

OFFERING CIRCULAR

U.S.\$945,000,000 Class A-1A First Priority Senior Secured Floating Rate Notes due July 5, 2042

U.S.\$360,000,000 Class A-1B First Priority Senior Secured Floating Rate Notes due July 5, 2042

U.S.\$90,000,000 Class A-2 Second Priority Senior Secured Floating Rate Notes due July 5, 2042

U.S.\$60,000,000 Class B Third Priority Senior Secured Floating Rate Notes due July 5, 2042

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

Bernoulli High Grade CDO I, Ltd. Bernoulli High Grade CDO I, Inc.

Bernoulli High Grade CDO I, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the "Issuer"), and Bernoulli High Grade CDO I, Inc., a corporation organized under the law of the State of Delaware (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers"), intend to issue U.S.\$945,000,000 Class A-1A First Priority Senior Secured Floating Rate Notes due July 5, 2042 (the "Class A-1A Notes"), U.S.\$360,000,000 Class A-1B First Priority Senior Secured Floating Rate Notes due July 5, 2042 (the "Class A-1B Notes"), and together with the Class A-1A Notes, the "Class A-1 Notes"), U.S.\$90,000,000 Class A-2 Second Priority Senior Secured Floating Rate Notes due July 5, 2042 (the "Class A-2 Notes" and, together with the Class A-1 Notes, the "Class A Notes"), U.S.\$60,000,000 Class B Third Priority Senior Secured Floating Rate Notes due July 5, 2042 (the "Class B Notes" and, together with the Class A Notes, the "Offered Notes"), and U.S.\$15,000,000 Class C Fourth Priority Senior Deferrable Secured Floating Rate Notes due July 5, 2042 (the "Class C Notes"). Such Notes will be issued and secured pursuant to an Indenture dated as of March 30, 2006 (the "Indenture") between the Issuer, the Co-Issuer and LaSalle Bank National Association, as trustee (the "Trustee"). In addition, concurrently with the issuance of the Class A Notes, Class B Notes and Class C Notes, the Issuer will issue U.S.\$15,000,000 Class D Fifth Priority Mezzanine Deferrable Secured Floating Rate Notes due July 5, 2042 (the "Class D Notes" and, together with the Class A Notes, the Class B Notes and the Class C Notes, the "Notes") pursuant to the Indenture and U.S.\$15,000,000 Income Notes (as more fully described herein, the "Income Notes") in accordance with an Income Note Paying Agency Agreement dated as of March 30, 2006 between the Issuer and LaSalle Bank National Association, as income note paying and transfer agent. The collateral securing the Notes will be managed by Babcock & Brown Securities Pty Limited ABN 69 003 080 840, a proprietary limited company incorporated under the laws of the Commonwealth of Australia, acting through its Offshore Banking Unit (the "Collateral Manager").



It is a condition to the issuance of the Offered Notes that the Class A-1 Notes be rated "Aaa" by Moody's Investors Service, Inc. ("Moody's"), "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), and "AAA" by Fitch Ratings ("Fitch" and, together with Moody's and Standard & Poor's, the "Rating Agencies"), that the Class A-2 Notes be rated "Aaa" by Moody's, "AAA" by Standard & Poor's and "AAA" by Fitch, that the Class B Notes be rated "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 and that the Class D Notes be rated "Baa2" by Moody's, "BBB" by Standard & Poor's and "BBB" by Fitch. The Senior Income Notes will be rated "Ba2" by Moody's solely as to the ultimate return of principal. This Offering Circular comprises a prospectus with regard to the Co-Issuers and the listing of the Notes, which is in compliance with the Prospectus Directive. Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under the Prospectus Directive, for the Offering Circular to be approved. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list (the "Official List") and to trading on its regulated market. The Irish Stock Exchange is a regulated market for the purposes of Directive 93/22/EC. There can be no assurance that any listing will be obtained. No application will be made to list the Income Notes on any stock exchange.

SEE "RISK FACTORS" IN THIS OFFERING CIRCULAR FOR A DESCRIPTION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE OFFERED NOTES. THE PLEDGED ASSETS OF THE ISSUER ARE THE SOLE SOURCE OF PAYMENTS ON THE OFFERED NOTES. THE OFFERED NOTES DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, THE TRUSTEE, THE COLLATERAL MANAGER, THE HEDGE COUNTERPARTY, THE CLASS A-1B SWAP COUNTERPARTY, MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED OR ANY OF THEIR RESPECTIVE AFFILIATES. NO SECURITIES OTHER THAN THE OFFERED NOTES ARE OFFERED HEREUNDER.

THE OFFERED NOTES 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 CO-ISSUERS HAVE NOT BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, IN RELIANCE ON THE EXEMPTION PROVIDED BY SECTION 3(c)(7) THEREOF. THE OFFERED NOTES ARE BEING OFFERED (A) IN THE UNITED STATES IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO QUALIFIED PURCHASERS (AS DEFINED HEREIN) WHO ARE ALSO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S). PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE OFFERED NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. EACH ORIGINAL PURCHASER OF AN OFFERED NOTE WILL BE DEEMED TO MAKE CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS, WARRANTIES AND CERTIFICATIONS. SEE "TRANSFER RESTRICTIONS".

The Offered Notes are offered by Merrill Lynch, Pierce, Fenner & Smith Incorporated and its affiliates (in such capacity, together with such affiliates, the "Initial Purchaser"), from time to time in individually negotiated transactions at varying prices to be determined at the time of sale, subject to prior sale, when, as and if issued. Sales of the Offered Notes to purchasers in the United States will be made through Merrill Lynch, Pierce, Fenner & Smith Incorporated. 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 Notes will be delivered on or about March 30, 2006, through the facilities of The Depository Trust Company ("DTC"), against payment therefor in immediately available funds. It is a condition to the issuance of the Offered Notes that all Notes and Income Notes be issued concurrently, although not all of the Class A-1 Notes will be funded on such date.

Merrill Lynch & Co.

Dated March 30, 2006.

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 TRUSTEE, THE ADMINISTRATOR, THE COLLATERAL MANAGER, ANY RATING AGENCY, THE SHARE TRUSTEE, THE INITIAL PURCHASER, THE HEDGE COUNTERPARTY, THE CLASS A-1B SWAP COUNTERPARTY 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 NOTES OR (B) ANY OFFERED NOTES 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 NOTES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. PERSONS INTO WHOSE POSSESSION THIS OFFERING CIRCULAR COMES ARE REQUIRED BY THE ISSUER, THE CO-ISSUER 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 NOTES, IN THE UNITED STATES OF AMERICA, THE UNITED KINGDOM AND THE CAYMAN ISLANDS. SEE "PLAN OF DISTRIBUTION". THE DELIVERY OF THIS OFFERING CIRCULAR SHALL NOT UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR THE CO-ISSUER OR THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE OF THIS OFFERING CIRCULAR. THE ISSUER, THE CO-ISSUER 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 NOTES SOUGHT BY SUCH OFFEREE OR TO SELL LESS THAN THE MINIMUM DENOMINATION OF ANY CLASS OF NOTES OR INCOME NOTES.

THE CLASS A-1 NOTES, THE CLASS A-2 NOTES, THE CLASS B NOTES AND THE CLASS C NOTES ARE LIMITED RECOURSE OBLIGATIONS OF THE CO-ISSUERS. THE CLASS D NOTES ARE LIMITED RECOURSE OBLIGATIONS OF THE ISSUER. THE NOTES ARE PAYABLE SOLELY FROM THE COLLATERAL DEBT SECURITIES AND OTHER COLLATERAL PLEDGED BY THE ISSUER TO SECURE THE NOTES. NONE OF THE SECURITY HOLDERS, MEMBERS, OFFICERS, DIRECTORS, MANAGERS OR INCORPORATORS OF THE ISSUER OR THE CO-ISSUER AND NONE OF THE TRUSTEE, THE ADMINISTRATOR, THE COLLATERAL MANAGER, ANY RATING AGENCY, THE SHARE TRUSTEE, THE INITIAL PURCHASER, THE HEDGE COUNTERPARTY, THE CLASS A-1B SWAP COUNTERPARTY OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY OTHER PERSON OR ENTITY WILL BE OBLIGATED TO MAKE PAYMENTS ON THE OFFERED NOTES. CONSEQUENTLY, THE NOTEHOLDERS MUST RELY SOLELY ON AMOUNTS RECEIVED IN RESPECT OF THE COLLATERAL

DEBT SECURITIES AND OTHER COLLATERAL PLEDGED TO SECURE THE NOTES FOR THE PAYMENT OF PRINCIPAL THEREOF AND INTEREST AND COMMITMENT FEE THEREON.

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

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

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. IT IS EXPECTED THAT PROSPECTIVE INVESTORS INTERESTED IN PARTICIPATING IN THIS OFFERING ARE WILLING AND ABLE TO CONDUCT AN INDEPENDENT INVESTIGATION OF THE RISKS POSED BY AN INVESTMENT IN THE OFFERED NOTES.

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

This Offering Circular has been prepared by the Co-Issuers solely for use in connection with the offering of the Offered Notes described herein (the "Offering"). The Co-Issuers have taken all reasonable care to confirm that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect and that there are no other facts relating to the Co-Issuers or the Offered Notes, the omission of which makes this Offering Circular as a whole or any such information contained herein, in light of the circumstances under which it was made, misleading in any material respect. The Co-Issuers accept responsibility for the information contained in this document accordingly. To the best knowledge and belief of the Co-Issuers the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Co-Issuers disclaim any obligation to update such information and do not intend to do so. Neither 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 or completeness of the information contained herein (other than the information describing the Collateral Manager set forth under "The Collateral Manager"). None of the Hedge Counterparty, any of its guarantors nor any of its respective Affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy and completeness of the information contained herein. No other party to the transactions described herein makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy and completeness of the information contained herein. Nothing contained in this Offering Circular is or should be relied upon as a promise or representation as to future results or events. The Trustee has not participated in the preparation of this Offering Circular and assumes no responsibility for its contents.

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

This Offering Circular contains summaries of certain documents. The summaries do not purport to be complete and are qualified in their entirety by reference to such documents, copies of which will be made available to offerees upon request. Requests and inquiries regarding this Offering Circular or such documents should be directed to the Initial Purchaser at 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 Notes are listed on the Irish Stock Exchange.

The Co-Issuers will make available to any offeree of the Offered Notes, 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 Notes are listed on the Irish Stock Exchange.

Although the Initial Purchaser may from time to time make a market in any Class of Notes or the Income Notes, the Initial Purchaser is under no 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 any Class of the Notes or the Income Notes will develop, or if a secondary market does develop, that it will provide the holders of such Offered Notes with liquidity of investment or that it will continue for the life of such Offered Notes.

NONE OF THE ISSUER, THE CO-ISSUER, THE TRUSTEE, THE ADMINISTRATOR, THE COLLATERAL MANAGER, ANY RATING AGENCY, THE SHARE TRUSTEE, THE INITIAL PURCHASER, THE HEDGE COUNTERPARTY, THE CLASS A-1B SWAP COUNTERPARTY OR ANY OF THEIR RESPECTIVE AFFILIATES MAKES ANY REPRESENTATION TO ANY OFFEREE OR PURCHASER OF OFFERED NOTES REGARDING THE LEGALITY OF INVESTMENT THEREIN BY SUCH OFFEREE OR PURCHASER UNDER APPLICABLE LEGAL INVESTMENT OR SIMILAR LAWS OR REGULATIONS OR THE PROPER CLASSIFICATION OF SUCH AN INVESTMENT THEREUNDER.

Offers, sales and deliveries of the Offered Notes 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".

NOTICE TO FLORIDA RESIDENTS

THE OFFERED NOTES 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 NOTES WITHOUT PENALTY WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION.

NOTICE TO CONNECTICUT RESIDENTS

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

NOTICE TO GEORGIA RESIDENTS

THE OFFERED NOTES 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 WITHIN THE EUROPEAN ECONOMIC AREA

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE (EACH, A "RELEVANT MEMBER STATE"), THE INITIAL PURCHASER HAS REPRESENTED AND AGREED THAT WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED IN THAT RELEVANT MEMBER STATE (THE "RELEVANT IMPLEMENTATION DATE") IT HAS NOT MADE AND WILL NOT MAKE AN OFFER OF SECURITIES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE PRIOR TO THE PUBLICATION OF A PROSPECTUS IN RELATION TO THE SECURITIES WHICH HAS BEEN APPROVED BY THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE OR, WHERE APPROPRIATE, APPROVED IN ANOTHER RELEVANT MEMBER STATE AND NOTIFIED TO THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE, ALL IN ACCORDANCE WITH THE PROSPECTUS DIRECTIVE, EXCEPT THAT IT MAY, WITH EFFECT FROM AND INCLUDING THE RELEVANT IMPLEMENTATION DATE, MAKE AN OFFER OF SECURITIES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE AT ANY TIME:

(A) TO LEGAL ENTITIES WHICH ARE AUTHORIZED OR REGULATED TO OPERATE IN THE FINANCIAL MARKETS OR, IF NOT SO AUTHORIZED OR REGULATED, WHOSE CORPORATE PURPOSE IS SOLELY TO INVEST IN SECURITIES;

(B) TO ANY LEGAL ENTITY WHICH HAS TWO OR MORE OF (1) AN AVERAGE OF AT LEAST 250 EMPLOYEES DURING THE LAST FINANCIAL YEAR; (2) A TOTAL BALANCE SHEET OF MORE THAN EURO 43,000,000 AND (3) AN ANNUAL NET TURNOVER OF MORE THAN EURO 50,000,000, AS SHOWN IN ITS LAST ANNUAL OR CONSOLIDATED ACCOUNTS; OR

(C) IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN "OFFER OF SECURITIES TO THE PUBLIC" IN RELATION TO ANY SECURITIES IN ANY RELEVANT MEMBER STATE MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFERING AND THE SECURITIES TO BE OFFERED SO AS TO ENABLE A PURCHASER TO DECIDE TO PURCHASE OR SUBSCRIBE THE SECURITIES, AS THE SAME MAY BE VARIED IN THAT MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT MEMBER STATE AND THE EXPRESSION "PROSPECTUS DIRECTIVE" MEANS DIRECTIVE 2003/71/EC AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN EACH RELEVANT MEMBER STATE.

NOTICE TO RESIDENTS OF AUSTRALIA

NO PROSPECTUS, DISCLOSURE DOCUMENT, OFFERING MATERIAL OR ADVERTISEMENT IN RELATION TO THE OFFERED NOTES HAS BEEN LODGED WITH THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION OR THE AUSTRALIAN STOCK EXCHANGE LIMITED. ACCORDINGLY, A PERSON MAY NOT (A) MAKE, OFFER OR INVITE APPLICATIONS FOR THE ISSUE, SALE OR PURCHASE OF THE OFFERED NOTES WITHIN, TO OR FROM AUSTRALIA (INCLUDING AN OFFER OR INVITATION WHICH IS RECEIVED BY A PERSON IN AUSTRALIA) OR (B) DISTRIBUTE OR PUBLISH THIS OFFERING CIRCULAR OR ANY OTHER PROSPECTUS, DISCLOSURE DOCUMENT, OFFERING MATERIAL OR ADVERTISEMENT RELATING TO THE SECURITIES IN AUSTRALIA, UNLESS (I) THE MINIMUM AGGREGATE CONSIDERATION PAYABLE BY EACH OFFEREE IS THE U.S. DOLLAR EQUIVALENT OF AT LEAST A\$500,000 (DISREGARDING MONEYS LENT BY THE OFFEROR OR ITS ASSOCIATES) OR THE OFFER OTHERWISE DOES NOT REQUIRE DISCLOSURE TO INVESTORS IN ACCORDANCE WITH PART 6D.2 OF THE CORPORATIONS ACT 2001 (CWLTH) OF AUSTRALIA, AND (II) SUCH ACTION COMPLIES WITH ALL APPLICABLE LAWS AND REGULATIONS.

NOTICE TO RESIDENTS OF BELGIUM

THE OFFERING IS EXCLUSIVELY CONDUCTED UNDER APPLICABLE PRIVATE PLACEMENT EXEMPTIONS AND THEREFORE IT HAS NOT BEEN AND WILL NOT BE NOTIFIED TO, AND THIS OFFERING CIRCULAR OR ANY OTHER OFFERING MATERIAL RELATING TO THE OFFERED NOTES HAS NOT BEEN AND WILL NOT BE APPROVED BY, THE BELGIAN BANKING, FINANCE AND INSURANCE COMMISSION ("*COMMISSION BANCAIRE, FINANCIÈRE ET DES ASSURANCES/COMMISSIE VOOR HET BANK-, FINANCIE- EN ASSURANTIEWEZEN*"). ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

EACH OF THE ISSUER, THE CO-ISSUER AND THE INITIAL PURCHASER HAS UNDERTAKEN NOT TO OFFER SELL, RESELL, TRANSFER OR DELIVER, DIRECTLY OR INDIRECTLY, ANY OFFERED NOTES, OR TO DISTRIBUTE OR PUBLISH THIS OFFERING CIRCULAR OR ANY OTHER MATERIAL RELATING TO THE OFFERED NOTES, TO ANY INDIVIDUAL OR LEGAL ENTITY IN BELGIUM OTHER THAN: (I) INVESTORS REQUIRED TO INVEST A MINIMUM OF EURO 250,000 (PER INVESTOR AND PER TRANSACTION); AND (II) INSTITUTIONAL INVESTORS AS DEFINED IN ARTICLE 3, 2°, OF THE BELGIAN ROYAL DECREE OF 7 JULY 1999 ON THE PUBLIC CHARACTER OF FINANCIAL TRANSACTIONS, ACTING FOR THEIR OWN ACCOUNT.

THIS OFFERING CIRCULAR HAS BEEN ISSUED ONLY FOR THE PERSONAL USE OF THE ABOVE QUALIFIED INVESTORS AND EXCLUSIVELY FOR THE PURPOSE OF THE OFFERING OF THE OFFERED NOTES. ACCORDINGLY, THE INFORMATION CONTAINED THEREIN MAY NOT BE REPRODUCED OR USED FOR ANY OTHER PURPOSE NOR DISCLOSED TO ANY OTHER PERSON IN BELGIUM. ANY ACTION CONTRARY TO THESE RESTRICTIONS WILL CAUSE THE RECIPIENT AND THE CO-ISSUERS TO BE IN VIOLATION OF THE BELGIAN SECURITIES LAWS.

NOTICE TO RESIDENTS OF DENMARK

THE OFFERING OF THE OFFERED NOTES WILL BE MADE PURSUANT TO SECTION 11 SUBSECTION 1 NUMBER 1 AND 3 OF THE DANISH EXECUTIVE ORDER NO. 306 OF 28 APRIL 2005 (THE "EXECUTIVE ORDER") AND WILL NOT BE REGISTERED WITH AND HAVE NOT BEEN APPROVED BY OR OTHERWISE PUBLISHED BY THE DANISH FINANCIAL SUPERVISORY AUTHORITY, THE DANISH SECURITIES COUNCIL OR THE DANISH COMMERCE AND COMPANIES AGENCY UNDER THE RELEVANT DANISH ACTS AND REGULATIONS. THE OFFERING CIRCULAR WILL ONLY BE DIRECTED TO PERSONS IN DENMARK WHO ARE REGARDED QUALIFIED INVESTORS AS SET FORTH IN SECTION 2 OF THE EXECUTIVE ORDER AND/OR TO INVESTORS WHO ACQUIRE SECURITIES FOR A TOTAL CONSIDERATION OF AT LEAST EURO 50,000 PER INVESTOR, FOR EACH SEPARATE OFFER. THIS OFFER MAY NOT BE MADE AVAILABLE TO ANY OTHER PERSON IN DENMARK NOR MAY THE OFFER OTHERWISE BE MARKETED OR OFFERED FOR SALE IN DENMARK.

NOTICE TO RESIDENTS OF FINLAND

THE OFFERED NOTES MAY NOT BE OFFERED OR SOLD, AND THIS OFFERING CIRCULAR MAY NOT BE DISTRIBUTED, DIRECTLY OR INDIRECTLY, TO ANY RESIDENT OF THE REPUBLIC OF FINLAND OR IN THE REPUBLIC OF FINLAND, EXCEPT PURSUANT TO APPLICABLE FINNISH LAWS AND REGULATIONS. SPECIFICALLY, THE OFFERED NOTES MAY ONLY BE ACQUIRED FOR DENOMINATIONS OF NOT LESS THAN EURO 50,000, AND THE OFFERED NOTES MAY NOT BE OFFERED OR SOLD, AND THIS OFFERING CIRCULAR MAY NOT BE DISTRIBUTED, DIRECTLY OR INDIRECTLY, TO THE PUBLIC IN THE REPUBLIC OF FINLAND AS DEFINED UNDER THE FINNISH SECURITIES MARKET ACT OF 1989.

NOTICE TO RESIDENTS OF FRANCE

EACH OF THE CO-ISSUERS AND THE INITIAL PURCHASER HAS REPRESENTED AND AGREED THAT IT HAS NOT OFFERED, SOLD OR OTHERWISE TRANSFERRED AND WILL NOT OFFER, SELL OR OTHERWISE TRANSFER, DIRECTLY, OR INDIRECTLY, THE OFFERED NOTES TO THE PUBLIC IN THE REPUBLIC OF FRANCE AND THAT ANY OFFERS, SALES OR OTHER TRANSFERS OF THE OFFERED NOTES IN THE REPUBLIC OF FRANCE WILL BE MADE IN ACCORDANCE WITH ARTICLES L. 411-2 OF THE FRENCH *CODE MONÉTAIRE ET FINANCIER* ONLY TO:

- (I) QUALIFIED INVESTORS (*INVESTISSEURS QUALIFIES*, AS DEFINED IN ARTICLE D. 411-1 OF THE FRENCH *CODE MONÉTAIRE ET FINANCIER*) ACTING FOR THEIR OWN ACCOUNT;
- (II) A RESTRICTED CIRCLE OF INVESTORS (*CERCLE RESTREINT D'INVESTISSEURS*, AS DEFINED IN ARTICLE D. 411-2 OF THE FRENCH *CODE MONÉTAIRE ET FINANCIER*) ACTING FOR THEIR OWN ACCOUNT;
- (III) PERSONS PROVIDING PORTFOLIO MANAGEMENT FINANCIAL SERVICES (*PERSONNES FOURNISSANT LE SERVICE D'INVESTISSEMENT DE GESTION DE PORTEFEUILLE POUR COMPTE DE TIERS*); AND/OR
- (IV) INVESTORS INVESTING EACH AT LEAST EURO 50,000 PER TRANSACTION, PROVIDED THAT THE ISSUER IS A FRENCH *SOCIÉTÉ ANONYME* OR *SOCIÉTÉ EN COMMANDITE PAR ACTIONS* OR A FOREIGN LIMITED COMPANY WITH A SIMILAR STATUS.

THIS OFFERING CIRCULAR HAS NOT BEEN AND WILL NOT BE SUBJECT TO ANY APPROVAL BY OR REGISTRATION (*VISA*) WITH THE FRENCH *AUTORITÉ DES MARCHÉS FINANCIERS*.

IN ADDITION, EACH OF THE CO-ISSUERS AND THE INITIAL PURCHASER HAS REPRESENTED AND AGREED THAT IT HAS NOT DISTRIBUTED OR CAUSED TO BE DISTRIBUTED AND WILL NOT DISTRIBUTE OR CAUSE TO BE DISTRIBUTED IN THE REPUBLIC OF FRANCE THIS OFFERING CIRCULAR OR ANY OTHER OFFERING MATERIAL RELATING TO THE OFFERED NOTES OTHER THAN TO INVESTORS TO WHOM OFFERS, SALES OR OTHER TRANSFERS OF THE OFFERED NOTES IN THE REPUBLIC OF FRANCE MAY BE MADE AS DESCRIBED ABOVE.

THIS OFFERING CIRCULAR AND ANY OTHER OFFERING MATERIAL RELATING TO THE OFFERED NOTES ARE NOT TO BE FURTHER DISTRIBUTED OR REPRODUCED (IN WHOLE OR IN PART) BY THE ADDRESSEE AND HAVE BEEN DISTRIBUTED ON THE BASIS THAT THE ADDRESSEE INVESTS FOR ITS OWN ACCOUNT, AS NECESSARY, AND DOES NOT RESELL OR OTHERWISE TRANSFER, DIRECTLY OR INDIRECTLY, THE OFFERED NOTES TO THE PUBLIC IN THE REPUBLIC OF FRANCE OTHER THAN IN COMPLIANCE WITH ARTICLES L. 411-1, L. 411-2, L. 412-1 AND L. 621-8 TO L. 621-8-3 OF THE FRENCH *CODE MONÉTAIRE ET FINANCIER*.

NOTICE TO RESIDENTS OF THE SPECIAL ADMINISTRATIVE REGION OF HONG KONG

NO PERSON MAY OFFER OR SELL IN HONG KONG, BY MEANS OF ANY DOCUMENT, ANY SECURITIES OTHER THAN (A) TO "PROFESSIONAL INVESTORS" AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE (CAP. 571) OF HONG KONG AND ANY RULES MADE UNDER THAT ORDINANCE; OR (B) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A "PROSPECTUS" AS DEFINED IN THE COMPANIES ORDINANCE (CAP.32) OF HONG KONG OR WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THAT ORDINANCE.

NO PERSON MAY ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE SECURITIES, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY THE PUBLIC IN HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO THE SECURITIES WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO "PROFESSIONAL INVESTORS" WITHIN THE MEANING OF THE SECURITIES AND FUTURES ORDINANCE (CAP. 571) OF HONG KONG AND ANY RULES MADE THEREUNDER.

NOTICE TO RESIDENTS OF HUNGARY

PURSUANT TO SECTION 14 (3) OF ACT CXX OF 2001 ON THE CAPITAL MARKETS (THE HUNGARIAN CMA), ANY AMOUNT AND SUM SHALL BE CALCULATED ON THE BASIS OF THE OFFICIAL EUR/HUF EXCHANGE RATE OF THE NATIONAL BANK OF HUNGARY EFFECTIVE ON THE DAY OF THE PASSING OF THE DECISION BY THE ISSUER ON THE PUBLIC OFFERING. FURTHERMORE, PURSUANT TO SECTION 17 (1) OF THE HUNGARIAN CMA, THE CO-ISSUERS SHALL INFORM THE HUNGARIAN FINANCIAL SUPERVISORY AUTHORITY WITHIN 15 DAYS OF THE PRIVATE PLACEMENT; WHEREAS AMONG OTHER CASES, THE HUNGARIAN CMA HAS IMPLEMENTED ARTICLE 3 PARA 2 AND ARTICLE 4 PARA 2 OF THE PROSPECTUS DIRECTIVE AS CASES OF PRIVATE PLACEMENT.

NOTICE TO RESIDENTS OF IRELAND

EACH OF THE CO-ISSUERS AND THE INITIAL PURCHASER HAS REPRESENTED, WARRANTED AND UNDERTAKEN THAT:

- (I) IT WILL NOT UNDERWRITE OR PLACE OFFERED NOTES OTHERWISE THAN IN CONFORMITY WITH THE PROVISIONS OF THE INVESTMENT INTERMEDIARIES ACT, 1995 OF IRELAND, AS AMENDED, INCLUDING, WITHOUT LIMITATION, SECTIONS 9 AND 23 (INCLUDING ADVERTISING RESTRICTIONS MADE THEREUNDER) THEREOF AND THE CODES OF CONDUCT MADE UNDER SECTION 37 THEREOF OR, IN THE CASE OF A CREDIT INSTITUTION EXERCISING ITS RIGHTS UNDER THE BANKING CONSOLIDATION DIRECTIVE (2000/12/EC OF 20TH MARCH, 2000), AS AMENDED, IN CONFORMITY WITH THE CODES OF CONDUCT OR PRACTICE MADE UNDER SECTION 117(1) OF THE CENTRAL BANK ACT, 1989, OF IRELAND, AS AMENDED;
- (II) IN CONNECTION WITH OFFERS OR SALES OF OFFERED NOTES, IT HAS ONLY ISSUED OR PASSED ON, AND WILL ONLY ISSUE OR PASS ON, IN IRELAND, ANY DOCUMENT RECEIVED BY IT IN CONNECTION WITH THE ISSUE OF SUCH OFFERED NOTES TO PERSONS WHO ARE PERSONS TO WHOM THE DOCUMENTS MAY OTHERWISE LAWFULLY BE ISSUED OR PASSED ON; AND
- (III) IN RESPECT OF A LOCAL OFFER (WITHIN THE MEANING OF SECTION 38(1) OF THE INVESTMENT FUNDS, COMPANIES AND MISCELLANEOUS PROVISIONS ACT 2005 OF IRELAND (THE "2005 ACT")) OF OFFERED NOTES IN IRELAND, IT HAS COMPLIED AND WILL COMPLY WITH SECTION 49 OF THE INVESTMENT FUNDS, COMPANIES AND MISCELLANEOUS PROVISIONS ACT 2005 OF IRELAND.

NOTICE TO RESIDENTS OF ITALY

EACH OF THE CO-ISSUERS AND THE INITIAL PURCHASER HAS REPRESENTED AND AGREED THAT IT WILL NOT OFFER, SELL OR DELIVER THE OFFERED NOTES OR DISTRIBUTE ANY DOCUMENT RELATING TO THE OFFERED NOTES IN ITALY UNLESS SUCH OFFER, SALE OR DELIVERY OF OFFERED NOTES OR DISTRIBUTION OF DOCUMENTS IS: (A) MADE BY AN INVESTMENT FIRM, BANK OR ANY OTHER AUTHORIZED INTERMEDIARY PURSUANT TO ARTICLE 25(1) D OF CONSOB REGULATION 11522; (B) IN COMPLIANCE WITH ARTICLE 129 OF THE BANKING CONSOLIDATED ACT AND THE IMPLEMENTING REGULATIONS OF THE BANK OF ITALY, PURSUANT TO WHICH THE ISSUE OR THE OFFER OF SECURITIES IN ITALY MAY NEED TO BE PRECEDED AND FOLLOWED BY AN APPROPRIATE NOTICE TO BE FILED WITH THE BANK OF ITALY UNLESS AN EXEMPTION, DEPENDING, *INTER ALIA*, ON THE AGGREGATE VALUE OF THE SECURITIES ISSUED OR OFFERED IN ITALY AND THEIR CHARACTERISTICS APPLIES; AND (C) IN COMPLIANCE WITH ANY AND ALL OTHER APPLICABLE LAWS AND REGULATIONS, INCLUDING ANY NOTIFICATION REQUIREMENT OR LIMITATION WHICH MAY BE IMPOSED BY THE ITALIAN *COMMISSIONE NAZIONALE PER LA SOCIETÀ E LA BORSA* ("CONSOB") OR THE BANK OF ITALY, AND, IN ANY EVENT, PROVIDED THAT ANY INITIAL PURCHASER PURCHASING THE OFFERED NOTES UNDERTAKES NOT TO FURTHER DISTRIBUTE OR TRANSFER THE OFFERED NOTES, EXCEPT IN ACCORDANCE WITH ANY APPLICABLE LAWS AND REGULATIONS, INCLUDING ANY REQUIREMENTS OR LIMITATIONS IMPOSED BY CONSOB OR THE BANK OF ITALY.

NOTICE TO RESIDENTS OF JAPAN

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES AND EXCHANGE LAW OF JAPAN. NEITHER THE SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO OR FOR THE ACCOUNT OF ANY RESIDENT IN JAPAN (WHICH TERM AS USED HEREIN MEANS ANY PERSON RESIDENT OF JAPAN, INCLUDING ANY CORPORATION OR OTHER ENTITY ORGANIZED UNDER THE LAWS OF JAPAN), OR TO OTHERS FOR REOFFERING 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 KOREA

NONE OF THE ISSUER, THE CO-ISSUER AND THE INITIAL PURCHASER IS MAKING ANY REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO THE QUALIFICATION OF THE RECIPIENTS OF THIS OFFERING CIRCULAR FOR THE PURPOSE OF INVESTING IN THE OFFERED NOTES UNDER THE LAWS OF KOREA, INCLUDING AND WITHOUT LIMITATION THE FOREIGN EXCHANGE MANAGEMENT LAW AND REGULATIONS THEREUNDER. THE OFFERED NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES AND EXCHANGE LAW OF KOREA AND NONE OF THE OFFERED NOTES MAY BE OFFERED OR SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT PURSUANT TO APPLICABLE LAWS AND REGULATIONS OF KOREA.

NOTICE TO RESIDENTS OF THE KINGDOM OF NORWAY

EACH CO-ISSUER AND THE INITIAL PURCHASER HAS ACKNOWLEDGED THAT THE OFFERED NOTES MAY NOT BE OFFERED, SOLD OR DISTRIBUTED IN THE KINGDOM OF NORWAY, EXCEPT IN ACCORDANCE WITH THE NORWEGIAN SECURITIES TRADING ACT OF 19 JUNE, 1997, AS AMENDED, AND ALL APPLICABLE REGULATIONS. THE OFFERED NOTES MAY NOT BE OFFERED, SOLD OR DISTRIBUTED IN NORWAY EXCEPT IN CIRCUMSTANCES, WHICH DO NOT CONSTITUTE A PUBLIC OFFER OF SECURITIES IN NORWAY WITHIN THE MEANING OF NORWEGIAN SECURITIES LAWS AND REGULATIONS. NEITHER THE OFFERED NOTES NOR THIS OFFERING CIRCULAR HAS BEEN APPROVED AND REGISTERED BY THE NORWEGIAN STOCK EXCHANGE OR REGISTERED WITH THE NORWEGIAN REGISTER OF BUSINESS ENTERPRISES.

NOTICE TO RESIDENTS OF SINGAPORE

THIS OFFERING CIRCULAR HAS NOT BEEN REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE UNDER THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE (THE "SFA"). ACCORDINGLY, THIS OFFERING CIRCULAR AND ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF SECURITIES MAY NOT BE CIRCULATED OR DISTRIBUTED, NOR MAY SECURITIES BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO THE PUBLIC OR ANY MEMBER OF THE PUBLIC IN SINGAPORE OTHER THAN: (1) TO AN INSTITUTIONAL INVESTOR

SPECIFIED IN SECTION 274 OF THE SFA; (II) TO A SOPHISTICATED INVESTOR, AND IN ACCORDANCE WITH THE CONDITIONS, SPECIFIED IN SECTION 275 OF THE SFA; OR (III) PURSUANT TO, AND IN ACCORDANCE WITH THE CONDITIONS OF, ANY OTHER APPLICABLE PROVISION OF THE SFA.

NOTICE TO RESIDENTS OF SPAIN

THE OFFERED NOTES MAY NOT BE OFFERED, SOLD OR DISTRIBUTED IN THE KINGDOM OF SPAIN SAVE IN ACCORDANCE WITH THE REQUIREMENTS OF *LEY 24/1988, DE 28 DE JULIO, DEL MERCADO DE VALORES*, AS AMENDED AND RESTATED, AND *REAL DECRETO 1310/2005, DE 4 DE NOVIEMBRE, POR EL QUE SE DESARROLLA PARCIALMENTE LA LEY 24/1988, DE 28 DE JULIO, DEL MERCADO DE VALORES, EN MATERIAL DE ADMISION A NEGOCIACIÓN DE VALORES EN MERCADOS SECUNDARIOS OFICIALES, DE OFERTAS PÚBLICAS DE VENTA O SUSCRIPCIÓN Y DEL FOLLETO EXIGIBLE A TALES EFECTOS*, AS AMENDED AND RESTATED OR AS FURTHER AMENDED, SUPPLEMENTED OR RESTATED FROM TIME TO TIME. NEITHER THE OFFERED NOTES NOR THIS OFFERING CIRCULAR HAVE BEEN VERIFIED OR REGISTERED IN THE ADMINISTRATIVE REGISTRIES OF THE *COMISIÓN NACIONAL DE MERCADO DE VALORES* OF SPAIN.

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 NOTES 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 NOTES MAY BE DISTRIBUTED IN CONNECTION WITH ANY SUCH OFFERING OR DISTRIBUTION. THE OFFERED NOTES 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 TAIWAN AND THE PEOPLE'S REPUBLIC OF CHINA

THE OFFER OF THE OFFERED NOTES HAS NOT BEEN AND WILL NOT BE REGISTERED WITH THE SECURITIES AND FUTURES COMMISSION OF TAIWAN OR WITH THE RELEVANT REGULATORY AUTHORITIES IN THE PEOPLE'S REPUBLIC OF CHINA PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS AND MAY NOT BE OFFERED OR SOLD WITHIN TAIWAN OR THE PEOPLE'S REPUBLIC OF CHINA THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE LAW OF TAIWAN OR WITHIN THE MEANING OF RELEVANT SECURITIES LAWS AND REGULATIONS IN THE PEOPLE'S REPUBLIC OF CHINA THAT REQUIRE A REGISTRATION OR APPROVAL OF THE SECURITIES AND FUTURES COMMISSION OF TAIWAN OR THE RELEVANT SECURITIES REGULATORY AUTHORITIES IN THE PEOPLE'S REPUBLIC OF CHINA.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

THIS OFFERING CIRCULAR AND ANY OTHER DOCUMENT PREPARED IN CONNECTION WITH THE OFFERING AND ISSUANCE OF THE OFFERED NOTES MAY ONLY BE COMMUNICATED OR CAUSED TO BE COMMUNICATED IN THE UNITED KINGDOM TO A PERSON IN CIRCUMSTANCES SPECIFIED IN THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 IN WHICH SECTION 21(1) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 DOES NOT APPLY TO THE CO-ISSUERS.

NOTICE TO MEMBERS OF THE PUBLIC IN THE CAYMAN ISLANDS

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

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with the sale of the Offered Notes, the Co-Issuers will be required to furnish, upon request of a holder of an Offered Note, 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 either of the Co-Issuers is not a reporting company under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. Such information may be obtained from (a) in the case of the Notes, 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 Income Notes, the Income Note Paying and Transfer Agent. It is not contemplated that either of the Co-Issuers will be such a reporting company or so exempt.

