURCHASER, THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO THIS SECURITY (OR INTEREST HEREIN) TO A PERSON THAT IS BOTH (A)(1) A QUALIFIED INSTITUTIONAL BUYER OR (2) AN INSTITUTIONAL ACCREDITED INVESTOR AND (B) A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE COLLATERAL MANAGER OR THE ISSUER, THE PREFERENCE SHARE PAYING AGENT SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO CAUSE SUCH HOLDER'S INTEREST IN THIS SECURITY TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE ARRANGED BY THE COLLATERAL MANAGER (CONDUCTED BY THE PREFERENCE SHARE PAYING AGENT IN ACCORDANCE WITH SECTION 9-610(b) OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET) TO A PERSON THAT CERTIFIES TO THE PREFERENCE SHARE PAYING AGENT, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (A)(1) A QUALIFIED INSTITUTIONAL BUYER OR (2) AN INSTITUTIONAL ACCREDITED INVESTOR AND (B) A QUALIFIED PURCHASER, AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURITY HELD BY SUCH HOLDER AND THE INTEREST IN THIS SECURITY SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE PREFERENCE SHARES.

The following shall be inserted in the case of Restricted Preference Shares:

EACH HOLDER HEREOF ACQUIRING THIS SECURITY FROM THE INITIAL PURCHASER ON THE CLOSING DATE IS REQUIRED 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) A PLAN OR ANY OTHER BENEFIT

PLAN INVESTOR OR (B) THE PURCHASE AND OWNERSHIP 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 MATERIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW). EACH HOLDER HEREOF (OTHER THAN A HOLDER ACQUIRING THIS SECURITY FROM THE INITIAL PURCHASER ON THE CLOSING DATE) IS DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS PREFERENCE SHARE WILL NOT BE) AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS PREFERENCE SHARE WILL NOT BE ACTING ON BEHALF OF) (i) AN EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), WHETHER OR NOT SUBJECT TO ERISA, A PLAN WITHIN THE MEANING OF SECTION 4975(e)(1) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN FOR PURPOSES OF ERISA (ANY SUCH EMPLOYEE BENEFIT PLAN, PLAN OR ENTITY, A "BENEFIT PLAN INVESTOR"), (ii) ANOTHER BENEFIT PLAN INVESTOR OR (iii) A PERSON OTHER THAN A BENEFIT PLAN INVESTOR WHO EXERCISES CONTROL OVER THE ASSETS OF THE ISSUER (SUCH AS THE COLLATERAL MANAGER) OR PROVIDES INVESTMENT ADVICE TO THE ISSUER FOR A FEE, DIRECT OR INDIRECT, OR IS AN AFFILIATE OF ANY SUCH PERSON (ANY SUCH PERSON, A "CONTROLLING PERSON"). THE PREFERENCE SHARE ISSUING AND PAYING AGENCY AGREEMENT PERMITS THE ISSUER TO DEMAND THAT ANY PERSON HOLDING A PREFERENCE SHARE, (OR A BENEFICIAL INTEREST THEREIN) (OTHER THAN A PERSON HOLDING A RESTRICTED PREFERENCE SHARE WHO ACQUIRED SUCH PREFERENCE SHARE FROM THE INITIAL PURCHASER ON THE CLOSING DATE) WHO IS DETERMINED TO BE A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON TO SELL SUCH PREFERENCE SHARE (OR A BENEFICIAL INTEREST THEREIN) TO A PERSON WHO IS NEITHER A BENEFIT PLAN INVESTOR NOR 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 SHARE.

The following shall be inserted in the case of Regulation S Global Preference Shares:

UNLESS THIS PREFERENCE SHARE 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 PREFERENCE SHARE REPRESENTS 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 EXCHANGE OR TRANSFER OF A BENEFICIAL INTEREST IN THIS PREFERENCE SHARE FOR A DEFINITIVE PREFERENCE SHARE OR FOR A RESTRICTED PREFERENCE SHARE OR UPON ANY EXCHANGE OR TRANSFER OF A DEFINITIVE PREFERENCE SHARE OR A RESTRICTED PREFERENCE SHARE FOR AN INTEREST IN THIS PREFERENCE SHARE IN ACCORDANCE WITH THE PREFERENCE SHARE ISSUING AND PAYING AGENCY AGREEMENT, THIS REGULATION S GLOBAL PREFERENCE SHARE SHALL BE ENDORSED TO REFLECT THE CHANGE OF THE PRINCIPAL AMOUNT EVIDENCED HEREBY.

EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS PREFERENCE SHARE WILL NOT BE) AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS PREFERENCE SHARE WILL NOT BE ACTING ON BEHALF OF) (i) AN EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), WHETHER OR NOT SUBJECT TO ERISA, A PLAN WITHIN THE MEANING OF SECTION 4975(e)(1) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN OR PURPOSES OF ERISA (ANY SUCH EMPLOYEE BENEFIT PLAN, PLAN OR ENTITY, A "BENEFIT PLAN INVESTOR") (ii) ANOTHER BENEFIT PLAN INVESTOR OR (iii) A PERSON OTHER THAN A BENEFIT PLAN INVESTOR WHO EXERCISES CONTROL OVER THE ASSETS OF THE ISSUER (SUCH AS THE COLLATERAL MANAGER) OR PROVIDES INVESTMENT ADVICE TO THE ISSUER FOR A FEE, DIRECT OR INDIRECT, OR IS AN AFFILIATE OF ANY SUCH PERSON. (ANY SUCH PERSON, A "CONTROLLING PERSON"). THE PREFERENCE SHARE ISSUING AND PAYING AGENCY AGREEMENT PERMITS THE ISSUER TO DEMAND THAT ANY PERSON HOLDING A REGULATION S PREFERENCE SHARE (OR A BENEFICIAL INTEREST THEREIN) WHO IS DETERMINED TO BE A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON TO SELL SUCH REGULATION S PREFERENCE SHARE (OR A BENEFICIAL INTEREST THEREIN) TO A PERSON WHO IS NEITHER A BENEFIT PLAN INVESTOR NOR 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 REGULATION S PREFERENCE SHARE.