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SUMMARY

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

CERTAIN GENERAL TERMS

<i>Issuer:</i>	Bernoulli High Grade CDO I, Ltd., an exempted company incorporated under the laws of the Cayman Islands.
<i>Co-Issuer:</i>	Bernoulli High Grade CDO I, Inc., a corporation organized under the laws of the State of Delaware.
<i>Collateral Manager:</i>	Babcock & Brown Securities Pty Limited ABN 69 003 080 840, a proprietary limited company incorporated under the laws of the Commonwealth of Australia, acting through its Offshore Banking Unit in accordance with Division 9A of the Income Tax Assessment Act 1936 (Cth) of Australia.
<i>Initial Purchaser:</i>	Merrill Lynch, Pierce, Fenner & Smith Incorporated acting in its individual capacity and through its affiliates. Sales of the Offered Notes to purchasers in the United States will be made through Merrill Lynch, Pierce, Fenner & Smith Incorporated.
<i>Trustee/Custodian/Income Note Paying and Transfer Agent:</i>	LaSalle Bank National Association
<i>Closing Date:</i>	March 30, 2006
<i>Ramp-Up Completion Date:</i>	The date that is the earlier of (a) 90 days after the Closing Date and (b) the first date on which the sum of (i) the aggregate Principal Balance of the Pledged Collateral Debt Securities (including Collateral Debt Securities not yet purchased, but as to which the Issuer has entered into binding purchase agreements for regular settlement) <u>plus</u> (ii) the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account <u>plus</u> (iii) the aggregate amount of all Principal Proceeds distributed on any prior Quarterly Distribution Date is at least equal to U.S.\$1,500,000,000 (such date, the "Ramp-Up Completion Date").
<i>Quarterly Distribution Dates:</i>	January 5, April 5, July 5 and October 5 of each calendar year (adjusted as described herein in the case of non-Business Days), commencing on July 5, 2006.
<i>Distribution Dates:</i>	5 th day of each calendar month (adjusted as described herein in the case of non-Business Days), commencing on July 5, 2006.
<i>Expected Proceeds:</i>	<p>The gross proceeds received from the issuance and sale of the Notes and the Income Notes are expected to be approximately U.S.\$1,140,000,000 (assuming that the Class A-1 Notes were fully issued on the Closing Date) and the gross proceeds as of the Closing Date are expected to be approximately U.S.\$841,000,000.</p> <p>The net proceeds from the issuance of Notes and the Income Notes (assuming that the Class A-1 Notes were fully issued on the Closing</p>

Date), together with any up-front payments received from the initial Hedge Counterparty on the Closing Date in connection with the initial Hedge Agreement, are expected to be approximately U.S.\$837,700,000 after payment of organizational and structuring fees and expenses of the Issuer and the Co-Issuer, including, without limitation (i) the legal fees and expenses of counsel to the Issuer, the Co-Issuer, the Initial Purchaser and the Collateral Manager, (ii) the expenses, fees and commissions incurred in connection with the acquisition by the Issuer of the Collateral Debt Securities acquired on the Closing Date, (iii) the expenses of offering the Offered Notes (including placement agency fees, structuring fees and marketing costs), (iv) an upfront fee in an amount equal to U.S.\$2,500,000 payable to the Collateral Manager and (v) the initial deposits into the Expense Account and the Interest Reserve Account.

Use of Proceeds:

Net proceeds will be used by the Issuer to purchase during the period from the Closing Date to the Ramp-Up Completion Date a diversified portfolio of Asset-Backed Securities and Synthetic Securities the Reference Obligations of which may be Asset-Backed Securities or Corporate Debt Securities that, in each case, satisfy the investment criteria set forth in the Indenture and described herein. Proceeds from the issuance of Class A-1B Notes to the Class A-1B Swap Counterparty will be used to make settlement payments under Synthetic Securities entered into by the Issuer or to repay principal of the Notes upon the amortization of Reference Obligations that are the subject of those Synthetic Securities.

GENERAL TERMS OF THE NOTES

Security	Principal Amount	Stated Maturity Date	Interest Rate¹	Ratings (Moody's/S&P/Fitch)
Class A-1A First Priority Senior Secured Floating Rate Notes ²	U.S.\$945,000,000	July 5, 2042	LIBOR +0.27%	"Aaa"/"AAA"/"AAA"
Class A-1B First Priority Senior Secured Floating Rate Notes ³	U.S.\$360,000,000	July 5, 2042	LIBOR +0.27%	"Aaa"/"AAA"/"AAA"
Class A-2 Second Priority Senior Secured Floating Rate Notes	U.S.\$90,000,000	July 5, 2042	LIBOR +0.47%	"Aaa"/"AAA"/"AAA"

¹ LIBOR is three-month LIBOR (or, in the case of the Class A-1A Notes, one-month LIBOR) calculated as described herein and computed on the basis of a year of 360 days and the actual number of days elapsed.

² The Class A-1 Notes will be issued in two sub-classes, the Class A-1A Notes and the Class A-1B Notes (each, a "Sub-Class" of Notes). U.S.\$646,000,000 of the Class A-1A Notes will be funded on the Closing Date, and further advances may be made under the Class A-1A Notes up to U.S.\$945,000,000 in the aggregate (including initial advances funded on the Closing Date), all as provided in the Class A-1A Note Funding Agreement.

³ None of the U.S.\$360,000,000 of the Class A-1B Notes will be issued on the Closing Date. However, after the Closing Date pursuant to the Class A-1B Swap Agreement, the Class A-1B Swap Counterparty will be obligated (subject to the terms and conditions of the Class A-1B Swap Agreement) to make payments in cash to the Issuer in order to purchase, and the Issuer will be obligated to issue to the Class A-1B Swap Counterparty, Class A-1B Notes at par.

Security	Principal Amount	Stated Maturity Date	Interest Rate ¹	Ratings (Moody's/S&P/Fitch)
Class B Third Priority Senior Secured Floating Rate Notes	U.S.\$60,000,000	July 5, 2042	LIBOR +0.59%	"Aa2"/"AA"/"AA"
Class C Fourth Priority Senior Deferrable Secured Floating Rate Notes	U.S.\$15,000,000	July 5, 2042	LIBOR +1.55% ⁴	"A2"/"A"/"A"
Class D Fifth Priority Mezzanine Deferrable Secured Floating Rate Notes	U.S.\$15,000,000	July 5, 2042	LIBOR +3.50% ⁵	"Baa2"/"BBB"/"BBB"

Minimum Denomination:

U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof.

Drawdown of the Class A-1A Notes:

Pursuant to a Class A-1A Note Funding Agreement dated March 30, 2006 (the "Class A-1A Note Funding Agreement") between the Issuer, the Trustee, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as distribution agent and the holders from time to time of the Class A-1A Notes, the holders of the Class A-1A Notes (or the Liquidity Provider(s) with respect to any such holder) will commit to make monthly advances under the Class A-1A Notes, on and subject to the terms and conditions specified therein, *provided* that the aggregate principal amount advanced under the Class A-1A Notes will not exceed U.S.\$945,000,000. Subject to compliance with certain borrowing conditions specified in the Class A-1A Note Funding Agreement and described herein under "Description of the Notes—Drawdown—Class A-1A Notes", the Issuer may borrow amounts under the Class A-1A Notes during the Commitment Period (as defined herein). The aggregate principal amount that may be borrowed on any Borrowing Date (other than any borrowing of the entire unused amount of the Commitments under the Class A-1A Note Funding Agreement) will be an integral multiple of U.S.\$1,000 and at least U.S.\$5,000,000. See "Description of the Notes—Drawdown—Class A-1A Notes".

⁴ So long as any Class of Notes that is Senior to the Class C Notes remains outstanding, any interest on the Class C Notes not paid when due will be deferred and capitalized.

⁵ So long as any Class of Notes that is Senior to the Class D Notes remains outstanding, any interest on the Class D Notes not paid when due will be deferred and capitalized.

Prior to the Commitment Period Termination Date, each holder of Class A-1A Notes will be required to satisfy the Rating Criteria. If any holder of Class A-1A Notes fails at any time prior to the Commitment Period Termination Date to comply with the Rating Criteria, the Issuer will have the right (under the Class A-1A Note Funding Agreement) and the obligation (under the Indenture) to either (i) replace such holder with another entity that meets such Rating Criteria (by requiring the non-complying holder to transfer all of its rights and obligations in respect of the Class A-1A Notes to such other entity) or (ii) under certain circumstances, require such holder to cause a Class A-1A Noteholder Prepayment Account to be established, credit to such Class A-1A Noteholder Prepayment Account cash or Eligible Prepayment Account Investments, the aggregate outstanding principal amount of which is equal to such Holder's Unfunded Commitment at such time and enter into a Class A-1A Noteholder Prepayment Account Control Agreement in relation to such account. See "Description of the Notes—Drawdown—Class A-1A Notes".

Class A-1B Swap Agreement:

On the Closing Date, the Issuer will enter into a swap agreement (the "Class A-1B Swap Agreement") with Merrill Lynch International (the "Class A-1B Swap Counterparty") in the form of an ISDA Master Agreement (Multicurrency-Cross Border), together with a Schedule and Master Confirmation (the "Class A-1B Swap Confirmation").

Pursuant to the Class A-1B Swap Agreement, the Class A-1B Swap Counterparty will be obligated, on and subject to the terms and conditions specified therein, to purchase Class A-1B Notes from the Co-Issuers in exchange for the payment to the Issuer of the par amount of the Class A-1B Notes so issued (and the Co-Issuers will be obligated to issue the Class A-1B Notes); *provided* that the aggregate principal amount of Class A-1B Notes that may be issued will not exceed U.S.\$360,000,000. See "Description of the Notes—Drawdown—Class A-1B Swap Agreement".

Prior to the scheduled termination date of the Class A-1B Swap Agreement, which is the same date as the Stated Maturity of the Class A-1B Notes, the Class A-1B Swap Counterparty will be required to satisfy the Rating Criteria. If the Class A-1B Swap Counterparty fails at any time prior to the Stated Maturity of the Class A-1B Notes to comply with the Rating Criteria, the Issuer will have the right (under the Class A-1B Swap Agreement) and the obligation (under the Indenture) to either (i) replace the Class A-1B Swap Counterparty with another entity that meets such Rating Criteria (by requiring the Class A-1B Swap Counterparty to transfer all of its rights and obligations in respect of the Class A-1B Swap to such other entity) or (ii) require the Class A-1B Swap Counterparty to cause a Class A-1B Swap Prefunding Account to be established, credit to such Class A-1B Swap Prefunding Account cash or Eligible Investments, the aggregate outstanding principal amount of which is equal to the amount of collateral required by the terms of the Class A-1B Swap Agreement at such time and enter into a Swap Prefunding Account Control Agreement in relation to such account. See "Description of the Notes—Drawdown—Class A-1B Swap Agreement".

Seniority:

Generally, *first*, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes, *fourth*, the Class C Notes and, *fifth*, Class D Notes. Notwithstanding the foregoing general description of the relative seniority of the Notes, the

Priority of Payments provides that (a) on any Quarterly Distribution Date occurring during a Pro Rata Pay Period, certain Principal Proceeds may be applied to the payment of the Notes other than in accordance with their relative Seniority, all as described herein under "Description of the Notes—Priority of Payments", (b) certain Interest Proceeds that would otherwise be distributed to the holders of the Income Notes will be used, prior to the payment of the principal in full of all outstanding more Senior Classes of Notes, to pay Class C Deferred Interest and Class D Deferred Interest, (c) if the Class C/D Coverage Test applies and is not satisfied on the Determination Date related to any Quarterly Distribution Date, certain Interest Proceeds that would otherwise be distributed to the holders of the Income Notes will be used, prior to the payment of the principal in full of all outstanding more Senior Classes of Notes, to pay principal of the Class C Notes and the Class D Notes, in accordance with the Priority of Payments and to the extent necessary to cause the Class C/D Coverage Test to be satisfied, (d) on the first Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Rating Confirmation after the application of Uninvested Proceeds to pay principal of the Notes, certain Interest Proceeds and Principal Proceeds will be used to pay principal of the Notes to the extent specified by each relevant Rating Agency in order to obtain a Rating Confirmation and (e) with respect to any Quarterly Distribution Date occurring in or after July 2014, 50% of any Interest Proceeds that would otherwise be distributed to the Income Noteholders will be applied to pay, *first*, principal of the Class D Notes, *second*, principal of the Class C Notes, *third*, the principal of the Class B Notes, *fourth*, the principal of the Class A-2 Notes, *fifth*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *sixth*, principal of the Class A-1A Notes and, *seventh*, principal of the Class A-1B Notes. See "Description of the Notes—Priority of Payments". A Pro Rata Pay Period will terminate upon the commencement of a Sequential Pay Period, which is the period commencing on the earliest 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, (b) the first Measurement Date on which the Sequential Pay Test is not satisfied, (c) the first Measurement Date on which the Issuer does not satisfy any applicable Coverage Test and (d) the first Determination Date on which an Event of Default has occurred and is continuing, provided that if a Sequential Pay Period has commenced solely as a result of one or more breaches of a Coverage Test, such Sequential Pay Period shall cease on the first Measurement Date that all breaches of the Coverage Tests have been cured.

Security for the Notes:

The Notes will be limited recourse debt obligations of the Co-Issuers (in the case of the Notes other than the Class D Notes) and the Issuer (in the case of the Class D Notes) secured solely by a pledge of the Collateral by the Issuer to the Trustee for the benefit of the holders from time to time of the Notes, the Collateral Manager, the Trustee, the Hedge Counterparty and the Class A-1B Swap Counterparty (collectively, the "Secured Parties") pursuant to the Indenture.

Interest Payments:

Accrued and unpaid interest on the Notes will be payable on each Quarterly Distribution Date if and to the extent funds are available on such Quarterly Distribution Date in accordance with the Priority of Payments. Accrued and unpaid interest on the Class A-1A Notes will also be payable on each Distribution Date that is not a Quarterly Distribution Date if and to the extent funds are available on such Distribution Date in accordance with the Priority of Payments.

Commitment Fee on the Class A-1A Notes:

A commitment fee ("Commitment Fee") will accrue on the unfunded Commitments (including amounts deposited in any Class A-1A Noteholder Prepayment Account) for each day from and including the Closing Date to but excluding the Commitment Period Termination Date, at a rate per annum equal to 0.05%. The Commitment Fee will be payable monthly in arrears on each Distribution Date and will rank *pari passu* with the payment of interest on the Class A-1A Notes. The Commitment Fee will be computed on the basis of a 360-day year and the actual number of days elapsed. See "Description of the Notes—Commitment Fee on Class A-1A Notes".

Class A-1B Swap Availability Fee:

A fee ("Class A-1B Swap Availability Fee") will accrue on the notional amount of the Class A-1B Swap for each day from and including the Closing Date to but excluding the earlier of (a) the Stated Maturity of the Class A-1B Notes and (b) the termination of the Class A-1B Swap (or the reduction of the notional amount thereof to zero), at a rate per annum equal to 0.17%. The Class A-1B Swap Availability Fee will be payable quarterly in arrears on each Quarterly Distribution Date and will rank *pari passu* with the payment of interest on the Class A-1 Notes. The Class A-1B Swap Availability Fee will be computed on the basis of a 360-day year and the actual number of days elapsed. See "Description of the Notes—Class A-1B Swap Availability Fee".

Principal Repayment:

During the Substitution Period, so long as no Event of Default has occurred and is continuing, Principal Proceeds resulting from the amortization of Collateral Debt Securities that bear interest at a fixed rate or from the sale of Credit Risk Securities that bear interest at a fixed rate (collectively, "Specified Principal Proceeds") may be used by the Issuer to purchase certain additional Collateral Debt Securities; provided that after July 2011 the Issuer may not purchase additional Collateral Debt Securities with Specified Principal Proceeds without confirmation from the Controlling Class that it does not wish to modify the Post Ramp-Up Criteria. All other Principal Proceeds will be applied on each Distribution Date to pay principal of each Class of Notes in accordance with the Priority of Payments. Any such payments will be applied in accordance with the Priority of Payments and as described above opposite "—Seniority".

Substitution Period:

The "Substitution Period" is the period from (and including) the Closing Date to (but excluding) the earlier of (a) the Stated Maturity of the Notes and (b) the date of termination of such period pursuant to the Indenture by reason of the occurrence of an Event of Default.

Provided that no Event of Default has occurred and is continuing, during the Substitution Period, any Credit Risk Securities that bear interest at a fixed rate may be sold and sale proceeds (other than accrued interest treated as Interest Proceeds) therefrom, together with Principal Proceeds resulting from the amortization of Collateral Debt Securities that bear interest at a fixed rate, may be reinvested in substitute Collateral Debt Securities that bear interest at a fixed rate in compliance with the Priority of Payments, the Eligibility Criteria and the Indenture. See "Description of the Notes—Substitution Period".

Mandatory Redemption:

As described in greater detail below, the Notes will be subject to mandatory redemption upon the failure of certain Coverage Tests. Any such redemption will be effected from Interest Proceeds and Principal Proceeds as described below under "Description of the Notes—Priority of Payments".

For each Quarterly Distribution Date in respect of which the related Determination Date occurs on or after the Ramp-Up Completion Date, if the Class A/B Coverage Test is not satisfied on such Determination Date and any Class A Note or Class B Note remains outstanding or the Class A-1B Swap is in effect, as described under "Description of the Notes—Mandatory Redemption", Interest Proceeds and, if necessary, Principal Proceeds will be used to pay, *first*, principal of the Class A-1B Notes, *second*, principal of the Class A-1A Notes, *third*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *fourth*, principal of the Class A-2 Notes and, *fifth*, principal of the Class B Notes, until the Class A/B Coverage Test is satisfied after giving effect to such payment.

For each Quarterly Distribution Date in respect of which the related Determination Date occurs on or after the Ramp-Up Completion Date, if the Class C/D Coverage Test is not satisfied on such Determination Date and any Class C Note or Class D Note remains outstanding, as described under "Description of the Notes—Mandatory Redemption", Interest Proceeds and, if necessary, Principal Proceeds will be used to pay, *first*, principal of the Class C Notes and, *second*, principal of the Class D Notes, until the Class C/D Coverage Test is satisfied after giving effect to such payment.

If there is a Rating Confirmation Failure, as described under "Description of the Notes—Mandatory Redemption", the Issuer will be required to apply on the first Quarterly Distribution Date following the occurrence of such Rating Confirmation Failure, Uninvested Proceeds and, then, Interest Proceeds and, then, Principal Proceeds, to pay, *first*, principal of the Class A-1B Notes, *second*, principal of the Class A-1A Notes, *third*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *fourth*, principal of the Class A-2 Notes, *fifth*, principal of the Class B Notes, *sixth*, principal of the Class C Notes and, *seventh*, principal of the Class D Notes, in each case in accordance with the Priority of Payments as and to the extent necessary for each Rating Agency to confirm the rating (including any private or confidential rating) assigned by it on the Closing Date to the Notes.

Early Redemption:

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

Listing:

Application will be made to list the Notes on the Irish Stock Exchange. The issuance and settlement of the Notes on the Closing Date are not conditioned on the listing of the Notes on such exchange, and there can be no guarantee that such application will be granted. No application will be made to list the Income Notes on any stock exchange.

Irish Listing Agent:

NCB Stockbrokers Limited

Irish Paying Agent:

NCB Stockbrokers Limited

GENERAL TERMS OF THE INCOME NOTES

- Stated Amount:* U.S.\$15,000,000.
- Separate Classes:* The Income Notes will be issued in two separate Classes:
(1) U.S.\$14,000,000 Senior Income Notes (the "Senior Income Notes").
(2) U.S.\$1,000,000 Subordinate Income Notes (the "Subordinate Income Notes").
- Rating:* It is a condition to the issuance of the Income Notes that the Senior Income Notes are rated "Ba2" as to the ultimate return of principal by Moody's.
- Minimum Denomination:* U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof; *provided* that up to five subscribers may, with the consent of the Initial Purchaser, purchase less than U.S.\$250,000 of Income Notes on the Closing Date and such subscribers, and any transferees holding the Income Notes acquired by such subscribers, will be entitled to transfer all (but not some) of the Income Notes held by them in accordance with the Income Note Paying Agency Agreement.
- Status:* The Income Notes will not be secured.
- Distributions:* On each Quarterly Distribution Date, to the extent funds are available therefor, Interest Proceeds remaining after the payment of interest on the Notes and certain other amounts in accordance with the Priority of Payments will be paid to the Income Note Paying and Transfer Agent for distribution to the Income Noteholders. After the Notes have been paid in full, Principal Proceeds remaining after the payment of certain other amounts will be paid to the Income Note Paying and Transfer Agent for distribution to the Income Noteholders. The Income Note Paying and Transfer Agent will distribute any funds received by it for distribution to the Income Noteholders on the date on which such funds are received, subject to certain conditions set forth in the Income Note Paying Agency Agreement and provisions of Cayman Islands law governing the declaration and payment of dividends.
- Redemption of the Income Notes:* To the extent funds are available, the Income Notes are expected to be redeemed following the Stated Maturity of the Notes unless redeemed prior thereto in connection with an Optional Redemption, Tax Redemption or Auction Call Redemption. Following the liquidation of the Collateral, any funds remaining after the redemption of the Notes and the payment of all other obligations of the Issuer (other than amounts payable by the Issuer in respect of the Income Notes) will be distributed to the Income Noteholders and the Income Notes will be redeemed.
- Listing:* No application will be made to list the Income Notes on any stock exchange.

DESCRIPTION OF THE COLLATERAL

General:

The Notes (together with the Issuer's obligations to the Secured Parties other than the Noteholders) will be secured by (i) the Custodial Account and all of the Collateral Debt Securities and the Equity Securities credited to such account, (ii) the Interest Collection Account, the Uninvested Proceeds Account, the Principal Collection Account, the Payment Account, the Expense Account, the Interest Reserve Account, the Semi-Annual Interest Reserve Account, the Hedge Counterparty Collateral Account, each Synthetic Security Issuer Account, the Class A-1B Swap Reserve Account, the Issuer's rights in each Class A-1A Noteholder Prepayment Account, the Class A-1B Swap Prefunding Account, all funds and other property standing to the credit of each such account, Eligible Investments (and, in the case of the Uninvested Proceeds Account, U.S. Agency Securities) purchased with funds standing to the credit of each such account and all income from the investment of funds therein, (iii) the rights of the Issuer under the Hedge Agreement, the Master Forward Sale Agreement, the Class A-1A Note Funding Agreement and the Class A-1B Swap Agreement, (iv) the rights of the Issuer under the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement and the Investor Application Forms, (v) all cash delivered to the Trustee, and (vi) all proceeds, accessions, profits, income benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses (collectively, the "Collateral").

Acquisition and Disposition of Collateral Debt Securities:

It is anticipated that, on the Closing Date, the Issuer will have purchased (or entered into agreements to purchase for settlement following the Closing Date) Collateral Debt Securities having an aggregate Principal Balance of not less than U.S.\$1,150,000,000. It is anticipated that, no later than the Ramp-Up Completion Date, the sum of the aggregate Principal Balance of the Pledged Collateral Debt Securities plus the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account plus the aggregate amount of all Principal Proceeds distributed on any prior Quarterly Distribution Date will be at least equal to U.S.\$1,500,000,000 (in each case, assuming for these purposes (i) settlement in accordance with customary settlement procedures in the relevant markets on the Ramp-Up Completion Date of all agreements entered into by the Issuer to acquire Collateral Debt Securities scheduled to settle on or following the Ramp-Up Completion Date, (ii) that each such Collateral Debt Security is a Pledged Collateral Debt Security and (iii) funds are available from Borrowings under the Class A-1A Note Funding Agreement).

All Collateral Debt Securities purchased by the Issuer will, on the date of purchase, be required to satisfy the criteria set forth in the Indenture and described herein under "Security for the Notes—Collateral Debt Securities" and "Security for the Notes—Eligibility Criteria".

No investments will be made in Collateral Debt Securities after the last day of the Ramp-Up Completion Date other than (a) Collateral Debt Securities not yet purchased but as to which the Issuer has on or prior to the Ramp-Up Completion Date entered into binding purchase agreements for regular settlement and (b) Collateral Debt Securities bearing interest at a fixed rate purchased using Specified Principal Proceeds.

The Collateral Manager will not be permitted to direct the Trustee to sell Collateral Debt Securities, except in the limited circumstances described in the Indenture and described herein under "Dispositions of Pledged Collateral Debt Securities".

RISK FACTORS

An investment in the Offered Notes 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 Notes.

Limited Liquidity. There is currently no market for the Offered Notes. Although the Initial Purchaser may from time to time make a market in Offered Notes, the Initial Purchaser is under no obligation to do so. If 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 Notes will develop, or if a secondary market does develop, that it will provide the holders of such Offered Notes with liquidity of investment or that it will continue for the life of such Offered Notes. In addition, the Offered Notes 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 Notes must be prepared to hold its Offered Notes for an indefinite period of time or until the Stated Maturity of the Notes.

Limited-Recourse Obligations. The Notes will be limited recourse obligations of the Co-Issuers (in the case of the Notes other than the Class D Notes) and the Issuer (in the case of the Class D Notes). The Notes are payable solely from the Collateral Debt Securities and other Collateral pledged to the Trustee to secure the Notes. None of the security holders, members, officers, directors, managers or incorporators of the Issuer or the Co-Issuer and none of the Trustee, the Administrator, the Collateral Manager, any Rating Agency, the Share Trustee, the Initial Purchaser, the Hedge Counterparty, the Class A-1B Swap Counterparty or any of their respective Affiliates or any other person or entity will be obligated to make payments on the Offered Notes. Consequently, the Noteholders must rely solely on amounts received in respect of the Collateral Debt Securities and other Collateral pledged to secure the Offered Notes for the payment of principal thereof and interest and Commitment Fee thereon. There can be no assurance that the distributions on the Collateral Debt Securities and other Collateral pledged to the Trustee to secure the Notes will be sufficient to make payments on any Class of Notes, in particular after making payments on more Senior Classes of Notes and certain other required amounts ranking Senior to such Class. The Issuer's ability to make payments in respect of any Class of Notes will be constrained by the terms of the Notes of Classes more Senior to such Class and the Indenture. If distributions on the Collateral are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency and, following liquidation of all the Collateral, the obligations of the Co-Issuers to pay such deficiency will be extinguished and will not thereafter revive. The Income Notes will be part of the issued share capital of the Issuer and will not be secured.

Subordination of Each Class of Subordinate Notes. Except as otherwise described in the Priority of Payments, the relative order of seniority of payment of each Class of Notes on each Quarterly Distribution Date is as follows: *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, Class B Notes, *fourth*, Class C Notes and, *fifth*, Class D Notes, with (a) each Class of Notes (other than the Class D Notes) in such list being "Senior" to each other Class of Notes that follows such Class of Notes in such list and (b) each Class of Notes (other than the Class A-1 Notes) in such list being "Subordinate" to each other Class of Notes that precedes such Class of Notes in such list. Notwithstanding the foregoing general description of the relative seniority of the Notes, the Priority of Payments provides that (a) on any Quarterly Distribution Date occurring during a Pro Rata Pay Period, certain Principal Proceeds may be applied to the payment of the Notes other than in accordance with their relative Seniority, all as described herein under "Description of the Notes—Priority of Payments", (b) certain Interest Proceeds that would otherwise be distributed to the holders of the Income Notes will be used, prior to the payment of the principal in full of all outstanding more Senior Classes of Notes, to pay Class C Deferred Interest and Class D Deferred Interest, (c) if the Class C/D Coverage Test applies and is not satisfied on the Determination Date related to any Quarterly Distribution Date, certain Interest Proceeds that would otherwise be distributed to the holders of the Income Notes will be used, prior to the payment of the principal in full of all outstanding more Senior Classes of Notes, to pay principal of the Class C Notes and the Class D Notes, in accordance with the Priority of Payments and to the extent necessary to cause the Class C/D Coverage Test to be satisfied, (d) on the first Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Rating Confirmation after the application of Uninvested Proceeds to pay principal of the Notes, certain Interest Proceeds and Principal Proceeds will be used to pay principal of the Notes to the extent specified by each relevant Rating Agency in order to obtain a Rating Confirmation and (e) with respect to any Quarterly Distribution Date occurring in or after July 2014, 50% of any Interest Proceeds that would otherwise be distributed to the Income Noteholders will be applied to pay, *first*, principal of the Class D Notes, *second*, principal of the Class C Notes, *third*, the principal of the Class B Notes, *fourth*, the principal of the

Class A-2 Notes, *fifth*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *sixth*, principal of the Class A-1A Notes and, *seventh*, principal of the Class A-1B Notes. See "Description of the Notes—Priority of Payments". A Pro Rata Pay Period will terminate upon the commencement of a Sequential Pay Period, which is the period commencing on the earliest 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, (b) the first Measurement Date on which the Sequential Pay Test is not satisfied, (c) the first Measurement Date on which the Issuer does not satisfy any applicable Coverage Test and (d) the first Determination Date on which an Event of Default has occurred and is continuing, provided that if a Sequential Pay Period has commenced solely as a result of one or more breaches of a Coverage Test, such Sequential Pay Period shall cease on the first Measurement Date that all breaches of the Coverage Tests have been cured. No payment of interest on any Class of Notes will be made until all accrued and unpaid interest and Commitment Fee on the Notes of each Class that is Senior to such Class and that remain outstanding has been paid in full. Except as described above, no payment of principal of any Class of Notes will be made until all principal of, and all accrued and unpaid interest and Commitment Fee on, the Notes of each Class that is Senior to such Class and that remain outstanding have been paid in full. See "Description of the Notes—Priority of Payments".

If an Event of Default occurs, so long as any Notes are outstanding, the holders of the most Senior Class of Notes then outstanding will be entitled to determine the remedies to be exercised under the Indenture. So long as any Class A Notes or Class B Notes are outstanding, (a) the failure on any Quarterly Distribution Date to make payment in respect of interest on the Class C Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture and (b) any interest on the Class C Notes that is not paid when due by operation of the Priority of Payments will be deferred and capitalized. So long as any Class A Notes, Class B Notes or Class C Notes are outstanding, (a) the failure on any Quarterly Distribution Date to make payment in respect of interest on the Class D Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture and (b) any interest on the Class D Notes that is not paid when due by operation of the Priority of Payments will be deferred and capitalized. In the event of any realization on the Collateral, proceeds will be allocated to the Notes and other amounts in accordance with the Priority of Payments prior to any distribution to the Income Noteholders. See "Description of the Notes—The Indenture" and "—Priority of Payments". Remedies pursued by the holders of the Class or Classes of Notes entitled to determine the exercise of such remedies could be adverse to the interest of the holders of the other Classes of Notes. To the extent that any losses are suffered by any of the holders of any Notes, such losses will, except to the extent of payments of more Subordinate Classes of Notes made during a Pro Rata Payment Period, be borne, *first*, by the holders of the Income Notes, *second*, by the holders of the Class D Notes, *third*, by the holders of the Class C Notes, *fourth* by the holders of the Class B Notes, *fifth*, by the holders of the Class A-2 Notes and, *sixth*, by the holders of the Class A-1 Notes.

Ongoing Commitments—Class A-1A Notes. Holders of the Class A-1A Notes will be obligated during the Commitment Period, subject to compliance by the Issuer with certain borrowing conditions specified in the Class A-1A Note Funding Agreement, to advance funds to the Issuer until the aggregate principal amount advanced under the Class A-1A Notes equals the aggregate amount of Commitments to make advances under the Class A-1A Note Funding Agreement; *provided* that (i) the aggregate amount advanced under the Class A-1A Notes may not in any event exceed U.S.\$945,000,000 and (ii) at the time of and immediately after giving effect to such Borrowing, no Event of Default or Default has occurred and is continuing or would result from such Borrowing. See "Description of the Notes—Drawdown—Class A-1A Notes".

Reliance on Creditworthiness of the Class A-1B Swap Counterparty. Pursuant to the Class A-1B Swap Agreement, the Class A-1B Swap Counterparty will be obligated, on and subject to the terms and conditions specified therein, to purchase Class A-1B Notes from the Co-Issuers in exchange for the payment of the par amount of the Class A-1B Notes so issued to the Issuer (and the Co-Issuers will be obligated to issue the Class A-1B Notes); *provided* that the aggregate principal amount of Class A-1B Notes that may be issued will not exceed U.S.\$360,000,000. See "Description of the Notes—Drawdown—Class A-1B Swap Agreement". Payments will be made by the Class A-1B Swap Counterparty to purchase Class A-1B Notes based on the occurrence of amortization of the principal of, the reduction of notional amounts with respect to and the occurrence of Credit Events or other physical settlement amounts with respect to, Reference Obligations under Synthetic Securities entered into by the Issuer. The ability of the Issuer to meet its obligations under the Synthetic Securities and the Notes will be dependent on its timely receipt of payments from the Class A-1B Swap Counterparty under the Class A-1B Swap Agreement.

Prior to the scheduled termination date of the Class A-1B Swap Agreement, which is the same date as the Stated Maturity of the Class A-1B Notes, the Class A-1B Swap Counterparty will be required to satisfy the Rating Criteria. If the Class A-1B Swap Counterparty fails at any time prior to the Stated Maturity of the Class A-1B Notes to comply with the Rating Criteria, the Issuer will have the right (under the Class A-1B Swap Agreement) and the obligation (under the Indenture) to either (i) replace the Class A-1B Swap Counterparty with another entity that meets such Rating Criteria (by requiring the Class A-1B Swap Counterparty to transfer all of its rights and obligations in respect of the Class A-1B Swap to such other entity) or (ii) require the Class A-1B Swap Counterparty to cause a Class A-1B Swap Prefunding Account to be established, credit to such Class A-1B Swap Prefunding Account cash or Eligible Investments, the aggregate outstanding principal amount of which is equal to the amount of collateral required by the terms of the Class A-1B Swap Agreement at such time and enter into a Swap Prefunding Account Control Agreement in relation to such account. See "Description of the Notes—Drawdown—Class A-1B Swap Agreement". If such replacement or funding does not occur within a specified period, the Class A-1B Swap Agreement will be terminated. In the event of any such termination, the Issuer may be required to make a termination payment to, or may be entitled to receive a termination payment from, the Class A-1B Swap Counterparty. There can be no assurance that the Issuer would be able to locate a replacement Class A-1B Swap Counterparty following termination of the transactions under the Class A-1B Swap Agreement, particularly since the Issuer is a special purpose vehicle. See "The Class A-1B Swap Agreement—Early Termination—Events of Default Under the Class A-1B Swap Agreement".

Nature of Collateral. The Collateral is subject to credit, liquidity and interest rate risk. In addition, a significant portion of the Collateral Debt Securities included in the Collateral will be acquired by the Issuer after the Closing Date, and, accordingly, the financial performance of the Issuer may be affected by the price and availability of Collateral Debt Securities to be purchased. The amount and nature of the Collateral Debt Securities included in the Collateral have been established to withstand certain assumed deficiencies in payment occasioned by defaults in respect of the Collateral Debt Securities. If any deficiencies exceed such assumed levels, however, payment in respect of the Offered Notes could be adversely affected. To the extent that a default occurs with respect to any Collateral Debt Security included in the Collateral and the Issuer sells or otherwise disposes of such Collateral Debt Security, it is not likely that the proceeds of such sale or disposition will be equal to the amount of principal and interest owing to the Issuer in respect of such Collateral Debt Security.

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

Although the Issuer is required to use commercially reasonable efforts to invest Uninvested Proceeds in Collateral Debt Securities after the Closing Date, the Issuer may find that, as a practical matter, these investment opportunities are not available to it for a variety of reasons, including the limitations imposed by the Eligibility Criteria and the requirement with respect to Synthetic Securities that if a Synthetic Security is not a Form Approved Synthetic Security, the Issuer receive confirmation of the ratings of the Notes from Standard & Poor's with respect to the purchase thereof. At any time there may be a limited universe of investments that would satisfy the Eligibility Criteria given the other investments in the Issuer's portfolio. As a result, the Issuer may at times find it difficult to purchase suitable investments. See "Security for the Notes—Dispositions of Pledged Collateral Debt Securities" and "—Eligibility Criteria". Although the Issuer expects that, on or prior to the Ramp-Up Completion Date, it will be able to purchase sufficient Collateral Debt Securities (including Collateral Debt Securities not yet purchased, but as to which the Issuer has entered into binding purchase agreements for regular settlement) that satisfy the Eligibility Criteria, the Collateral Quality Tests and Coverage Tests described herein, there is no assurance that such limitations and tests will be satisfied on such date. Failure to satisfy such tests by such date may result in the repayment or redemption of a portion of the Notes in accordance with the Priority of Payments. See "Description of the Notes—Mandatory Redemption".

The Issuer is not permitted to sell Collateral Debt Securities except in certain limited circumstances described under "Security for the Notes—Dispositions of Pledged Collateral Debt Securities".

Asset-Backed Securities. Most of the Collateral Debt Securities acquired by the Issuer will consist of Asset-Backed Securities. "Asset-Backed Securities" are debt obligations or debt securities that entitle the holders thereof to

receive payments that depend primarily on the cash flow from (a) a specified pool of financial assets, either static or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities or (b) real estate mortgages, either static or revolving, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities. Asset-Backed Securities backed by real estate mortgages do not entitle the holders thereof to share in the appreciation in value of or in the profits generated by the related real estate assets.

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

An Asset-Backed Security is typically created by the sale of assets or collateral to a conduit, which becomes the legal issuer of the Asset-Backed Securities. The securitization conduit or issuer is generally a bankruptcy-remote vehicle such as a grantor trust or other special-purpose entity. Interests in or other securities issued by the trust or special-purpose entity, which give the holder thereof the right to certain cash flows arising from the underlying assets, are then sold 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 assets in the pool. In addition, a credit-rating agency often will analyze the policies and operations of the originator and servicer, as well as the structure, underlying pool of assets, expected cash flows and other attributes of the securities. Before assigning a rating to the issue, the rating agency will also assess the extent of loss protection provided to investors by the credit enhancements associated with the issue.

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

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

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" that 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.

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

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

Further issues may arise based on discretionary behavior of the issuer within the terms of the securitization agreement, such as voluntary buybacks from, or contributions to, the underlying pool of loans when credit losses rise. A bank or other issuer may play more than one role in the securitization process. An issuer can simultaneously serve as originator of loans, servicer, 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.

Often Asset-Backed Securities are structured to reallocate the risks entailed in the underlying collateral (particularly credit risk) into security tranches that match the desires of investors. For example, senior subordinated security structures give holders of senior tranches greater credit risk protection (albeit at lower yields) than holders of subordinated tranches. Under this structure, at least two classes of Asset-Backed Securities are issued, with the senior class having a priority claim on the cash flows from the underlying pool of assets. The subordinated class must absorb credit

losses on the collateral before losses can be charged to the senior portion. Because the senior class has this priority claim, cash flows from the underlying pool of assets must first satisfy the requirements of the senior class. Only after these requirements have been met will the cash flows be directed to service the subordinated class. A significant portion of the Collateral may consist of Asset-Backed Securities that are subordinate in right of payment and rank junior to other securities that are secured by or represent an ownership interest in the same pool of assets. In addition, many of the Asset-Backed Securities included in the Collateral may have been issued in transactions that have structural features that divert payments of interest and/or principal to more senior classes when the delinquency or loss experience of the pool exceeds certain levels. As a result, such securities have a higher risk of loss as a result of delinquencies or losses on the 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 disproportionately affect the holders of such subordinate security.

Asset-Backed Securities often use various forms of credit enhancements to transform the risk-return profile of the underlying collateral, including third-party credit enhancements, recourse provisions, overcollateralization and various covenants. Third-party credit enhancements include standby letters of credit, collateral or pool insurance, or surety bonds from third parties. Recourse provisions are guarantees that require the originator to cover any losses up to a contractually agreed-upon amount. One type of recourse provision, often 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.

Synthetic Securities. As described above, a portion of the Collateral Debt Securities included in the Collateral may consist of Synthetic Securities the Reference Obligations of which are Asset-Backed Securities, Corporate Debt Securities or a specified pool or index of financial assets, either static or revolving, that by their terms convert into cash within a finite period of time. Investments in such types of assets through the purchase of Synthetic Securities present risks in addition to those resulting from direct purchases of such Collateral Debt Securities. With respect to Synthetic Securities, the Issuer will usually have a contractual relationship only with the counterparty of such Synthetic Security, and not the Reference Obligor on the Reference Obligation. The Issuer generally will have no right directly to enforce compliance by the Reference Obligor with the terms of either the Reference Obligation or any rights of set-off against the Reference Obligor, nor will the Issuer generally have any voting or other consensual rights of ownership with respect to the Reference Obligation. The Issuer will not directly benefit from any collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation. In addition, in the event of the insolvency of the counterparty, the Issuer will be treated as a general creditor of such counterparty, and will not have any claim of title with respect to the Reference Obligation. Consequently, the Issuer will be subject to the credit risk of the counterparty as well as that of the Reference Obligor. As a result, concentrations of Synthetic Securities entered into with any one counterparty will subject the Offered Notes to an additional degree of risk with respect to defaults by such counterparty as well as by the Reference Obligor. One or more affiliates of the Initial Purchaser may act as counterparty with respect to all or a portion of the Synthetic Securities, which relationship may create certain conflicts of interest. Furthermore, such affiliates of the Initial Purchaser, may in their role as counterparty to all or a portion of the Synthetic Securities, manage a pool of Reference Obligations with respect to the Synthetic Securities and make determinations regarding those Reference Obligations. See "Certain Potential Conflicts of Interest—Conflicts of Interest Involving the Initial Purchaser". If the terms of any Synthetic Security require the Synthetic Security Counterparty to secure its

obligations with respect to such Synthetic Security, funds and other property used to secure such obligations will be deposited into a Synthetic Security Issuer Account. These funds may be invested, upon Issuer Order, in Eligible Investments. In the event of a termination of such Synthetic Security, the Issuer would be entitled to receive the funds and other property standing to the credit of such Synthetic Security Issuer Account. See "Security for the Notes—The Accounts—Synthetic Security Issuer Accounts".

Illiquidity of Collateral Debt Securities. Some of the Collateral Debt Securities purchased by the Issuer will have no, or only a limited, trading market. The Issuer's investment in illiquid Collateral Debt Securities may restrict its ability to dispose of investments in a timely fashion and for a fair price as well as its ability to take advantage of market opportunities, although the Issuer is generally prohibited by the Indenture from selling Collateral Debt Securities except under certain limited circumstances described under "Security for the Notes—Dispositions of Pledged Collateral Debt Securities". Illiquid Collateral Debt Securities may trade at a discount from the price of comparable, more liquid investments. In addition, the Collateral may include 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.

Reinvestment Risk. On or prior to the Ramp-Up Completion Date, Uninvested Proceeds may be used by the Issuer to purchase Collateral Debt Securities. During the Substitution Period, Principal Proceeds resulting from the amortization of Collateral Debt Securities that bear interest at a fixed rate or from the sale of Credit Risk Securities that bear interest at a fixed rate (collectively, "Specified Principal Proceeds") may be used by the Issuer to purchase certain additional Collateral Debt Securities; provided that after July 2011 the Issuer may not purchase additional Collateral Debt Securities with Specified Principal Proceeds without confirmation from the Controlling Class that it does not wish to modify the Post Ramp-Up Criteria. No investments will be made in Collateral Debt Securities after the last day of the Ramp-Up Completion Date other than (a) Collateral Debt Securities not yet purchased but as to which the Issuer has on or prior to the Ramp-Up Completion Date entered into binding purchase agreements for regular settlement and (b) Collateral Debt Securities bearing interest at a fixed rate purchased using Specified Principal Proceeds.

The earnings with respect to such Collateral Debt Securities will depend, among other factors, on reinvestment rates available in the marketplace at the time and on the availability of investments satisfying the Eligibility Criteria and acceptable to the Collateral Manager. The need to satisfy such Eligibility Criteria and identify acceptable investments may require the purchase of 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 Notes and distributions on the Income Notes.

Rating Confirmation Failure; Mandatory Redemption. The Issuer will notify the Trustee, each Rating Agency, the Hedge Counterparty and the Class A-1B Swap Counterparty in writing within seven Business Days after the Ramp-Up Completion Date (such notification, a "Ramp-Up Notice"). The Issuer will request that each Rating Agency confirm to the Issuer that it has not reduced or withdrawn the rating (including private or confidential ratings, if any) assigned by it on the Closing Date to any Class of Notes (a "Rating Confirmation"). If the Issuer is unable to obtain a Rating Confirmation from each Rating Agency by the later of (x) 45 Business Days following the Ramp-Up Completion Date and (y) the first Determination Date following the Ramp-Up Completion Date (a "Rating Confirmation Failure"), on the first Quarterly Distribution Date following the occurrence of such Rating Confirmation Failure, the Issuer will be required to apply Uninvested Proceeds and, then, Interest Proceeds and, then, Principal Proceeds, to pay, *first*, principal of the Class A-1B Notes, *second*, principal of the Class A-1A Notes, *third*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *fourth*, principal of the Class A-2 Notes, *fifth*, principal of the Class B Notes, *sixth*, principal of the Class C Notes and, *seventh*, principal of the Class D Notes, in each case in accordance with the Priority of Payments as and to the extent necessary to obtain a Rating Confirmation from each Rating Agency. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments". The notional amount of the Hedge Agreement will be reduced in connection with a redemption of Notes on any Quarterly Distribution Date by reason of any Rating Confirmation Failure by an amount proportionate to the principal amount of Notes so redeemed. The notional amount of the Class A-1B Swap may also be

reduced in connection with a redemption of Notes on any Quarterly Distribution Date by reason of any Rating Confirmation Failure.

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 only as a preliminary indicator of investment quality.

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

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

Foreign markets also have different clearance and settlement procedures, and in certain markets there have been times when settlements have failed to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Delays in settlement could result in periods when assets of the Issuer are uninvested and no return is earned thereon. The inability 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, while generally growing in volume, have, for the most part, substantially less volume than U.S. markets, and securities of many foreign companies are less liquid and their prices more volatile than securities of comparable domestic companies.

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

Certain Potential 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. The size and scope of activities of the Collateral Manager and its Affiliates create various potential and actual conflicts of interest that may arise from the advisory, investment, brokerage, underwriting, fixed income trading, institutional trading, consulting services in connection with mergers and acquisitions, restructurings and divestitures, sales of insurance products and other activities of the Collateral Manager, its Affiliates and their respective clients and employees. One or more of the Collateral Manager and its Affiliates may provide investment advisory services to clients on a discretionary and non-discretionary basis. For discretionary accounts, the Collateral Manager or any of its Affiliates may have discretionary authority to buy or sell securities, as well as to specify

the amount of securities to invest, without obtaining its client's consent. Various potential and actual conflicts of interest may arise from the overall investment activities of the Collateral Manager and its Affiliates for their own accounts or for the accounts of others. The Collateral Manager and its Affiliates may invest for their own accounts or for the accounts of others in debt obligations or other securities that would be appropriate investments for the Issuer and they have no duty, in making such investments, to act in a way that is favorable to the Issuer, the Noteholders or the Income Noteholders. Such investments may be different from those made on behalf of the Issuer. The Collateral Manager and/or its Affiliates have no affirmative obligation to offer any investment to the Issuer, or to inform the Issuer of any investment opportunity before offering such investment to other funds or accounts that the Collateral Manager or its Affiliates may manage, advise or deal with or before acting upon such opportunity for their own account. The Collateral Manager and its Affiliates may have economic interests in or other relationships with issuers in whose obligations or securities the Issuer may invest. In particular, such persons may make and/or hold an investment in an issuer's securities that may be pari passu, senior or junior in ranking to an investment in such issuer's securities made and/or held by the Issuer or in which partners, security holders, officers, directors, agents or employees of such persons serve on boards of directors or otherwise have ongoing relationships. Each of such ownership and other relationships may result in securities laws restrictions on transactions in such securities by the Issuer and otherwise create conflicts of interest for the Issuer. In such instances, the Collateral Manager and its Affiliates may in their sole discretion make investment recommendations and decisions for itself and others that may be the same as or different from those made for the Issuer with respect to the Collateral. In certain circumstances as described under "Security for the Notes—Dispositions of Pledged Collateral Debt Securities", the Collateral Manager on behalf of the Issuer is required to take certain actions with respect to dispositions of the Collateral.

Although the officers and employees of the Collateral Manager and its Affiliates will devote as much time to the Issuer as the Collateral Manager deems appropriate, the officers and key professionals of the Collateral Manager and its Affiliates may have conflicts in allocating their time and services among the Issuer and other accounts now or hereafter advised by the Collateral Manager and/or its Affiliates and allocating their time and services among the Collateral Manager and Affiliates of the Collateral Manager for whom they are also officers and employees. The policies of the Collateral Manager and its Affiliates are such that certain employees of the Collateral Manager and its Affiliates may have or obtain information that, by virtue of the internal policies of the Collateral Manager and its Affiliates relating to confidential communications, cannot or may not be used by the Collateral Manager or any of its Affiliates on behalf of the Issuer. 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 and its Affiliates from purchasing securities or selling securities for itself or its clients (including the Issuer) or otherwise using such information for the benefit of its clients or itself.

The Indenture and the Collateral Management Agreement place significant restrictions on the Collateral Manager's ability to advise the Issuer to buy or sell securities for inclusion in the Collateral. Accordingly, during certain periods or in certain specified circumstances, the Collateral Manager's compliance with such restrictions may prohibit the Issuer from buying or selling securities or taking other actions that the Collateral Manager, absent such restrictions, might consider in the best interest of the Issuer, the Noteholders or the Income Noteholders.

The Collateral Manager and any of its Affiliates may engage in other businesses, which may include, without limitation, brokerage, underwriting, fixed income trading and institutional trading activities, and furnishing investment management and advisory services to others, including, without limitation, serving as collateral manager or investment manager for, investing in, lending to, or being affiliated with, other entities organized to issue collateralized bond obligations secured by securities such as the Collateral Debt Securities held by the Issuer and other trusts and pooled investment vehicles that acquire interests in, provide financing to, or otherwise deal with securities issued by issuers that would be suitable investments for the Issuer. The Collateral Manager and its Affiliates will be free, in their sole discretion, to make recommendations to others, or effect transactions on behalf of themselves or for others, that may be the same as or different from those effected on behalf of the Issuer, and the Collateral Manager and its Affiliates may furnish investment management and advisory services to others who may have investment policies similar to those followed by the Collateral Manager with respect to the Issuer and who may own securities of the same class, or which are the same type as, the Collateral Debt Securities held by the Issuer.

The Collateral Manager and its Affiliates may enter into, for their own account, or for other accounts for which they have investment discretion, credit swap agreements relating to entities that are issuers of Collateral Debt Securities held by the Issuer. The Collateral Manager and its Affiliates and clients may also have equity and other investments in and

may be lenders to, and may have other ongoing relationships with such entities. As a result, officers, key professionals and other employees of the Collateral Manager and its Affiliates may possess information relating to the Collateral Debt Securities held by the Issuer that is not known to the individuals at the Collateral Manager responsible for monitoring the Collateral Debt Securities held by the Issuer and performing other obligations under the Collateral Management Agreement. In addition, the Collateral Manager, its Affiliates and their respective clients may invest in securities (or make loans) that are included among, rank *pari passu* with or senior to Collateral Debt Securities held by the Issuer, or have interests different from or adverse to those of the Issuer.

The Collateral Manager or its Affiliates may serve as a general partner and/or manager of additional special purpose entities organized to issue collateralized debt obligations secured by debt obligations. The Collateral Manager and its Affiliates may make investment decisions for their own account or for the accounts of others, including other special purpose entities organized to issue collateralized debt obligations, that may be different from those made by the Collateral Manager on behalf of the Issuer. The Collateral Manager or its Affiliates may at certain times simultaneously seek to purchase (or sell) investments for the account of the Issuer and sell (or purchase) the same investment for other clients, including other collateralized debt obligation vehicles for which it may serve as manager currently or in the future, or for its Affiliates or their clients. In the course of managing the Collateral Debt Securities held by the Issuer, the Collateral Manager may consider its relationships with its other clients, its Affiliates and the clients of its Affiliates (including companies the securities of which are pledged to secure the Notes). The Collateral Manager may decline to make a particular investment for the Issuer in view of such relationships. The effects of some of the conflicts of interest described in this section may have an adverse impact on the market from which the Collateral Manager seeks to buy, or to which the Collateral Manager seeks to sell, securities on behalf of the Issuer. The Collateral Manager may also at certain times simultaneously seek to purchase investments for the Issuer and/or other clients, including other collateralized debt obligation vehicles for which it may serve as manager currently or in the future, or for its Affiliates or their clients. Such ownership and such other relationships may result in securities laws restrictions on transactions in such securities by the Issuer.

The Collateral Management Agreement and the Indenture do not prohibit the Issuer from (i) purchasing Collateral Debt Securities from the Collateral Manager, its Affiliates or any of their respective clients or (ii) purchasing Collateral Debt Securities issued by any fund or entity owned or managed by the Collateral Manager, its Affiliates or any of their respective clients, if (a) such purchases are made at fair market value and otherwise on arms' length terms and (b) the Collateral Manager determines that such purchases are consistent with the Eligibility Criteria and investment criteria contained in the Indenture and the Collateral Management Agreement and applicable law.

In the event that the Collateral Manager directs the Trustee to purchase Collateral Debt Securities from the Collateral Manager, its Affiliates or from any account or portfolio for which the Collateral Manager or any of its Affiliates serves as investment advisor or as principal or sell Collateral Debt Securities or Equity Securities to the Collateral Manager, its Affiliates or any account or portfolio for which the Collateral Manager or any of its Affiliates serves as investment advisor, the Collateral Manager must first obtain the approval of the Directors of the Issuer for such purchases.

In the foregoing situations, the Collateral Manager and its Affiliates may have a potentially conflicting division of loyalties regarding both parties in the transaction. If an Affiliate of the Collateral Manager acts as a broker in an agency cross transaction, or acts as principal in a principal transaction, such Affiliate may receive commissions or other compensation from one or both of the parties in the transaction. Such Affiliate may have interests in such transactions that are adverse to those of the Issuer, such as an interest in obtaining favorable commissions and the officers and employees of the Collateral Manager who are also officers and employees of any such Affiliate may receive compensation related to the Affiliate's participation in such transactions.

On the Closing Date, one or more of the Collateral Manager, its Affiliates and their respective clients, including accounts for which the Collateral Manager or its Affiliates act as investment advisor, will enter into total return swaps with an affiliate of the Initial Purchaser pursuant to which they will acquire economic exposure to some or all of the Class C Notes, Class D Notes and Senior Income Notes. In addition, from time to time after the Closing Date, one or more of the Collateral Manager, its Affiliates and their respective clients, including accounts for which the Collateral Manager or its Affiliates act as investment advisor, may own or acquire direct or indirect exposure to Offered Notes and Income Notes. The Collateral Manager, its Affiliates and their respective clients may sell any Notes or Income Notes held by them, and may terminate any such total return swaps, at any time.

The Collateral Management Agreement provides that the Notes and Income Notes owned by the Collateral Manager or its Affiliates and any client or account for which the Collateral Manager or any of its Affiliates has discretionary authority, or as to which any of the foregoing have acquired economic exposure, will be disregarded and deemed not outstanding on any vote determining the votes needed for (i) removal of the Collateral Manager and (ii) any assignment of the rights or obligations of the Collateral Manager thereunder. The Indenture and the Collateral Management Agreement do not otherwise restrict the ability of the Collateral Manager and its Affiliates to vote the Offered Notes held by them or by clients or accounts for which they have discretionary authority or as to which they have acquired economic exposure. The Indenture requires the written consent of the Collateral Manager to any amendment of the Indenture that reduces the rights or increases the obligations of the Collateral Manager. For purposes hereof, "Affiliate" means, with respect to the Collateral Manager, (i) any other person who, directly or indirectly, is in control of, or controlled by, or is under common control with, the Collateral Manager or (ii) any other person who is a director, managing 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 ownership of (or direct or indirect exposure to) Notes and Income Notes by it and its Affiliates may give the Collateral Manager an incentive to take actions that vary from the interests of the holders of the Notes.

No provision in the Collateral Management Agreement prevents the Collateral Manager or any of its Affiliates from rendering services of any kind to any person or entity, including the issuer of any obligation included in the Collateral or any of such issuer's Affiliates, the Trustee, the holders of the Offered Notes, the Class A-1B Swap Counterparty or the Hedge Counterparty. Without limiting the generality of the foregoing, the Collateral Manager, its Affiliates and their respective directors, officers, employees and agents may, among other things: (a) subject to the limitations set forth in the Collateral Management Agreement, serve as directors, partners, officers, employees, agents, nominees or signatories for any issuer of any obligation included in the Collateral; (b) subject to the limitations set forth in the Collateral Management Agreement, receive fees for services rendered to the issuer of any obligation included in the Collateral or any affiliate thereof; (c) be retained to provide services unrelated to the Collateral Management Agreement to the Issuer or its Affiliates and be paid therefor; (d) subject to the limitations set forth in the Collateral Management Agreement, be a secured or unsecured creditor of, and/or hold an equity interest in, any issuer of any obligation included in the Collateral; or (e) serve as a member of any "creditors committee" with respect to any obligation included in the Collateral which has become or, in the Collateral Manager's reasonable opinion, may become a Defaulted Security. Services of this kind may lead to conflicts of interest with the Collateral Manager or any of its Affiliates, and may lead individual officers or employees of the Collateral Manager or any of its Affiliates to act in a manner adverse to the Issuer.

Although the Collateral Manager or its Affiliates may at times be a holder of Offered Notes and Income Notes (or have direct or indirect economic exposure thereto), its interests and incentives will not necessarily be completely aligned with those of the other holders of the Offered Notes (or of the holders of any particular Class of the Notes or the Income Notes).

The Collateral Management Agreement requires the Collateral Manager to use commercially reasonable efforts to obtain the best prices and execution for all orders placed with respect to the Collateral, considering all circumstances that are relevant in its reasonable determination. Subject to the objective of obtaining the best prices and execution, the Collateral Manager may take into consideration research and other brokerage services furnished to the Collateral Manager or its Affiliates by brokers and dealers that are not Affiliates of the Collateral Manager. Such services may be used by the Collateral Manager or its Affiliates in connection with its other advisory activities or investment operations. The Collateral Management Agreement provides that 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 accounts managed by the Collateral Manager or with accounts of the Affiliates of the Collateral Manager if in the Collateral Manager's judgment such aggregation shall result in an overall economic benefit to the Issuer, taking into consideration the advantageous selling or purchase price, brokerage commission and other expenses. If a sale or purchase of a Collateral Debt Security, Eligible Investment, U.S. Agency Security or Equity Security (in accordance with the terms of the Indenture) occurs as part of any aggregate sale or purchase order, the objective of the Collateral Manager (and any of its Affiliates involved in such transactions) shall be to allocate the executions among the relevant accounts in an equitable manner (taking into account constraints imposed by the Eligibility Criteria in the Indenture).

Conflicts of Interest Involving the Initial Purchaser. Certain of the Collateral Debt Securities acquired by the Issuer may consist of obligations of issuers or obligors, or obligations sponsored or serviced by companies, for which the Initial Purchaser or an affiliate of the Initial Purchaser has acted as underwriter, agent, placement agent or dealer or for which an affiliate of the Initial Purchaser has acted as lender or provided other commercial or investment banking services. The Initial Purchaser or an affiliate of the Initial Purchaser may structure issuers of Collateral Debt Securities and arrange to place such Collateral Debt Securities with the Issuer. The Initial Purchaser or one or more of its affiliates may also act as counterparty with respect to Synthetic Securities and, in connection therewith, the Issuer may enter into total return swaps with respect to collateral posted by the Issuer to secure its obligations under such Synthetic Security; *provided* that the Issuer may not enter total return swaps the payments from which are subject to withholding tax or the entry into, performance, enforcement 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. In its role as counterparty with respect to Synthetic Securities, the Initial Purchaser or one or more of its affiliates may manage a pool of Reference Obligations with respect to the Synthetic Securities and make determinations regarding those Reference Obligations. In addition, an affiliate of the Initial Purchaser may act as a Hedge Counterparty under the Hedge Agreement. The Initial Purchaser or one or more of its affiliates may enter into derivative transactions with third parties relating to the Offered Notes or to Collateral Debt Securities acquired by the Issuer, and the Initial Purchaser or one or more of its affiliates may, in connection therewith, acquire (or establish long, short or derivative financial positions with respect to) Offered Notes, 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. It is expected that an affiliate of the Initial Purchaser will on the Closing Date enter into one or more total return swap transactions with respect to the Class C Notes, Class D Notes and Senior Income Notes. Under these total return swaps, one or more of the Collateral Manager, its Affiliates and their respective clients will acquire economic exposure to some or all of the Class C Notes, Class D Notes and Senior Income Notes. Such total return swaps will permit the acquisition of economic exposure to the Class C Notes, Class D Notes and Senior Income Notes for an aggregate investment that is less than the par amount of the Class C Notes, Class D Notes and Senior Income Notes. Such activities may create certain conflicts of interest.

Unspecified Use of Proceeds. On the Closing Date, proceeds from the issuance and sale of the Notes will be used to purchase Collateral Debt Securities having a par amount of not less than U.S.\$1,150,000,000. The remainder of the proceeds from the issuance and sale of the Notes (including amounts advanced in respect of the Class A-1A Notes after the Closing Date) will be invested in Collateral Debt Securities that will not have been identified by the Collateral Manager on the Closing Date. Purchasers of the Offered Notes will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by the Collateral Manager (on behalf of the Issuer) and, accordingly, will be dependent upon the judgment and ability of the Collateral Manager in investing and managing the proceeds of the Notes and in identifying investments over time. No assurance can be given that the Collateral Manager (on behalf of the Issuer) will be successful in obtaining suitable investments or that, if such investments are made, the objectives of the Issuer will be achieved.

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

In addition, on the Closing Date, the Issuer will enter into the Master Forward Sale Agreement pursuant to which the Issuer may purchase additional Collateral Debt Securities from MLI from time to time during the Ramp-Up Period. The purchase price payable for any Collateral Debt Security purchased by the Issuer pursuant to the Master Forward Sale Agreement will be the price determined at the time such Collateral Debt Security is purchased by MLI. Accordingly, the Issuer will bear the risk of market changes subsequent to the acquisition of such Collateral Debt Securities and related hedging arrangements as if it had acquired such Collateral Debt Securities directly at the time of purchase by MLI of such Collateral Debt Securities and not the date of acquisition.

If an affiliate of the Initial Purchaser that sold Collateral Debt Securities to the Issuer were to become the subject of a case or proceeding under the United States Bankruptcy Code or another applicable insolvency law, the trustee in bankruptcy or other liquidator could assert that such Collateral Debt Securities are property of the insolvency estate of such affiliate. Property that such affiliate had pledged or assigned, or in which such affiliate had granted a security interest, as collateral security for the payment or performance of an obligation, would be treated as property of the estate of such affiliate. Property that such affiliate had sold or absolutely assigned and transferred to another party, however, would not be property of the estate of such affiliate. The Issuer does not expect that the purchase by the Issuer of Collateral Debt Securities, under the circumstances contemplated by this Offering Circular, would be deemed to be a pledge or collateral assignment (as opposed to the sale or other absolute transfer) of such Collateral Debt Securities to the Issuer but there is no guarantee that a bankruptcy court would not deem such purchase of Collateral Debt Securities to be a pledge or collateral assignment.

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

In addition, the timing of the collection of Specified Principal Proceeds, the timing of the purchase of Collateral Debt Securities bearing interest at a fixed rate with such Specified Principal Proceeds prior to the last day of the Substitution Period, the amount of any purchased accrued interest, the timing of additional borrowings under the Class A-1A Notes, the scheduled interest payment dates of the Collateral Debt Securities and the amount of the net proceeds associated with the Offering invested in lower-yielding Eligible Investments or U.S. Agency Securities until reinvested in Collateral Debt Securities may have a material impact on the amount of Interest Proceeds collected during any Due Period, which could adversely affect interest payments on Notes and distributions on Income Notes.

The Issuer will use commercially reasonable efforts to purchase or enter into binding agreements to purchase, on or before the 90th day following the Closing Date, Collateral Debt Securities having an aggregate Principal Balance plus the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account plus the aggregate amount of all Principal Proceeds distributed on any prior Quarterly Distribution Date of not less than U.S.\$1,500,000,000 (in each case, assuming for these purposes (i) settlement in accordance with customary settlement procedures in the relevant markets on the Ramp-Up Completion Date of all agreements entered into by the Issuer to acquire Collateral Debt Securities scheduled to settle on or following the Ramp-Up Completion Date, (ii) that each such Collateral Debt Security is a Pledged Collateral Debt Security and (iii) funds are available from Borrowings under the Class A-1A Note Funding Agreement).

Although the entire aggregate principal amount of the Class A-2 Notes, Class B Notes, Class C Notes and Class D Notes will be advanced on the Closing Date, less than the entire aggregate principal amount of the Class A-1A Notes will be advanced on the Closing Date. Class A-1A Notes will be issued under the Class A-1A Note Funding Agreement during the Commitment Period (which is scheduled to terminate on the Ramp-Up Completion Date). Class A-1B Notes will be

issued in accordance with the Class A-1B Swap Agreement on or prior to the Stated Maturity of the Class B Notes. Payments will be made by the Class A-1B Swap Counterparty to purchase Class A-1B Notes based on the occurrence of amortization of the principal of, and the occurrence of Credit Events with respect to, Reference Obligations under Synthetic Securities entered into by the Issuer.

During the period (the "Ramp-Up Period") from, and including, the Closing Date to, and including, the Ramp-Up Completion Date, the Issuer will borrow from the holders of the Class A-1A Notes on and subject to the terms and conditions in the Class A-1A Note Funding Agreement in order to purchase eligible Collateral Debt Securities (for inclusion in the Collateral) having an aggregate Principal Balance of not less than the aggregate Principal Balance necessary for the Issuer to comply with its obligations under the Indenture. The Issuer may not acquire any Collateral Debt Security unless such acquisition is made on an "arm's-length basis" for fair market value or pursuant to the Warehouse Agreement or Master Forward Sale Agreement.

If the Issuer obtains a Rating Confirmation from each Rating Agency by the later of (x) 45 Business Days following the Ramp-Up Completion Date or (y) the first Determination Date following the Ramp-Up Completion Date, all Uninvested Proceeds remaining on the first Determination Date thereafter are required to be applied on the related Quarterly Distribution Date as, *first*, Interest Proceeds in an amount equal to the lesser of (a) the Interest Excess and (b) U.S.\$1,000,000 and *second*, Principal Proceeds. If there is a Rating Confirmation Failure, however, such Uninvested Proceeds will be used to pay *first*, interest and *second*, principal of the Notes on the first Quarterly Distribution Date thereafter in accordance with the Priority of Payments, to the extent necessary to obtain a Rating Confirmation from each Rating Agency.

Dependence on the Collateral Manager and Key Personnel and Prior Investment Results. The performance of the portfolio of Collateral Debt Securities depends heavily on the skills of the Collateral Manager and its Affiliates in analyzing and selecting the Collateral Debt Securities. As a result, the Issuer will be highly dependent on the financial and managerial experience of the Collateral Manager and its Affiliates and certain of the officers and employees of the Collateral Manager or its Affiliates responsible for selecting and monitoring the Collateral. Certain employment arrangements between those officers and employees and the Collateral Manager or its Affiliates are subject to termination or amendment without the consent of the Issuer. The loss of the services of employees of any of the Collateral Manager and its Affiliates responsible for monitoring the Collateral Debt Securities and the failure to hire qualified replacements may adversely affect the ability of the Collateral Manager to monitor the portfolio of Collateral Debt Securities. See "The Collateral Manager" and "The Collateral Management Agreement and Collateral Administration Agreement".

The prior investment results of the Collateral Manager, its Affiliates and the persons associated with them are not indicative of the Issuer's future investment results. The nature of, and risks associated with, the Issuer's investments may differ substantially from the investments and risks undertaken historically by such persons and entities. There can be no assurance that the Issuer's investments will perform as well as the past investments of any such persons or entities. See "The Collateral Manager" and "The Collateral Management Agreement and Collateral Administration Agreement".

Projections, Forecasts and Estimates. Any projections, forecasts and estimates contained herein are forward looking statements and are based upon certain assumptions that the Issuer 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, the timing of acquisitions of Collateral Debt Securities by the Issuer, differences in the actual allocation of the Collateral Debt Securities included in the Collateral among asset categories from those assumed, mismatches between the timing of accrual and receipt of Interest Proceeds and Principal Proceeds from the Collateral Debt Securities included in the Collateral, defaults under Collateral Debt Securities included in the Collateral and the effectiveness of the Hedge Agreement and the Class A-1B Swap 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 Hedge Counterparty, the Class A-1B Swap 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 Trustee, the Hedge Counterparty, the Class A-1B Swap Counterparty, the Initial Purchaser or any of their respective affiliates or any other person or entity 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 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 ("NASD") such as the Initial Purchaser, to establish and maintain anti-money laundering programs. With respect to the content of those programs, the NASD has issued a rule that requires broker-dealers to establish and maintain anti-money laundering programs similar to those currently in place at U.S. banks. On April 23, 2002, the United States Department of the Treasury (the "Treasury Department") issued regulations pursuant to the USA PATRIOT Act that, as amended, exempt "investment companies" such as the Issuer from the anti-money laundering requirements set out thereunder for an indefinite period of time, pending the issuance of a final rule. On September 18, 2002, the Treasury Department issued proposed regulations that, if enacted in their current form, will compel certain "unregistered investment companies" to undertake certain activities including establishing, maintaining and periodically testing an anti-money laundering compliance program, and designating and training personnel responsible for that compliance program.

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

The Issuer and the Administrator are subject to anti-money laundering legislation in the Cayman Islands pursuant to the Proceeds of Criminal Conduct Law (2005 Revision) (the "PCCL"). Pursuant to the PCCL the Cayman Islands government enacted The Money Laundering Regulations (2005 Revision), which impose specific requirements with respect to the obligation "to know your client". Except in relation to certain categories of institutional investors, the Issuer will require a detailed verification of each investor's identity and the source of the payment used by such investor for purchasing the Offered Notes in a manner similar to the obligations imposed under the laws of other major financial centers. In addition, if any person who is resident in the Cayman Islands knows or has a suspicion that a payment to the Issuer (by way of investment or otherwise) contains the proceeds of criminal conduct, that person must report such suspicion to the Cayman Islands authorities pursuant to the PCCL. If the Issuer were determined by the Cayman Islands government to be in violation of the PCCL or The Money Laundering Regulations (2003 Revision), the Issuer could be subject to substantial criminal penalties. Such a violation could materially adversely affect the timing and amount of payments by the Issuer to the Holders of the Offered Notes.

Investment Company Act. The Issuer has not been registered with the SEC as an investment company pursuant to the Investment Company Act. The Issuer has not so registered in reliance on an exception for investment companies organized under the 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" (within the meaning given to such term in the Investment Company Act and the regulations of the SEC thereunder) or certain transferees thereof identified in Rule 3c-6 under the Investment Company Act and (b) which do not make a public offering of their securities in the United States. Counsel for the Issuer will opine, in connection with the issuance of the Offered Notes, that the Issuer is not on the Closing Date an investment company required to be registered under the Investment Company Act (assuming, for the purposes of such opinion, that the

Offered Notes are sold in accordance with the terms of the Indenture, the Income Note Documents and the Purchase Agreement). No opinion or no-action position has been requested of the SEC.

If the SEC or a court of competent jurisdiction were to find that the Issuer 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 could sue the Issuer and recover any damages caused by the violation; and (iii) any contract to which the Issuer is a party that is made in, or whose performance involves a violation of, the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act. Should the Issuer be subjected to any or all of the foregoing, the Issuer would be materially and adversely affected.

Each transferee of a beneficial interest in a Restricted Global Note will be deemed to represent at the time of purchase that: (i) the purchaser is both a 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, the Issuer determines that any beneficial owner of a Restricted Note (or any interest therein) (A) is a U.S. Person (within the meaning of Regulation S under the Securities Act) and (B) is not both a Qualified Institutional Buyer and also a Qualified Purchaser, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Restricted Note (or any interest therein) to a person that is both a Qualified Institutional Buyer and a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (a) upon direction from the Issuer, the Trustee, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Note to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or the subject of widely distributed price quotations) to a person that certifies to the Trustee and the Issuer in connection with such transfer, that such person is a both (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser and (b) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner.

The Income Note Documents provide that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any beneficial owner of Restricted Definitive Income Notes (A) is a U.S. Person (within the meaning of Regulation S under the Securities Act) and (B) is not both (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Restricted Definitive Income Notes to a person that is both a Qualified Institutional Buyer and a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (a) upon direction from the Issuer, the Income Note Paying and Transfer Agent, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Income Note to be transferred in a commercially reasonable sale (conducted by the Administrator in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or the subject of widely distributed price quotations) to a person that certifies to the Income Note Paying and Transfer Agent and the Issuer, in connection with such transfer, that such person is a both (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser and (b) pending such transfer, no further payments will be made in respect of such Income Note held by such beneficial owner.

Mandatory Repayment of the Notes. After the Ramp-Up Completion Date, if one or more of the Coverage Tests is not met, Interest Proceeds and 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 Notes. See "Description of the Notes—Mandatory Redemption".

If the Issuer is unable to obtain a Rating Confirmation from each relevant Rating Agency by the later of (x) 45 Business Days following the Ramp-Up Completion Date or (y) the first Determination Date following the Ramp-Up Completion Date, the Issuer will be required to apply on the first Quarterly Distribution Date following the occurrence of such Rating Confirmation Failure, Uninvested Proceeds and, then, Interest Proceeds and, then, Principal Proceeds, to pay, *first*, principal of the Class A-1B Notes, *second*, principal of the Class A-1A Notes, *third*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *fourth*, principal of the Class A-2 Notes, *fifth*, principal of the Class B Notes, *sixth*, principal of the Class C Notes and, *seventh*, principal of the Class D Notes, in each case in accordance with the Priority of Payments as and to the extent necessary for each Rating Agency to confirm the rating (including any private or confidential rating) assigned by it on the Closing Date to the Notes.

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

Auction Call Redemption. In addition, if the Notes have not been redeemed in full prior to the Quarterly Distribution Date occurring in July 2014 then an auction of the Collateral Debt Securities included in the Collateral will be conducted and, *provided* that certain conditions are satisfied, such Collateral Debt Securities will be sold and the Notes will be redeemed (in whole, but not in part) on such Quarterly Distribution Date. If such conditions are not satisfied and the auction is not successfully conducted on such Quarterly Distribution Date, the Trustee will conduct auctions on a quarterly basis until the Notes are redeemed in full. See "Description of the Notes—Auction Call Redemption". The Hedge Agreement and the Class A-1B Swap Agreement will terminate upon an Auction Call Redemption.

Optional Redemption. Subject to satisfaction of certain conditions, a Majority-in-Interest of Income Noteholders may require that the Notes be redeemed in whole and not in part as described under "Description of the Notes—Optional Redemption and Tax Redemption", *provided* that no such optional redemption may occur prior to the Distribution Date occurring in July 2010. The Hedge Agreement and the Class A-1B Swap Agreement will terminate upon an Optional Redemption.

Tax Redemption. Subject to satisfaction of certain conditions, upon the occurrence of a Tax Event, the Issuer may redeem the Notes (such redemption, a "Tax Redemption") on any Distribution Date, in whole but not in part, at the applicable Redemption Price therefor (i) at the direction of the holders of a majority in aggregate outstanding principal amount of any Class of Notes that, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and interest payable to such Class on any Distribution Date (each such Class, an "Affected Class") or (ii) at the direction of a Majority-in-Interest of Income Noteholders. No Tax Redemption may be effected, however, unless the Tax Materiality Condition is satisfied. See "Description of the Notes—Optional Redemption and Tax Redemption". The Hedge Agreement and the Class A-1B Swap Agreement will terminate upon any Tax Redemption.

Interest Rate Risk. The Offered Notes are subject to interest rate risk. The Collateral Debt Securities held by the Issuer may bear interest at a fixed or floating rate. In addition, to the extent the Collateral Debt Securities or the Reference Obligations bear interest at a floating rate, the interest rate on such Collateral Debt Securities or Reference Obligations may adjust more frequently or less frequently, on different dates and based on different indices than the interest rate on the Notes. As a result of the foregoing, there could be an interest rate or basis mismatch between the interest payable on the Collateral Debt Securities held by the Issuer, on the one hand, and interest payable on the Notes, on the other hand. Moreover, as a result of such mismatches, an increase or decrease in the level or levels of the floating rate indices could adversely impact the Issuer's ability to make payments on the Notes. The Notes are denominated in Dollars and bear interest at a rate based on LIBOR as determined on the relevant LIBOR Determination Date. In addition, any payments of principal of or interest on Pledged Collateral Debt Securities received during a Due Period will be reinvested in Eligible Investments maturing not later than the Business Day immediately preceding the next Quarterly Distribution Date. There is no requirement that Eligible Investments bear interest at LIBOR, and the interest rates available for Eligible Investments are inherently uncertain. To mitigate a portion of such interest rate or payment mismatches, the Issuer will on the Closing Date enter into the Hedge Agreement. However, there can be no assurance that the Collateral Debt Securities included in the Collateral and Eligible Investments, together with the Hedge Agreement, will in all circumstances generate sufficient Interest Proceeds to make timely payments of interest on the Notes. Moreover, the benefits of the Hedge Agreement may not be achieved in the event of the early termination of the Hedge Agreement, including termination upon the failure of the

Hedge Counterparty to perform its obligations thereunder, or if additional swap transactions are not entered into. See "Security for the Notes—The Hedge Agreement".

Subject to satisfaction of the Rating Condition with respect to such reduction and the prior consent of the Hedge Counterparty, the Collateral Manager may cause the Issuer to reduce the notional amount 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 Notes—The Hedge Agreement".

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

The average life of each Class of Notes will be affected by the financial condition of the obligors on or issuers of the Collateral Debt Securities included in the Collateral and the characteristics of such 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 such Collateral Debt Securities and any sales of such 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. Principal Proceeds received by the Issuer (other than Specified Principal Proceeds reinvested during the Substitution Period) will be used to pay principal of the Notes in accordance with the Priority of Payments. Accordingly, the average life of the Notes may be affected by the rate of principal payments on the underlying Collateral Debt Securities and, during the Substitution Period, the receipt of Specified Principal Proceeds that are applied to reinvest in substitute Collateral Debt Securities bearing interest at a fixed rate. See "Maturity, Prepayment and Yield Considerations" and "Security for the Notes".

Dispositions of Defaulted Securities, Written Down Securities, Credit Risk Securities, Credit Improved Securities and Equity Securities. The Issuer is required to sell certain types of equity securities within five days of receipt thereof (or within five Business Days after such later date as such equity security may first be sold in accordance with its terms and applicable law) and other types of equity securities within one year of receipt thereof (or within one year after such later date as such equity security may first be sold in accordance with its terms and applicable law). The Issuer may, at the direction of the Collateral Manager, sell any Defaulted Security (other than a Defaulted Synthetic Security) at any time. The Issuer may, at the direction of the Collateral Manager, sell any Written Down Security or Credit Risk Security at any time; *provided* that, if (i) the rating of any of the Class A-1 Notes, Class A-2 Notes or Class B Notes has been withdrawn or reduced below the rating assigned to such Class of Notes on the Closing Date by Moody's and not reinstated, (ii) the rating of the Class C Notes has been withdrawn or reduced at least two subcategories below the rating assigned to such Class of Notes on the Closing Date by Moody's and not reinstated or (iii) the rating of the Class D Notes has been withdrawn or reduced at least three subcategories below the rating assigned to such Class of Notes on the Closing Date by Moody's and not reinstated, then a Credit Risk Security may be sold only if it has been downgraded or put on a watch list for possible downgrade by one or more Rating Agencies by one or more rating subcategories since it was acquired by the Issuer. The Issuer may sell (or exercise its right to terminate) any Defaulted Synthetic Security at any time. The Issuer may from time to time sell one or more Credit Improved Securities, subject to obtaining the consent of the Controlling Class. See "Security for the Notes—Dispositions of Pledged Collateral Debt Securities". Although procedures relating to the sale of Defaulted Securities, Written Down Securities, Credit Risk Securities, Credit Improved Securities and Equity Securities held by the Issuer are set forth in the Indenture, the Collateral Manager will not be able to exercise discretion outside of those procedures in connection with such sales and the Issuer will not be able to sell any other Collateral Debt Securities included in the Collateral in response to changes in related credit or market risks.