(18) Legend for Class P Notes. The purchaser understands and agrees that a legend in substantially the following form will be placed on each Class P Note:

THE PRINCIPAL PROTECTED NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF

ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), PURCHASING FOR ITS OWN ACCOUNT TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT ("REGULATIONS") OR (3) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR") 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 RELEVANT JURISDICTION.

NEITHER THE ISSUER NOR THE POOL OF COLLATERAL HAS BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (TOGETHER WITH THE RULES THEREUNDER, THE "INVESTMENT COMPANY ACT"). NO TRANSFER OF A PRINCIPAL PROTECTED NOTE (OR ANY INTEREST HEREIN) MAY BE MADE (AND THE TRUSTEE, THE CLASS P NOTE REGISTRAR AND THE ISSUER WILL NOT RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO IS A U.S. PERSON (WITHIN THE MEANING OF REGULATIONS) THAT IS NOT BOTH (X)(1) A QUALIFIED INSTITUTIONAL BUYER OR (2) AN INSTITUTIONAL ACCREDITED INVESTOR AND ALSO (Y) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT AND RELATED RULES, A "KNOWLEDGEABLE EMPLOYEE" WITH RESPECT TO THE ISSUER WITHIN THE MEANING OF RULE 3c-5 UNDER THE INVESTMENT COMPANY ACT OR A COMPANY BENEFICIALLY OWNED EXCLUSIVELY BY ONE OR MORE "QUALIFIED PURCHASERS" AND/OR "KNOWLEDGEABLE EMPLOYEES" WITH RESPECT TO THE ISSUER (EACH, A "QUALIFIED PURCHASER") THAT TAKES DELIVERY OF THE PRINCIPAL PROTECTED NOTES REPRESENTED HEREBY (OR INTEREST HEREIN) IN THE FORM OF A RESTRICTED DEFINITIVE PRINCIPAL PROTECTED NOTE, (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING THE ISSUER OR THE POOL OF COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE INDENTURE), (D) SUCH TRANSFER WOULD HAVE THE EFFECT OF CAUSING THE ASSETS OF THE ISSUER TO BE DEEMED TO BE "PLAN ASSETS" FOR PURPOSES OF ERISA, (E) SUCH TRANSFER WOULD BE MADE AFTER THE CLOSING DATE TO A TRANSFEREE THAT IS (i) AN EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF SECTION 3(3) OF THE UNITED STATES

EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A PLAN WITHIN THE MEANING OF SECTION 4975(e)(1) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN PURSUANT TO TITLE 29, SECTION 2510.3 101(f) OF THE UNITED STATES CODE OF FEDERAL REGULATIONS (THE "PLAN ASSET REGULATION") (EACH SUCH EMPLOYEE BENEFIT PLAN, PLAN, OR ENTITY, A "BENEFIT PLAN INVESTOR"), (ii) ANOTHER BENEFIT PLAN INVESTOR OR (iii) A PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO EXERCISES CONTROL OVER THE ASSETS OF THE ISSUER (SUCH AS THE COLLATERAL MANAGER) OR PROVIDES INVESTMENT ADVICE TO THE ISSUER FOR A FEE, DIRECT OR INDIRECT, OR IS AN AFFILIATE OF ANY SUCH PERSON, OR (F) 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. ACCORDINGLY, AN INVESTOR IN PRINCIPAL PROTECTED NOTES MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THE PRINCIPAL PROTECTED NOTES REPRESENTED HEREBY OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED IN THE UNITED STATES OR TO U.S. PERSONS IN THE FORM OF RESTRICTED DEFINITIVE PRINCIPAL PROTECTED NOTES ONLY IF THE PURCHASER IS (A)(1) A QUALIFIED INSTITUTIONAL BUYER OR AN INSTITUTIONAL ACCREDITED INVESTOR AND (2) A QUALIFIED PURCHASER AND (B) ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT, AND IN THE MINIMUM DENOMINATIONS OF THE PRINCIPAL PROTECTED NOTES. THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED TO A PERSON WHO ACQUIRES A BENEFICIAL INTEREST IN A REGULATION S GLOBAL PRINCIPAL PROTECTED NOTE UPON RECEIPT BY THE TRUSTEE OF A TRANSFER CERTIFICATE FROM THE TRANSFEROR SUBSTANTIALLY IN THE FORM SPECIFIED IN THE INDENTURE.

IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE INDENTURE, THE ISSUER DETERMINES THAT ANY HOLDER OF THIS SECURITY OR AN INTEREST HEREIN (I) IS A U.S. PERSON AND (II) IS NOT BOTH (A)(1) A QUALIFIED INSTITUTIONAL BUYER OR (2) AN INSTITUTIONAL ACCREDITED INVESTOR (OR AN ACCREDITED INVESTOR THAT PURCHASED SUCH PRINCIPAL PROTECTED NOTE OR ANY INTEREST THEREIN DIRECTLY FROM THE INITIAL PURCHASER) AND (B) A QUALIFIED PURCHASER, THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO THIS SECURITY (OR INTEREST HEREIN) TO A PERSON THAT IS BOTH (A)(1) A QUALIFIED INSTITUTIONAL BUYER OR (2) AN INSTITUTIONAL ACCREDITED INVESTOR AND (B) A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE COLLATERAL MANAGER OR THE ISSUER, THE TRUSTEE SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO CAUSE SUCH HOLDER'S INTEREST IN THIS SECURITY TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE ARRANGED BY THE COLLATERAL MANAGER (CONDUCTED BY THE 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) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (A)(1) A QUALIFIED INSTITUTIONAL BUYER OR (2) AN INSTITUTIONAL ACCREDITED INVESTOR AND (B) A QUALIFIED PURCHASER, AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURITY HELD BY SUCH HOLDER AND THE INTEREST IN THIS SECURITY SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE PRINCIPAL PROTECTED NOTES.

The following shall be inserted in the case of Restricted Definitive Principal Protected Notes:

EACH HOLDER HEREOF ACQUIRING THIS PRINCIPAL PROTECTED NOTE FROM THE INITIAL PURCHASER ON THE CLOSING DATE IS REQUIRED 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) A PLAN OR ANY OTHER BENEFIT PLAN INVESTOR OR (B) THE PURCHASE AND OWNERSHIP OF THIS SECURITY WILL NOT CONSTITUTE A NON-EXEMPT 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 MATERIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW). EACH HOLDER HEREOF (OTHER THAN A HOLDER ACQUIRING THIS SECURITY FROM THE INITIAL PURCHASER ON THE CLOSING DATE) IS DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS PRINCIPAL PROTECTED NOTE WILL NOT BE) AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS PRINCIPAL PROTECTED NOTE WILL NOT BE ACTING ON BEHALF OF) (i) AN EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), WHETHER OR NOT SUBJECT TO ERISA, A PLAN WITHIN THE MEANING OF SECTION 4975(e)(1) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN FOR PURPOSES OF ERISA (ANY SUCH EMPLOYEE BENEFIT PLAN, PLAN OR ENTITY, A "BENEFIT PLAN INVESTOR"), (ii) ANOTHER BENEFIT PLAN INVESTOR OR (iii) A PERSON OTHER THAN A BENEFIT PLAN INVESTOR WHO EXERCISES CONTROL OVER THE ASSETS OF THE ISSUER (SUCH AS THE COLLATERAL MANAGER) OR PROVIDES INVESTMENT ADVICE TO THE ISSUER FOR A FEE, DIRECT OR INDIRECT, OR IS AN AFFILIATE OF ANY SUCH PERSON (ANY SUCH PERSON, A "CONTROLLING PERSON"). THE INDENTURE PERMITS THE ISSUER TO DEMAND THAT ANY PERSON HOLDING A PRINCIPAL PROTECTED NOTE, (OR A BENEFICIAL INTEREST THEREIN) (OTHER THAN A PERSON HOLDING A RESTRICTED DEFINITIVE PRINCIPAL PROTECTED NOTE WHO ACQUIRED SUCH PRINCIPAL PROTECTED NOTE FROM THE INITIAL PURCHASER ON THE CLOSING DATE) WHO IS DETERMINED TO BE A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON TO SELL SUCH PRINCIPAL PROTECTED NOTE (OR A BENEFICIAL INTEREST THEREIN) TO A PERSON WHO

IS NEITHER A BENEFIT PLAN INVESTOR NOR 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 PRINCIPAL PROTECTED NOTE.

The following shall be inserted in the case of Regulation S Global Principal Protected Notes:

UNLESS THIS PRINCIPAL PROTECTED NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE CLASS P 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.

THIS PRINCIPAL PROTECTED NOTE 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 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 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 FOR A REGULATION S DEFINITIVE PRINCIPAL PROTECTED NOTE OR FOR A RESTRICTED DEFINITIVE PRINCIPAL PROTECTED NOTE OR UPON ANY EXCHANGE OR TRANSFER OF A REGULATION S DEFINITIVE PRINCIPAL PROTECTED NOTE OR A RESTRICTED DEFINITIVE PRINCIPAL PROTECTED NOTE FOR AN INTEREST IN THIS PRINCIPAL PROTECTED NOTE IN ACCORDANCE WITH THE INDENTURE, THIS REGULATION S GLOBAL PRINCIPAL PROTECTED NOTE SHALL BE ENDORSED TO REFLECT THE CHANGE OF THE PRINCIPAL AMOUNT EVIDENCED HEREBY.

EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS PRINCIPAL PROTECTED NOTE WILL NOT BE) AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS PRINCIPAL PROTECTED NOTE WILL NOT BE ACTING ON BEHALF OF) (i) AN EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), WHETHER OR NOT SUBJECT TO ERISA, A PLAN WITHIN THE MEANING OF SECTION 4975(e)(1) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR AN ENTITY WHICH IS

DEEMED TO HOLD THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN OR PURPOSES OF ERISA (ANY SUCH EMPLOYEE BENEFIT PLAN, PLAN OR ENTITY, A "BENEFIT PLAN INVESTOR") (ii) ANOTHER BENEFIT PLAN INVESTOR OR (iii) A PERSON OTHER THAN A BENEFIT PLAN INVESTOR WHO EXERCISES CONTROL OVER THE ASSETS OF THE ISSUER (SUCH AS THE COLLATERAL MANAGER) OR PROVIDES INVESTMENT ADVICE TO THE ISSUER FOR A FEE, DIRECT OR INDIRECT, OR IS AN AFFILIATE OF ANY SUCH PERSON. (ANY SUCH PERSON, A "CONTROLLING PERSON"). THE INDENTURE PERMITS THE ISSUER TO DEMAND THAT ANY PERSON HOLDING A REGULATION S GLOBAL PRINCIPAL PROTECTED NOTE (OR A BENEFICIAL INTEREST THEREIN) WHO IS DETERMINED TO BE A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON TO SELL SUCH REGULATION S GLOBAL PRINCIPAL PROTECTED NOTE (OR A BENEFICIAL INTEREST THEREIN) TO A PERSON WHO IS NEITHER A BENEFIT PLAN INVESTOR NOR 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 REGULATION S GLOBAL PRINCIPAL PROTECTED NOTE.

The legend on the Class P Notes will also have the following:

THE 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 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 transferee of an Offered Security will be required to deliver to the Issuer and the applicable Note Registrar (in case of a Note) or the Preference Share Paying Agent (in case of Preference Shares) a duly executed transferee certificate in the form of the relevant exhibit attached to the Indenture or the Preference Share Paying Agency Agreement and such other certificates and other information as the Issuer, the Co-Issuer, the Collateral Manager, the Trustee or the Preference Share Paying Agent may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in this Offering Circular. An owner of a beneficial interest in a Regulation S Global Secured Note, Regulation S Global Class P Note or Regulation S Global Preference Shares may transfer such interest in the form of a beneficial interest in such Regulation S Global Secured Note, Regulation S Global Class P Note or Regulation S Global Preference Share without the provision of written certification, *provided* that 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. In addition, each transferee acquiring an interest in Regulation S Global Class P Note or a Regulation S Global Preference Share will be required to execute and deliver to the Issuer, the Trustee (in the case of the Regulation S Global Class P Notes), the Preference Share Paying Agent (in the case of the Regulation S Global Preference Shares) and the Collateral Manager a letter in the form attached as an exhibit to the Indenture (in the case of the Regulation S Global Class P Notes) or the Preference Share Paying Agency Agreement (in the case of the Regulation S Global Preference Shares) to the effect that such transferee will

not transfer such interest except in compliance with the transfer restrictions set forth in the Indenture or Preference Share Paying Agency Agreement (as applicable) (including the requirement that any subsequent transferee execute and deliver such letter as a condition to any subsequent transfer).

An owner of a beneficial interest in a Restricted Global Secured Note may transfer such interest in the form of a beneficial interest in such Restricted Global Secured Note without the provision of written certification. Each transferee of a beneficial interest in a Regulation S Global Secured Note or Restricted Global Secured Note will be deemed to make the same representations and warranties at the time of purchase that a transferee of a Note that is required to deliver a transferee certificate would be required to make pursuant to such transferee certificate.

Each transferee of a Class P Note or a Preference Share is deemed to represent and warrant that it is not (i) an employee benefit plan within the meaning of Section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), a plan within the meaning of Section 4975(e)(1) of the United States Internal Revenue Code of 1986, as amended (the "Code"), or an entity which is deemed to hold the assets of any such employee benefit plan or plan pursuant to Title 29, Section 2510.3-101(f) of the United States Code of Federal Regulations (the "Plan Asset Regulation"), which plan or entity is subject to Title I of ERISA or Section 4975 of the Code (each such employee benefit plan, plan, or entity, a "Benefit Plan Investor"), (ii) another Benefit Plan Investor or (iii) a person (other than a Benefit Plan Investor) who exercises control over the assets of the Issuer (such as the Collateral Manager) or provides investment advice to the Issuer for a fee, direct or indirect, or an affiliate of any such person.

Each transferee of an Offered Security that is required to deliver a transferee certificate will be required, pursuant to such transferee certificate and each transferee that is not required to deliver a certificate will be deemed (a) to acknowledge, represent to and agree with the Issuer and the Trustee or the Preference Share Paying Agent, as the case may be, as to the matters set forth in each of paragraphs (1) through (15) above (other than paragraphs (5) and (6)) as if each reference therein to "the purchaser" were instead a reference to the transferee and (b) to further represent to and agree with the Issuer and the Trustee as follows:

(1) In the case of a transferee who takes delivery of a beneficial interest in Restricted Secured Notes, Restricted Definitive Class P Notes or Restricted Preference Shares, it (i) is both (x) a Qualified Institutional Buyer (or, solely in the case of the Preference Shares and Class P Notes, an Institutional Accredited Investor) and (y) a Qualified Purchaser; (ii) is not a dealer described in paragraph (a)(1)(ii) of Rule 144A unless such purchaser owns and invests on a discretionary basis at least U.S.\$25,000,000 in securities of issuers that are not affiliated persons of the dealer; (iii) is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan; (iv) will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any transferee; (v) is aware that the sale to it is being made in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act, and (vi) is acquiring such Secured Notes, Class P Notes or Preference Shares for its own account; *provided* that a transferee of Restricted Preference Shares or Restricted Definitive Class P Notes (or any interest therein) acquiring pursuant to a transfer made in accordance with exemption from the registration requirements of the Securities Act other than Rule 144A (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) need not make any of the foregoing representations relating to Rule 144A. In the case of a transferee who takes delivery of Regulation S Secured Notes, Regulation S Class P Notes or Regulation S Preference Shares, it (i) is acquiring such Regulation S Secured Notes, Regulation S Class P Notes or Regulation S Preference Shares in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (ii) is acquiring such Regulation S Secured Notes, Regulation S Class P Notes or Regulation S Preference Shares for its own account, (iii) is not acquiring, and has not entered into any discussions regarding its acquisition of, such Regulation S Secured Notes, Regulation S Class P Notes or Regulation S Preference Shares while it is in the United States or any of its territories or possessions, (iv) understands that such Regulation S Secured Notes, Regulation S Class P Notes or Regulation S Preference Shares are being sold without registration under the Securities Act by reason of an exemption that depends, in part, on the accuracy of these representations and (v) understands that such Regulation S Secured Notes, Regulation S Class P Notes and Regulation S Preference Shares may not, absent an applicable exemption, be transferred without registration and/or qualification under the Securities Act and applicable state securities laws and the laws of any other applicable jurisdiction. In addition, each holder of Class P Noteholder and Preference Shareholder must provide the Issuer (in the case of the Preference Shares and Class P Notes), the Trustee (in the case of the Class P Notes) and the Preference Share Registrar (in the case of the Preference Shares) an executed transfer certificate or representation letter in the appropriate form attached to the Indenture (in the case of the Class P Notes) or the Preference Share Paying Agency Agreement (in the case of the Preference Shares).

(2) It acknowledges that the foregoing acknowledgements, representations and agreements will be relied upon by the Trustee or Preference Share Paying Agent for the purpose of determining its eligibility to purchase Notes or Preference Shares, as applicable. It agrees to provide, if requested, any additional information that may be required to substantiate its status as a Qualified Institutional Buyer or, in the case of Preference Shares and Class P Notes, an Institutional 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 Notes or Preference Shares, as applicable.

Disqualified Transferees. If the Trustee (or the Preference Share Paying Agent, in the case of the Preference Shares) determines or is notified by the Issuer, the Collateral Manager or the Initial Purchaser that (i) a transfer or attempted or purported transfer of any interest in any Note or Preference Share was consummated pursuant to the Indenture or the Preference Share Documents, as applicable, on the basis of an incorrect form or certification from the transferee or purported transferee, (ii) a transferee failed to deliver to the Trustee or applicable Note Registrar (or the Preference Share Paying Agent or Preference Share Registrar, in the case of Preference Shares) any form or certificate required to be delivered pursuant to the Indenture or the Preference Share Documents, as applicable, (iii) the holder of any interest in a Note or Preference Share is in breach of any representation or agreement set forth in any certificate or any deemed representation or agreement of such Note or Preference Share or (iv) such transfer would have the effect of causing the assets of the Issuer to be deemed to be "Plan Assets" for purposes of ERISA, the Trustee or the Preference Share Paying Agent, as the case may be, will not register such attempted or purported transfer and if a transfer has been registered, such

transfer will be absolutely null and void *ab initio* and will vest no rights in the purported transferee (such purported transferee, a "Disqualified Transferee") and the last preceding holder of such interest in such Offered Security that was not a Disqualified Transferee will be restored to all rights as a holder thereof retroactively to the date of transfer of such Offered Security by such holder.

LISTING AND GENERAL INFORMATION

1. Application has been made to the Irish Stock Exchange for the Secured Notes to be admitted to the Daily Official List of the Irish Stock Exchange. Application will be made to the Channel Islands Stock Exchange for the Preference Shares to be listed thereon. 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. No assurances can be given that any such listing will be obtained with respect to the Notes or Preference Shares. In connection with the listing of the Notes on the Irish Stock Exchange, this Offering Circular will be filed with the Registrar of Companies of Ireland pursuant to Regulation 13 of the European Communities (Stock Exchange) Regulations, 1984 of Ireland.
2. For fourteen days following the date of this Offering Circular copies of the Issuer Charter, the Certificate of Incorporation and By-laws of the Co-Issuer, the Administration Agreement, the Indenture, the Collateral Management Agreement, the Preference Share Paying Agency Agreement, the Collateral Administration Agreement, the form of the Investor Application Forms, the Securities Purchase Agreement, the Hedge Agreement and any CDS Agreement (including any Form-Approved CDS Confirmations) will be available for inspection and copies of the monthly reports and quarterly valuation reports of the Issuer described in item 4 below and the transfer certificates will be available for inspection at the registered office of the Issuer or the Co-Issuer, as applicable, and at the offices of the Irish Paying Agent located in Dublin, Ireland. No financial statements will be prepared by, or on behalf of, either of the Co-Issuers.
3. Copies of the Issuer Charter, the Certificate of Incorporation and By-laws of the Co-Issuer, the Administration Agreement, the resolutions of the Board of Directors of the Issuer authorizing the issuance of the Offered Securities and the execution of the Indenture, the Collateral Management Agreement, the Hedge Agreement and the documents referred to therein to which the Issuer is a party and the resolutions of the Board of Directors of the Co-Issuer authorizing the issuance of the Secured Notes and the Indenture will be available for inspection during the term of the Notes in the city of Houston, Texas at the office of the Trustee and at the office of the Irish Paying Agent located in Dublin, Ireland.
4. So long as any Notes are listed on the Irish Stock Exchange, copies of the monthly reports and quarterly note valuation reports with respect to the Notes and the Collateral Debt Securities will be prepared by the Issuer in accordance with the Indenture and will be obtainable free of charge upon request in Ireland at the offices of the Irish Paying Agent located in Dublin, Ireland. The monthly reports will be prepared each month (excluding any month in which a quarterly noteholder report is prepared), beginning with the monthly report for December 2005 and the quarterly note valuation reports will be prepared each February, May, August and November, beginning in November 2005. Each of the Co-Issuers represents that there has been no material adverse change in its financial position since its date of creation.
5. Neither of the Co-Issuers is involved in any litigation or arbitration proceedings relating to claims on amounts which are material in the context of the issue of the Offered Securities, nor, so far as either of the Co-Issuers is aware, is any such litigation or arbitration involving it pending or threatened.