Taxes on the Issuer. The Issuer expects to conduct its affairs so that its income 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 on the Collateral Debt Securities, Eligible Investments, U.S. Agency Securities and 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. The Issuer's income and the payments it receives on the Collateral Debt Securities, Eligible Investments, U.S. Agency Securities and the Hedge Agreement might become subject to net income or withholding taxes in the United States or other jurisdictions due to a change in law or other causes. Payments with respect to any equity securities held by the Issuer likely will be subject to withholding taxes imposed by the United States or other countries from which such payments are sourced. The

imposition of unanticipated withholding taxes or tax on the Issuer's net income could materially impair the Issuer's ability to pay principal of and interest and Commitment Fee on the Offered Notes.

Withholding on the Offered Notes. The Issuer expects that payments of principal and interest on the Offered Notes ordinarily will not be subject to any withholding tax in the Cayman Islands, the United States or any other jurisdiction. See "Income Tax Considerations". If withholding or deduction of taxes is required in any jurisdiction, neither Co-Issuer shall be under any obligation to make any additional payments to the holders of Offered Notes in respect of such withholding or deduction.

ERISA Considerations. See "ERISA Considerations".

The Issuer. The Issuer is a recently formed Cayman Islands entity and has no prior operating history other than in connection with the acquisition of certain Collateral Debt Securities prior to the issuance of the Offered Notes and the engagement of the Collateral Manager and the entering into of arrangements with respect thereto. The Issuer will have no significant assets other than the Collateral Debt Securities acquired by it, Equity Securities, Eligible Investments, U.S. Agency Securities, the Collection Accounts and its rights under the Collateral Management Agreement, the Hedge Agreement, the Class A-1A Note Funding Agreement, the Class A-1B Swap Agreement and certain other agreements entered into as described herein, all of which have been pledged to the Trustee to secure the Issuer's obligations to the Secured Parties. The Issuer will not engage in any business activity other than the issuance and sale of the Offered Notes as described herein, the acquisition and disposition of, and investment in, Collateral Debt Securities, Equity Securities, U.S. Agency Securities and Eligible Investments as described herein, the entering into, and the performance of its obligations under the Indenture, the Notes, the Class A-1A Note Funding Agreement, the Master Forward Sale Agreement, the Class A-1B Swap Agreement, the Purchase Agreement, the Investor Application Forms, the Account Control Agreement, each Class A-1A Noteholder Prepayment Account Control Agreement, any Class A-1B Swap Prefunding Account Control Agreement, the Income Note Paying Agency Agreement, the Hedge Agreement, the collateral assignment of the Hedge Agreement, the Collateral Management Agreement, the Collateral Administration Agreement and the Administration Agreement, the pledge of the Collateral as security for its obligations in respect of the Notes and otherwise for the benefit of the Secured Parties, certain activities conducted in connection with the payment of amounts in respect of the Offered Notes, the management of the Collateral and other activities incidental to the foregoing. Income derived from the Collateral Debt Securities and other Collateral will be the Issuer's only source of cash.

The Co-Issuer. The Co-Issuer is a recently formed Delaware corporation and has no prior operating history. The Co-Issuer is a wholly owned subsidiary of the Issuer and will have no significant assets. The Co-Issuer will not engage in any business activity other than the issuance and sale of the Notes (other than the Class D Notes) as described herein.

Protection of Collateral. The Trustee has agreed in the Indenture to take such actions to preserve and protect its first priority security interest in the Collateral for the benefit of the Secured Parties. Such actions include the filing of any financing statement, continuation statement or other instrument as is necessary to perfect, and maintain perfection of, such security interest in the Collateral. The Trustee shall be entitled to indemnification with respect to any claim, loss, liability or expense incurred by the Trustee with respect to the filing of such continuation statements. Any failure by the Trustee to maintain such perfection may lead to the loss of such security interest in the Collateral to secure the Issuer's obligations to the Secured Parties.

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

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

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 Notes for legal investment or other purposes, as to the ability of particular investors to purchase Offered Notes for legal investment or other purposes or as to the ability of particular investors to purchase Offered Notes 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 Notes 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 Notes 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 Notes) may affect the liquidity of the Offered Notes.

Certain matters with respect to German investors. With effect as of January 1, 2004, the German Investment Tax Act (*Investmentsteuergesetz* or "InvStG" or "ITA") has come into force and replaced the German Foreign Investment Act. Adverse tax consequences will arise for investors subject to tax in Germany if the InvStG is applied to the Offered Notes. However, pursuant to a Circular released by the German Federal Ministry of Finance on the InvStG, dated June 2, 2005, the InvStG does not apply to CDO vehicles that allow a maximum of 20% of the assets of the issuer to be traded annually on a discretionary basis, in addition to the mere replacement of debt instruments for the purpose of maintaining the volume, the maturity and the risk structure of the CDO. If these conditions for non-application of the InvStG are satisfied, the Offered Notes will not be subject to the InvStG.

None of the Issuer, the Co-Issuer, the Collateral Manager and the Initial Purchaser makes any representation, warranty or other undertaking whatsoever that the Offered Notes are not qualified as unit certificates in a foreign investment fund pursuant to Section 1(1) no. 2 of the InvStG. The Co-Issuers will not comply with any calculation and information requirements set forth in Section 5 of the InvStG. Prospective German investors in the Offered Notes are urged to seek independent tax advice and to consult their professional advisors as to the legal and tax consequences that may arise from the application of the InvStG to the Offered Notes, and none of the Issuer, the Co-Issuer, the Collateral Manager and the Initial Purchaser accepts any responsibility in respect of the tax treatment of the Offered Notes under German law.

DESCRIPTION OF THE NOTES

The Notes will be issued pursuant to the Indenture. The following summary describes certain provisions of the Notes and the Indenture. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture. Copies of the Indenture may be obtained by prospective investors upon request to the Trustee at 135 South LaSalle Street, Suite 1511, Chicago, Illinois 60603, Attention: CDO Trust Services Group – Bernoulli High Grade CDO I or, if and for so long as any 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 Notes will be limited recourse debt obligations of the Issuer. Each Class of Notes is entitled to receive payments *pari passu* among the Notes of such Class. Except as otherwise described in the Priority of Payments, the relative order of seniority of payment of each Class of Notes on each Quarterly Distribution Date is as follows: *first*, Class A-1 Notes *second*, Class A-2 Notes *third*, Class B Notes, *fourth*, Class C Notes and, *fifth*, Class D Notes, with (a) each Class of Notes (other than the Class D Notes) in such list being "Senior" to each other Class of Notes that follows such Class of Notes in such list and (b) each Class of Notes (other than the Class A-1 Notes) in such list being "Subordinate" to each other Class of Notes that precedes such Class of Notes in such list. Notwithstanding the foregoing general description of the relative seniority of the Notes, the Priority of Payments provides that (a) on any Quarterly Distribution Date occurring during a Pro Rata Pay Period, certain Principal Proceeds may be applied to the payment of the Notes other than in accordance with their relative Seniority, all as described herein under "Description of the Notes—Priority of Payments", (b) certain Interest Proceeds that would otherwise be distributed to the holders of the Income Notes will be used, prior to the payment of the principal in full of all outstanding more Senior Classes of Notes, to pay Class C Deferred Interest and Class D Deferred Interest, (c) if the Class C/D Coverage Test applies and is not satisfied on the Determination Date related to any Quarterly Distribution Date, certain Interest Proceeds that would otherwise be distributed to the holders of the Income Notes will be used, prior to the payment of the principal in full of all outstanding more Senior Classes of Notes, to pay principal of the Class C Notes and the Class D Notes, in accordance with the Priority of Payments and to the extent necessary to cause the Class C/D Coverage Test to be satisfied, (d) on the first Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Rating Confirmation after the application of Uninvested Proceeds to pay principal of the Notes, certain Interest Proceeds and Principal Proceeds will be used to pay principal of the Notes to the extent specified by each relevant Rating Agency in order to obtain a Rating Confirmation and (e) with respect to any Quarterly Distribution Date occurring in or after July 2014, 50% of any Interest Proceeds that would otherwise be distributed to the Income Noteholders will be applied to pay, *first*, principal of the Class D Notes, *second*, principal of the Class C Notes, *third*, the principal of the Class B Notes, *fourth*, the principal of the Class A-2 Notes, *fifth*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *sixth*, principal of the Class A-1A Notes and, *seventh*, principal of the Class A-1B Notes. See "Description of the Notes—Priority of Payments". A Pro Rata Pay Period will terminate upon the commencement of a Sequential Pay Period, which is the period commencing on the earliest 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, (b) the first Measurement Date on which the Sequential Pay Test is not satisfied, (c) the first Measurement Date on which the Issuer does not satisfy any applicable Coverage Test and (d) the first Determination Date on which an Event of Default has occurred and is continuing, provided that if a Sequential Pay Period has commenced solely as a result of one or more breaches of a Coverage Test, such Sequential Pay Period shall cease on the first Measurement Date that all breaches of the Coverage Tests have been cured. No payment of interest on any Class of Notes will be made until all accrued and unpaid interest and Commitment Fee on the Notes of each Class that is Senior to such Class and that remain outstanding has been paid in full. Except as described above, no payment of principal of any Class of Notes will be made until all principal of, and all accrued and unpaid interest and Commitment Fee on, the Notes of each Class that is Senior to such Class and that remain outstanding have been paid in full. See "Description of the Notes—Priority of Payments".

Under the terms of the Indenture, the Issuer will grant to the Trustee for the benefit of the Secured Parties a first priority security interest in the Collateral described herein to secure the Issuer's obligations under the Indenture, the Notes, the Class A-1A Note Funding Agreement, the Class A-1B Swap Agreement, the Account Control Agreement, each Class A-1A Noteholder Prepayment Account Control Agreement, any Class A-1B Swap Prefunding Account Control

Agreement, the Hedge Agreement, the Collateral Management Agreement, the Collateral Administration Agreement and the Administration Agreement.

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

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Class A-2 Notes, Class B Notes, Class C Notes and Class D Notes

All of the Class A-2 Notes, Class B Notes, Class C Notes and Class D Notes will be issued in full on the Closing Date.

Class A-1A Notes

U.S.\$646,000,000 of the principal amount of the Class A-1A Notes will be advanced on the Closing Date. Pursuant to the Class A-1A Note Funding Agreement dated March 30, 2006 between the Issuer, the Trustee and the holders from time to time of the Class A-1A Notes, subject to compliance with the conditions set forth therein, the Issuer may request (and the holders of the Class A-1A Notes (or such Liquidity Providers to whom such holders have delegated their obligations under the Class A-1A Note Funding Agreement) will be obligated to make pro rata in accordance with their respective Commitments) monthly advances under the Class A-1A Notes until the aggregate principal amount advanced under the Class A-1A Notes equals U.S.\$945,000,000 during the period (the "Commitment Period") starting on and including the Closing Date and ending on and excluding the date (the "Commitment Period Termination Date") that is the earliest of (i) the first Business Day after the Ramp-Up Completion Date; (ii) the redemption of the Class A-1A Notes in full; (iii) the first date on which the aggregate outstanding unfunded Commitments have been reduced to zero; (iv) the date of the occurrence of an Event of Default specified in clause (d), (f) or (g) of the definition thereof; or (v) the sale, foreclosure or other disposition of the Collateral under the Indenture. Any reference herein to "Commitments" in respect of any Class A-1A Notes at any time shall mean the maximum aggregate principal amount of advances (whether at the time funded or unfunded) that the holder (or such Liquidity Provider to whom such holder has delegated its obligations under the Class A-1A Note Funding Agreement) of such Class A-1A Note is obligated from time to time under the Class A-1A Note Funding Agreement to make to the Issuer.

During the Commitment Period, the Issuer (at the direction of the Collateral Manager) may borrow amounts under the Class A-1A Notes pursuant to the Class A-1A Note Funding Agreement (a "Borrowing" and the date of any such Borrowing, a "Borrowing Date"); *provided* that (i) the aggregate amount of Borrowings under the Class A-1A Notes may not in any event exceed the aggregate amount of Commitments in respect of the Class A-1A Notes and (ii) at the time of and immediately after giving effect to such Borrowing, no Event of Default or Default has occurred and is continuing or would result from any Borrowing. Except as the holders of the Class A-1A Notes shall otherwise agree, Borrowings shall be made only on the 26th day of each month commencing with the first such date after the date hereof (or if such day is not a Business Day, the next preceding Business Day); *provided*, however, that (i) notwithstanding the foregoing, the Ramp-Up Completion Date and the Closing Date may also be the date of a Borrowing, (ii) there may be no more than three Borrowings prior to and including the Ramp-Up Completion Date (excluding any Borrowing made on the Closing Date), and (iii) the final Borrowing may be made in the same month as another Borrowing and may be made on any Business Day. The Issuer shall deliver a Borrowing Request at least five Business Days prior to the Ramp-Up Completion Date in an amount equal to the Aggregate Undrawn Amount unless the Collateral Manager determines, prior to the last day on which it may deliver such Borrowing Request, that on the Ramp-Up Completion Date the sum of the aggregate Principal Balance of the Pledged Collateral Debt Securities that the Issuer has purchased or committed to purchase on such date plus the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account plus the aggregate amount of all Principal Proceeds distributed on any prior Quarterly Distribution Date will be greater than U.S.\$1,500,000,000.

The aggregate principal amount of any Borrowing in respect of the Class A-1A Notes (taken as a whole) will be at least U.S.\$5,000,000 and an integral multiple of U.S.\$1,000. On or prior to the fifth Business Day immediately preceding each Borrowing Date (other than the Closing Date), the Collateral Manager will cause the Issuer to provide notice to each Class A-1A Noteholder (with a copy to the Trustee) of the Issuer's intention to effect a Borrowing.

On the Commitment Period Termination Date, the aggregate unfunded amount of the Class A-1A Notes, if any, will be reduced to zero.

Prior to the Commitment Period Termination Date, each holder of Class A-1A Notes will be required to satisfy the Rating Criteria specified in the Class A-1A Note Funding Agreement. If any holder of Class A-1A Notes shall at any time prior to the Commitment Period Termination Date fail to satisfy such Rating Criteria, the Issuer will have the right under the Class A-1A Note Funding Agreement to, and will be obligated under the Indenture to, either (i) replace such holder with another entity that meets such Rating Criteria (by requiring the non-complying holder to transfer all of its rights and obligations in respect of the Class A-1A Notes to such other entity) or (ii) under certain circumstances, require such non-complying holder to cause a Class A-1A Noteholder Prepayment Account to be established, credit to such Class A-1A Noteholder Prepayment Account cash or Eligible Prepayment Account Investments the aggregate outstanding principal amount of which is equal to such Holder's Unfunded Commitment at such time and enter into a Class A-1A Noteholder Prepayment Account Control Agreement in relation to such account (the "Prepayment Option"). Amounts deposited in any Class A-1A Noteholder Prepayment Account will not constitute a Borrowing. The "Rating Criteria" will be satisfied on any date with respect to any holder of the Class A-1A Notes if (a) the short-term debt, deposit or similar obligations of such holder, or an Affiliate of such holder that unconditionally and absolutely guarantees (with such form of guarantee satisfying Standard & Poor's then-published criteria with respect to guarantees) the obligations of such holder, are on such date rated "P-1" by Moody's, at least "A-1" by Standard & Poor's and, if rated by Fitch, at least at least "F1" by Fitch or (b) such holder is then entitled under a Liquidity Facility to borrow loans from, or sell Class A-1A Notes to, one or more financial institutions (each, a "Liquidity Provider") so long as the short-term debt, deposit or similar obligations of each such Liquidity Provider are rated "P-1" by Moody's, at least "A-1" by Standard & Poor's and, if rated by Fitch, at least "F1" by Fitch. A "Liquidity Facility" is a liquidity agreement providing for the several commitments of the Liquidity Providers party thereto to make loans to, or purchase interests in Class A-1A Notes from, such holder in an aggregate principal amount at any one time outstanding equal to or greater than the Commitment of such holder. The purchase of Class A-1A Notes (whether in connection with the initial placement or in a subsequent transfer) by any person who does not satisfy the Rating Criteria set forth in clause (a) of the definition thereof at the time of such purchase but who is then entitled to the benefit of a Liquidity Facility described in clause (b) of such definition will be subject to the requirement that each Rating Agency shall have confirmed that the acquisition by such person will not result in a downgrade or withdrawal of its then-current rating, if any, of any Class of Notes. Pursuant to the Class A-1A Note Funding Agreement, any purchaser of Class A-1A Notes that is entitled under a Liquidity Facility to borrow loans from Liquidity Providers may delegate to such Liquidity Providers, and such Liquidity Providers may severally agree to each perform their ratable share (determined in accordance with their respective commitments under the relevant Liquidity Facility) of, all of the purchaser's obligations under the Class A-1A Note Funding Agreement in respect of the Class A-1A Notes held by such purchaser.

Class A-1B Swap Agreement

On the Closing Date, the Issuer will enter into a swap agreement (the "Class A-1B Swap Agreement") with Merrill Lynch International (the "Class A-1B Swap Counterparty") in the form of an ISDA Master Agreement (Multicurrency-Cross Border), together with a Schedule and Master Confirmation (the "Class A-1B Swap Confirmation").

Pursuant to the Class A-1B Swap Agreement, the Class A-1B Swap Counterparty will be obligated, on and subject to the terms and conditions specified below, to purchase Class A-1B Notes from the Co-Issuers in exchange for the payment to the Issuer of the par amount of the Class A-1B Notes so issued (and the Co-Issuers will be obligated to issue the Class A-1B Notes); *provided* that the aggregate principal amount of Class A-1B Notes that may be issued will not exceed U.S.\$360,000,000. The Class A-1B Swap Counterparty will be obligated to purchase Class A-1B Notes on any Quarterly Distribution Date in a principal amount equal to (a) the sum of all settlement payments arising from the occurrence of a "Credit Event" and physical settlement amounts that are required to be made by the Issuer under all Synthetic Securities to which it is a party during the period since the immediately preceding Quarterly Distribution Date (or, in the case of the first Quarterly Distribution Date, since the Closing Date) plus (b) the aggregate principal amount of all amortizations of

Reference Obligations under all Synthetic Securities to which it is a party during such period plus (c) the notional amount of any Synthetic Security (or portion thereof) that is the subject of such early termination.

The outstanding notional amount of the Class A-1B Swap will be reduced by the amount of (a) any payment (determined without regard to any netting under the Class A-1B Swap) made by the Class A-1B Swap Counterparty to purchase Class A-1B Notes and (b) any deposit into the Class A-1B Swap Reserve Account pursuant to the Priority of Payments and will be increased by any reimbursements received from the Synthetic Security Counterparty provided that the notional amount of the Class A-1B Swap can never exceed U.S.\$360,000,000.

If on any Quarterly Distribution Date an amount would otherwise be payable by the Class A-1B Swap Counterparty to the Issuer to purchase Class A-1B Notes, and by the Issuer to the Class A-1B Swap Counterparty to redeem Class A-1B Notes held by the Class A-1B Swap Counterparty, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the amount that would otherwise have been payable by one party exceeds the amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger amount would have been payable to pay to the other party the excess of the larger amount over the smaller amount.

Prior to the scheduled termination date of the Class A-1B Swap Agreement, which is the same date as the Stated Maturity of the Class A-1B Notes, the Class A-1B Swap Counterparty will be required to satisfy the Rating Criteria. If the Class A-1B Swap Counterparty fails at any time prior to the Stated Maturity of the Class A-1B Notes to comply with the Rating Criteria, the Issuer will have the right (under the Class A-1B Swap Agreement) and the obligation (under the Indenture) to either (i) replace the Class A-1B Swap Counterparty with another entity that meets such Rating Criteria (by requiring the Class A-1B Swap Counterparty to transfer all of its rights and obligations in respect of the Class A-1B Swap to such other entity) or (ii) require the Class A-1B Swap Counterparty to cause a Class A-1B Swap Prefunding Account to be established, credit to such Class A-1B Swap Prefunding Account cash or Eligible Investments, the aggregate outstanding principal amount of which is equal to equal to the amount of collateral required by the terms of the Class A-1B Swap Agreement at such time and enter into a Swap Prefunding Account Control Agreement in relation to such account. The notional amount of the Class A-1B Swap will not be reduced by the amount of any deposit in the Class A-1B Swap Prefunding Account.

The "Rating Criteria" will be satisfied on any date with respect to the Class A-1B Swap Counterparty if the short-term debt, deposit or similar obligations of the Class A-1B Swap Counterparty, or an Affiliate of the Class A-1B Swap Counterparty that unconditionally and absolutely guarantees (with such form of guarantee satisfying Standard & Poor's then-published criteria with respect to guarantees) the obligations of the Class A-1B Swap Counterparty, are on such date rated "P-1" by Moody's, at least "A-1" by Standard & Poor's and, if rated by Fitch, at least "F1" by Fitch.

The Class A-1B Swap Agreement will be subject to early termination upon various events described therein, including (a) the occurrence of an Optional Redemption, Tax Redemption or Auction Call Redemption, (b) the date of the occurrence of an Event of Default specified in clause (d), (f) or (g) of the definition thereof or (c) the sale, foreclosure or other disposition of the Collateral under the Indenture.

All Reimbursement Payments received by the Issuer from the Synthetic Security Counterparty will be paid by the Trustee on the Business Day immediately following the date of receipt directly to holders of the Class A-1B Notes in redemption thereof and will not be subject to the Priority of Payments.

INTEREST

The Class A-1 Notes will bear interest at a floating rate per annum equal to LIBOR (determined as described herein) plus 0.27%. The Class A-2 Notes will bear interest at an aggregate floating rate per annum equal to LIBOR plus 0.47%. The Class B Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.59%. The Class C Notes will bear interest at a floating rate per annum equal to LIBOR plus 1.55%. The Class D Notes will bear interest at a floating rate per annum equal to LIBOR plus 3.50%. Interest on the Notes will be computed on the basis of a 360-day year and the actual number of days elapsed in the relevant Interest Period.

Interest will accrue on the outstanding principal amount of each Class of Notes (determined as of the first day of each Interest Period and after giving effect to any redemption or other payment of principal occurring on such day) from the date of issuance (or with respect to any Borrowing under the Class A-1A Notes after the Closing Date, from the date of such Borrowing). Interest accruing for any Interest Period will accrue for the period from and including the first day of such Interest Period to and including the last day of such Interest Period.

Payments of interest on the Notes will be payable in Dollars, quarterly in arrears on each January 5, April 5, July 5 and October 5, commencing on July 5, 2006 (each a "Quarterly Distribution Date"), *provided* that (i) the final Quarterly Distribution Date with respect to the Notes shall be July 5, 2042 and (ii) if any such date is not a Business Day, the relevant Quarterly Distribution Date will be the next succeeding Business Day. Payments of interest on the Class A-1A Notes will also be payable in Dollars, monthly in arrears on each Distribution Date that is not a Quarterly Distribution Date, commencing on July 5, 2006; *provided* that (i) the final Distribution Date with respect to the Class A-1A Notes shall be July 5, 2042 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 A Notes or Class B Notes are outstanding, the failure on any Quarterly Distribution Date to make payment in respect of interest on the Class C Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class C Notes that is not paid when due by operation of the Priority of Payments will be deferred and capitalized (such interest being referred to herein as "Class C Deferred Interest"). Any Class C Deferred Interest will be added to the aggregate outstanding principal amount of the Class C Notes and thereafter interest will accrue on the aggregate outstanding principal amount of the Class C Notes, as so increased. Unless otherwise specified herein, any reference to the principal amount of a Class C Note includes any Class C Deferred Interest added thereto. Upon the payment of Class C Deferred Interest previously capitalized as additional principal, the aggregate outstanding principal amount of the Class C Notes will be reduced by the amount of such payment.

So long as any Class A Notes, Class B Notes or Class C Notes are outstanding, the failure on any Quarterly Distribution Date to make payment in respect of interest on the Class D Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class D Notes that is not paid when due by operation of the Priority of Payments will be deferred and capitalized (such interest being referred to herein as "Class D Deferred Interest"). Any Class D Deferred Interest will be added to the aggregate outstanding principal amount of the Class D Notes and thereafter interest will accrue on the aggregate outstanding principal amount of the Class D Notes, as so increased. Unless otherwise specified herein, any reference to the principal amount of a Class D Note includes any Class D Deferred Interest added thereto. Upon the payment of Class D Deferred Interest previously capitalized as additional principal, the aggregate outstanding principal amount of the Class D Notes will be reduced by the amount of such payment.

Interest will cease to accrue on each Note or, in the case of a partial repayment, on such part, from the date of repayment or Stated Maturity unless payment of principal is improperly withheld or unless default is otherwise made with respect to such payments. To the extent lawful and enforceable, interest on any Defaulted Interest on any Note will accrue at the interest rate applicable to such Note until paid. "Defaulted Interest" means any interest due and payable in respect of any Note or (when used with respect to the Class A-1A Notes and the calculation of the Commitment Fee) Commitment Fee which is not punctually paid or duly provided for on the applicable Quarterly Distribution Date or at Stated Maturity and which remains unpaid. Class C Deferred Interest and Class D Deferred Interest will not constitute Defaulted Interest.

Definitions

"Interest Period" means (a) in the case of the Class A-1A Notes in respect of any Borrowing, (i) the period from, and including, the date of such Borrowing to, but excluding, the next succeeding 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; (b) in the case of the Class A-1B Notes, (i) the period from, and including, the date of issuance of such Class A-1B Notes to, but excluding, the next succeeding Quarterly Distribution Date and (ii) thereafter, the period from, and including, the Quarterly Distribution Date immediately following the last day of the immediately preceding Interest Period to, but excluding, the next succeeding Quarterly Distribution Date and (c) in the case of any other Notes, (i) the period from, and including, the Closing Date to, but excluding, the next succeeding Quarterly Distribution Date and (ii) thereafter, the period from, and including, the Quarterly Distribution Date immediately

following the last day of the immediately preceding Interest Period to, but excluding, the next succeeding Quarterly Distribution Date.

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

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

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

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

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

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

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

As used herein:

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

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

"Designated Maturity" means (a) with respect to the Class A-1A Notes (i) for the first Interest Period for a Borrowing made under the Class A-1A Notes, the number of calendar days from, and including, the relevant Borrowing Date to, but excluding, the Distribution Date immediately following the Interest Period in which such Borrowing is made, (ii) for each Interest Period after the first Interest Period for a Borrowing made under the Class A-1A Notes (other than the Interest Period ending in July 2042), one month and (iii) for the Interest Period ending in July 2042, the number of calendar days from, and including, the first day of such Interest Period to, but excluding, the final Distribution Date, (b) with respect to the Class A-1B Notes (i) for the first Interest Period after any issuance thereof, the number of calendar days from, and including, the relevant date of issuance to, but excluding, the Quarterly Distribution Date immediately following the Interest Period in which such issuance occurs, (ii) for each Interest Period after the first Interest Period (other than the Interest Period ending in July 2042), three months and (iii) for the Interest Period ending in July 2042, the number of calendar days from, and including, the first day of such Interest Period to, but excluding, the final Distribution Date and (c) with respect to the Class A-2 Notes, Class B Notes, Class C Notes and Class D Notes (i) for the first Interest Period, the number of calendar days from, and including the Closing Date to, but excluding, the first Quarterly Distribution Date, (ii) for each Interest Period after the first Interest Period (other than the Interest Period ending in July 2042), three months and (iii) for the Interest Period ending in July 2042, the number of calendar days from, and including, the first day of such Interest Period to, but excluding, the final Quarterly Distribution Date.

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

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

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

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

For so long as any Note remains outstanding, the Issuer 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. (New York time) on the Business Day immediately following each LIBOR Determination Date, the Calculation Agent will calculate the interest rate for the applicable Notes for the related Interest Period and the amount of interest for such Interest Period payable in respect of each U.S.\$1,000 in principal amount of each Class of Notes (in each case rounded to the nearest cent, with half a cent being rounded upward) on the related Quarterly Distribution Date.

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

COMMITMENT FEE ON CLASS A-1A NOTES

A commitment fee ("Commitment Fee") will accrue on the unfunded Commitments (including amounts deposited in any Class A-1A Noteholder Prepayment Account) for each day from and including the Closing Date to but excluding the Commitment Period Termination Date, at a rate per annum equal to 0.05%. Commitment Fee will be payable quarterly in arrears on each Quarterly Distribution Date and will rank *pari passu* with the payment of interest on the Class A-1A Notes. Commitment Fee will be computed on the basis of a 360-day year and the actual number of days elapsed.

CLASS A-1B SWAP AVAILABILITY FEE

A fee ("Class A-1B Swap Availability Fee") will accrue on the notional amount of the Class A-1B Swap for each day from and including the Closing Date to but excluding the earlier of (a) the Stated Maturity of the Class A-1B Notes and (b) the termination of the Class A-1B Swap (or the reduction of the notional amount thereof to zero), at a rate per annum equal to 0.17%. The Class A-1B Swap Availability Fee will be payable quarterly in arrears on each Quarterly Distribution Date and will rank *pari passu* with the payment of interest on the Class A-1 Notes. The Class A-1B Swap Availability Fee will be computed on the basis of a 360-day year and the actual number of days elapsed.

PRINCIPAL

The Stated Maturity of the Notes is July 5, 2042. Each Class of Notes is scheduled to mature at the applicable Stated Maturity unless redeemed or repaid prior thereto. However, the Notes may be paid in full prior to their Stated Maturity. See "Risk Factors—Average Lives, Duration and Prepayment Considerations", "Maturity, Prepayment and Yield Considerations" and "Description of the Notes—Mandatory Redemption".

Any payment of principal with respect to any Class of 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 Quarterly Distribution Date among the Notes of such Class (or Sub-Class, if applicable) according to the respective unpaid principal amounts thereof outstanding immediately prior to such payment. The Trustee shall, so long as any Class of Notes are listed on the Irish Stock Exchange, notify the Irish Stock Exchange not later than one Business Day preceding each Quarterly Distribution Date of the amount of principal payments to be made on the Notes of each such Class on such Quarterly Distribution Date, the amount of any Class C Deferred Interest and Class D Deferred Interest, the aggregate outstanding principal amount of the Notes of each such Class and the percentage of the original aggregate outstanding principal amount of the Notes of such Class after giving effect to the principal payments, if any, on such Quarterly Distribution Date.

SUBSTITUTION PERIOD

The Issuer is required to sell certain types of Equity Securities within five days of receipt thereof (or within five Business Days after such later date as such Equity Security may first be sold in accordance with its terms and applicable law) and other types of Equity Securities within one year of receipt thereof (or within one year after such later date as such Equity Security may first be sold in accordance with its terms and applicable law). The Issuer may, at the direction of the Collateral Manager, sell any Defaulted Security (other than a Defaulted Synthetic Security) at any time. The Issuer may, at the direction of the Collateral Manager, sell any Written Down Security or Credit Risk Security at any time; *provided* that, if (i) the rating of any of the Class A-1 Notes, Class A-2 Notes or Class B Notes has been withdrawn or reduced below the rating assigned to such Class of Notes on the Closing Date by Moody's and not reinstated, (ii) the rating of the Class C Notes has been withdrawn or reduced at least two subcategories below the rating assigned to such Class of Notes on the Closing Date by Moody's and not reinstated or (iii) the rating of the Class D Notes has been withdrawn or reduced at least three subcategories below the rating assigned to such Class of Notes on the Closing Date by Moody's and not reinstated, then a Credit Risk Security may be sold only if it has been downgraded or put on a watch list for possible downgrade by one or more Rating Agencies by one or more rating subcategories since it was acquired by the Issuer. The Issuer may sell (or exercise its right to terminate) any Defaulted Synthetic Security at any time. The Issuer may from time to time sell one or more Credit Improved Securities, subject to obtaining the consent of the Controlling Class. See "Security for the Notes—Dispositions of Pledged Collateral Debt Securities". Although procedures relating to the sale of Defaulted Securities, Written Down Securities, Credit Risk Securities, Credit Improved Securities and Equity Securities held by the Issuer are set forth in the Indenture, the Collateral Manager will not be able to exercise discretion outside of those

procedures in connection with such sales and the Issuer will not be able to sell any other Collateral Debt Securities included in the Collateral in response to changes in related credit or market risks.

During the Substitution Period, Principal Proceeds resulting from the amortization of Collateral Debt Securities that bear interest at a fixed rate or from the sale of Credit Risk Securities that bear interest at a fixed rate (collectively, "Specified Principal Proceeds") may be used by the Issuer to purchase certain additional Collateral Debt Securities and CDS Principal Proceeds to make payments due under Synthetic Securities; provided that after July 2011 the Issuer may not purchase additional Collateral Debt Securities with Specified Principal Proceeds without confirmation from the Controlling Class that it does not wish to modify the Post Ramp-Up Criteria. All other Principal Proceeds will be applied on each Distribution Date to pay principal of the Notes in accordance with the Priority of Payments.

The "Substitution Period" is the period from (and including) the Closing Date to (but excluding) the earlier of (a) the Stated Maturity of the Notes and (b) the date of termination of such period pursuant to the Indenture by reason of the occurrence of an Event of Default.

MANDATORY REDEMPTION

For each Quarterly Distribution Date in respect of which the related Determination Date occurs on or after the Ramp-Up Completion Date, if the Class A/B Coverage Test is not satisfied on such Determination Date and any Class A Note or Class B Note remains outstanding or the Class A-1B Swap is in effect, Interest Proceeds and, if necessary, Principal Proceeds will be used to pay, *first*, principal of the Class A-1B Notes, *second*, principal of the Class A-1A Notes, *third*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *fourth*, principal of the Class A-2 Notes and, *fifth*, principal of the Class B Notes, until the Class A/B Coverage Test is satisfied after giving effect to such payment.

For each Quarterly Distribution Date in respect of which the related Determination Date occurs on or after the Ramp-Up Completion Date, if the Class C/D Coverage Test is not satisfied on such Determination Date and any Class C Note or Class D Note remains outstanding, Interest Proceeds and, if necessary, Principal Proceeds will be used to pay, *first*, principal of the Class C Notes and, *second*, principal of the Class D Notes, until the Class C/D Coverage Test is satisfied after giving effect to such payment.

In addition, the Issuer will provide each Rating Agency with a Ramp-Up Notice within seven Business Days after the Ramp-Up Completion Date occurs. The Issuer will request that each Rating Agency provide a Rating Confirmation. If the Issuer is unable to obtain a Rating Confirmation from each Rating Agency by the later of (x) 45 Business Days following the Ramp-Up Completion Date and (y) the first Determination Date following the Ramp-Up Completion Date (a "Rating Confirmation Failure"), on the first Quarterly Distribution Date following the occurrence of such Rating Confirmation Failure, the Issuer will be required to apply Uninvested Proceeds and, then, Interest Proceeds and, then, Principal Proceeds, to pay, *first*, principal of the Class A-1B Notes, *second*, principal of the Class A-1A Notes, *third*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *fourth*, principal of the Class A-2 Notes, *fifth*, principal of the Class B Notes, *sixth*, principal of the Class C Notes and, *seventh*, principal of the Class D Notes, in each case in accordance with the Priority of Payments as and to the extent necessary for each Rating Agency to confirm the rating (including any private or confidential rating) assigned by it on the Closing Date to the Notes.

AUCTION CALL REDEMPTION

In accordance with the procedures set forth in the Indenture (the "Auction Procedures"), the Trustee shall, at the expense of the Issuer, conduct an auction (an "Auction") of the Pledged Collateral Debt Securities if, on or prior to the Quarterly Distribution Date occurring in July 2014, the Notes have not been redeemed in full. The Auction shall be conducted not later than ten Business Days prior to (1) the Quarterly Distribution Date occurring in July 2014 and (2) if the Notes are not redeemed in full on the prior Quarterly Distribution Date, each Quarterly Distribution Date thereafter until the Notes have been redeemed in full (each such date, an "Auction Date"). Any of the Income Noteholders, the Collateral Manager, the Trustee or their respective Affiliates may, but shall not be required to, bid at the Auction. The Trustee shall sell and transfer all of the Pledged Collateral Debt Securities (which may be divided into up to eight subpools) to the highest bidder therefor (or to the highest bidder for each subpool) at the Auction *provided that*:

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

(ii) the Trustee has received bids for such Collateral Debt Securities from at least two qualified bidders who are persons that are Independent from one another and the Issuer, as identified to the Trustee by the Collateral Manager (including the winning qualified bidder) for (x) the purchase of all such Collateral Debt Securities or (y) the purchase of subpools that in aggregate constitute all such Collateral Debt Securities designated by the Trustee (in consultation with the Collateral Manager) in accordance with the Auction Procedures;

(iii) the Trustee has determined that the highest auction price would result in sale proceeds from all such Collateral Debt Securities (or the related subpools constituting all of such Collateral Debt Securities) which, together with the balance of all Eligible Investments, U.S. Agency Securities and cash in the Accounts (other than in the Hedge Counterparty Collateral Account, any Synthetic Security Issuer Account, any Class A-1A Noteholder Prepayment Account or any Class A-1B Swap Prefunding Account), are at least equal to the Total Senior Redemption Amount; and

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

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

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

OPTIONAL REDEMPTION AND TAX REDEMPTION

Subject to certain conditions described herein, the Issuer may redeem the Notes on any Distribution Date (such redemption, an "Optional Redemption"), in whole but not in part, at the direction of a Majority-in-Interest of Income Noteholders at the applicable Redemption Price therefor, *provided* that no such Optional Redemption may be effected prior to the Distribution Date occurring in July 2010.

In addition, upon the occurrence of a Tax Event and so long as the Tax Materiality Condition is satisfied, the Issuer may redeem the Notes on any Distribution Date (such redemption, a "Tax Redemption"), in whole but not in part, at the applicable Redemption Price therefor (i) at the direction of the holders of a majority in aggregate outstanding principal amount of any Class of Notes that, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate

amount of principal and interest payable to such Class on any Distribution Date (each such Class, an "Affected Class") or (ii) at the direction of a Majority-in-Interest of Income Noteholders.

No Optional Redemption or Tax Redemption may be effected, however, unless proceeds from the sale of Collateral Debt Securities, U.S. Agency Securities, if any, and Eligible Investments, together with the balance of all Eligible Investments and cash in the Accounts (other than in the Hedge Counterparty Collateral Account and any Synthetic Security Issuer Account, any Class A-1A Noteholder Prepayment Account or any Class A-1B Swap Prefunding Account), are at least equal the amount sufficient to pay (in accordance with the Priority of Payments) the Total Senior Redemption Amount.

Unless a Majority-in-Interest of Income Noteholders have directed the Issuer to redeem the Income Notes on such Distribution Date, the amount of Collateral sold in connection with such Optional Redemption or Tax Redemption shall not exceed the amount necessary for the Issuer to obtain the Total Senior Redemption Amount. In addition, no Tax Redemption may be effected unless the Tax Materiality Condition is satisfied.

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

REDEMPTION PROCEDURES

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

The Notes may not be redeemed pursuant to an Auction Call Redemption, Optional Redemption or Tax Redemption unless at least six Business Days before the scheduled Redemption Date, the Issuer shall have furnished to the Trustee, the holders of the Notes of the Controlling Class, the Hedge Counterparty and the Class A-1B Swap Agreement evidence, in form satisfactory to the Trustee, that the Issuer has entered into a binding agreement or agreements with a financial institution or institutions whose long-term unsecured debt obligations (other than such obligations whose rating is based on the credit of a person other than such institution) have a credit rating from each Rating Agency at least equal to the rating of the highest rated Notes then outstanding or whose short-term unsecured debt obligations have a credit rating of "P-1" by Moody's (and, if rated "P-1", are not on watch for possible downgrade by Moody's), at least "A-1" by Standard & Poor's and at least "F1" by Fitch to sell, not later than the Business Day immediately preceding the scheduled Redemption Date, all or part of the Collateral Debt Securities at a purchase price, when added to any Sale Proceeds in respect of Eligible Investments and U.S. Agency Securities, if any, maturing on or prior to the scheduled Redemption Date and any other available funds credited to the Interest Collection Account, the Principal Collection Account, the Semi-Annual Interest Reserve Account, the Uninvested Proceeds Account, the Interest Reserve Account, the Expense Account and the Payment Account on the relevant Distribution Date, will equal or exceed the Total Senior Redemption Amount.

Any such notice of redemption must be withdrawn by the Issuer up to the sixth Business Day prior to the scheduled Redemption Date by written notice to the Trustee, the Hedge Counterparty and the holders of the Notes of the Controlling Class if on or prior to such date (i) the Issuer has not delivered to the Trustee a certification that in its judgment based on calculations included in such certification, (1) the sale proceeds from the sale of one or more of the Collateral Debt Securities, together with the balance of all Eligible Investments and cash in the Accounts (other than in the Hedge Counterparty Collateral Account and any Synthetic Security Issuer Account, any Class A-1A Noteholder Prepayment

Account or any Class A-1B Swap Prefunding Account), will be sufficient to pay the Total Senior Redemption Amount, (2) an approved pricing service has confirmed each sales price contained in such certification (if such price is quoted on an approved pricing service) and (3) the sale price of such Collateral Debt Security is no lower than the median of bona fide bids for such Collateral Debt Security obtained by the Collateral Manager as contemplated by clause (i) of the definition of "Fair Market Value" and, otherwise, the Fair Market Value of such Collateral Debt Security or (ii) the Independent accountants appointed by the Issuer have not confirmed in writing the calculations made in such certification. Upon any redemption of the Notes pursuant to any Optional Redemption, Tax Redemption or Auction Call Redemption, the Hedge Agreement and the Class A-1B Swap Agreement will terminate. During the period when a notice of redemption may be withdrawn, the Issuer shall not terminate the Hedge Agreement and if the Hedge Agreement shall become subject to early termination during such period, the Issuer shall enter into a replacement Hedge Agreement. Notice of any such withdrawal shall be given by the Trustee to each holder of Notes at such holder's address in the Note Register maintained by the Note Registrar under the Indenture by overnight courier guaranteeing next day delivery, sent not later than the sixth Business Day prior to the scheduled Redemption Date.

CANCELLATION

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

PAYMENTS

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

If any payment on the Notes is due on a day that is not a Business Day, then payment will be made on the next succeeding Business Day with the same force and effect as if made on the date for payment. For this purpose, "Business Day" means a day on which commercial banks and (if applicable) foreign exchange markets settle payments in each of New York, New York and London, England and any other city in which the corporate trust office of the Trustee is located and, in the case of the final payment of principal of any Note, the place of presentation of such Note. 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 Notes are listed on the Irish Stock Exchange and the rules of such exchange shall so require, the Issuer 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 or Commitment Fee on any 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 Note shall thereafter, as an unsecured general creditor, look to the Issuer for payment of such amounts and all liability of the Trustee or such Paying Agent with respect to such trust money shall thereupon cease. The Trustee or the Paying Agent, before being required to make any such release of payment may, at the request of the Issuer, adopt and employ, at the expense of the Issuer, any reasonable means of notification of such release of payment, including mailing notice of such release to holders whose Notes have been called but have not been surrendered for redemption or whose right to or interest in monies due and payable but not claimed is determinable from the records of any Paying Agent, at the last address of record of each such holder.

PRIORITY OF PAYMENTS

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

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

- (A) to the payment of taxes and filing and registration fees owed by the Co-Issuers, if any;
- (B) if such Distribution Date is a Quarterly Distribution Date, (1) *first*, to the payment to the Trustee of the Trustee Fee; (2) *second*, to the payment, in the following order, to the Trustee, Collateral Administrator, the Income Note Paying and Transfer Agent, the Note Registrar, the Administrator, the Rating Agencies, counsel, accountants, the Collateral Manager and any other third parties of any accrued and unpaid Administrative Expenses, *provided* that all payments made pursuant to this subclause (2) do not exceed on such Quarterly Distribution Date U.S.\$62,500; (3) *third*, if the balance of all Eligible Investments and cash in the Expense Account on the related Determination Date is less than U.S.\$200,000, for deposit into the Expense Account of an amount equal to the lesser of (x) the amount, if any, by which U.S.\$50,000 exceeds the aggregate amount of payments made under subclause (2) above on such Quarterly 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.\$200,000;
- (C) if such Distribution Date is a Quarterly Distribution Date, to the payment to the Collateral Manager of accrued and unpaid Senior Management Fee;
- (D) to the payment of all amounts scheduled to be paid to the Hedge Counterparty pursuant to the Hedge Agreement, together with any termination payments (and any accrued interest thereon) payable by the Issuer pursuant to the Hedge Agreement other than by reason of an "event of default" or "termination event" (other than an "illegality" or "tax event") as to which the Hedge Counterparty is the sole "defaulting party" or the sole "affected party" (as each such term is defined in the Hedge Agreement);
- (E) if such Distribution Date is not a Quarterly Distribution Date, to the payment of the Interest Distribution Amount with respect to the Class A-1A Notes and the Commitment Fee Amount;
- (F) if such Distribution Date is a Quarterly Distribution Date, to the pro rata payment of (1) the Interest Distribution Amount with respect to the Class A-1 Notes, (2) the Commitment Fee Amount and (3) the Class A-1B Swap Availability Fee Amount with respect to the Class A-1B Swap;
- (G) if such Distribution Date is a Quarterly Distribution Date, to the payment of the Interest Distribution Amount with respect to the Class A-2 Notes;
- (H) if such Distribution Date is a Quarterly Distribution Date, to the payment of the Interest Distribution Amount with respect to the Class B Notes;
- (I) if such Distribution Date is a Quarterly Distribution Date (1) and the related Determination Date occurs on or after the Ramp-Up Completion Date, if the Class A/B Coverage Test is not satisfied on such Determination Date and any Class A Note or Class B Note remains outstanding or the Class A-1B Swap is in effect, to pay, *first*, principal of the Class A-1B Notes, *second*, principal of the Class A-1A Notes, *third*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *fourth*, principal of the Class A-2 Notes and, *fifth*, principal of the Class B Notes, until the Class A/B Coverage Test is satisfied after giving effect to such payment and (2) commencing on the first Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Rating Confirmation after the application of Uninvested Proceeds, to pay, *first*, principal of the Class A-1B Notes, *second*, principal of the Class A-1A Notes, *third*, if the Class A-1B Swap is outstanding, to the

Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *fourth*, principal of the Class A-2 Notes and, *fifth*, principal of the Class B Notes, all to the extent specified by each relevant Rating Agency in order to obtain a Rating Confirmation after giving effect to such payment;

- (J) if such Distribution Date is a Quarterly Distribution Date, to the payment of the Interest Distribution Amount with respect to the Class C Notes;
- (K) if such Distribution Date is a Quarterly Distribution Date, to the payment of the Interest Distribution Amount with respect to the Class D Notes;
- (L) if such Distribution Date is a Quarterly Distribution Date (1) and the related Determination Date occurs on or after the Ramp-Up Completion Date, if the Class C/D Coverage Test is not satisfied on such Determination Date and any Class C Note or Class D Note remains outstanding, to pay, *first*, principal of the Class C Notes (including any Class C Deferred Interest) and, *second*, principal of the Class D Notes (including any Class D Deferred Interest) until the Class C/D Coverage Test is satisfied after giving effect to such payment and (2) commencing on the first Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Rating Confirmation after the application of Uninvested Proceeds, to pay, *first*, principal of the Class C Notes (including any Class C Deferred Interest) and, *second*, principal of the Class D Notes (including any Class D Deferred Interest), all to the extent specified by each relevant Rating Agency in order to obtain a Rating Confirmation after giving effect to such payment;
- (M) if such Distribution Date is a Quarterly Distribution Date, to the payment of Class C Deferred Interest (in reduction of the outstanding principal amount of the Class C Notes);
- (N) if such Distribution Date is a Quarterly Distribution Date, to the payment of Class D Deferred Interest (in reduction of the outstanding principal amount of the Class D Notes);
- (O) if such Distribution Date is a Quarterly Distribution Date, to the payment of all other accrued and unpaid Administrative Expenses of the Issuer not paid pursuant to clause (B) above (whether as the result of the limitations on amounts set forth therein or otherwise) and payable in the same order of priority specified therein;
- (P) if such Distribution Date is not a Quarterly Distribution Date, to be held as Interest Proceeds until the next succeeding Distribution Date for application as described in this Priority of Payments;
- (Q) if such Distribution Date is a Quarterly Distribution Date occurring in or after July 2014, 50% of any Interest Proceeds remaining after all of the foregoing applications shall be applied to pay, *first*, principal of the Class D Notes (including any Class D Deferred Interest) until paid in full, *second*, principal of the Class C Notes (including any Class C Deferred Interest) until paid in full, *third*, the principal of the Class B Notes until paid in full, *fourth*, the principal of the Class A-2 Notes until paid in full, *fifth*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *sixth*, principal of the Class A-1A Notes until paid in full and, *seventh*, principal of the Class A-1B Notes until paid in full; and
- (R) if such Distribution Date is a Quarterly Distribution Date, to the Income Note Paying and Transfer Agent for distribution to the Income Noteholders or as a payment on redemption or repurchase of the Income Notes, in each case, as provided in the Income Note Paying Agency Agreement.

Principal Proceeds—General. On each Distribution Date, Principal Proceeds with respect to the related Due Period (excluding any CDS Principal Proceeds with respect to such Due Period) will be distributed in the order of priority set forth below:

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

- (B) for each Distribution Date in respect of which the related Determination Date occurs during a Sequential Pay Period, (1) if such Distribution Date is not a Quarterly Distribution Date, to pay, *first*, principal of the Class A-1B Notes until paid in full, *second*, principal of the Class A-1A Notes until paid in full and, *third*, for deposit to the Principal Collection Account for application on the next Distribution Date pursuant to this Priority of Payments and (2) if such Distribution Date is a Quarterly Distribution Date, to pay, *first*, principal of the Class A-1B Notes until paid in full, *second*, principal of the Class A-1A Notes until paid in full and, *third*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement;
- (C) for each Distribution Date in respect of which the related Determination Date occurs during a Pro Rata Pay Period, (1) if such Distribution Date is not a Quarterly Distribution Date, to pay, *first*, principal of the Class A-1B Notes until paid in full and, *second*, principal of the Class A-1A Notes until paid in full (so long as the aggregate amount of all such payments of principal of Class A-1 Notes during any Quarterly Distribution Period do not exceed the Class A-1 Pro Rata Principal Payment Cap for such Distribution Date) and, *third*, for deposit to the Principal Collection Account for application on the next Distribution Date pursuant to this Priority of Payments and (2) if such Distribution Date is a Quarterly Distribution Date, to pay, *first*, principal of the Class A-1B Notes until paid in full, *second*, principal of the Class A-1A Notes until paid in full and, *third*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement so long as the aggregate amount of all such payments and deposits, and all payments pursuant to the foregoing clause (1), during any Quarterly Distribution Period do not exceed the Class A-1 Pro Rata Principal Payment Cap for such Distribution Date;
- (D) after giving effect to any application of (x) Uninvested Proceeds and (y) Interest Proceeds pursuant to paragraph (I) under "Priority of Payments—Interest Proceeds", if such Distribution Date is a Quarterly Distribution Date (1) and the related Determination Date occurs on or after the Ramp-Up Completion Date, if the Class A/B Coverage Test is not satisfied on such Determination Date and any Class A Note or Class B Note remains outstanding or the Class A-1B Swap is in effect, to pay, *first*, principal of the Class A-1B Notes, *second*, principal of the Class A-1A Notes, *third*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *fourth*, principal of the Class A-2 Notes and, *fifth*, principal of the Class B Notes, until the Class A/B Coverage Test is satisfied after giving effect to such payment and (2) commencing on the first Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Rating Confirmation, to pay, *first*, principal of the Class A-1B Notes, *second*, principal of the Class A-1A Notes, *third*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *fourth*, principal of the Class A-2 Notes and, *fifth*, principal of the Class B Notes, all to the extent specified by each relevant Rating Agency in order to obtain a Rating Confirmation after giving effect to such payment;
- (E) if such Distribution Date is a Quarterly Distribution Date, for each Distribution Date in respect of which the related Determination Date occurs during a Sequential Pay Period, *first*, to the payment of principal of the Class A-2 Notes and, *second*, to the payment of principal of the Class B Notes, in each case, until paid in full;
- (F) if such Distribution Date is a Quarterly Distribution Date, for each Distribution Date in respect of which the related Determination Date occurs during a Pro Rata Pay Period, to the pro rata payment of principal of the Class A-2 Notes and the Class B Notes up to in the aggregate the Class A-2/B Pro Rata Principal Payment Cap for such Distribution Date;
- (G) if such Distribution Date is a Quarterly Distribution Date, to the payment of the amount referred to in paragraph (J) under "Priority of Payments—Interest Proceeds" above, but only to the extent not paid in full thereunder;
- (H) if such Distribution Date is a Quarterly Distribution Date, to the payment of the amount referred to in paragraph (K) under "Priority of Payments—Interest Proceeds" above, but only to the extent not paid in full thereunder;
- (I) if such Distribution Date is a Quarterly Distribution Date, to the payment of Class C Deferred Interest (in reduction of the outstanding principal amount of the Class C Notes);

- (J) if such Distribution Date is a Quarterly Distribution Date, to the payment of Class D Deferred Interest (in reduction of the outstanding principal amount of the Class D Notes);
- (K) after giving effect to any application of (x) Uninvested Proceeds and (y) Interest Proceeds pursuant to paragraphs (I) and (L) under "Priority of Payments—Interest Proceeds" and paragraph (D) above, if such Distribution Date is a Quarterly Distribution Date (1) and the related Determination Date occurs on or after the Ramp-Up Completion Date, if the Class C/D Coverage Test is not satisfied on such Determination Date and any Class C Note or Class D Note remains outstanding, to pay, *first*, principal of the Class C Notes (including any Class C Deferred Interest) and, *second*, principal of the Class D Notes (including any Class D Deferred Interest), until the Class C/D Coverage Test is satisfied after giving effect to such payment and (2) commencing on the first Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Rating Confirmation, to pay, *first*, principal of the Class C Notes (including any Class C Deferred Interest) and, *second*, principal of the Class D Notes (including any Class D Deferred Interest), all to the extent specified by each relevant Rating Agency in order to obtain a Rating Confirmation after giving effect to such payment;
- (L) if such Distribution Date is a Quarterly Distribution Date and in respect of which the related Determination Date occurs during a Sequential Pay Period, to the payment of principal of the Class C Notes (including any Class C Deferred Interest) until paid in full;
- (M) if such Distribution Date is a Quarterly Distribution Date and in respect of which the related Determination Date occurs during a Pro Rata Pay Period, to the payment of principal of the Class C Notes (including any Class C Deferred Interest) up to in the aggregate the Class C Pro Rata Principal Payment Cap;
- (N) if such Distribution Date is a Quarterly Distribution Date, to the payment of principal of the Class D Notes (including any Class D Deferred Interest) until paid in full;
- (O) for each Quarterly Distribution Date in respect of which the related Determination Date occurs during the Substitution Period, to pay to the Principal Collection Account from any remaining Principal Proceeds, for application thereafter to the purchase of substitute Collateral Debt Securities (subject to satisfaction of the Eligibility Criteria) by no later than the last day of the Due Period relating to the Quarterly Distribution Date immediately following such Quarterly Distribution Date, in an amount equal to the amount of Specified Principal Proceeds received during the related Due Period (after giving effect to any payments pursuant to clauses (A) through (N) above);
- (P) if such Distribution Date is a Quarterly Distribution Date, to the payment of the amounts referred to in paragraph (O) under "Priority of Payments—Interest Proceeds", but only to the extent not paid in full thereunder; and
- (Q) if such Distribution Date is a Quarterly Distribution Date, to the Income Note Paying and Transfer Agent for distribution to the Income Noteholders as a dividend on the Income Notes or as a payment on redemption or repurchase of the Income Notes, in each case, as provided in the Income Note Paying Agency Agreement.

Principal Proceeds—CDS. On each Distribution Date, CDS Principal Proceeds with respect to the related Due Period will be distributed in the order of priority set forth below:

- (A) to the payment of the amounts referred to in paragraphs (A) to (H) under "Priority of Payments—Interest Proceeds" above in the same order of priority specified therein, but only to the extent not paid in full thereunder or under paragraph (A) under "Priority of Payments—Principal Proceeds—General";
- (B) after giving effect to any application of (x) Uninvested Proceeds, (y) Interest Proceeds pursuant to paragraph (I) under "Priority of Payments—Interest Proceeds" and (z) Principal Proceeds pursuant to paragraph (D) under "Priority of Payments—Principal Proceeds—General", if such Distribution Date is a Quarterly Distribution Date (1) and the related Determination Date occurs on or after the Ramp-Up Completion Date, if the Class A/B Coverage Test is not satisfied on such Determination Date and any Class A Note or Class B Note remains outstanding or the Class A-1B Swap is in effect, to pay, *first*, principal of the Class A-1B Notes, *second*, principal of the Class A-1A Notes, *third*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account

for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *fourth*, principal of the Class A-2 Notes and, *fifth*, principal of the Class B Notes, until the Class A/B Coverage Test is satisfied after giving effect to such payment and (2) commencing on the first Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Rating Confirmation after the application of Uninvested Proceeds, to pay, *first*, principal of the Class A-1B Notes until paid in full, *second*, principal of the Class A-1A Notes, *third*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *fourth*, principal of the Class A-2 Notes and, *fifth*, principal of the Class B Notes, all to the extent specified by each relevant Rating Agency in order to obtain a Rating Confirmation after giving effect to such payment;

- (C) if such Distribution Date is a Quarterly Distribution Date, for each Distribution Date in respect of which the related Determination Date occurs during a Sequential Pay Period, to pay, *first*, principal of the Class A-1B Notes until paid in full, *second*, principal of the Class A-1A Notes until paid in full, *third*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *fourth*, principal of the Class A-2 Notes until paid in full and, *fifth*, principal of the Class B Notes until paid in full;
- (D) if such Distribution Date is a Quarterly Distribution Date, for each Distribution Date in respect of which the related Determination Date occurs during a Pro Rata Pay Period, to (1) the payment of principal of, *first*, the Class A-1B Notes, *second*, the Class A-1A Notes (so long as the aggregate amount of all such payments during any Quarterly Distribution Period do not exceed the Class A-1 Pro Rata Principal Payment Cap for such Distribution Date) and (2) after any application pursuant to the foregoing clause (2), the pro rata payment of principal of the Class A-2 Notes and the Class B Notes up to in the aggregate, during the relevant Quarterly Distribution Period, the Class A-2/B Pro Rata Principal Payment Cap for such Distribution Date;
- (E) if such Distribution Date is a Quarterly Distribution Date, to the payment of the amount referred to in paragraph (J) under "Priority of Payments—Interest Proceeds" and paragraph (G) under "Priority of Payments— Principal Proceeds—General " above, but only to the extent not paid in full thereunder;
- (F) if such Distribution Date is a Quarterly Distribution Date, to the payment of the amount referred to in paragraph (K) under "Priority of Payments—Interest Proceeds" and paragraph (H) under "Priority of Payments— Principal Proceeds—General " above, but only to the extent not paid in full thereunder;
- (G) if such Distribution Date is a Quarterly Distribution Date, to the payment of Class C Deferred Interest (in reduction of the outstanding principal amount of the Class C Notes);
- (H) if such Distribution Date is a Quarterly Distribution Date, to the payment of Class D Deferred Interest (in reduction of the outstanding principal amount of the Class D Notes);
- (I) after giving effect to any application of (x) Uninvested Proceeds, (y) Interest Proceeds pursuant to paragraphs (I) and (L) under "Priority of Payments—Interest Proceeds" and (z) Principal Proceeds pursuant to paragraphs (D) and (K) under "Priority of Payments—Principal Proceeds—General" and paragraph (B) above, if such Distribution Date is a Quarterly Distribution Date (1) and the related Determination Date occurs on or after the Ramp-Up Completion Date, if the Class C/D Coverage Test is not satisfied on such Determination Date and any Class C Note remains outstanding, to pay principal of *first*, the Class C Notes (including any Class C Deferred Interest) and, *second*, the Class D Notes (including any Class D Deferred Interest), until the Class C/D Coverage Test is satisfied after giving effect to such payment and (2) commencing on the first Quarterly Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Rating Confirmation after the application of Uninvested Proceeds, to pay, *first*, principal of the Class A-1B Notes, *second*, principal of the Class A-1A Notes, *third*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *fourth*, principal of the Class A-2 Notes and, *fifth*, principal of the Class B Notes, all to the extent specified by each relevant Rating Agency in order to obtain a Rating Confirmation after giving effect to such payment;

- (J) if such Distribution Date is a Quarterly Distribution Date and in respect of which the related Determination Date occurs during a Sequential Pay Period, to the payment of principal of the Class C Notes (including any Class C Deferred Interest) until paid in full;
- (K) if such Distribution Date is a Quarterly Distribution Date and in respect of which the related Determination Date occurs during a Pro Rata Pay Period, to the payment of principal of the Class C Notes (including any Class C Deferred Interest) up to in the aggregate the Class C Pro Rata Principal Payment Cap;
- (L) if such Distribution Date is a Quarterly Distribution Date, to the payment of principal of the Class D Notes (including any Class D Deferred Interest) until paid in full;
- (M) if such Distribution Date is a Quarterly Distribution Date, to the payment of the amounts referred to in paragraph (O) under "Priority of Payments—Interest Proceeds" and paragraph (P) under "Priority of Payments—Principal Proceeds—General" above, but only to the extent not paid in full thereunder; and
- (N) if such Distribution Date is a Quarterly Distribution Date, to the Income Note Paying and Transfer Agent for distribution to the Income Noteholders as a dividend on the Income Notes or as a payment on redemption or repurchase of the Income Notes, in each case, as provided in the Income Note Paying Agency Agreement.

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 paragraph in this section to different Persons, the Trustee will make the disbursements called for by each such paragraph ratably in accordance with the respective amounts of such disbursements then due and payable to the extent funds are available therefor.

Any amounts to be paid to the Income Note Paying and Transfer Agent pursuant to paragraph (R) of the "Priority of Payments—Interest Proceeds", paragraph (Q) of the "Priority of Payments—Principal Proceeds—General" or paragraph (N) of the "Priority of Payments—Principal Proceeds—CDS" will be released from the lien of the Indenture.

If the Notes and the Income Notes have not been redeemed prior to the Quarterly Distribution Date occurring in July 2042 it is expected that 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, any Class A-1A Noteholder Prepayment Account or any Class A-1B Swap Prefunding Account) and sell or liquidate all other Collateral, and 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 the amounts due to the Hedge Counterparty and the Class A-1B Swap Counterparty) and (iii) Commitment Fee on the Class A-1A Notes and principal of and interest on (including Class C Deferred Interest, Class D Deferred Interest, Defaulted Interest and interest on Defaulted Interest, if any) the Notes. Net proceeds from such liquidation and available cash remaining (after all payments required pursuant to the Indenture and the payment of the costs and expenses of such liquidation, the establishment of adequate reserves to meet all contingent, unliquidated liabilities or obligations of the Issuer, the return of U.S.\$1,000 of capital contributed to the Issuer by, and the payment of a U.S.\$1,000 profit fee to, the owner of the Issuer's ordinary shares) will be distributed to the Income Noteholders in accordance with the Income Note Paying Agency Agreement.

THE COVERAGE TESTS

In addition to the requirements to satisfy the Eligibility Criteria, the Collateral Quality Tests and the Standard & Poor's CDO Monitor Test as of the Ramp-Up Completion Date, the Issuer is required to satisfy each of the Coverage Tests as of the Ramp-Up Completion Date. The failure so to satisfy any of the Coverage Tests as of the Ramp-Up Completion Date does not constitute an Event of Default but such failure may result in a Rating Confirmation Failure and, consequently, the repayment or redemption of a portion of the Notes from Interest Proceeds in accordance with the Priority of Payments. See "Risk Factors—Nature of Collateral" and "Description of the Notes—Mandatory Redemption".

On and after the Ramp-Up Completion Date, (a) the Class A/B Coverage Test and (b) the Class C/D Coverage Test (collectively, the "Coverage Tests") will be used primarily to determine whether and to what extent Interest Proceeds and Principal Proceeds may be used to pay interest on and dividends in respect of Offered Notes Subordinate to such Class

and certain other expenses and whether and to what extent Principal Proceeds may be reinvested in substitute Collateral Debt Securities. For the purpose of determining any payment to be made on any Quarterly Distribution Date pursuant to any applicable paragraph of "Priority of Payments", any Coverage Test referred to in such paragraph shall be calculated as of the relevant Quarterly Distribution Date after giving effect to all payments to be made on such Quarterly Distribution Date prior to such payment in accordance with "Priority of Payments–Interest Proceeds". For purposes of the Coverage Tests, unless otherwise specified, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation. None of the Coverage Tests will apply prior to the Ramp-Up Completion Date.

The Class A/B Coverage Test

The "Class A/B Coverage 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 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 plus (iii) the aggregate outstanding principal amount of the Class B Notes plus (iv) the Class A-1B Swap Reserve Account Funding Requirement.

The "Class A/B Coverage Test", for so long as any Class A Notes or Class B Notes remain outstanding, will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class A/B Coverage Ratio on such Measurement Date is equal to or greater than 101.69%.

The Class C/D Coverage Test

The "Class C/D Coverage 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 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 plus (iii) the aggregate outstanding principal amount of the Class B Notes plus (iv) the Class A-1B Swap Reserve Account Funding Requirement plus (v) the aggregate outstanding principal amount of the Class C Notes plus (vi) the aggregate outstanding principal amount of the Class D Notes.

The "Class C/D Coverage Test", for so long as any Class C Notes or Class D Notes remain outstanding, will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class C/D Coverage Ratio on such Measurement Date is equal to or greater than 100.41%.

While a Pro Rata Pay Period is in effect, payments of principal of the Notes will generally be made pro rata in accordance with the respective outstanding principal amounts of the Notes. However, a Pro Rata Pay Period will terminate upon the commencement of a Sequential Pay Period. A Sequential Pay Period is the period commencing on the earliest 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, (b) the first Measurement Date on which the Sequential Pay Test is not satisfied, (c) the first Measurement Date on which the Issuer does not satisfy any applicable Coverage Test and (d) the first Determination Date on which an Event of Default has occurred and is continuing, provided that if a Sequential Pay Period has commenced solely as a result of one or more breaches of a Coverage Test, such Sequential Pay Period shall cease on the first Measurement Date that all breaches of the Coverage Tests have been cured.

NO GROSS-UP

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

THE INDENTURE

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

Events of Default

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

(a) a default in the payment of any interest or Commitment Fee (i) on any Class A Note or Class B Note when the same becomes due and payable or (ii) if there are no Class A Notes or Class B Notes outstanding, on any Class C Note when the same becomes due and payable or (iii) if there are no Class A Notes, Class B Notes or Class C Notes outstanding, on any Class D 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, a Paying Agent (other than the Income Note Paying and Transfer Agent) or the Note Registrar, such default continues for a period of five Business Days);

(b) a default in the payment of principal of any 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, Paying Agent (other than the Income Note Paying and Transfer Agent) or the Note Registrar, such default continues for a period of five Business Days);

(c) 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 (a) or (b) 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, a Paying Agent (other than the Income Note Paying and Transfer Agent) or the Note Registrar, such failure continues for a period of five Business Days);

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

(e) a default in the performance, or breach, of any other covenant or other agreement in any material respect (it being understood that a failure to satisfy a Collateral Quality Test, a Coverage Test, the Standard & Poor's CDO Monitor Test or the Eligibility Criteria is not a default or breach) of the Issuer or the Co-Issuer under the Indenture or any representation or warranty of the Issuer or the Co-Issuer made in the Indenture or in any certificate or other writing delivered pursuant thereto or in connection therewith proves to be incorrect in any material respect when made, and the continuation of such default or breach for a period of 30 consecutive days (or, if such default, breach or failure has an adverse effect on the validity, perfection or priority of the security interest granted under the Indenture, 15 days) after the Issuer has actual knowledge thereof or after notice thereof to the Issuer by the Trustee or to the Issuer and the Trustee by the holders of at least 25% in aggregate outstanding principal amount of Notes of the Controlling Class, by the Hedge Counterparty or by the Class A-1B Swap Counterparty, in each case, specifying such default or breach and requiring it to be remedied and stating that it is a "notice of default" under the Indenture;

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

(g) one or more final judgments being rendered against the Issuer or the Co-Issuer that exceed, in the aggregate, U.S.\$1,000,000 (or such lesser amount as any Rating Agency may specify) and which remain unstayed, undischarged and unsatisfied for 30 days after such judgment(s) becomes nonappealable, unless adequate funds have been reserved or set aside for the payment thereof.

If the Issuer or the Co-Issuer shall obtain actual knowledge that an Event of Default has occurred and is continuing, the Issuer is obligated to promptly notify the Trustee, the Income Note Paying and Transfer Agent, the

Noteholders, the Collateral Manager, the Hedge Counterparty, the Class A-1B Swap Counterparty and each Rating Agency of such Event of Default in writing.

If an Event of Default occurs and is continuing (other than an Event of Default described in clause (f) under "Events of Default" above), the Trustee (at the direction of the holders of a majority in aggregate outstanding principal amount of the Controlling Class) and otherwise holders of a majority in aggregate outstanding principal amount of the Controlling Class, may (i) declare the principal of and accrued and unpaid interest on and Commitment Fee on all of the Notes to be immediately due and payable, (ii) reduce the unfunded Commitments to zero and (iii) terminate the Substitution Period. If an Event of Default described in clause (f) above under "Events of Default" occurs, such an acceleration, reduction of Commitments and termination of the Substitution Period 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 (a) or clause (b) above under "Events of Default" with respect to a default in the payment of any principal of or interest or Commitment Fee on the Notes of a Class other than the Controlling Class, neither the Trustee nor the holders of such Class other than the Controlling Class will have the right to declare such principal and other amounts to be immediately due and payable. Any declaration of acceleration may under certain circumstances be rescinded by the holders of at least a majority in aggregate outstanding principal amount of Notes of the Controlling Class. The Issuer shall not terminate any Hedge Agreement in effect immediately prior to a declaration of acceleration unless the liquidation of the Collateral has begun and such declaration is no longer capable of being rescinded or annulled.

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

(i) the Trustee determines that the anticipated net proceeds of a sale or liquidation of such Collateral would be sufficient to discharge in full the amounts then due and unpaid on the Notes for principal and interest (including Class C Deferred Interest, Class D Deferred Interest, Defaulted Interest and interest on Defaulted Interest, if any) and Commitment Fee and certain and unpaid Administrative Expenses, due and unpaid Senior Management Fee, and any accrued and unpaid amounts payable by the Issuer pursuant to the Hedge Agreement and the Class A-1B Swap Agreement, including termination payments, if any (assuming, for this purpose, that the Hedge Agreement and the Class A-1B Swap Agreement has been terminated by reason of the occurrence of an event of default or termination event thereunder with respect to the Issuer); or

(ii) the holders of at least 66-2/3% in aggregate outstanding principal amount of each Class of Notes voting as a separate Class, the Hedge Counterparty (unless no early termination or liquidation payment, including any accrued and unpaid amounts, would be owing by the Issuer to the Hedge Counterparty upon the termination thereof by reason of the occurrence of an event of default under the Hedge Agreement with respect to the Issuer) and the Class A-1B Swap Counterparty (unless no early termination or liquidation payment, including any accrued and unpaid amounts, would be owing by the Issuer to the Class A-1B Swap Counterparty upon the termination thereof by reason of the occurrence of an event of default under the Class A-1B Swap Agreement with respect to the Issuer), subject to the provisions of the Indenture, authorize the sale and liquidation of the Collateral.

The holders of a majority in aggregate outstanding principal amount of Notes of the Controlling Class will have the right to direct the Trustee in the conduct of any proceedings for any remedy available to the Trustee, *provided that* (A) such direction will not conflict with any rule of law or the Indenture; (B) the Trustee may take any other action not inconsistent with such direction; (C) 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 (D) any direction to undertake a sale of the Collateral may be made only as described in the preceding paragraph.

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

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

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

No holder of a Note will have the right to institute any proceeding with respect to the Indenture unless (i) such holder previously has given to the Trustee written notice of an Event of Default, (ii) except in certain cases of a default in the payment of principal or interest, the holders of at least 25% in aggregate outstanding principal amount of the Notes of the Controlling Class have made a written request upon the Trustee to institute such proceedings in its own name as Trustee and such holders have offered the Trustee reasonable indemnity, (iii) the Trustee has for 30 days failed to institute any such proceeding and (iv) no direction inconsistent with such written request has been given to the Trustee during such 30-day period by the holders of a majority in aggregate outstanding principal amount of the Notes of the Controlling Class.

If the Trustee shall receive conflicting or inconsistent requests (each with indemnity provisions) from two or more groups of holders of the Notes of the Controlling Class, each representing less than a majority of the Controlling Class, the Trustee shall follow the instructions of the group representing the higher percentage of interest in the Controlling Class.

In determining whether the holders of the requisite percentage of Notes have given any direction, notice, consent or waiver, Notes beneficially owned by the Issuer or any Affiliate thereof shall be disregarded and deemed not to be outstanding.

Notices

Notices to the Noteholders will be given by first-class mail, postage prepaid, to the registered holders of the Notes at their address appearing in the Note Register. In addition, for so long as any 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) the holders of not less than a majority in aggregate outstanding principal amount of the outstanding Notes of each Class materially and adversely affected thereby and a Majority-in-Interest of Income Noteholders, (y) the consent of the Hedge Counterparty (to the extent required pursuant to the terms of the Hedge Agreement) and (z) the consent of the Class A-1B Swap Counterparty (to the extent required pursuant to the terms of the Class A-1B Swap Agreement), the Trustee and the Co-Issuers may enter into one or more supplemental indentures to add provisions to, or change in any manner or eliminate any provisions of, the Indenture or modify in any manner the rights of the holders of the Notes of such Class or the Income Notes, the Hedge Counterparty or the Class A-1B Swap Counterparty, as the case may be, under the Indenture. Unless notified by holders of a majority in aggregate outstanding principal amount of any Class of Notes or a Majority-in-Interest of Income Noteholders that such Class of Notes or the Income Notes, as the case may be, will be materially and adversely affected, the Trustee shall be entitled to rely on an opinion of Counsel as to whether or not such Class of Notes would be materially and adversely affected or the Income Notes would be materially and adversely affected by such change (after giving notice of such change to the holders of such Class of Notes and the Income Noteholders). Such determination shall be conclusive and binding on all present and future holders of the Notes and Income Notes.

Notwithstanding the foregoing, the Trustee may not enter into any supplemental indenture without the consent of each holder of each outstanding Note of each Class materially and adversely affected thereby and each Income Noteholder

(if the Income Noteholders are materially and adversely affected thereby, which consent shall be evidenced by an officer's certificate of the Issuer certifying that such consent has been obtained), the Hedge Counterparty (to the extent required pursuant to the terms of the Hedge Agreement) and the Class A-1B Swap Counterparty (to the extent required pursuant to the terms of the Class A-1B Swap Agreement) if such supplemental indenture (i) changes the Stated Maturity of the principal of or the due date of any installment of interest or Commitment Fee on any Note, reduces the principal amount thereof or the rate of interest or rate of Commitment Fee thereon, or the redemption price with respect thereto, changes the earliest date on which the Issuer may redeem any Note, changes the provisions of the Indenture relating to the application of proceeds of any Collateral to the payment of principal of or interest or Commitment Fee on the Notes, changes any place where, or the coin or currency in which, any Note or the principal thereof or interest or Commitment Fee thereon is payable, or impairs the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the applicable redemption date), (ii) reduces the percentage in aggregate outstanding principal amount of holders of Notes of each Class whose consent is required for the authorization of any supplemental indenture or for any waiver of compliance with certain provisions of the Indenture or certain defaults thereunder or their consequences, (iii) impairs or adversely affects the Collateral pledged under the Indenture except as otherwise permitted thereby, (iv) permits the creation of any lien ranking prior to or on a parity with the lien created by the Indenture with respect to any part of the Collateral or terminates such lien on any property at any time subject thereto (other than in connection with the sale thereof in accordance with the Indenture) or deprives the holder of any Note of the security afforded by the lien created by the Indenture, (v) reduces the percentage of the aggregate outstanding principal amount of holders of Notes of each Class whose consent is required to request that the Trustee preserve the Collateral pledged under the Indenture or rescind the Trustee's election to preserve the Collateral or to sell or liquidate the Collateral pursuant to the Indenture, (vi) modifies any of the provisions of the Indenture with respect to supplemental indentures requiring the consent of Noteholders except to increase the percentage of outstanding Notes whose holders' consent is required for any such action or to provide that other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby, (vii) modifies the definition of the term "Outstanding" (as defined in the Indenture) or the subordination provisions of the Indenture, (viii) changes the permitted minimum denominations of any Class of Notes or (ix) modifies any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of interest or Commitment Fee on or principal of any Note or the right of the holders of Notes to the benefit of any provisions for the redemption of such Notes contained therein. The Trustee may not enter into any supplemental indenture unless the Rating Condition 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 holders of any Notes, the Hedge Counterparty (to the extent not required pursuant to the terms of the Hedge Agreement) the Class A-1B Swap Counterparty (to the extent not required pursuant to the terms of the Class A-1B Swap Agreement) in order to (i) evidence the succession of any person to the Issuer or the Co-Issuer and the assumption by such successor of the covenants in the Indenture and the Notes, (ii) add to the covenants of the Issuer, the Co-Issuer or the Trustee for the benefit of the holders of all of the Notes or to surrender any right or power conferred upon the Issuer or the Co-Issuer, (iii) convey, transfer, assign, mortgage or pledge any property to the Trustee for the benefit of the Secured Parties, (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 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, (2003 Revision) of the Cayman Islands and any other similar applicable laws or regulations or to enable the Issuer or the Co-Issuer to rely upon any less restrictive exemption from registration under the Securities Act or the Investment Company Act or to remove restrictions on resale and transfer to the extent not required thereunder, (vii) correct any inconsistency, defect or ambiguity in the Indenture, (viii) to obtain ratings on one or more Classes of Notes from any rating agency; (ix) make administrative changes as the Issuer deems appropriate and that do not materially and adversely affect the interests of any Noteholder, Income Noteholder, the Hedge Counterparty or the Class A-1B Swap Counterparty, (x) avoid imposition of tax on the net income of the Issuer or of withholding tax on any payment to or by the Issuer or to avoid the Issuer or the Co-Issuer being required to register as an investment company under the Investment Company Act, (xi) accommodate the issuance of any Class of Notes as Definitive Notes, (xii) accommodate (a) the issuance of Income Notes to be held through the facilities of DTC,

Euroclear or Clearstream, Luxembourg or otherwise, (b) the listing of the Offered Notes on, or the delisting of the Offered Notes from, any exchange, (c) the issuance of additional Income Notes, or (d) the refinancing of the Income Notes through the issuance by the Issuer of unsecured debt securities that by their terms are subordinated in all respects to the Notes, (xiii) correct any non-material error in any provision of the Indenture upon receipt by an authorized officer of the Trustee of written direction from the Issuer describing in reasonable detail such error and the modification necessary to correct such error or (xiv) accommodate any replacement Hedge Agreement or Class A-1B Swap Agreement; *provided* that no such supplemental indenture shall be effected without the consent of a Majority-in-Interest of Income Noteholders; *provided further* that, in each such case, such supplemental indenture would not materially and adversely affect any holder of Notes or any Income Noteholders or adversely affect the Hedge Counterparty or the Class A-1B Swap Counterparty. Unless notified by (i) holders of a majority in aggregate outstanding principal amount of Notes of any Class or by a Majority-in-Interest of Income Noteholders that such Class or the Income Noteholders will be materially and adversely affected, (ii) the Hedge Counterparty that the Hedge Counterparty will be materially and adversely affected or (iii) the Class A-1B Swap Counterparty that the Class A-1B Swap Counterparty will be materially and adversely affected, the Trustee may rely upon an opinion of counsel, provided by and at the expense of the party requesting such supplemental indenture, as to whether the interests of any holder of Notes or Income Noteholder would be materially and adversely affected or the Hedge Counterparty or the Class A-1B Swap Counterparty would be materially and adversely affected by any such supplemental indenture (after giving notice of such change to each holder of Notes, Income Noteholder, the Hedge Counterparty and the Class A-1B Swap Counterparty). The Trustee shall not enter into any such supplemental indenture if, with respect to such supplemental indenture, the Rating Condition with respect to Standard & Poor's and Fitch with respect to such supplemental indenture has not been satisfied; *provided* that if such supplemental indenture changes the terms of or replaces the Hedge Agreement, the Rating Condition with respect to Moody's must also have been satisfied; *provided further* that the Trustee may, with the consent of the holders of 100% of the aggregate outstanding amount of Notes of each Class and the Hedge Counterparty and the Class A-1B Swap Counterparty, enter into any such supplemental indenture notwithstanding any such reduction or withdrawal of the ratings of any outstanding Class of Notes.