6. The issuance of the Offered Securities was authorized by the Board of Directors of the Issuer on June 29, 2005. The issuance of the Secured Notes was authorized by the Board of Directors of the Co-Issuer on June 29, 2005. Since the date of its creation, neither Co-Issuer has commenced operations and no accounts have been made up as of the date of this Offering Circular.
7. According to the rules and regulations of the Irish Stock Exchange, the Offered Securities shall be freely transferable and therefore no transaction made on the Irish Stock Exchange shall be canceled.
8. Offered Securities sold in offshore transactions in reliance on Regulation S and represented by Regulation S Global Secured Notes, Regulation S Global Class P Notes, and Regulation S Global Preference Shares have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The table below lists the CUSIP (CINS) Numbers, the International Securities Identification Numbers (ISIN) and the common codes for Offered Securities represented by Regulation S Global Secured Notes and Regulation S Global Preference Shares and the CUSIP numbers for Offered Securities represented by Definitive Secured Notes, Definitive Class P Notes and Definitive Preference Shares:

	Regulation S Global Secured Note and Regulation S Global Preference Shares <u>CUSIP Numbers</u>	Restricted Global Secured Note and Restricted Preference Shares <u>CUSIP Numbers</u>	Regulation S International Securities Identification <u>Numbers</u>
Class A-1 Notes	G4755AAA7	45377TAA4	USG4755AAA72
Class A-2 Notes	G4755AAB5	45377TAC0	USG4755AAB55
Class B Notes	G4755AAC3	45377TAE6	USG4755AAC39
Class C Notes	G4755AAD1	45377TAG1	USG4755AAD12
Class D Notes	G4755AAE9	45377TAJ5	USG4755AAE94
Class E Notes	G4755AAF6	45377TAL0	USG4755AAF69
Preference Shares	G47555100	45377U202	KYG475551001
Class P-1 Notes		To be provided by the Initial Purchaser	
Class P-2 Notes		To be provided by the Initial Purchaser	

LEGAL MATTERS

Certain legal matters with respect to the Offered Securities will be passed upon for the Issuer by Freshfields Bruckhaus Deringer LLP, New York, New York. Certain matters with respect to Cayman Islands corporate law and tax law will be passed upon for the Issuer by Walkers.

SCHEDULE A

Part I

Moody's Loss Scenario 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%	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%

B. ABS Type Residential Securities

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%

C. ABS Type Undiversified Securities

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%

D. Low-Diversity CBO Securities

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%

E. High-Diversity CBO Securities

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%

****If the Collateral Debt Security is a Corporate Debt Security, the recovery rate will be 30%.**

Part II
Standard & Poor's Loss Scenario Matrix

- A. If the Collateral Debt Security is the senior-most tranche of securities issued by the issuer of such Collateral Debt Security*:**

	"AAA"	"AA"	"A"	"BBB"	"BB"
"AAA"	80.0%	85.0%	90.0%	90.0%	90.0%
"AA"	70.0%	75.0%	85.0%	90.0%	90.0%
"A"	60.0%	65.0%	75.0%	85.0%	90.0%
"BBB"	50.0%	55.0%	65.0%	75.0%	85.0%

- B. If the Collateral Debt Security is not the senior-most tranche of securities issued by the issuer of such Collateral Debt Security*:**

	"AAA"	"AA"	"A"	"BBB"	"BB"
"AAA"	65.0%	70.0%	80.0%	85.0%	85.0%
"AA"	55.0%	65.0%	75.0%	80.0%	80.0%
"A"	40.0%	45.0%	55.0%	65.0%	80.0%
"BBB"	30.0%	35.0%	40.0%	45.0%	50.0%
"BB"	10.0%	10.0%	10.0%	25.0%	35.0%
"B"	2.5%	5.0%	5.0%	10.0%	10.0%
"CCC"	0.0%	0.0%	0.0%	0.0%	2.5%

- C. If the Collateral Debt Security is a Synthetic Security that was acquired pursuant to a Form-Approved CDS Confirmation, the recovery rate will be the applicable recovery rate for the related Reference Obligation.**
- D. If the Collateral Debt Security is a Synthetic Security that was not acquired pursuant to a Form-Approved CDS Confirmation, the recovery rate will be assigned by Standard & Poor's upon the acquisition of such Security by the Issuer.**
- E. If the Collateral Debt Security is guaranteed by (1) an insurance company that has been assigned a Standard & Poor's Financial Enhancement Rating (FER, including Collateral Debt Securities guaranteed by a monoline financial insurance company that has been assigned a FER), the recovery rate will be 50% and (2) a guarantor not subject to the foregoing clause (1), the recovery rate will be 40%.**
- F. If the Collateral Debt Security is an ABS REIT Debt Security, the recovery rate will be 40%.**
- G. This Schedule does not apply to Project Finance Securities, Future Flows Securities, Market Value Collateralized Debt Obligations, Interest Only Securities or Principal Only Securities, NIM Securities or First Loss Tranches. Such assets require case-by-case assignment of recovery rates.**