Modification of Certain Other Documents

Prior to entering into any amendment, modification or termination of the Account Control Agreement, the Collateral Management Agreement, the Collateral Administration Agreement, the Class A-1A Note Funding Agreement, the Class A-1B Swap Agreement, the Administration Agreement, the Hedge Agreement, any Class A-1A Noteholder Prepayment Account Control Agreement, any Class A-1B Swap Prefunding Account Control Agreement or the Income Note Paying Agency Agreement, the Issuer is required by the Indenture to obtain the written confirmation from each Rating Agency that the entry by the Issuer into such amendment, modification or termination satisfies the Rating Condition. Prior to entering into any amendment, modification, termination or waiver in respect of any of the foregoing agreements, the Issuer is required to provide each Rating Agency, the Hedge Counterparty and the Trustee with written notice of such amendment, modification, termination or waiver. The Hedge 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 holders of the Notes (other than the Controlling Class of Notes) agree not to cause the filing of a petition for winding up or a petition in bankruptcy against the Issuer before one year and one day have elapsed since the final payments to the holders of the Controlling Class of Notes or, if longer, the applicable preference period then in effect.

Satisfaction and Discharge of Indenture

The Indenture will be discharged with respect to the Collateral upon delivery to the Trustee for cancellation of all of the Notes, or, subject to certain limitations, upon deposit with the Trustee of funds sufficient for the payment or

redemption of the Notes and the payment by the Issuer of all other amounts due under the Notes, the Indenture, the Hedge Agreement, the Income Note Paying Agency Agreement, the Class A-1A Note Funding Agreement, the Class A-1B Swap Agreement, the Collateral Administration Agreement, the Administration Agreement and the Collateral Management Agreement.

Trustee

LaSalle Bank National Association will be the Trustee under the Indenture. The Issuer and its Affiliates may maintain other banking relationships in the ordinary course of business with the Trustee. The payment of the fees and expenses of the Trustee is solely the obligation of the Issuer. The Trustee and its Affiliates may receive compensation in connection with the investment of trust assets in certain Eligible Investments as provided in the Indenture. 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 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 Quarterly Distribution Date), which lien the Trustee is entitled to exercise only under certain circumstances. In the Indenture, the Trustee will agree not to cause the filing of a petition for winding up or a petition in bankruptcy against the Issuer for nonpayment to the Trustee of amounts payable thereunder until at least one year and one day, or if longer, the applicable preference period then in effect, after the payment in full of all of the Notes. Pursuant to the Indenture, the Trustee may resign at any time by providing 30 days' notice and the Trustee may be removed at any time by Holders of at least 66-2/3% of the aggregate outstanding amount of Notes or at any time when an Event of Default shall have occurred and be continuing by Holders of at least 66-2/3% of the aggregate outstanding amount of Notes of the Controlling Class. However, no resignation or removal of the Trustee will become effective until the acceptance of appointment by a successor Trustee pursuant to the terms of the Indenture. If the Trustee shall resign or be removed, the Trustee shall also resign as Paying Agent, Calculation Agent, Note Registrar and any other capacity in which the Trustee is then acting pursuant to the Indenture.

Tax Characterization

The Issuer intends to treat the Notes as debt instruments of the Issuer for U.S. Federal, state and local income and franchise tax purposes. The Indenture will provide that each holder, by accepting a 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 except as otherwise required by any relevant taxing authority.

Governing Law

The Indenture, the Investor Application Forms, the Notes, the Income Note Paying Agency Agreement, the Collateral Administration Agreement, the Hedge Agreement, the Class A-1A Note Funding Agreement, the Class A-1B Swap Agreement and the Collateral Management Agreement will be governed by, and construed in accordance with, the law of the State of New York. The Administration Agreement will be governed by, and construed in accordance with, the law of the Cayman Islands.

DESCRIPTION OF THE INCOME NOTES

The Income Notes will be issued pursuant to an Income Note Paying Agency Agreement (the "Income Note Paying Agency Agreement") between LaSalle Bank National Association, as Income Note paying and transfer agent (in such capacity, the "Income Note Paying and Transfer Agent"), and the Issuer and will be subscribed to in accordance with the terms of the Investor Application Forms for Income Notes. The following summary describes certain provisions of the Income Notes, the Issuer Charter, the Income Note 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 Income Note Paying Agency Agreement and the Investor Application Forms for Income Notes. Copies of the Income Note Paying Agency Agreement and the form of Investor Application Form for Income Notes may be obtained by prospective investors upon request in writing to the Income Note Paying and Transfer Agent at 135 South LaSalle Street, Suite 1511, Chicago, Illinois 60603, Attention: CDO Trust Services Group – Bernoulli High Grade CDO I.

STATUS

The Issuer is authorized to issue the Income Notes pursuant to the Income Note Paying Agency Agreement. The Income Notes will not be secured.

DISTRIBUTIONS

On each Quarterly Distribution Date, to the extent funds are available therefor, Interest Proceeds will be released from the lien of the Indenture for payment to the Income Note Paying and Transfer Agent only after the payment of interest on the Notes and, in certain circumstances, principal due in respect of the Notes and the payment of certain other amounts in accordance with the Priority of Payments. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments—Interest Proceeds".

Any Interest Proceeds permitted to be released from the lien of the Indenture and paid to the Income Note Paying and Transfer Agent will be distributed to the Income Noteholders on each Quarterly Distribution Date. Until the Notes and certain other amounts have been paid in full, Principal Proceeds are not permitted to be released from the lien of the Indenture and will not be available to make distributions in respect of the Income Notes. See "Description of the Notes—Interest Proceeds" and "—Principal Proceeds" and "Security for the Notes".

Interest Proceeds and Principal Proceeds remaining after the Notes and certain other amounts have been paid in full will be released from the lien of the Indenture in accordance with the Priority of Payments and paid to the Income Note Paying and Transfer Agent on each Quarterly Distribution Date for distribution to the Income Noteholders on such Quarterly 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 less any subscription, placement or underwriting fees), *provided* that the Issuer will be solvent immediately following the date of such payment.

Distributions on any Income Note will be made to the person in whose name such Income Note is registered fifteen days prior to the applicable Quarterly 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 Income Note Register in accordance with wire transfer instructions received from such holder by the Income Note Paying and Transfer Agent on or before the Record Date or, if no wire transfer instructions are received by the Income Note Paying and Transfer 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 Income Notes at the office of the Income Note Paying and Transfer Agent.

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

If on or after the Ramp-Up Completion Date any of the Coverage Tests is not satisfied on the Determination Date related to any Quarterly Distribution Date, Interest Proceeds that would otherwise be distributed to Income Noteholders on the related Quarterly Distribution Date (subject to the payment of certain other amounts prior thereto) will be used instead to repay principal of the Notes sequentially in direct order of seniority, to the extent and as described herein, except that, if either Class C/D Coverage Test is not satisfied on the Determination Date related to any Quarterly Distribution Date, certain Interest Proceeds that would otherwise be distributed to the holders of the Income Notes will be used to pay principal of the Class C Notes and the Class D Notes, in accordance with the Priority of Payments and to the extent necessary to cause such Class C/D Coverage Test to be satisfied. See "Description of the Notes—Priority of Payments".

If the Issuer is unable to obtain a Rating Confirmation from each Rating Agency by the later of (x) 45 Business Days following the Ramp-Up Completion Date and (y) the first Determination Date following the Ramp-Up Completion Date, funds that would otherwise be distributed to the Income Noteholders (subject to the payment of certain other amounts prior thereto) will be used to redeem the Notes to the extent necessary (after the application of Uninvested Proceeds for such purpose) to obtain a Rating Confirmation from each Rating Agency. See "Description of the Notes—Priority of Payments".

OPTIONAL REDEMPTION OF THE INCOME NOTES

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

THE INCOME NOTE PAYING AGENCY AGREEMENT

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

Notices

Notices to the Income Noteholders will be given by first class mail, postage prepaid, to the registered holders of the Income Notes at their address appearing in the Income Note Register.

Voting Rights

Set forth below is a summary of certain matters with respect to which Income Noteholders are entitled to vote:

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

The Indenture: The Issuer is not permitted to enter into a supplemental indenture (other than a supplemental indenture that does not require the consent of Noteholders) without the consent of a Majority-in-Interest of Income Noteholders (if the Income Noteholders are materially and adversely affected thereby). The Issuer is not permitted to enter into a supplemental indenture without the consent of all of the Income Noteholders (if the Income Noteholders are materially and adversely affected thereby) if such supplemental indenture would have the effect of (i) changing the Stated Maturity of the principal of or the due date of any installment of interest or Commitment Fee on any Note, reducing the principal amount thereof or the Note interest rate or Commitment Fee rate thereon, or the Redemption Price with respect thereto, or changing the earliest date on which the Issuer may redeem any Note, changing the provisions of the Indenture relating to the application of proceeds of any Collateral to the

payment of principal of, interest on or Commitment Fee on the Notes or changing any place where, or the coin or currency in which, any Note or the principal thereof or interest or Commitment Fee thereon is payable, or impairing 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) reducing the percentage of the aggregate outstanding amount of holders of Notes of each Class whose consent is required for the authorization of any such supplemental indenture or for any waiver of compliance with certain provisions of the Indenture or certain Defaults thereunder or their consequences provided for in the Indenture; (iii) impairing or adversely affecting the Collateral (except as otherwise expressly permitted by the Indenture); (iv) 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; (v) reducing the percentage of the aggregate outstanding amount of holders of Notes of each Class whose consent is required to request that the Trustee preserve the Collateral or rescinding the Trustee's election to preserve the Collateral or to sell or liquidate the Collateral following certain events pursuant to the Indenture; (vi) modifying any of the provisions governing the entry into a supplemental indenture requiring consent of the Noteholders or other parties, except to increase any such percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby; (vii) modifying the definition of the term "Outstanding", or amending the manner in which the proceeds of the Collateral are applied on any Quarterly Distribution Date (including by amending any provision of the Priority of Payments) or modifying the provisions in the Indenture governing the seniority of the Notes; (viii) changing the permitted minimum denominations of any Class of Notes; or (ix) modifying any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of interest or Commitment Fee on or principal of any Note or the rights of the holders of Notes to the benefit of any provisions for the redemption of such Notes contained herein *provided* that, no such supplemental indenture may modify the rights of the Income Noteholders or the terms of the Income Notes without the consent of each Income Noteholder.

Income Note Paying Agency Agreement: The Issuer is not permitted to consent to any amendment of the Income Note Paying Agency Agreement without the consent of all of the Income Noteholders 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 Income Notes or (ii) reduce the voting percentage of Income Noteholders required to consent to any amendment to the Income Note Paying Agency Agreement that requires the consent of the Income Noteholders.

Modification of the Income Note Paying Agency Agreement

The Income Note Paying Agency Agreement may be amended at any time by a resolution passed by Walkers SPV Limited on behalf of the Issuer, subject to obtaining the approval of at least a Special-Majority-in-Interest of Income Noteholders. Any amendment of the Income Note Paying Agency Agreement not in accordance with the provisions of the Indenture will constitute an Event of Default under the Indenture.

Dissolution; Liquidating Distributions

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

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

- (1) *first*, to pay the costs and expenses of the winding up, liquidation and termination of the Issuer;
- (2) *second*, to creditors of the Issuer, in the order of priority provided by law;
- (3) *third*, to establish reserves adequate to meet any and all contingent, unliquidated liabilities or obligations of the Issuer, *provided* that at the expiration of a period not exceeding three years after the final liquidation distribution, the balance of such reserves remaining after the payment of such contingencies or liabilities shall be distributed in the manner described herein;
- (4) *fourth*, to pay the holders of the ordinary shares the nominal amount paid up thereon and the sum of U.S.\$1.00 per ordinary share; and
- (5) *fifth*, to pay to the Income Noteholders the balance remaining (in accordance with the Income Note Paying Agency Agreement).

Consolidation, Merger or Transfer of Assets

Except under the limited circumstances set forth in the Income Note Paying Agency Agreement 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 Income Notes will be required to covenant in an Investor Application Form (and each transferee of Income Notes will be required to covenant in a transfer certificate) that it will not cause the filing of a petition in bankruptcy against the Issuer before one year and one day have elapsed since the payment in full of the Notes or, if longer, the applicable preference period then in effect.

GOVERNING LAW

The Income Note Paying Agency Agreement and the Investor Application Forms will be governed by, and construed in accordance with, the law of the State of New York. The Issuer Charter will be governed by, and construed in accordance with, the law of the Cayman Islands.

NO GROSS-UP

All payments made by the Issuer on the Income 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.

Tax Characterization

The Issuer intends to treat the Income Notes as equity in the Issuer for U.S. Federal, state and local income and franchise tax purposes. The Income Note Paying Agency Agreement will provide that each holder 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 except as otherwise required by any relevant taxing authority.

FORM, DENOMINATION, REGISTRATION AND TRANSFER

FORM OF OFFERED NOTES

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

Restricted Global Notes. Notes that are sold or transferred to a U.S. Person or in the United States in reliance upon the exemption from the registration requirements of the Securities Act will be represented by one or more permanent global notes ("Restricted Global Notes") in definitive, fully registered form, without interest coupons, and deposited with the Trustee as custodian for, and registered in the name of, DTC or its nominee.

Regulation S Income Notes. Income Notes that are sold or transferred outside the United States to persons that are not U.S. Persons ("Regulation S Income Notes") will be represented by either (i) one or more permanent global Income Note certificates (each a "Regulation S Global Income Note" (which will be separated into "Regulation S Global Senior Income Notes" and "Regulation S Global Subordinate Income Notes") and, collectively with the Regulation S Global Notes, the "Regulation S Global Securities"; the Regulation S Global Securities and Restricted Global Notes are collectively referred to as the "Global Securities") or (ii) Income Note certificates in definitive, fully registered form, registered in the name of the legal and beneficial owner thereof ("Regulation S Definitive Income Notes"). By acquisition of a Regulation S Income Note, any purchaser thereof will be required to represent and warrant in a transfer certificate (in the case of the Regulation S Definitive Income Notes) or be deemed to represent and warrant (in the case of the Regulation S Global Income Notes) that (a) it is not a U.S. Person and is purchasing such Regulation S Income Note 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 Income Note, it will transfer such Regulation S Income Note 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 Definitive Income Note.

Restricted Definitive Income Notes. Income Notes that are sold or transferred to a U.S. Person or in the United States in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof will be represented by certificates ("Restricted Definitive Income Notes"; the Restricted Definitive Income Notes and Regulation S Definitive Income Notes are collectively referred to as the "Definitive Income Notes") in definitive, fully registered form, registered in the name of the legal and beneficial owner thereof. The Definitive Income Notes will be divided into "Definitive Senior Income Notes" and "Definitive Subordinate Income Notes".

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

Transfer of Global Securities to Definitive Securities. Owners of beneficial interests in Global Securities will be entitled or required, as the case may be, under certain limited circumstances described under "Clearing Systems—Transfers and Exchanges for Definitive Securities", to receive physical delivery of Definitive Income Notes or certificated Notes ("Definitive Notes"; the Definitive Notes and Definitive Income Notes are collectively referred to as the "Definitive Securities"), in each case, in definitive, fully registered form. Definitive Notes issued to persons that are not U.S. Persons and that are not held for the account or benefit of U.S. Persons are referred to herein as "Regulation S Definitive Notes" and

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

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

TRANSFER AND EXCHANGE OF NOTES

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

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

Regulation S Global Note to Regulation S Global Note. The holder of a beneficial interest in a Regulation S Global 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 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".

Restricted Global Note to Regulation S Global Note. Transfers by a holder of a beneficial interest in a Restricted Global Note to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Note will be made only (a) in accordance with the Applicable Procedures and (b) upon receipt by the 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.

Restricted Global Note to Restricted Global Note. The holder of a beneficial interest in a Restricted Global Note may transfer such interest to a transferee who takes delivery of such interest in the form of a beneficial interest in a Restricted Global Note without the provision of written certification. Any such transfer may only be made (i) to a transferee that (A) is both (1) a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the

Securities Act provided by Rule 144A and (2) a Qualified Purchaser and (B) is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle) and (ii) only in accordance with the Applicable Procedures. Any such transferee must be able to make the representations set forth under "Transfer Restrictions".

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

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

TRANSFER AND EXCHANGE OF INCOME NOTES

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

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

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

Regulation S Global Income Note to Regulation S Global Income Note. The holder of a beneficial interest in a Regulation S Global Income 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 Income 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 Income Note Paying Agency Agreement.

Definitive Income Note to Regulation S Global Income Note. Transfers or exchanges by a holder of a Definitive Income Note to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Income Note will be made only (a) in accordance with the Applicable Procedures and (b) upon receipt by the Income Note Paying and Transfer Agent of written certification from each of the transferor and transferee in the form provided in the Income Note Paying Agency Agreement to the effect that, among other things, such transfer is being made to a person that is not a U.S. Person, that is not a Benefit Plan Investor or a 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 and will be obligated to deliver a letter to such effect in the form attached to the Income Note Paying Agency Agreement.

Definitive Income Note to Definitive Income Note. Definitive Income Notes may be exchanged or transferred in whole or in part in numbers not less than the applicable minimum denomination by surrendering such Definitive Income Notes at the office of the Income Note Paying and Transfer Agent with a written instrument of transfer and written certification from each of the transferor and the transferee in the form provided in the Income Note Paying Agency Agreement. With respect to any transfer of a portion of Definitive Income Notes, the transferor will be entitled to receive new Restricted Definitive Income Notes or Regulation S Definitive Income Notes, as the case may be, representing the number of Income Notes retained by the transferor after giving effect to such transfer. Definitive Income Notes issued upon any such exchange or transfer (whether in whole or in part) will be made available at the office of the Income Note Paying and Transfer Agent.

Definitive Income 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 Definitive Income Notes surrendered upon exchange or registration of transfer. No Definitive Income Note may be transferred to a Benefit Plan Investor or a Controlling Person after the initial placement of the Income Notes.

GENERAL

ERISA Restrictions on Transfer of Income Notes

No sale, pledge or other transfer of a Senior Income Note or Subordinated Income Note may be made after the initial placement of the Income Notes to a Benefit Plan Investor or a Controlling Person (both as defined herein). The Income Note Documents permit the Issuer to require that any person acquiring Income Notes (or a beneficial interest therein) after the initial placement of the Senior Income Notes and Subordinated Income Notes who is determined to be a Benefit Plan Investor or a Controlling Person to sell such Senior Income Notes or Subordinated Income Notes (or a beneficial interest therein) to a person who is not a Benefit Plan Investor or a Controlling Person and who meets all other applicable transfer restrictions and, if such holder does not comply with such demand within 30 days thereof, the Issuer may sell such holder's interest in such Senior Income Notes or Subordinated Income Notes to a purchaser that is not a Benefit Plan Investor or a Controlling Person and that meets all other applicable transfer restrictions.

Note Registrar and Transfer Agent. Pursuant to the Indenture LaSalle Bank National Association has been appointed and will serve as the registrar with respect to the Notes (in such capacity, the "Note Registrar") and will provide for the registration of Notes and the registration of transfers of Notes in the register maintained by it (the "Note Register"). LaSalle Bank National Association has been appointed as a transfer agent with respect to the Notes (each, in such capacity, a "Transfer Agent"). The Note Registrar will effect transfers between Global Notes and, along with the Transfer Agent, will effect exchanges and transfers of Definitive Notes. In addition, the Note Registrar will maintain in the Note Register records of the ownership, exchange and transfer of any Note in definitive form. Transfers of beneficial interests in Global Notes will be effected in accordance with the Applicable Procedures.

Income Note Paying and Transfer Agent. LaSalle Bank National Association has been appointed as paying agent and transfer agent with respect to the Income Notes (the "Income Note Paying and Transfer Agent"). The Income Note Paying and Transfer Agent will provide for the registration of Income Notes and the registration of transfers of Income Notes in the register maintained by it (the "Income Note Register"). Written instruments of transfer are available at the office of the Issuer and the office of the Income Note Paying and Transfer Agent. The Income Note Paying and Transfer Agent will effect exchanges and transfers of Income Notes. In addition, the Income Note Paying and Transfer Agent will maintain in the Income Note Register records of the ownership, exchange and transfer of the Income Notes in definitive form. Transfers of beneficial interests in Regulation S Global Income Notes will be effected in accordance with the Applicable Procedures. No Income Note may be transferred to a Benefit Plan Investor or a Controlling Person after the initial placement of the Income Notes.

Charge. No service charge will be made for exchange or registration of transfer of any Note or Income Note but the Trustee (or, in the case of an Income Note, the Income Note Paying and Transfer Agent) may require payment of a sum

sufficient to cover any tax or governmental charge payable in connection therewith and expenses of delivery (if any) not made by regular mail.

Minimum Denomination. The Notes and the Income Notes will be issuable in minimum denominations of U.S.\$250,000 and will be offered only in such minimum denominations or an integral multiple of U.S.\$1,000 in excess thereof. After issuance, (i) a Note may fail to be in compliance with the minimum denominations and integral multiple requirements stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments, (ii) Class C Notes may fail to be in an amount which is an integral multiple of U.S.\$1,000 due to the addition to the principal amount thereof of Class C Deferred Interest and (iii) Class D Notes may fail to be in an amount which is an integral multiple of U.S.\$1,000 due to the addition to the principal amount thereof of Class D Deferred Interest, as the case may be. Income Notes may not be transferred if, after giving effect to such transfer, the transferee (or, if the transferor retains any Income Notes, the transferor) would own less than U.S.\$250,000 of Income Notes; *provided* that up to five subscribers may, with the consent of the Initial Purchaser, purchase less than U.S.\$250,000 of Income Notes on the Closing Date and such subscribers, and any transferees holding such Income Notes acquired by such subscribers, will be entitled to transfer all (but not some) of such Income Notes held by them notwithstanding such minimum trading lot in accordance with the Income Note Paying Agency Agreement. Income Notes may not be transferred if, after giving effect to such transfer, the transferee (or, if the transferor retains any Income Notes, the transferor) would own less than 250 Income Notes; *provided* that those subscribers that, with the consent of the Initial Purchaser, purchased less than 250 Income Notes on the Closing Date, and any transferees of such subscribers, will be entitled to transfer all (but not some) of the Income Notes held by them in accordance with the Income Note Paying Agency Agreement.

USE OF PROCEEDS

The gross proceeds received from the issuance and sale of the Notes and the Income Notes are expected to be approximately U.S.\$1,140,000,000 (assuming that the Class A-1A Notes were fully issued on the Closing Date) and the gross proceeds as of the Closing Date are expected to be approximately U.S.\$841,000,000. The net proceeds from the issuance of Notes and the Income Notes (assuming that the Class A-1 Notes were fully issued on the Closing Date), together with any up-front payments received from the initial Hedge Counterparty on the Closing Date in connection with the initial Hedge Agreement, are expected to be approximately U.S.\$837,700,000 after payment of organizational and structuring fees and expenses of the Issuer, including, without limitation (i) the legal fees and expenses of counsel to the Issuer, the Initial Purchaser and the Collateral Manager, (ii) the expenses, fees and commissions incurred in connection with the acquisition by the Issuer of the Collateral Debt Securities acquired on the Closing Date, (iii) the expenses of offering the Offered Notes (including placement agency fees, structuring fees and marketing costs), (iv) an upfront fee in an amount equal to U.S.\$2,500,000 payable to the Collateral Manager and (v) the initial deposits into the Expense Account and the Interest Reserve Account. Such net proceeds will be used by the Issuer to purchase a diversified portfolio of interests in (a) certain Asset-Backed Securities and (b) Synthetic Securities the Reference Obligations of which may be Asset-Backed Securities or specified pools or indexes of financial assets, either static or revolving (the composition of which cannot vary as a result of a decision by the Collateral Manager, the Synthetic Security Counterparty, or their respective Affiliates), that by their terms convert into cash within a finite time period 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 Principal Balance of not less than U.S.\$1,150,000,000. The Issuer expects that, no later than the Ramp-Up Completion Date, the aggregate Principal Balance of the Pledged Collateral Debt Securities plus the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account plus the aggregate amount of all Principal Proceeds distributed on any prior Quarterly Distribution Date will be at least equal to U.S.\$1,500,000,000 (in each case, assuming for these purposes (i) settlement in accordance with customary settlement procedures in the relevant markets on the Ramp-Up Completion Date of all agreements entered into by the Issuer to acquire Collateral Debt Securities scheduled to settle on or following the Ramp-Up Completion Date, (ii) that each such Collateral Debt Security is a Pledged Collateral Debt Security and (iii) funds are available from Borrowings under the Class A-1A Note Funding Agreement). Any such proceeds not invested in Collateral Debt Securities or deposited into the Expense Account or the Interest Reserve Account will be deposited by the Trustee in the Uninvested Proceeds Account and invested in Eligible Investments or U.S. Agency Securities pending the use of such proceeds for the purchase of Collateral Debt Securities during the Ramp-Up Period, as described herein, and, in certain limited circumstances described herein, for the payment of the Notes. See "Security for the Notes". Proceeds from the issuance of Class A-1B Notes to the Class A-1B Swap Counterparty will be used to make settlement payments under Synthetic Securities entered into by the Issuer or to repay principal of the Notes upon the amortization of Reference Obligations that are the subject of those Synthetic Securities.

RATINGS OF THE OFFERED NOTES

It is a condition to the issuance of the Offered Notes that that the Class A-1 Notes be rated "Aaa" by Moody's Investors Service, Inc. ("Moody's"), "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), and "AAA" by Fitch Ratings ("Fitch" and, together with Moody's and Standard & Poor's, the "Rating Agencies"), that the Class A-2 Notes be rated "Aaa" by Moody's, "AAA" by Standard & Poor's and "AAA" by Fitch, that the Class B Notes be rated "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 and that the Class D Notes be rated "Baa2" by Moody's, "BBB" by Standard & Poor's and "BBB" by Fitch. It is a condition to the issuance of the Offered Notes that the Senior Income Notes are rated "Ba2" as to the ultimate return of principal by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

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

The rating assigned to the Senior Income Notes by Moody's (a) addresses only the ultimate return of principal, (b) will not at any time address the timely receipt of any payments, including payments on redemption or repurchase of the Senior Income Notes or any other distributions thereon and (c) will be monitored by Moody's on an ongoing basis.

The Issuer will request that each Rating Agency confirm to the Issuer that it has not reduced or withdrawn the rating (including private or confidential ratings, if any) assigned by it on the Closing Date to any Class of Notes (a "Rating Confirmation"). If the Issuer is unable to obtain a Rating Confirmation from each Rating Agency by the later of (x) 45 Business Days following the Ramp-Up Completion Date and (y) the first Determination Date following the Ramp-Up Completion Date (a "Rating Confirmation Failure"), on the first Quarterly Distribution Date following the occurrence of such Rating Confirmation Failure, the Issuer will be required to apply Uninvested Proceeds and Interest Proceeds to the repayment of principal of, *first*, the Class A-1B Notes, *second*, the Class A-1A Notes, *third*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *fourth*, the Class A-2 Notes, *fifth*, the Class B Notes, *sixth*, the Class C Notes and, *seventh*, the Class D Notes, and thereafter Principal Proceeds to the repayment of principal of, *first*, the Class A-1B Notes, *second*, the Class A-1A Notes, *third*, if the Class A-1B Swap is outstanding, to the Class A-1B Swap Reserve Account for deposit therein to the extent required to satisfy any Class A-1B Swap Reserve Account Funding Requirement, *fourth*, the Class A-2 Notes, *fifth*, the Class B Notes, *sixth*, the Class C Notes and, *seventh*, the Class D Notes, in each case in accordance with the Priority of Payments as and to the extent necessary to obtain a Rating Confirmation from each Rating Agency. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments".

MATURITY, PREPAYMENT AND YIELD CONSIDERATIONS

The Stated Maturity of the Notes is July 5, 2042. The Notes will mature at their Stated Maturity unless redeemed or repaid prior thereto. However, the average lives of the Notes and the Macaulay duration of the Income Notes may be less than the number of years until the Stated Maturity of the Notes. Assuming (a) no Collateral Debt Securities default or are sold, (b) any optional redemption of the Collateral Debt Securities occurs in accordance with their respective terms, (c) an Auction Call Redemption occurs on the Quarterly Distribution Date in July 2014 (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 4.99% and (e) the Class A-1A Notes are fully issued on the Closing Date, (1) the average life of the Class A-1A Notes would be approximately 6.1 years from the Closing Date, (2) the average life of the Class A-2 Notes would be approximately 6.3 years from the Closing Date, (3) the average life of the Class B Notes would be approximately 6.3 years from the Closing Date, (4) the average life of the Class C Notes would be approximately 6.3 years from the Closing Date, (5) the average life of the Class D Notes would be approximately 6.3 years from the Closing Date and (6) the Macaulay duration of the Income Notes would be approximately 5.2 years. Such average lives of the Notes and the Macaulay duration of the Income Notes are presented for illustrative purposes only. The assumed identity of the portfolio purchased by the Issuer and the other assumptions used to calculate such average lives of the Notes and the Macaulay duration of the Income Notes 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 and the Macaulay duration set forth above, and consequently the actual average lives of the Notes and the Macaulay duration of the Income Notes will differ, and may differ materially, from those set forth above. Accordingly, prospective investors should make their own determinations of the expected weighted average lives and maturity of the Notes and the Macaulay duration of the Income Notes and, accordingly, their own evaluation of the merits and risks of an investment in the Notes or the Income Notes. See "Risk Factors—Projections, Forecasts and Estimates".

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

The average lives of the Notes and the Macaulay duration of the Income Notes will be determined by the amount and frequency of principal payments, which are dependent upon any payments received at or in advance of the scheduled maturity of Collateral Debt Securities (whether through prepayment, sale, maturity, redemption, default or other liquidation or disposition). The actual average lives of the Notes and the Macaulay duration of the Income Notes 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 and any reinvestment in a new Collateral Debt Security may change the composition and characteristics of the Collateral Debt Securities and the rate of payment thereon, and, accordingly, may affect the actual average lives of the Notes and the Macaulay duration of the Income Notes. The rate of future defaults and the amount and timing of any cash realization from Defaulted Securities also will affect the average lives of the Notes and the Macaulay duration of the Income Notes.

THE ISSUER

GENERAL

The Issuer was incorporated as an exempted company with limited liability on March 8, 2006 in the Cayman Islands, has a registered number of 163825 and is in good standing under the laws of the Cayman Islands. The registered office of the Issuer is at the offices of Walkers SPV Limited, Walker House, Mary Street, P.O. Box 908GT, George Town, Grand Cayman, Cayman Islands. The Issuer has no prior operating experience and the Issuer will not have any substantial assets other than the Collateral pledged to secure the Issuer's obligations under the Indenture, the Notes, the Class A-1A Note Funding Agreement, the Class A-1B Swap Agreement, the Account Control Agreement, each Class A-1A Noteholder Prepayment Account Control Agreement, any Class A-1B Swap Prefunding Account Control Agreement, the Hedge Agreement, the Collateral Management Agreement, the Collateral Administration Agreement and the Administration Agreement. The entire 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 on trust for charitable purposes by Walkers SPV Limited in the Cayman Islands (in such capacity, the "Share Trustee") under the terms of a declaration of trust).

It is proposed that the Issuer will be liquidated on the date that is one year and two days after the Stated Maturity of the Notes, unless earlier dissolved and terminated in accordance with the terms of the Issuer Charter. See "Description of the Income Notes—Income Note Paying Agency Agreement—Dissolution; Liquidating Distributions".

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

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

The Administrator will be subject to the overview of the Board of Directors of the Issuer. The directors of the Issuer are David Egglshaw, 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 or the Administrator upon 30 days' written notice, in which case a replacement Administrator would be appointed.

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

The capitalization of the Issuer after giving effect to the issuance of the Offered Notes (assuming that the Class A-1 Notes were fully issued on the Closing Date) and the ordinary shares of the Issuer but before deducting expenses of the offering of the Offered Notes and organizational expenses of the Issuer, is expected to be as follows:

Class A-1A Notes ¹	U.S.\$945,000,000
Class A-1B Notes ²	U.S.\$360,000,000
Class A-2 Notes	U.S.\$90,000,000
Class B Notes	U.S.\$60,000,000
Class C Notes	U.S.\$15,000,000
Class D Notes	U.S.\$15,000,000
Total Debt	U.S.\$1,485,000,000
Ordinary Shares	U.S.\$1,000
Income Notes	U.S.\$15,000,000
Total Equity	U.S.\$15,001,000
Total Capitalization	U.S.\$1,500,001,000

As of the Closing Date, the authorized and issued share capital of the Issuer will be 1,000 ordinary shares, par value U.S.\$1.00 per share.

The Issuer will not have any material assets other than the Collateral.

BUSINESS

The Indenture and the Issuer Charter provide that the activities of the Issuer are limited to (i) the issuance of the Notes and the Income Notes, (ii) the acquisition and disposition of, and investment and reinvestment in, Collateral Debt Securities, Equity Securities, U.S. Agency Securities and Eligible Investments, (iii) the entering into, and the performance of its obligations under the Indenture, the Notes, the Class A-1A Note Funding Agreement, the Class A-1B Swap Agreement, the Purchase Agreement, the Master Forward Sale Agreement, the Investor Application Forms, the Account Control Agreement, the Income Note Paying Agency Agreement, the Hedge Agreement, the collateral assignment of the Hedge Agreement, the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement, each Class A-1A Noteholder Prepayment Account Control Agreement and any Class A-1B Prefunding Account Control Agreement, (iv) the pledge of the Collateral as security for its obligations in respect of (*inter alia*) the Notes and (v) certain activities conducted in connection with the payment of amounts in respect of the Notes, the management of the Collateral and other incidental activities.

The Issuer has no employees and no subsidiaries (other than the Co-Issuer).

¹ The Class A-1 Notes will be issued in two sub-classes, the Class A-1A Notes and the Class A-1B Notes (each, a "Sub-Class" of Notes). U.S.\$646,000,000 of the Class A-1A Notes will be funded on the Closing Date, and further advances may be made under the Class A-1A Notes up to U.S.\$945,000,000 in the aggregate (including initial advances funded on the Closing Date), all as provided in the Class A-1A Note Funding Agreement.

² None of the U.S.\$360,000,000 of the Class A-1B Notes will be issued on the Closing Date. However, after the Closing Date pursuant to the Class A-1B Swap Agreement, the Class A-1B Swap Counterparty will be obligated (subject to the terms and conditions of the Class A-1B Swap Agreement) to make payments in cash to the Issuer in order to purchase, and the Issuer will be obligated to issue to the Class A-1B Swap Counterparty, Class A-1B Notes at par.

THE CO-ISSUER

GENERAL

The Co-Issuer was incorporated on March 8, 2006 under the laws of the State of Delaware with the Registration No. 4122203 and its registered office is at c/o Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware 19711. The Co-Issuer will not have any material assets and will not pledge any assets to secure the Notes. The Co-Issuer's Certificate of Incorporation sets out the objectives of the Co-Issuer, which include the business to be carried out by the Co-Issuer in connection with the issuance of the Notes (other than the Class D Notes).

The sole director of the Co-Issuer is Donald J. Puglisi. Mr. Puglisi is also the President, Secretary and Treasurer of the Co-Issuer. Mr. Puglisi may be contacted at the address of the Co-Issuer.

BUSINESS

The Co-Issuer has no prior operating history, prior business or employees. The activities of the Co-Issuer will be limited to (i) issuance of its common stock, (ii) co-issuance of the Notes (other than the Class D Notes) and (iii) other activities incidental to the foregoing and permitted by the Indenture.

SECURITY FOR THE NOTES

GENERAL

The Collateral securing the Notes will consist of: (i) the Custodial Account and all of the Collateral Debt Securities and the Equity Securities credited to such account, (ii) the Interest Collection Account, the Uninvested Proceeds Account, the Principal Collection Account, the Payment Account, the Expense Account, the Interest Reserve Account, the Semi-Annual Interest Reserve Account, the Hedge Counterparty Collateral Account, each Synthetic Security Issuer Account, the Class A-1B Swap Reserve Account, the Issuer's rights in each Class A-1A Noteholder Prepayment Account, the Class A-1B Swap Prefunding Account, all funds and other property standing to the credit of each such account, Eligible Investments (and, in the case of the Uninvested Proceeds Account, U.S. Agency Securities) purchased with funds standing to the credit of each such account and all income from the investment of funds therein, (iii) the rights of the Issuer under the Hedge Agreement, the Master Forward Sale Agreement, the Class A-1A Note Funding Agreement and the Class A-1B Swap Agreement, (iv) the rights of the Issuer under the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement and the Investor Application Forms, (v) all cash delivered to the Trustee, and (vi) all proceeds, accessions, profits, income benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses (collectively, the "Collateral").