Part III
Fitch Recovery Rate Matrix

A. So long as any Notes are rated "AA-" or higher by Fitch:

Fitch Rating	Recovery Rate
Greater than or equal to "AA-"	60%
Greater than or equal to "BBB-" but less than "AA-"	20%
Less than "BBB-"	0%
REIT Debt – Senior	50%
Senior Secured Corporate Debt	40%
Senior Unsecured Corporate Debt	40%
Subordinate Unsecured Corporate Debt	20%

B. If no Notes are rated "AA-" or higher by Fitch but any Notes are rated "A-" or higher by Fitch:

Fitch Rating	Recovery Rate
Greater than or equal to "AA-"	60%
Greater than or equal to "BBB-" but less than "AA-"	30%
Less than "BBB-"	5%
REIT Debt – Senior Unsecured	50%
Senior Secured Corporate Debt	60%
Senior Unsecured Corporate Debt	40%
Subordinate Unsecured Corporate Debt	20%

C. If no Notes are rated "A-" or higher by Fitch:

Fitch Rating	Recovery Rate
Greater than or equal to "AA-"	60%
Greater than or equal to "BBB-" but less than "AA-"	40%
Less than "BBB-"	10%
REIT Debt – Senior Unsecured	60%
Senior Secured Corporate Debt	60%
Senior Unsecured Corporate Debt	40%
Subordinate Unsecured Corporate Debt	20%

SCHEDULE B

Fitch Recovery Rate Matrix

Domicile	Seniority	AAA	AA	A	BBB	BB	B
ABS Senior (>10%)		60%	65%	75%	85%	90%	95%
ABS Senior (=< 10%)		48%	56%	64%	72%	76%	80%
ABS Mezzanine IG (> 10%)		30%	38%	46%	54%	65%	75%
ABS Mezzanine IG (=< 10%)		20%	27%	35%	42%	50%	55%
ABS Non IG (> 10%)		15%	18%	21%	26%	32%	35%
ABS Non IG (=< 10%)		0%	4%	8%	12%	16%	20%
United States	REITS	52%	55%	59%	62%	63%	65%
United States	Senior Secured (Non IG)	56%	60%	63%	67%	68%	70%
United States	Jr Secured (Non IG)	24%	26%	27%	29%	29%	30%
United States	Senior Unsecured (Non IG)	36%	38%	41%	43%	44%	45%
United States	Subordinate (Non IG)	24%	26%	27%	29%	29%	30%
United States	Senior Unsecured (IG)	44%	47%	50%	52%	54%	55%
United States	Subordinate (IG)	24%	26%	27%	29%	29%	30%
Emerging Markets		20%	21%	23%	24%	24%	25%
Japan		16%	17%	18%	19%	20%	20%

SCHEDULE C

Standard & Poor's Structured Finance Industry Categories

1. Consumer ABS
 - Automobile Loan Receivable Securities
 - Automobile Lease Receivable Securities
 - Car Rental Receivables Securities
 - Credit Card Securities
 - Healthcare Securities
 - Student Loan Securities
2. Commercial ABS
 - Cargo Securities
 - Equipment Leasing Securities
 - Aircraft Leasing Securities
 - Small Business Loan Securities
 - Restaurant and Food Service Securities
 - Tobacco Litigation Securities
3. RMBS
 - Home Equity Loan Securities
 - Manufactured Housing Loan Securities
4. CMBS
 - CMBS – Conduit
 - CMBS – Credit Tenant Lease
 - CMBS – Large Loan
 - CMBS – Single Borrower
 - CMBS – Single Property
5. CDO Securities
 - Cashflow CDO – at least 80% High Yield Corporate
 - Cashflow CDO – at least 80% Investment Grade Corporate
6. REITs
 - REIT – Multifamily & Mobile Home Park
 - REIT – Retail
 - REIT – Hospitality
 - REIT – Office
 - REIT – Industrial
 - REIT – Healthcare
 - REIT – Warehouse
 - REIT – Self Storage
 - REIT – Mixed Use

SCHEDULE D

STANDARD & POOR'S TYPES OF ASSET-BACKED SECURITIES INELIGIBLE FOR NOTCHING

The following types of Asset-Backed Securities are not eligible to be notched in accordance with Schedule E unless otherwise agreed to by Standard & Poor's. Accordingly, the Standard & Poor's Rating of such Asset-Backed Securities must be determined pursuant to clause (i) or (ii) of paragraph (b) of the definition of "Standard & Poor's Rating" in this Offering Circular. This Schedule may be modified from time to time by Standard & Poor's and its applicability should be confirmed with Standard & Poor's prior to use.