ELIGIBILITY CRITERIA

Each Collateral Debt Security must satisfy each of the following criteria (the "Eligibility Criteria") at the time the Issuer acquires or becomes committed to acquire (whichever is earlier) the Collateral Debt Security. The Issuer may only purchase Collateral Debt Securities (including Collateral Debt Securities purchased on the Closing Date) if, after giving effect to such purchase, each of the following criteria (the "Eligibility Criteria") is satisfied with respect to such security:

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|---------------------------------|---|
| Assignable | (1) the Underlying Instrument pursuant to which such security was issued permits the Issuer to purchase it and pledge it to the Trustee and such security is a type subject to Article 8 or Article 9 of the UCC; |
| Jurisdiction of Issuer | (2) the obligor on or issuer of such security (x) is organized or incorporated under the law of the United States or a State thereof or in a Special Purpose Vehicle Jurisdiction or (y) is a Qualifying Foreign Obligor; |
| Dollar Denominated | (3) such security is Dollar denominated and is not convertible into, or payable in, any other currency; |
| Interest Only Securities | (4) if such obligation is an Interest Only Security, (A) it is a Qualifying Interest Only Security and (B) the Aggregate Amortized Cost of all such Collateral Debt Securities does not exceed 2% of the Net Outstanding Portfolio Collateral Balance; |
| Rating | (5) such security (A) has been assigned a Moody's Rating, a Standard & Poor's Rating and a Fitch Rating; (B) the rating of such security by Standard & Poor's does not include the subscript "r", "t", "p", "pi" or "q"; and (C) if it has a public rating by any of Moody's or Standard & Poor's or Fitch, the public rating of such security by Moody's is at least "A3" and by Standard & Poor's is at least "A-" and by Fitch is at least "A-"; <i>provided that</i> (i) the aggregate Principal Balance of all Pledged Collateral Debt Securities that have a public rating of below "Aaa" by Moody's (if publicly rated by Moody's) or "AAA" by Standard & Poor's (if publicly rated by Standard & Poor's) or "AAA" by Fitch (if publicly rated by Fitch) does not exceed 80% of the Net Outstanding Portfolio Collateral Balance and (ii) the aggregate Principal Balance of all Pledged Collateral Debt Securities that have a public rating of below "Aa3" by Moody's (if publicly rated by Moody's) or "AA-" by Standard & Poor's (if publicly rated by Standard & Poor's) or "AA-" by Fitch (if publicly rated by Fitch) does not exceed 15% of the Net Outstanding Portfolio Collateral Balance.; |

Registered Form	(6) such security is in registered form for U.S. Federal income tax purposes and it (and if it is a certificate of interest in a grantor trust for U.S. Federal income tax purposes, each of the obligations or securities held by such trust) was issued after July 18, 1984 ("Registered");
No Withholding	(7) the Issuer will receive payments due under the terms of such security and proceeds from disposing of such security free and clear of withholding tax, other than withholding tax as to which the obligor or issuer must make additional payments so that the net amount received by the Issuer after satisfaction of such tax is the amount due to the Issuer before the imposition of any withholding tax;
Does not subject Issuer to Tax on a Net Income Basis	(8) 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;
Does not subject Issuer to Investment Company Act restrictions	(9) the acquisition (including the manner of acquisition), ownership, enforcement and disposition of such security (in each case as determined on the basis of applicable laws and regulations, as of the date of acquisition of such security) will not cause the Issuer or the pool of Collateral to become an investment company required to be registered under the Investment Company Act;
ERISA	(10) such security is not a security that, pursuant to 29 C.F.R. Section 2510.3-101, (x) would be treated as an equity interest in an entity and (y) if held by an employee benefit plan subject to ERISA, would cause such employee benefit plan to be treated as owning an undivided interest in each of the underlying assets of such entity for purposes of ERISA;
Backed by Obligations of Non-U.S. Obligors	(11) if the obligor on such security is organized outside the United States of America, the Aggregate Attributable Amount of all Pledged Collateral Debt Securities (including all Synthetic Securities as to which their respective Reference Obligations are) related to (A) obligors organized outside the United States of America, the United Kingdom and Canada does not exceed 10% of the Net Outstanding Portfolio Collateral Balance, (B) obligors organized in the United Kingdom does not exceed 10% of the Net Outstanding Portfolio Collateral Balance, (C) obligors organized in Canada does not exceed 25% of the Net Outstanding Portfolio Collateral Balance, (D) Qualifying Foreign Obligors organized in any other jurisdiction does not exceed 25% of the Net Outstanding Portfolio Collateral Balance, (E) Emerging Market Issuers is zero and (F) obligors (other than Qualifying Foreign Obligors, Emerging Market Issuers and obligors organized in the United States) organized in any other jurisdiction does not exceed 2.5% of the Net Outstanding Portfolio Collateral Balance;
Type of Securities	(12) such security (A) is a CMBS Security, an RMBS Security, an Automobile Security, a Credit Card Security, a Small Business Loan Security, a Student Loan Security or a CDO Security or a Synthetic Security related to one or more of the foregoing and (B) is not a Defaulted Security, a Credit Risk Security, a Written Down Security, a PIK Bond, an Excluded Synthetic ABS CDO Security, a net interest margin security or a security that accrues interest at a floating rate that moves inversely to a reference rate or index;
Limitation on Stated Final Maturity	(13) such security does not have a Stated Maturity that occurs later than the Stated Maturity of the Notes, except that the Issuer may acquire a Collateral Debt Security having a Stated Maturity not later than five years after the Stated Maturity of the Notes so long as (A) the aggregate Principal Balance of all such Collateral Debt Securities does not exceed 10% of the Net Outstanding Portfolio Collateral Balance, (B) the Weighted Average Life of all such Collateral Debt Securities is no greater than 12 years and (C) the expected

maturity (as determined in a commercially reasonable manner by the Collateral Manager in accordance with the standard of care set forth in the Management Agreement) of each such security does not occur later than the Stated Maturity of the Notes.

Discount Margin	(14) such security (or if such security is a Synthetic Security, the related Reference Obligation) (x) is purchased at a discount margin less than or equal to 0.80%, or (y) such security is trading at a discount margin that is less than or equal to the Average Current Comparable Discount Margin plus 0.20%;
No Margin Stock	(15) such security is not, and any Equity Security acquired in connection with such security is not Margin Stock;
No Debtor-in-Possession Financing	(16) such security is not a financing by a debtor-in-possession in any insolvency proceeding;
No Optional or Mandatory Conversion or Exchange	(17) such security is not a security that by the terms of its Underlying Instruments provides for conversion or exchange (whether mandatory, at the option of the issuer or the holder thereof or otherwise) into equity capital at any time prior to its maturity;
Not Subject to an Offer or Called for Redemption	(18) such security is not the subject of an Offer and has not been called for redemption;
No Future Advances	(19) such security is not a security with respect to which the Issuer is required by the Underlying Instruments to make any future payment or advance to the issuer thereof or to the related Synthetic Security Counterparty (unless such security is a Synthetic Security in which event the aggregate Principal Balance of all Synthetic Securities does not exceed the sum of (A) the outstanding notional amount of the Class A-1B Swap Agreement and (B) the Balance standing to the credit of the Class A-1B Swap Reserve Account);
Fixed Rate Securities	(20) if such security is a fixed rate security (including any Synthetic Security as to which the Reference Obligation is a fixed rate security), the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 25% of the Net Outstanding Portfolio Collateral Balance;
Floating Rate Securities	(21) if such security is a floating rate security (including any Synthetic Security as to which the Reference Obligation is a floating rate security), the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 80% of the Net Outstanding Portfolio Collateral Balance;
Pure Private Collateral Debt Securities	(22) if such security is a Pure Private Collateral Debt Security (including any Synthetic Security as to which the Reference Obligation is a Pure Private Collateral Debt Security), the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;
No Guaranteed Corporate Debt Securities and Guaranteed Securities	(23) such security is not a Guaranteed Corporate Debt Security, a Guaranteed Security or guaranteed as to ultimate or timely payment of principal or interest (including any Synthetic Security as to which the Reference Obligation is a Guaranteed Corporate Debt Security, a Guaranteed Security or is guaranteed as to ultimate or timely payment of principal or interest);
CDO Securities	(24) (A) if such security is any type of CDO Security, (i) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are CDO Securities does not exceed

33% of the Net Outstanding Portfolio Collateral Balance, (ii) such security is publicly rated at least "Aa3" by Moody's (if publicly rated by Moody's), "AA-" by Standard & Poor's (if publicly rated by Standard & Poor's) and "AA-" by Fitch (if publicly rated by Fitch) and (iii) such security is not purchased after the Ramp-Up Completion Date; *provided* that the Issuer may purchase such security after the Ramp-Up Completion Date if, as of the Ramp-Up Completion Date, the Issuer has entered into a binding purchase agreement for regular settlement for such security; (B) if such security is a CDO Security in which 35% or more of the underlying obligations of such CDO Security are CDO Securities (including any Synthetic Security as to which the Reference Obligation is such a CDO Security), (1) such security has the CUSIP Number 526257AE0 and (2) the aggregate Principal Balance of such Collateral Debt Security does not exceed 0.67% of the Net Outstanding Portfolio Collateral Balance; (C) such security is not a CLO Security, Corporate CDO Security, an Insurance Trust Preferred CDO Security or a Bank Trust Preferred CDO Security; (D) if such security is any type of CDO Security, such security is not managed by the Collateral Manager or any of its Affiliates; and (E) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Synthetic ABS CDO Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;

**Synthetic
Corporate CDO
Securities**

(25) if such security is a Synthetic Corporate CDO Security (including any Synthetic Security as to which the Reference Obligation is a Synthetic Corporate CDO Security), the aggregate Principal Balance of all such Collateral Debt Securities does not exceed 0% of the Net Outstanding Portfolio Collateral Balance;

**Issuer
Concentrations**

(26) with respect to the particular issuer of the Collateral Debt Security being acquired and all Pledged Collateral Debt Securities: (A) the aggregate Principal Balance of all Pledged Collateral Debt Securities issued by any one issuer is not greater than 2% of the Net Outstanding Portfolio Collateral Balance; (B) there are no more than 10 issuers for which the aggregate Principal Balance of all Pledged Collateral Debt Securities issued by any such issuer is greater than 1% but less than or equal to 2% of the Net Outstanding Portfolio Collateral Balance *provided* that each such Pledged Collateral Debt Security shall have a Moody's public rating of "Aaa" (if publicly rated by Moody's), a Standard & Poor's public rating of "AAA" (if publicly rated by Standard & Poor's) and a Fitch public rating of "AAA" (if publicly rated by Fitch) and may not be a CDO Security, except that there may be up to five such issuers for which the aggregate Principal Balance of all Pledged Collateral Debt Securities issued by any such issuer is greater than 1% but less than or equal to 1.5% of the Net Outstanding Portfolio Collateral Balance if each such Pledged Collateral Debt Security has a Moody's public rating of at least "Aa2" (if publicly rated by Moody's), a Standard & Poor's public rating of at least "AA" (if publicly rated by Standard & Poor's) and a Fitch public rating of at least "AA" (if publicly rated by Fitch) and is not a CDO Security and *provided* further that there are no more than five issuers for which the aggregate Principal Balance of all Pledged Collateral Debt Securities issued by any such issuer is greater than 1.5% of the Net Outstanding Portfolio Collateral Balance and (C) there are a minimum of 100 issuers of all Pledged Collateral Debt Securities. For purposes of clauses (A)-(C) of this paragraph (25), any issuers Affiliated with one another will be considered one issuer;

**Weighted
Average Life**

(27) such security does not have an Average Life of greater than 12 years; *provided* that (A) the Weighted Average Life of all Pledged Collateral Debt Securities does not exceed 7 years (provided that such maximum will reduce by 0.5 years on each anniversary of the Closing Date); (B) the aggregate Principal Balance of all Pledged Collateral Debt Securities having an Average Life of greater than 10.75 years does not exceed 10% of the Net Outstanding Portfolio Collateral Balance; (C) if such security has an Average Life of greater than 8.5 years, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 25% of the Net Outstanding Portfolio Collateral Balance; (D) if such Collateral Debt Security has an Average Life of at least 10.75 years, such Collateral

Debt Security shall have a Moody's public rating of "Aaa" (if publicly rated by Moody's), a Standard & Poor's public rating of "AAA" (if publicly rated by Standard & Poor's) and a Fitch public rating of "AAA" (if publicly rated by Fitch); (E) if such Collateral Debt Security has an Average Life of at least 8.5 years, such Collateral Debt Security shall have a Moody's public rating of at least "Aa3" (if publicly rated by Moody's), a Standard & Poor's public rating of at least "AA-" (if publicly rated by Standard & Poor's) and a Fitch public rating of at least "AA-" (if publicly rated by Fitch); (F) if such security (i) has an Average Life of greater than 6.5 years and (ii) is publicly rated "A-", "A" or "A+" by Standard & Poor's, "A3", "A2" or "A1" by Moody's or "A-", "A" or "A+" by Fitch, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 3% of the Net Outstanding Portfolio Collateral Balance; (G) if such security is publicly rated "A-", "A" or "A+" by Standard & Poor's, "A3", "A2" or "A1" by Moody's or "A-", "A" or "A+" by Fitch or, the Weighted Average Life of all such Pledged Collateral Debt Securities does not exceed 5.5 years; (H) if such security is a CDO Security having an Average Life of greater than 8.5 years, then the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 10% of the Net Outstanding Portfolio Collateral Balance; and (I) if such security is a CDO Security, its Average Life does not exceed 10 years;

Single Servicer

(28) with respect to the Servicer of the security being acquired, the aggregate Principal Balance of all Pledged Collateral Debt Securities serviced by such Servicer (together with the aggregate Principal Balance of any Synthetic Security the Reference Obligation of which is such a security) does not exceed 7.5% of the Net Outstanding Portfolio Collateral Balance; *provided*, that:

(A) if the senior unsecured long-term obligations of such Servicer (or, if an Affiliate of such Servicer is required to perform the obligations of such Servicer, such Affiliate) are rated (x) "Aa3" or higher by Moody's, (y) "AA-" or higher or "Strong" by Standard & Poor's or (z) "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 all Pledged Collateral Debt Securities serviced by such Servicer (together with the aggregate Principal Balance of any Synthetic Securities the Reference Obligations of which are such securities) does not exceed 15% of the Net Outstanding Portfolio Collateral Balance;

(B) if the senior unsecured long-term obligations of such Servicer (or, if an Affiliate of such Servicer is required to perform the obligations of such Servicer, such Affiliate) are rated (x) "A3 or higher but below "Aa3" by Moody's (and are not rated at least "AA-" by Standard & Poor's or at least "S1" by Fitch or if no servicer rating has been assigned by Fitch, at least "AA-" by Fitch) or (y) "A-" or higher or "Above Average" but below "AA" by Standard & Poor's (and not rated at least "Aa3" by Moody's or at least "S1" by Fitch or if no servicer rating has been assigned by Fitch, at least "AA-" by Fitch) or (z) "S2" or higher but below "S1" by Fitch (or if no servicer rating has been assigned by Fitch, a credit rating of "A-" or higher but below "AA-" by Fitch) (and are not rated at least "AA-" by Standard & Poor's or at least "Aa3" by Moody's), the aggregate Principal Balance of all Pledged Collateral Debt Securities serviced by such Servicer (together with the aggregate Principal Balance of any Synthetic Securities the Reference Obligations of which are such securities) does not exceed 10% of the Net Outstanding Portfolio Collateral Balance; and

(C) if the senior unsecured long-term obligations of such Servicer (or, if an Affiliate of such Servicer is required to perform the obligations of such Servicer, such Affiliate) are not ranked by Standard & Poor's, the aggregate Principal Balance of all Pledged Collateral Debt Securities serviced by such Servicer (together with the

aggregate Principal Balance of any Synthetic Securities the Reference Obligations of which are such securities) does not exceed 7.5% of the Net Outstanding Portfolio Collateral Balance;

provided that, notwithstanding the foregoing:

(1) if such Servicer is Countrywide (or, if an Affiliate of Countrywide is required to perform the obligations of Countrywide, such Affiliate), the aggregate Principal Balance of all Pledged Collateral Debt Securities that are serviced by Countrywide and its Affiliates (together with the aggregate Principal Balance of each Synthetic Security the Reference Obligations of which are such securities) does not exceed 20% of the Net Outstanding Portfolio Collateral Balance;

(2) if such Servicer is Wells Fargo (or, if an Affiliate of Wells Fargo is required to perform the obligations of Wells Fargo, such Affiliate), the aggregate Principal Balance of all Pledged Collateral Debt Securities that are serviced by Wells Fargo and its Affiliates (together with the aggregate Principal Balance of each Synthetic Security the Reference Obligations of which are such securities) does not exceed 20% of the Net Outstanding Portfolio Collateral Balance; and

(3) if such Servicer is Residential Funding Corporation (or, if an Affiliate of Residential Funding Corporation is required to perform the obligations of Residential Funding Corporation, such Affiliate), the aggregate Principal Balance of all Pledged Collateral Debt Securities that are serviced by Residential Funding Corporation and its Affiliates (together with the aggregate Principal Balance of each Synthetic Security the Reference Obligations of which are such securities) does not exceed 20% of the Net Outstanding Portfolio Collateral Balance;

Synthetic Securities

(29) if such security is a Synthetic Security, then (A) such Synthetic Security is acquired from a Synthetic Security Counterparty, (B) the Rating Condition with respect to Standard & Poor's and Fitch has been satisfied with respect to the acquisition of such Synthetic Security (and the Issuer has notified Moody's of the satisfaction of such Rating Condition) 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 Pledged Collateral Debt Securities that are Synthetic Securities and Synthetic ABS CDO Securities does not exceed 25% of the Net Outstanding Portfolio Collateral Balance and (D) 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) satisfy paragraphs (6), (7), (8) and (10) of the Eligibility Criteria;

Frequency of Interest Payments

(30) (A) such security provides for periodic payments of interest in cash not less frequently than semi-annually and (B) if such security provides for periodic payments of interest in cash less frequently than quarterly, the aggregate Principal Balance of all Pledged Collateral Debt Securities that provide for periodic payments of interest in cash less frequently than quarterly (together with the aggregate Principal Balance of any Synthetic Securities related thereto) does not exceed 10% of the Net Outstanding Portfolio Collateral Balance;

Step-Down Bonds/Step-Up Bonds

(31) (A) if such security is a Step-Down Bond (including any Synthetic Security as to which the Reference Obligation is a Step-Down Bond), the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Step-Down Bonds does not exceed 5% of the Net Outstanding Portfolio Collateral Balance; and (B) if such security is a Step-Up Bond

(including any Synthetic Security as to which the Reference Obligation is a Step-Up Bond), the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Step-Up Bonds does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;

Collateral Quality Tests	(32) (A) each of the applicable Collateral Quality Tests is satisfied or, if immediately prior to such acquisition one or more of such Collateral Quality Tests was not satisfied, the extent of non-compliance with such Collateral Quality Tests may not be made worse (except to the extent that a reduction in the extent of compliance does not result in non-compliance) and (B) on and after the Ramp-Up Completion Date, the Standard & Poor's CDO Monitor Test is satisfied or, if immediately prior to such investment the Standard & Poor's CDO Monitor Test was not satisfied, the result is closer to compliance and the Issuer shall have promptly delivered to the Trustee, the Noteholders and Standard & Poor's an Officer's certificate specifying the extent to which the Standard & Poor's CDO Monitor Test was not satisfied;
Coverage Tests	(33) on and after the Ramp-Up Completion Date, each of the Coverage Tests is satisfied; and
Investment After Ramp-Up Completion Date	(34) if such security is acquired by the Issuer after the Ramp-Up Completion Date, (A) such security is a Collateral Debt Security that bears interest at a fixed rate, (B) the aggregate cost of all investments made after the Ramp-Up Completion Date does not exceed the aggregate amount of Specified Principal Proceeds received by the Issuer prior to the date of such acquisition and (C) the Post Ramp-Up Criteria described below are satisfied.

If the Issuer has made a commitment to acquire a security, then the Eligibility Criteria need not be satisfied when the Issuer grants such security to the Trustee if (A) the Issuer acquires such security within 60 days of making the commitment to acquire such security and (B) the Eligibility Criteria were satisfied immediately after the Issuer made 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 60-day period. If the Issuer enters into a transaction during the Ramp-Up Period to acquire a security on a forward sale basis pursuant to the Master Forward Sale Agreement, then, notwithstanding anything in the Indenture to the contrary (including the Eligibility Criteria), such security may be acquired by the Issuer on any date during the Ramp-Up Period at the price specified in the Master Forward Sale Agreement so long as the Eligibility Criteria were satisfied on the date such transaction was entered into by the Issuer. With respect to paragraphs (5), (11), (13) and (19) to (32) above, if any requirement set forth therein is not satisfied immediately prior to the acquisition of the related security, such requirement is deemed satisfied if the extent of non-compliance with such requirement is not made worse after giving effect to such acquisition (except to the extent that a reduction in the extent of compliance does not result in non-compliance).

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 and the commitment by the Issuer to acquire such Collateral Debt Security complies with the requirements of the preceding paragraph.

The Issuer may not acquire any Collateral Debt Security unless such acquisition is made (a) on an "arm's-length basis" for fair market value or (b) pursuant to the Warehouse Agreement or the Master Forward Sale Agreement.

The Issuer has agreed to use commercially reasonable efforts to purchase during the Ramp-Up Period Collateral Debt Securities having an aggregate Principal Balance of not less than the aggregate Principal Balance necessary for the Issuer to comply with its obligations under the Indenture.

Collateral Debt Securities after the last day of the Ramp-Up Completion Date other than (a) Collateral Debt Securities not yet purchased but as to which the Issuer has on or prior to the Ramp-Up Completion Date entered into binding purchase agreements for settlement in accordance with the foregoing and (b) Collateral Debt Securities bearing interest at a fixed rate purchased using Specified Principal Proceeds.

Each Collateral Debt Security acquired after the Ramp-Up Completion Date must satisfy the Eligibility Criteria (other than paragraph (20) thereof) and each of the following criteria (the "Post Ramp-Up Criteria") at the time the Issuer acquires or becomes committed to acquire (whichever is earlier) the Collateral Debt Security.

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|---|--|
| Residential A Mortgage Securities | (1) the security being acquired is a Residential A Mortgage Security that has a public rating of "Aaa" by Moody's and "AAA" by Standard & Poor's and is not an Interest Only Security; |
| Hedge Agreement | (2) the aggregate Principal Balance of all Collateral Debt Securities bearing interest at a fixed rate does not exceed the outstanding notional amount of the Hedge Agreement (or, if this requirement is not satisfied immediately prior to such acquisition, the extent of compliance is improved after giving effect thereto); |
| Maximum Average Life | (3) the Average Life of such security does not exceed the sum of (A) one plus (B) the Average Life of the Hedge Agreement (treating the notional amount scheduled to be outstanding thereunder as the outstanding principal balance of a Collateral Debt Security for purposes of calculating such Average Life); |
| Maximum Weighted Average Life | (4) the Weighted Average Life of all Collateral Debt Securities bearing interest at a fixed rate is less than the Average Life of the Hedge Agreement (treating the notional amount scheduled to be outstanding thereunder as the outstanding principal balance of a Collateral Debt Security for purposes of calculating such Average Life); |
| Issuer Concentration | (5) with respect to the particular issuer of the Collateral Debt Security being acquired and all Pledged Collateral Debt Securities, the aggregate Principal Balance of all Pledged Collateral Debt Securities issued by such issuer is not greater than 1% of the Net Outstanding Portfolio Collateral Balance. For such purpose, any issuers Affiliated with one another will be considered one issuer; |
| Number of Obligor on Fixed Rate Collateral | (6) the number of issuers of Collateral Debt Securities bearing interest at a fixed rate is not less than the number of issuers of Collateral Debt Securities bearing interest at a fixed rate on the Ramp-Up Completion Date (or, if this requirement is not satisfied immediately prior to such acquisition, the extent of compliance is improved after giving effect thereto). For such purpose, any issuers Affiliated with one another will be considered one issuer; |
| DV01 | (7) the decrease in the value of all Collateral Debt Securities that bear interest at a fixed rate in response to an increase of 0.01% of LIBOR (determined by the Collateral Manager using generally accepted financial practices) does not exceed the decrease in the value of the Hedge Agreement that would result from an increase of 0.01% of LIBOR (determined by the Collateral Manager using generally accepted financial practices); |
| Discount Margin | (8) such security (or if such security is a Synthetic Security, the related Reference Obligation) (x) is purchased at a discount margin less than or equal to 0.80%, or (y) such security is trading at a discount margin that is less than or equal to the Average Current Comparable Discount Margin plus 0.20%; |
| Par Value Differential Test | (9) at no time on or prior to the date of such acquisition has the excess of (i) the Net Outstanding Portfolio Collateral Balance over (ii) the aggregate outstanding principal amount of the Notes fallen to less than U.S.\$3,700,000. |
| Moody's Maximum Rating | (10) at no time on or prior to the date of such acquisition has the Moody's Maximum Rating Distribution of the Pledged Collateral Debt Securities exceeded 65; |

Distribution

**Liability
Downgrade** (11) at no time on or prior to the date of such acquisition has (A) the rating of any of the Class A-1 Notes, Class A-2 Notes or Class B Notes been reduced below the rating assigned to such Class of Notes on the Closing Date by Moody's or Standard & Poor's, (ii) the rating of the Class C Notes been reduced below the rating assigned to such Class of Notes on the Closing Date by Moody's or Standard & Poor's by at least two subcategories or (iii) the rating of the Class D Notes been reduced below the rating assigned to such Class of Notes on the Closing Date by Moody's or Standard & Poor's by at least three subcategories; and

**No Termination
of Collateral
Management
Agreement** (12) at no time on or prior to the date of such acquisition has the Collateral Management Agreement been terminated or the Collateral Manager resigned.

SYNTHETIC SECURITIES

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

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

For purposes of the Coverage Tests, 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 Obligation.

For purposes of the Collateral Quality Tests, for purposes of the Standard & Poor's CDO Monitor Test, and for determining the Moody's Rating of a Synthetic Security, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation, 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.

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".

MANNER OF ACQUISITION

Collateral Debt Securities purchased before the Closing Date will be acquired by Merrill Lynch International ("MLI") pursuant to a Warehouse Agreement dated as of April 21, 2005 (the "Warehouse Agreement") between MLI and the Collateral Manager. On the Closing Date, the Issuer will enter into the Collateral Management Agreement with the Collateral Manager. In the Collateral Management Agreement, the Collateral Manager will represent and warrant that all Collateral Debt Securities purchased by the Issuer on the Closing Date (including Collateral Debt Securities purchased from MLI) satisfy the Eligibility Criteria (except with respect to non-tax related Eligibility Criteria, in which case the Collateral Manager will represent and warrant that those Eligibility Criteria are satisfied to the best of its knowledge after due inquiry).

The Collateral Management Agreement provides that when purchasing CDO Obligations, Other ABS or Eligible Investments the Collateral Manager will be deemed to have satisfied the requirements of paragraph (8) of the Eligibility Criteria and the requirement that Eligible Investments not be described in clause (vii) of the exclusions from the definition of "Eligible Investments" in the Indenture, in each case, with respect to the manner of acquisition if either (i) the obligor or issuer of the CDO Obligation, Other ABS or Eligible Investment is not a United States person for U.S. federal income tax

purposes, the Collateral Manager does not act within the United States in connection with, and no U.S. office of any of the Collateral Manager's Affiliates is involved in, acquisition of the obligation or security and the first condition below is satisfied (the "Foreign Transaction Alternative") or (ii) each of the following conditions (together, the "US Transaction Alternative") is satisfied.

First, the Collateral Manager acquires or commits to acquire obligations or securities only if, for U.S. Federal income tax purposes, (i) the obligation or security is debt, (ii) the obligation or security is issued only by one or more corporations that are not United States real property holding corporations, (iii) the obligation or security is issued only by persons not engaged in a trade or business within the United States and not holding U.S. real property interests or (iv) the obligation or security is issued by a grantor trust all the assets of which the Issuer could have acquired directly. For purposes of determining whether any criterion above is satisfied, the Collateral Manager may rely on (x) a legal opinion included in (or described in) the offering documents pursuant to which the obligation or security was issued to the effect that such criterion will be satisfied, *provided* that no change that would have a material effect on the satisfaction of such criterion has occurred in the terms of the obligation or security or the activities or any of the organizational documents of the issuer, as applicable, before the obligation or security is acquired or (y) an opinion of nationally recognized U.S. federal income tax counsel.

Second, the Collateral Manager does not acquire or commit to acquire obligations or securities from the Collateral Manager (whether or not acting in its capacity as Collateral Manager), an Affiliate of the Collateral Manager or any account or portfolio for which the Collateral Manager or an Affiliate serves as investment advisor unless the seller (a) acquired the security in a way which would have satisfied these requirements if it were the Issuer or (b) regularly acquires obligations or securities of the same type for its own account, could have held the obligation or security for its own account consistent with its investment policies, held the obligation or security for at least 90 days and during that period did not commit to sell or identify the obligation or security as intended for sale to the Issuer.

Third, the Collateral Manager does not acquire or commit to acquire an obligation or security from the obligor or issuer or until it has been issued and at least partially funded. There are two exceptions to this requirement. The first exception permits the Collateral Manager to acquire an obligation or security in a registered offering where neither the Collateral Manager nor an Affiliate acted as an underwriter or placement agent. The second exception permits the Collateral Manager to acquire a privately placed obligation or security if either (a) the Collateral Manager and its employees did not participate in the placement or in negotiating or structuring the terms of the obligation or security or (b) the Collateral Manager and its Affiliates did not (i) participate in negotiating or structuring the terms of the obligation or security or (ii) at issuance acquire both (x) more than 33% of the aggregate principal amount of such obligations or securities or any other class of obligations or securities offered by the obligor or issuer in the same or any related offering (unless persons unrelated to the Collateral Manager and its Affiliates purchase more than 50% of the aggregate principal amount of such obligations or securities at substantially the same time and on substantially the same terms as the Issuer purchases) and (y) more than 8% of the aggregate principal amount of all classes of securities offered by the obligor or issuer in the same or any related offering. Participating in negotiating or structuring the terms of the obligation or security does not include either (i) commenting on offering documents to an unrelated underwriter or placement agent where the ability to comment was generally available to investors or (ii) undertaking due diligence of the kind customarily performed by investors in securities. Both exceptions also require that the purchase price be fixed at the time of any commitment to purchase and the commitment must be subject to there being no material adverse change in the condition of the obligor or issuer or in the financial markets.

The Collateral Management Agreement provides that, in entering into a Synthetic Security on behalf of the Issuer, the Collateral Manager shall be deemed not to have entered into such Synthetic Security in a manner that would cause the Issuer to be engaged in a U.S. trade or business for U.S. federal tax purposes if either (i) the Reference Obligation would, if acquired directly by the Issuer (treating entry into the Synthetic Security as if it were the acquisition of that obligation or collateral), satisfy the requirements of either the Foreign Transaction Alternative or the US Transaction Alternative and the counterparty is not a United States person for U.S. federal income tax purposes and the Collateral Manager does not act within the United States in connection with, and no U.S. office of any of the Collateral Manager's Affiliates is involved in, the entry into the Synthetic Security or (ii) the Reference Obligation would, if acquired directly by the Issuer, satisfy the requirements of the US Transaction Alternative and each of the following eight tests is satisfied.

First, the Issuer does not enter into a Synthetic Security that is a credit default swap unless the criteria used by the Collateral Manager to determine whether to enter into (or terminate) any particular credit default swap are generally similar to the criteria used by fixed-income portfolio managers 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 the related Synthetic Security, and not with a view to minimizing risk of loss through "pooling" of large numbers of similar or identical risks.

Second, the Issuer enters into a Synthetic Security only if the Collateral Manager is not seeking (including on behalf of the Issuer) to benefit from a concurrent entry into an offsetting Synthetic Security or related transaction in a manner that would cause the Issuer to benefit only from the bid/ask spread from the offsetting positions.

Third, the Issuer enters into a Synthetic Security only if at the time the Issuer enters into the Synthetic Security, the Collateral Manager does not believe that default on the Reference Obligation or Reference Obligations is likely.

Fourth, the Issuer does not (x) enter into a Synthetic Security with a view towards finding another party to assume the Issuer's risk or (y) enter into a transaction that will reduce the Issuer's risk with respect to the related Synthetic Security unless there has been a material change in circumstances relating to the market or to one or more of the Reference Obligations that materially affects the value of the Synthetic Security or causes the Collateral Manager to believe that the Synthetic Security is a less attractive position (whether absolutely or relative to other investments) than the Collateral Manager believed when the Issuer originally entered into the Synthetic Security, in which case this condition will not fail to be met merely because the Issuer enters into an offsetting transaction.

Fifth, the Issuer enters into a Synthetic Security only if the counterparty (1) 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 and (2) in the case of a credit default swap is not an insurance company.

Sixth, the Issuer does not enter into a Synthetic Security unless 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, in connection with such Synthetic Security, had previously contacted the dealer's sales and trading desk to express an interest in entering into or terminating derivatives referencing particular obligations or the credit of a particular Reference Obligor (or specified class of Reference Obligors) and the dealer subsequently, based on that expression of interest, proposes to the Collateral Manager specific terms on which a Synthetic Security or other derivative 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) credit derivatives on a number of different Reference Obligations or Reference Obligors 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.

Seventh, the Issuer enters into a Synthetic Security only if the Synthetic Security (1) is written on standard form ISDA documentation and (2) does not require that either party hold the Reference Obligation or, in case of a credit default swap, demonstrate an actual loss in order to require performance by the other party.

Eighth, the Issuer does not enter into a Synthetic Security unless the Synthetic Security (x) provides for settlement in cash (and there is no legal or practical impediment to exercise of that right), (y) requires physical settlement and the reference obligation is readily available to purchasers generally in a liquid market or (z) allows for a choice of cash settlement or physical settlement and the Reference Obligation is readily available to purchasers generally in a liquid market.

THE COLLATERAL QUALITY TESTS

The "Collateral Quality Tests" will be used primarily as criteria for purchasing Collateral Debt Securities. See "—Eligibility Criteria". The Collateral Quality Tests will consist of the 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 Weighted Average Life Test and the Standard & Poor's Minimum Recovery Rate Test described below.

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 the Synthetic Security Counterparty). For purposes of the Collateral Quality Tests, and for determining the Moody's Rating of a Synthetic Security, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation.

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 19%. "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) provided that the calculation of the Asset Correlation Factor is based on a number of assets equal to 120.

Moody's Maximum Rating Distribution Test. The "Moody's Maximum Rating Distribution Test" means a test satisfied on any Measurement Date if the Moody's Maximum Rating Distribution of the Pledged Collateral Debt Securities as of such Measurement Date is equal to or less than (a) on the Closing Date and any Measurement Date thereafter to, but excluding, the Ramp-Up Completion Date, 55 and (b) on the Ramp-Up Completion Date and any Measurement Date thereafter, 50. 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 Pledged Collateral Debt Security that is not a Defaulted Security or Written Down Security, by multiplying (1) the Principal Balance on such Measurement Date of each such Pledged Collateral Debt Security by (2) its respective Moody's Rating Factor on such Measurement Date by (ii) the aggregate Principal Balance as of such Measurement Date of all Pledged Collateral Debt Securities that are not Defaulted Securities or Written Down Securities and rounding the result to the nearest whole number.

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:

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

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

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

- (i) if such Collateral Debt Security 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 has requested that Moody's assign a rating to such Collateral Debt Security, the Moody's Rating shall be the rating so assigned by Moody's;
- (ii) with respect to any Asset-Backed Security, if such Asset-Backed Security is not rated by Moody's, then the Moody's Rating of such Asset-Backed Security may be determined using any one of the methods below:

(A) with respect to any Asset-Backed Security not publicly rated by Moody's listed under Class A1 on the Table of Moody's Asset Classes attached hereto as Schedule F, if such Asset-Backed Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) one subcategory below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "AAA" to "AA-"; (2) two rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "A+" to "BBB-"; and (3) three rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is below "BBB-";

(B) with respect to any Asset-Backed Security not publicly rated by Moody's listed under Class A2 on the Table of Moody's Asset Classes attached hereto as Schedule F, if such Asset-Backed Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) one subcategory below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "AAA" to "AA-"; (2) two rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "A+" to "BBB-"; and (3) four rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is below "BBB-";

(C) with respect to any Asset-Backed Security not publicly rated by Moody's listed under Class B on the Table of Moody's Asset Classes attached hereto as Schedule F, if such Asset-Backed Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) two subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "AAA" to "AA-"; (2) three rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "A+" to "BBB-"; and (3) four rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is below "BBB-";

(D) with respect to any Asset-Backed Security not publicly rated by Moody's listed under Class D on the Table of Moody's Asset Classes attached hereto as Schedule F, if such Asset-Backed Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) one subcategory below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "BBB-" or greater and (2) two rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is below "BBB-";

(E) with respect to any Asset-Backed Security not publicly rated by Moody's listed under Class E on the Table of Moody's Asset Classes attached hereto as Schedule F, if such Asset-Backed Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) two subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "BBB-" or greater and (2) three rating

subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is below "BBB-";

(F) (x) with respect to any Asset-Backed Security not publicly rated by Moody's listed under Class F on the Table of Moody's Asset Classes attached hereto as Schedule F, if such Asset-Backed Security is publicly rated by Standard & Poor's, then the Moody's Rating thereof will be (1) one subcategory below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "AAA" to "AA-"; (2) two rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is "A+" to "BBB-"; and (3) three rating subcategories below the Moody's equivalent rating assigned by Standard & Poor's if the rating assigned by Standard & Poor's is below "BBB-"; and

(y) with respect to any Asset-Backed Security not publicly rated by Moody's listed under Class F on the Table of Moody's Asset Classes attached hereto as Schedule F, if such Asset-Backed Security is publicly rated by Fitch but not Standard & Poor's, then the Moody's Rating thereof will be (1) two subcategories below the Moody's equivalent rating assigned by Fitch but not Standard & Poor's if the rating assigned by Fitch is "AAA" to "AA-"; (2) three rating subcategories below the Moody's equivalent rating assigned by Fitch if the rating assigned by Fitch is "A+" to "BBB-"; and (3) four rating subcategories below the Moody's equivalent rating assigned by Fitch if the rating assigned by Fitch is below "BBB-";

(G) 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 in the relevant Issue and Standard & Poor's or Fitch has rated the subject CMBS Conduit Security or CMBS Credit Tenant Lease Security, then the Moody's Rating thereof shall be one and one-half rating subcategories below the Moody's rating equivalent of the lower of the ratings assigned by Standard & Poor's or Fitch and (y) if Moody's has not rated any such tranche or class and Standard & Poor's and Fitch have rated the subject CMBS Conduit Security or CMBS Credit Tenant Lease Security, then the Moody's Rating thereof will be two rating subcategories below the Moody's rating equivalent of the lower of the ratings assigned by Standard & Poor's or Fitch; and

(H) with respect to any other type of Asset-Backed Security of a Specified Type not referred to in clauses (A) through (G) above shall be determined pursuant to subclause (i) above;

(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 (for the purpose of this clause (iii) 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 that is:

(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 in respect of such Guaranteed Corporate Debt Security 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;
- (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 (for the purpose of this subclause (2), 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 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 annual 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:

- (w) 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 rating (and not an estimated rating) that addresses the obligation of the obligor (or guarantor, where applicable) to pay principal of and interest on the relevant Collateral Debt Security in full and is monitored on an ongoing basis by the relevant Rating Agency;
- (x) in respect of Collateral Debt Securities the Moody's Rating of which is based on a rating of another Rating Agency (1) if such Collateral Debt Securities are rated by both Standard & Poor's and Fitch, the aggregate Principal Balance of all such Collateral Debt Securities may not exceed 20% of the aggregate Principal Balance of all Collateral Debt Securities; (2) if such Collateral Debt Securities are rated by either of the other Rating Agencies (but not both), the aggregate Principal Balance of all such Collateral Debt Securities may not exceed 10% of the aggregate Principal Balance of all Collateral Debt Securities; and (3) if such Collateral Debt Securities are rated by the same Rating Agency (and no other Rating Agency), the aggregate Principal Balance of all such Collateral Debt Securities may not exceed 7.5% of the aggregate Principal Balance of all Collateral Debt Securities;
- (y) with respect to any Synthetic Security, the Moody's Rating thereof will be determined as specified by Moody's at the time such Synthetic Security is acquired; and

- (z) other than for the purposes of paragraph (5) of the Eligibility Criteria, (A) if a Collateral Debt Security rated "Aa1" is placed on a watch list for possible upgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be "Aaa", (B) if a Collateral Debt Security is placed on a watch list for possible downgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be (I) if such Collateral Debt Security is rated "Aaa" immediately prior to such Collateral Debt Security being placed on such watch list, one rating subcategory below the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list and (II) otherwise, 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 and (C) if a Collateral Debt Security rated below "Aa1" is placed on a watch list for possible upgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be two rating subcategories above the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list.