1. Non-U.S. Structured Finance Securities
2. Guaranteed Securities
3. CLOs of Distressed Debt
4. CDOs of Structured Finance and Real Estate
5. CDOs of CDOs
6. Mutual Fund Fee Securities
7. Catastrophe Bonds
8. First Loss Tranches of any Securitization
10. Synthetics
11. Synthetic CDOs
12. Combination Securities
13. RE-REMICS
14. Market Value CDOs
16. Net Interest Margin Securities (NIMs)
17. Any asset class not listed on Part II of Schedule E

SCHEDULE E

PART I MOODY'S NOTCHING OF ASSET-BACKED SECURITIES

The following notching conventions are appropriate for Standard & Poor's-only rated tranches. The figures represent the number of notches to be subtracted from the Standard & Poor's rating. (For example, a "1" applied to a Standard & Poor's rating of "BBB" implies a Moody's rating of "Baa3".)

ASSET CLASS	"AAA" to "AA-"	"A+" TO "BBB-"	Below "BBB-"
Asset Backed			
Agricultural and Industrial Equipment loans	1	2	3
Aircraft and Auto leases and Car Rental Receivable Securities	2	3	4
Arena and Stadium	1	2	3
Financing Auto loan	1	2	3
Boat, Motorcycle, RV, Truck	1	2	3
Computer, Equipment and Small-ticket item leases	1	2	3
Consumer Loans	1	3	4
Credit Card	1	2	3
Cross-border transactions	1	2	3
Entertainment Royalties	1	2	3
Floorplan	1	2	3
Franchise Loans	1	2	4
Future Receivables	1	1	2
Health Care Receivables	1	2	3
Manufactured Housing	1	2	3
Mutual Fund Fees	1	2	4
Small Business Loans	1	2	3
Stranded Utilities	1	2	3
Structured Settlements	1	2	3
Student Loan	1	2	3

Tax Liens	1	2	3
Time Share Securities	1	2	3
Trade Receivables	2	3	4

The following notching conventions are with respect to Fitch:

Residential Mortgage Related			
	"AAA"	"AA+" to "BBB"	Below "BBB"
Jumbo A	1	2	4
Alt-A or mixed pools	1	3	5
Subprime Residential	<i>No notching</i>	<i>No notching</i>	<i>No notching</i>

For dual-rated Jumbo A or Alt-A transactions, take the lower of the two ratings on the security, apply the appropriate single-rated notching guideline as set forth in the definition of Moody's Rating, then go up by 1/2 notch.

Catastrophe Bonds and NIM Securities are not eligible to be notched unless otherwise agreed to by Moody's.

PART II

STANDARD & POOR'S NOTCHING OF ASSET-BACKED SECURITIES

The Standard & Poor's Rating of a Collateral Debt Security that is not of a type specified on Schedule D and that has not been assigned a rating by Standard & Poor's may be determined as set forth below.

- A. If such Collateral Debt Security is rated by Moody's and Fitch, the Standard & Poor's Rating of such Collateral Debt Security shall be the Standard & Poor's equivalent of the rating that is the number of subcategories specified in Table A below the lowest of the ratings assigned by Moody's and Fitch.
- B. If the Collateral Debt Security is rated by Moody's or Fitch, the Standard & Poor's Rating of such Collateral Debt Security shall be the Standard & Poor's equivalent of the rating that is one subcategory below the rating that is the number of subcategories specified in Table A below the rating assigned by Moody's or Fitch.

This Schedule may be modified from time to time by Standard & Poor's and its applicability should be confirmed with Standard & Poor's prior to use.

TABLE A

	Asset-Backed Securities issued prior to August 1, 2001		Asset-Backed Securities issued on or after August 1, 2001	
	(Lowest) current rating is:		(Lowest) current rating is:	
	"BBB-" or its equivalent or higher	Below "BBB-" or its equivalent	"BBB-" or its equivalent or higher	Below "BBB-" or its equivalent
1. Consumer ABS Automobile Loan Receivable Securities Automobile Lease Receivable Securities Car Rental Receivables Securities Credit Card Securities Healthcare Securities Student Loan Securities	-1	-2	-2	-3
2. Commercial ABS Cargo Securities Equipment Leasing Securities Aircraft Leasing Securities Small Business Loan Securities	-1	-2	-2	-3

Restaurant and Food Services Securities Tobacco Settlement Securities				
3. Non-Re-REMIC RMBS Manufactured Housing Loan Securities	-1	-2	-2	-3
4. Non-Re-REMIC CMBS CMBS – Conduit CMBS - Credit Tenant Lease CMBS – Large Loan CMBS – Single Borrower CMBS – Single Property	-1	-2	-2	-3
5. CDO Cashflow Securities Cash Flow CDO – at least 80% High Yield Corporate Cash Flow CDO – at least 80% Investment Grade Corporate	-1	-2	-2	-3
6. REITs REIT – Multifamily & Mobile Home Park REIT – Retail REIT – Hospitality REIT – Office REIT – Industrial REIT – Healthcare REIT – Warehouse REIT – Self Storage REIT – Mixed Use	-1	-2	-2	-3
7. Specialty Structured Stadium Financings Project Finance Future flows	-3	-4	-3	-4
8. Residential Mortgages Prime Residential Subprime Residential	-1	-2	-3	-4
9. Real Estate Operating Companies	-1	-2	-2	-3

A. If the Collateral Debt Security is a Synthetic Security that was acquired pursuant to a Form-Approved CDS Confirmation, the Standard & Poor's Rating will be the applicable the Standard & Poor's Rating determined in accordance with the foregoing for the related Reference Obligation.

B. If the Collateral Debt Security is a Synthetic Security that was not acquired pursuant to a Form-Approved CDS Confirmation, the Standard & Poor's Rating will be assigned by Standard & Poor's upon the acquisition of such Synthetic Security by the Issuer.

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