Fitch Weighted Average Rating Factor Test. The "Fitch Weighted Average Rating Factor Test" will be satisfied on any Measurement Date on or after the Ramp-Up Completion Date if the Fitch Weighted Average Rating Factor as of such Measurement Date does not exceed 1.4. The "Fitch Weighted Average Rating Factor" is, on any Measurement Date, the number determined by dividing (i) the summation of the series of products obtained (a) for any Pledged Collateral Debt Security or Eligible Investment that is not a Defaulted Security, by multiplying (1) the Principal Balance on such Measurement Date of each such Pledged Collateral Debt Security and Eligible Investment by (2) its respective Fitch Rating Factor on such Measurement Date and (b) for any Pledged Collateral Debt Security or Eligible Investment that is a Defaulted 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 by (2) the Principal Balance on such Measurement Date of each such Defaulted 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 Pledged Collateral Debt Securities and Eligible Investments that are not Defaulted 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 such Defaulted Security by (2) the Principal Balance on such Measurement Date of such Defaulted Security, and rounding the result up to the nearest second decimal place.

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

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

In the case of any Eligible Investment that does not have a long-term Fitch Rating, the Fitch Rating for purposes of determining its Fitch Rating Factor shall be deemed to be (a) in the case of cash, "AAA" or (b) in the case of any other

Eligible Investment, the Fitch Rating Factor associated with the minimum acceptable long-term rating on that type of Eligible Investment.

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

- (i) if such Collateral Debt Security is rated by Fitch, as published in any publicly available news source identified by the Collateral Manager, such rating;
- (ii) if the rating cannot be assigned pursuant to clause (i) above and there is a publicly available Collateral Debt Security rating by Moody's or Standard & Poor's (but not both), the rating that corresponds to the Standard & Poor's or Moody's rating, as the case may be;
- (iii) if the rating cannot be assigned pursuant to clauses (i) or (ii) above and there is a publicly available rating of Collateral Debt Security by Moody's and Standard & Poor's, the rating that corresponds to the lower of the Moody's or Standard & Poor's rating; and
- (iv) if the rating cannot be assigned pursuant to clauses (i) through (iii) above, the Issuer or the Collateral Manager, on behalf of the Issuer, shall apply to Fitch for a private rating which shall then be the Fitch Rating

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

The "Fitch Recovery Rate" means, with respect to any Defaulted Security on any Measurement Date, an amount equal to the percentage set forth in (x) the row corresponding to the type of Collateral Debt Security, domicile, original rating, seniority and tranche thickness of such Defaulted Security, as applicable, as set forth in the Fitch Recovery Rate Matrix attached as Part III of Schedule A and (y) the column corresponding to the most senior outstanding Class of Notes then rated by Fitch.

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

- (i) if such Collateral Debt Security is an Asset-Backed Security:

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

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

(C) if such Collateral Debt Security is a Collateral Debt Security that has not been assigned a rating by Standard & Poor's pursuant to clause (A) or (B) above, and is not of a type listed on Schedule D, the Standard & Poor's Rating of such Collateral Debt Security shall be the rating determined in accordance with Schedule E; *provided that* (x) if any Collateral Debt Security shall, at any time, be on watch for a possible upgrade or downgrade by either Moody's or Fitch, the Standard & Poor's Rating of such Collateral Debt Security shall be one subcategory above or below, respectively, the rating otherwise assigned to such Collateral Debt Security in accordance with Schedule E; and (y) that the aggregate Principal Balance of all Collateral Debt Securities that are assigned a Standard & Poor's Rating pursuant to this clause (C) may not (1) exceed 20% of the aggregate Principal Balance of all Collateral Debt Securities if such Collateral Debt Securities are rated by both Moody's and Fitch and (2) exceed 15% of the aggregate Principal Balance of all Collateral Debt Securities if such Collateral Debt Securities are rated by either of the other Rating Agencies (but not both);

(ii) if such Collateral Debt Security is a Guaranteed Corporate Debt Security (or in the case of (iii) below, a Synthetic Security the Reference Obligations of which is a Guaranteed Corporate Debt Security):

(A) if there is an issuer credit rating of the issuer of such Collateral Debt Security, or a guarantor that unconditionally and irrevocably guarantees the full payment of principal and interest on such Collateral Debt Security, then the Standard & Poor's Rating of such Guaranteed Corporate Debt Security shall be the issuer credit rating of such issuer or such guarantor assigned by Standard & Poor's (regardless of whether there is a published rating by Standard & Poor's on the Collateral Debt Security held by the Issuer);

(B) if no other security or obligation of the issuer of such Guaranteed Corporate Debt Security is rated by Standard & Poor's or Moody's, then the Issuer or the Collateral Manager on behalf of the Issuer, may apply to Standard & Poor's for a corporate credit estimate of the issuer, which shall be the Standard & Poor's Rating of such Guaranteed Corporate Debt Security; *provided that* pending receipt from Standard & Poor's of such estimate, such Collateral Debt Security shall have a Standard & Poor's Rating of "CCC-" if the Collateral Manager believes that such estimate will be at least "CCC-" and the aggregate Principal Balance of all Collateral Debt Securities having a Standard & Poor's Rating by reason of this clause (B) does not exceed 5% of the aggregate Principal Balance of all Collateral Debt Securities,

(C) with respect to any Synthetic Security the Reference Obligation of which is a Guaranteed Corporate Debt Security, the Standard & Poor's Rating of such Synthetic Security shall be the rating assigned thereto by Standard & Poor's in connection with the acquisition thereof by the Issuer upon the request of the Issuer or the Collateral Manager;

(D) if such Guaranteed Corporate Debt Security is not rated by Standard & Poor's, but another security or obligation of the issuer is rated by Standard & Poor's and neither the Issuer nor the Collateral Manager obtains an Standard & Poor's Rating for such Guaranteed Corporate Debt Security pursuant to clause (B) above, then the Standard & Poor's Rating of such Guaranteed Corporate Debt Security shall be determined as follows: (1) if there is a rating by Standard & Poor's on a senior secured obligation of the issuer, then the Standard & Poor's Rating of such Guaranteed Corporate Debt Security shall be one subcategory below such rating; (2) if there is a rating on a senior unsecured obligation of the issuer by Standard & Poor's, then the Standard & Poor's Rating of such Guaranteed Corporate Debt Security shall equal such rating; and (3) if there is a rating on a subordinated obligation of the issuer by Standard & Poor's, then the Standard & Poor's Rating of such Guaranteed Corporate Debt Security shall be one subcategory above such rating;

(E) if a debt security or obligation of the issuer of such Guaranteed Corporate Debt Security has been in default during the past two years, the Standard & Poor's Rating of such Guaranteed Corporate Debt Security will be "D"; or

(F) if there is no issuer credit rating published by Standard & Poor's and such Guaranteed Corporate Debt Security is not rated by Standard & Poor's, and no other security or obligation of the issuer is rated by Standard & Poor's and neither the Issuer nor the Collateral Manager obtains an Standard & Poor's Rating for such Guaranteed Corporate Debt Security pursuant to subclause (B) above, then the Standard & Poor's Rating of such Guaranteed Corporate Debt Security may be determined using any one of the methods provided below:

- (1) if such Guaranteed Corporate Debt Security is rated by Moody's, then the Standard & Poor's Rating of such Guaranteed Corporate Debt Security will be (a) one subcategory below the Standard & Poor's equivalent of the rating assigned by Moody's if such Guaranteed Corporate Debt Security is rated "Baa3" or higher by Moody's and (b) two subcategories below the Standard & Poor's equivalent of the rating assigned by Moody's if such Guaranteed Corporate Debt Security is rated "Ba1" or lower by Moody's; *provided*, however, that (x) no Synthetic Security or Guaranteed Corporate Debt Security issued by an Emerging Market Issuer may be deemed to have a Standard & Poor's Rating based on a Moody's Rating and (y) the aggregate Principal Balance of all Collateral Debt Securities that are assigned a Standard & Poor's Rating based on a rating assigned by Moody's as provided in this subclause (1) and clause (C) of paragraph (i) above may not exceed 10% of the aggregate Principal Balance of all Collateral Debt Securities; or
- (2) if such Guaranteed Corporate Debt Security is not rated by Moody's but a security with the same ranking is rated by Moody's then the Standard & Poor's Rating of such parallel security will be determined in accordance with the methodology set forth in subclause (1) above, and the Standard & Poor's Rating of such Guaranteed Corporate Debt Security will be determined in accordance with the methodology set forth in clause D) above (for such purposes treating the parallel security as if it were rated by Standard & Poor's at the rating determined pursuant to this subclause (2)); and

(iii) if such Collateral Debt Security is a Synthetic Security:

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

(B) if such Synthetic Security is not rated by Standard & Poor's, the Issuer or the Collateral Manager, in connection with the acquisition thereof, shall request that Standard & Poor's assign a credit estimate to such Synthetic Security. Until such credit estimate is provided by Standard & Poor's, the Standard & Poor's Rating of such Synthetic Security shall be the Standard & Poor's Rating of such Synthetic Security's related Reference Obligation; provided that if no credit rating is received by the Issuer or the Collateral Manager within 30 days of acquisition of such Synthetic Security (which 30 day period may be extended upon agreement of Standard & Poor's and the Issuer or the Collateral Manager), the Standard & Poor's Rating of such Synthetic Security shall be the lower of (x) the Standard & Poor's Rating of such Synthetic Security's related Reference Obligation and (y) "B-". Following the assignment of a credit rating by Standard & Poor's, the Standard & Poor's Rating shall be the credit estimate so assigned by Standard & Poor's.

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 on or after the Ramp-Up Completion Date if the Moody's Weighted Average Recovery Rate as of such Measurement Date is greater than or equal to 44%.

The "Moody's Weighted Average Recovery Rate" is the number (expressed as a percentage rounded up to the first decimal place) obtained by (a) summing the products obtained by multiplying the Principal Balance of each Pledged Collateral Debt Security other than a Defaulted Security by its "Applicable Recovery Rate" (determined for purposes of this definition pursuant to clause (a) of the definition of "Applicable Recovery Rate") and (b) dividing such sum by the aggregate Principal Balance of all such Collateral Debt Securities (other than Defaulted Securities).

Weighted Average Coupon Test. The "Weighted Average Coupon Test" means a test that is satisfied on any Measurement Date if the Weighted Average Coupon as of such Measurement Date is equal to or greater than (i) 5.60% on the Closing Date and any Measurement Date thereafter to, but excluding, the Ramp-Up Completion Date, and (ii) 5.90%

(plus the Swap Differential if such Swap Differential is positive or minus the absolute value of the Swap Differential if such Swap Differential is negative) on any Measurement Date on or after the Ramp-Up Completion Date.

The "Weighted Average Coupon" means, as of any Measurement Date, the sum (expressed as a percentage and 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 Pledged Collateral Debt Security that is a fixed rate security (excluding all Defaulted Securities and Written Down Amounts) by (y) the Principal Balance of each such Pledged Collateral Debt Security and (ii) dividing such sum by the aggregate Principal Balance of all Pledged Collateral Debt Securities that are fixed rate securities (excluding all Defaulted Securities and Written Down Amounts) (iii) adding the fraction (expressed as a percentage) obtained by dividing (i) the products obtained by multiplying (A) the imputed interest rate on each Qualifying Interest Only Security (computed relative to the notional principal amount of such Qualifying Interest Only Security) that is a Fixed Rate Security by (B) the notional principal amount of each such Interest Only Security by (ii) the aggregate Principal Balance of all Fixed Rate Securities held in the portfolio as of such date plus (b) if such sum of the numbers obtained pursuant to clause (a) is less than the applicable percentage specified in the definition of "Weighted Average Coupon Test", the Spread Excess, if any, as of such Measurement Date. For purposes of this definition, no contingent payment of interest will be included in such calculation.

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 each Measurement Date prior to the Ramp-Up Completion Date, 5.60% and (ii) for each Measurement Date following the Ramp-Up Completion Date, 5.90% and (b) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are fixed rate securities (excluding Defaulted Securities and Written Down Securities) and the denominator of which is the aggregate Principal Balance of all Pledged Collateral Debt Securities that are floating rate securities (excluding Defaulted Securities and Written Down Securities).

"Swap Differential" means, a number (which may be positive or negative) equal to, on the Ramp-Up Completion Date, the Weighted Average Swap Fixed Rate on the Ramp-Up Completion Date minus the Weighted Average Swap Fixed Rate on the Closing Date.

"Weighted Average Swap Fixed Rate" means, as of the Closing Date, and the Ramp-Up Completion Date, the number (rounded up to the next 0.001%) obtained by (i) summing the products obtained by multiplying (x) the notional amount (as of such Measurement Date) of each interest rate swap transaction under the Hedge Agreement in effect on such Measurement Date by (y) the weighted average fixed rate payable by the Issuer to the Hedge Counterparty in respect of such transaction and (ii) dividing such sum by the aggregate notional amount (as of such Measurement Date) of all interest rate swap transactions under the Hedge Agreement in effect on such Measurement Date.

Weighted Average Spread Test. The "Weighted Average Spread Test" will be satisfied on any Measurement Date if the Weighted Average Spread as of such Measurement Date is greater than or equal to (i) 0.52% on the Closing Date and any Measurement Date thereafter to, but excluding, the Ramp-Up Completion Date, and (ii) 0.54% on any Measurement Date on or after the Ramp-Up Completion Date.

The "Weighted Average Spread" means, as of any 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 stated spread above or below LIBOR at which interest accrues on each Pledged Collateral Debt Security that is a floating rate security (other than a Defaulted Security or the Written Down Amount) 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 Pledged Collateral Debt Securities that are floating rate securities (excluding all Defaulted Securities and Written Down Amounts) plus (b) if such sum of the numbers obtained pursuant to clause (a) is less than the applicable percentage specified in the definition of "Weighted Average Spread Test", the Fixed Rate Excess, if any, as of such Measurement Date. For purposes of this definition, (1) no contingent payment of interest will be included in such calculation and (2) in the case of any floating rate security that does not bear interest at a rate expressed as a stated spread above LIBOR, the interest rate payable on such floating rate security on any Measurement Date shall be calculated as a spread above or below LIBOR, and if on such Measurement Date such rate is calculated as a spread below LIBOR, such spread shall be expressed as a negative number for purposes of making the calculation described in clause (a)(i) of the preceding sentence.

The "Spread Excess" means, as of any Measurement Date, 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) 0.52% on the Closing Date and any Measurement Date thereafter to, but excluding, the Ramp Up Completion Date and (ii) 0.54% on the Ramp-Up Completion Date and any Measurement Date thereafter and (b) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are floating rate securities (excluding Defaulted Securities and Written Down Securities) and the denominator of which is the aggregate Principal Balance of all Pledged Collateral Debt Securities that are fixed rate securities (excluding Defaulted Securities and Written Down Securities).

Weighted Average Life Test. The "Weighted Average Life Test" will be satisfied on any Measurement Date if the Weighted Average Life of all Pledged Collateral Debt Securities as of such Measurement Date is less than or equal to 7.0 years.

On any Measurement Date with respect to any Collateral Debt Securities (excluding all Defaulted Securities and Written Down Securities), the "Weighted Average Life" is the number obtained by (i) summing the products obtained by multiplying (a) the Average Life at such time of each such 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 such Collateral Debt Securities. On any Measurement Date with respect to any Collateral Debt Security, the "Average Life" is the quotient obtained by dividing (i) the sum of the products of (a) the number of years (rounded to the nearest one tenth thereof) from such Measurement Date to the respective dates of each successive 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 (as determined by the Collateral Manager).

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 Closing Date if the Standard & Poor's Recovery Rate as of such Measurement Date is equal to or greater than (a) with respect to the Class A Notes, 53%; (b) with respect to the Class B Notes, 62%; (c) with respect to the Class C Notes, 72% and (d) with respect to the Class D Notes, 77%.

The "Standard & Poor's Recovery Rate" means, as of any Measurement Date, the number (expressed as a percentage rounded up to the first decimal place) obtained by (a) summing the products obtained by multiplying the Principal Balance of each Pledged Collateral Debt Security on such Measurement Date by its Applicable Recovery Rate (determined for purposes of this definition pursuant to clause (b) of the definition of "Applicable Recovery Rate") and (b) dividing such sum by the aggregate Principal Balance of all Pledged Collateral Debt Securities on such Measurement Date. For purposes of determining the Standard & Poor's Recovery Rate, the Principal Balance of a Defaulted Security will be deemed to be equal to its Calculation Amount.

STANDARD & POOR'S CDO MONITOR TEST

If on any date on or after the Ramp Up Completion Date, upon the acquisition of any Collateral Debt Security (after giving effect to the acquisition of such Collateral Debt Security), the Standard & Poor's CDO Monitor Test is not satisfied or, if immediately prior to such investment the Standard & Poor's CDO Monitor Test was not satisfied, the result is not closer to compliance, the Issuer must promptly deliver to the Trustee, the Noteholders and Standard & Poor's an officer's certificate specifying the extent of non compliance.

The "Standard & Poor's CDO Monitor Test" is a test satisfied on any Measurement Date on or after the Ramp-Up Completion Date 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, on such Measurement Date if each of the Class A-1 Note Default Differential, the Class A-2 Note Default Differential, the Class B Note Default Differential, the Class C Note Default Differential and the Class D Note Default Differential of the Proposed Portfolio is positive or if any of the Class A-1 Note Default Differential, the Class A-2 Note Default Differential, the Class B Note Default Differential, the Class C Note Default Differential and the Class D Note Default Differential of the Proposed Portfolio is negative prior to giving effect to such sale or purchase, the extent of compliance is improved after giving effect to the sale or purchase of a Collateral Debt Security.

The "Class A-1 Note Break-Even Default Rate" means, with respect to the Class A-1 Notes, at any time, the maximum percentage of defaults (as determined by Standard & Poor's through application of the Standard & Poor's CDO Monitor) which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain such that, 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 ultimate payment of principal of and interest on the Class A-1 Notes in full by their Stated Maturity and the timely payment of interest on the Class A-1 Notes.

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

The "Class A-1 Note Scenario Default Rate" means, with respect to the Class A-1 Notes, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with 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 Note Break-Even Default Rate" means, with respect to the Class A-2 Notes, at any time, the maximum percentage of defaults (as determined by Standard & Poor's through application of the Standard & Poor's CDO Monitor) which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain such that, 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 ultimate payment of principal of and interest on the Class A-2 Notes in full by their Stated Maturity and the timely payment of interest on the Class A-2 Notes.

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

The "Class A-2 Note Scenario Default Rate" means, with respect to the Class A-2 Notes, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with 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 Note Break-Even Default Rate" means, with respect to the Class B Notes, at any time, the maximum percentage of defaults (as determined by Standard & Poor's through application of the Standard & Poor's CDO Monitor) which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain such that, 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 ultimate payment of principal of and interest on the Class B Notes in full by their Stated Maturity and the timely payment of interest on the Class B Notes.

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

The "Class B Note Scenario Default Rate" means, with respect to the Class B Notes, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with 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 Note Break-Even Default Rate" means, with respect to the Class C Notes, at any time, the maximum percentage of defaults (as determined by Standard & Poor's through application of the Standard & Poor's CDO Monitor) which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain such that, 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 ultimate payment of principal of and interest on the Class C Notes in full by their Stated Maturity and the timely payment of interest on the Class C Notes.

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

The "Class C Note Scenario Default Rate" means, with respect to the Class C Notes, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with 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 Note Break-Even Default Rate" means, with respect to the Class D Notes, at any time, the maximum percentage of defaults (as determined by Standard & Poor's through application of the Standard & Poor's CDO Monitor) which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain such that, 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 ultimate payment of principal of and interest on the Class D Notes in full by their Stated Maturity and the timely payment of interest on the Class D Notes.

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

The "Class D Note Scenario Default Rate" means, with respect to the Class D Notes, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with 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 "Current Portfolio" means the portfolio (measured by Principal Balance) of (a) all Pledged Collateral Debt Securities, (b) all Principal Proceeds or Uninvested Proceeds held as cash, and (c) all Eligible Investments and U.S. Agency Securities purchased with Principal Proceeds or Uninvested Proceeds existing immediately prior to such sale, maturity or other disposition of a Collateral Debt Security or immediately prior to such acquisition of a Collateral Debt Security, as the case may be.

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

The "Standard & Poor's CDO Monitor" is the dynamic, analytical computer model (including all written instructions and assumptions necessary for running the model) provided by Standard & Poor's to the Issuer, the Collateral Manager and the Collateral Administrator on or prior to the Ramp-Up Completion Date for the purpose of estimating the default risk of Collateral Debt Securities as may be amended by Standard & Poor's (and provided to the Collateral Manager, Issuer and Collateral Administrator) from time to time.

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 the Class A-1 Note Scenario Default Rate, the Class A-2 Note Scenario Default Rate, the Class B Note Scenario Default Rate, the Class C Note Scenario Default Rate and the Class D Note Scenario Default Rate, the 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 Pledged 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. The Issuer makes no representation as to the expected rate of defaults of the Pledged Collateral Debt Securities or the timing of defaults or as to the expected recovery rate or the timing of recoveries.

DISPOSITIONS OF PLEDGED COLLATERAL DEBT SECURITIES

The Pledged 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 Pledged Collateral Debt Securities. In addition, pursuant to the Indenture, the Issuer:

- (i) may sell any Defaulted Security (other than a Defaulted Synthetic Security) or Written Down Security at any time;
- (ii) may sell any Credit Risk Security at any time; *provided that*, if (i) the rating of any of the Class A-1 Notes, Class A-2 Notes or Class B Notes has been withdrawn or reduced below the rating assigned to such Class of Notes on the Closing Date by Moody's and not reinstated, (ii) the rating of the Class C Notes as been withdrawn or reduced at least two subcategories below the rating assigned to such Class of Notes on the Closing Date by Moody's and not reinstated or (iii) the rating of the Class D Notes has been withdrawn or reduced at least three subcategories below the rating assigned to such Class of Notes on the Closing Date by Moody's and not reinstated, then a Credit Risk Security may be sold only if it has been downgraded or put on a watch list for possible downgrade by one or more Rating Agencies by one or more rating subcategories since it was acquired by the Issuer;
- (iii) may sell (or exercise its right to terminate) any Defaulted Synthetic Security described in clause (9) of the definition of "Defaulted Security" at any time;
- (iv) may sell any Credit Improved Security at any time with the prior written consent of the Controlling Class;
- (v) shall sell any Equity Security or consideration received by the Issuer in exchange for a Defaulted Security or any equity security received in an Offer that is not Margin Stock and satisfies paragraphs (7), (8) and (10) of the Eligibility Criteria within one year after the Issuer's receipt thereof (or within one year after such later date as such Equity Security or consideration or equity security received in an offer may first be sold in accordance with its terms and applicable law);
- (vi) shall sell any Equity Security or consideration received in an Offer (other than an Equity Security or consideration received by the Issuer in exchange for a Defaulted Security or equity security received in an Offer described in clause (v) above) not later than five Business Days after the Issuer's receipt thereof (or within five Business Days after such later date as such Equity Security or consideration or equity security received in an offer may first be sold in accordance with its terms and applicable law);
- (vii) shall sell any Deliverable Obligation that is a Defaulted Security and that does not satisfy in paragraphs (6), (7), (8) and (10) of the Eligibility Criteria not later than five Business Days after the Issuer's receipt thereof (or within five Business Days after such later date as such Defaulted Security may first be sold in accordance with its terms and applicable law); and
- (viii) shall, in the event of an Auction Call Redemption, Optional Redemption or Tax Redemption, direct the Trustee to sell, in consultation with the Collateral Manager, Collateral Debt Securities without regard to the foregoing limitations.

All Sale Proceeds of an Equity Security, Credit Risk Security, Credit Improved Security, Written Down Security or Defaulted Security (to the extent such Sale Proceeds are not applied as Specified Principal Proceeds to purchase substitute Collateral Debt Securities during the Substitution Period) sold by the Issuer as described above will be deposited in the "Interest Collection Account" or the "Principal Collection Account", as the case may be, and applied on the Distribution Date immediately succeeding the end of the Due Period in which they were received in accordance with the Priority of Payments or as otherwise required by the Indenture.

Any disposition by the Issuer of a Pledged Collateral Debt Security will be effected on an "arm's-length basis" for fair market value.

In the event of an Optional Redemption, Auction Call Redemption or a Tax Redemption, the Trustee (in consultation with the Collateral Manager) may sell Collateral Debt Securities without regard to the limitations described above that are applicable to sales by the Issuer; *provided* that (i) the proceeds therefrom will be at least sufficient to pay certain expenses and other amounts and redeem in whole but not in part all Notes to be redeemed simultaneously; (ii) such proceeds are used to make such a redemption and (iii) the Issuer provides a certification as to the sale proceeds of the Collateral containing calculations which are confirmed in writing by independent accountants as set forth in the Indenture. See "Description of the Notes—Optional Redemption and Tax Redemption" and "—Auction Call Redemption".

THE HEDGE AGREEMENT

The Issuer will enter into an interest rate protection agreement with a counterparty with respect to which the Rating Condition has been satisfied (the "Hedge Counterparty") as of the Closing Date consisting of an ISDA Master Agreement and Schedule and an interest rate swap confirmation dated on or about the Closing Date and additional interest rate swap confirmations, if any, entered into between the Issuer and the Hedge Counterparty from time to time (such agreement, and any replacement therefor entered into in accordance with the Indenture, the "Hedge Agreement"). The Hedge Agreement may consist of one or more interest rate swaps. 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 shall not, however, enter into any hedge agreement the payments from which are subject to withholding tax or the entry into, performance, enforcement 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.

Pursuant to the Priority of Payments, scheduled payments required to be made by the Issuer under the Hedge Agreement, together with any termination payments payable by the Issuer other than by reason of an "event of default" or "termination event" (other than an "illegality" or "tax event") with respect to which the Hedge Counterparty is the "defaulting party" or the sole "affected party" (as each such term is defined in the Hedge Agreement), will be payable pursuant to paragraph (D) of the "Priority of Payments—Interest Proceeds", paragraph (A) of the "Priority of Payments—Principal Proceeds—General" or paragraph (A) of the "Priority of Payments—Principal Proceeds—CDS". Payments to the Hedge Counterparty may be made on a date other than a Distribution Date. 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 its Hedge Rating Determining Party are rated below "A1" by Moody's (or rated "A1" by Moody's and on watch for possible downgrade) and (ii) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of its Hedge Rating Determining Party are rated below "P-1" by Moody's or are rated "P-1" by Moody's and such rating is on watch for possible downgrade or (y) if 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 its Hedge Rating Determining Party are rated below "Aa3" by Moody's or are rated "Aa3" by Moody's and such rating is on watch for possible downgrade, then the Hedge Counterparty shall, within 30 Business Days of such ratings downgrade, enter into an agreement with the Issuer providing for the posting of collateral, which agreement satisfies the Rating Condition.

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

In respect of the Initial 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 that satisfies the Hedge Counterparty Ratings Requirement (with such form of guarantee meeting Standard & Poor's then-current published criteria on guarantees) 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, as the case may be, may require to cause the obligations of the Initial Hedge Counterparty under the Hedge Agreement to be treated by such Rating Agency as if such obligations were owed by a counterparty that satisfies the Hedge Counterparty Ratings Requirement;

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

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

(iv) following the occurrence of a Ratings Event, the Issuer may terminate the Hedge Agreement unless the Initial Hedge Counterparty 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 occurring 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 occurring 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.

The Trustee shall deposit all collateral received from the Hedge Counterparty under the Hedge Agreement into a securities account held 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 Noteholders, each Hedge Counterparty and the Trustee.

"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 its Hedge Rating Determining Party from Standard & Poor's falls below "A+" or no such long-term rating from Standard & Poor's exists and (b) the short-term rating of its Hedge Rating Determining Party from Standard & Poor's falls below "A-1" or no such short-term rating from Standard & Poor's exists; (ii) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Moody's falls to "Aa3" (and is on credit watch for possible downgrade) or below "Aa3", if its Hedge Rating Determining Party has no short-term senior unsecured debt rating; (iii) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Moody's falls to "A1" (and is on credit watch for possible downgrade) or below "A1" or the short-term senior unsecured debt rating of the Initial Hedge Counterparty, or if no such rating is available, its Hedge Rating Determining Party or, if no such rating is available, a guaranteed affiliate thereof (whose rating is based solely upon the support of its Hedge Rating Determining Party) from Moody's, if so rated by Moody's, falls to "P-1" (and on credit watch for possible downgrade) or below "P-1"; (iv) its Hedge Rating Determining Party's short-term issuer credit rating from Fitch falls to "F2" or the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Fitch falls below "A".

"Hedge Rating Determining Party" means, with respect to the Hedge Counterparty, (a) unless clause (b) applies with respect to the Hedge Agreement, the Hedge Counterparty or any transferee thereof or (b) any Affiliate of the Hedge

Counterparty or any transferee thereof that unconditionally and absolutely guarantees (with such form of guarantee satisfying Standard & Poor's then-published criteria with respect to guarantees) the obligations of the 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 the Hedge Counterparty or any such transferee.

The "Hedge Counterparty Ratings Requirement" means, with respect to any Hedge Counterparty (other than the Initial Hedge Counterparty) or any permitted transferee thereof, (a) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of the Hedge Rating Determining Party are rated at least "A-1" by Standard & Poor's, or (ii) if no short-term debt obligations of such Hedge Rating Determining Party are rated by Standard & Poor's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A+" by Standard & Poor's, (b)(i)(x) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Rating Determining Party are rated "P-1" by Moody's and such rating is not on watch for possible downgrade and (y) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated higher than "A1" by Moody's or are rated "A1" by Moody's and such rating is not on watch for possible downgrade or (ii) if there is no such Moody's short-term debt obligations rating, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated higher than "Aa3" by Moody's or are rated "Aa3" by Moody's and such rating is not on watch for possible downgrade and (c) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Rating Determining Party are rated at least "F1" by Fitch or (ii) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A" 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 its Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to or below "A2", if its Hedge Rating Determining Party has no short-term senior unsecured debt rating; (ii) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to or below "A3" or the short-term senior unsecured debt rating of the Initial Hedge Counterparty or, if no such rating is available, its Hedge Rating Determining Party from Moody's, or if no such rating is available, a guaranteed affiliate thereof (whose rating is based solely upon the support of the Hedge Rating Determining Party) from Moody's, if so rated by Moody's, falls to or below "P-2"; (iii) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Standard & Poor's is withdrawn, suspended or falls below "BBB-"; (iv) the short-term issuer credit rating of its Hedge Rating Determining Party from Fitch is withdrawn, suspended or falls below "F2" or, the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Fitch is withdrawn, suspended or falls below "BBB+" or (v) the failure of the Hedge Counterparty to satisfy the requirements set forth above in the fifth paragraph under this heading "The Hedge Agreement".

"Ratings Threshold", means, with respect to the Hedge Counterparty (other than its Initial Hedge Counterparty), (a) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of its Hedge Rating Determining Party are rated at least "A-1" by Standard & Poor's or (ii) if its 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 its Hedge Rating Determining Party are rated at least "A3" by Moody's, *provided* that the Ratings Threshold shall not be satisfied if such obligations are rated "A3" by Moody's and such rating is on watch for possible downgrade and (ii) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Rating Determining Party are rated at least "P-2" by Moody's, *provided* that the Ratings Threshold shall not be satisfied if such obligations are rated "P-2" by Moody's and such rating is on watch for possible downgrade and (c) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of its Hedge Rating Determining Party are rated at least "F1" by Fitch or (ii) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A" 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 Optional Redemption, Auction Call Redemption or Tax Redemption. The Issuer and the Hedge Counterparty may from time to time (1) prior to the Ramp-Up

Completion Date, enter into additional interest rate swap and interest rate cap transactions under the Hedge Agreement in connection with additional Borrowings under the Class A-1 Notes and (3) following the Ramp-Up Completion Date enter into additional interest rate swap and interest rate cap transactions or reduce the notional amount under the interest rate swap and interest rate cap transactions so long as, in each case, such action by the Issuer satisfies the Rating Condition. If amounts are applied to the redemption of Notes on any Quarterly 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 interest rate swap transactions under the Hedge Agreement will be subject to partial termination on such Quarterly Distribution Date with respect to a portion of the notional amount thereof equal to the aggregate outstanding principal amount of such Notes so redeemed on such Quarterly Distribution Date. In addition, subject to satisfaction of the Rating Condition with respect to such reduction and the prior consent of the Hedge Counterparty, a Majority-in-Interest of Income Noteholders (acting together) may on any Quarterly Distribution Date direct the Issuer to reduce the notional amount of any interest rate swap transactions 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.

If at any time the Hedge Agreement becomes subject to early termination due to the occurrence of an "event of default" or a "termination event" other than "illegality" or a "tax event" (each as defined in the Hedge Agreement) attributable to the Hedge Counterparty, the Issuer and the Trustee shall take such actions (following the expiration of any applicable grace period) to enforce the rights of the Issuer and the Trustee thereunder as may be permitted by the terms of the Hedge Agreement and consistent with the terms hereof, and shall apply the proceeds of any such actions (including the proceeds of the liquidation of any collateral pledged by the Hedge Counterparty) to enter into a replacement Hedge Agreement on substantially identical terms or on such other terms satisfying the Rating Condition, and with a Hedge Counterparty with respect to which the Rating Condition shall have been satisfied. In determining the amount payable under the terminated Hedge Agreement, the Issuer will seek quotations from reference market-makers that satisfy the Hedge Counterparty Ratings Requirement. In addition, the Issuer will use its best efforts to cause the termination of the Hedge Agreement to become effective simultaneously with the entry into a replacement Hedge Agreement described as aforesaid. Notwithstanding the foregoing, if the Hedge Agreement becomes subject to early termination due to the occurrence of an "event of default" or a "termination event" other than "illegality" or "tax event" (each as defined in the Hedge Agreement) attributable to the Hedge Counterparty, the Issuer agrees not to exercise its right to terminate the Hedge Agreement unless no amounts would be owed by the Issuer to the Hedge Counterparty as a result of such termination (or the Issuer certifies to the Hedge Counterparty that the funds available on the next Quarterly Distribution Date will be sufficient to pay such termination payment); *provided*, however, in such event, at the option of the Issuer, the Hedge Counterparty shall be required to assign its rights and obligations under the Hedge Agreement and all transactions thereunder at no cost to the Issuer (it being understood that the Hedge Counterparty shall pay the Issuer's expenses in connection therewith, including legal fees) to a party selected by then Issuer (with the assistance of the Hedge Counterparty, which assistance will not be unreasonably withheld) (the "Subordinated Termination Substitute Party") (x) in the case of the occurrence of an "event of default" or a "termination event" (each as defined in the Hedge Agreement) attributable to the Hedge Counterparty other than a downgrade, withdrawal or suspension from Standard & Poor's within 30 days following the selection of a Subordinated Termination Substitute Party by the Hedge Counterparty or (y) in the case of a the occurrence of an "event of default" or a "termination event" (each as defined in the Hedge Agreement) attributable to the Hedge Counterparty that is a downgrade, withdrawal or suspension from Standard & Poor's as soon as practicable but in no event later than 10 Business Days following such downgrade, withdrawal or suspension from Standard & Poor's; and *provided*, that such an assignment will not comply with this provision unless (A) as of the date of such transfer neither the Subordinated Termination Substitute Party nor the Issuer will be required to withhold or deduct on account of any tax from any payments under the Hedge Agreement in excess of what would have been required to be withheld or deducted in the absence of such transfer; (B) a "termination event" or "event of default" does not occur under the Hedge Agreement as a result of such assignment; (C) the Subordinated Termination Substitute Party satisfies the Hedge Counterparty Ratings Requirement; (D) such Subordinated Termination Substitute Party assumes the obligations of the Hedge Counterparty under the Hedge Agreement (through an assignment and assumption agreement in form and substance reasonably satisfactory to the Issuer) or replaces the outstanding transactions under the Hedge Agreement with transactions on substantially identical terms, except that the Hedge Counterparty shall be replaced as counterparty; (E) such assignment satisfies the Rating Condition; (F) the Hedge Counterparty assumes payment of any cost associated with the transfer of the Hedge Agreement and all transactions thereunder to the Subordinated Termination Substitute Party; (G) the Subordinated Termination Substitute Party shall be a dealer in notional principal contracts and (H) payment has been made to the Initial

Hedge Counterparty by the Subordinated Termination Substitute Party of an amount payable under the terminated Hedge Agreement based on quotations from reference market-makers, such payment in full satisfaction of all amounts owing by the Issuer in connection with such assignment (other than unpaid amounts).

Amounts payable upon any such termination or reduction will be based upon the 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 a 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 set forth in the Hedge Agreement, shall be payable on such Quarterly 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 Quarterly Distribution Date shall be payable on the first Quarterly 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 Hedge Agreement shall provide that, so long as the Hedge Agreement shall continue to be in full force and effect, the Issuer shall not enter into any transaction under another Hedge Agreement unless (i) the entry into such Hedge Agreement satisfies the Rating Condition and (ii) the Issuer obtains the prior written consent of the Hedge Counterparty.

THE HEDGE COUNTERPARTY

AIG Financial Products Corp. ("AIG-FP") commenced its operations in 1987. AIG-FP and its subsidiaries conduct, primarily as principal, a financial derivative products business covering the fixed income, foreign exchange, credit, equity, emerging and commodities markets. AIG-FP also enters into investment contracts and other structured transactions, and invests in a diversified portfolio of securities. In the course of conducting its business, AIG-FP also engages in a variety of other related transactions.

American International Group, Inc. ("AIG") is the guarantor of the payment obligations of its subsidiary, AIG Financial Products Corp., with respect to the Hedge Agreement as of the date of this Offering Circular. AIG, world leaders in insurance and financial services, is the leading international insurance organization with operations in more than 130 countries and jurisdictions. AIG companies serve commercial, institutional and individual customers through the most extensive worldwide property-casualty and life insurance networks of any insurer. In addition, AIG companies are leading providers of retirement services, financial services and asset management around the world. AIG's common stock is listed in the U.S. on the New York Stock Exchange as well as the stock exchanges in London, Paris, Switzerland and Tokyo.

Except for the information contained in the preceding two paragraphs, AIG and AIG-FP have not been involved in the preparation of, and do not accept responsibility for, this Offering Circular as a whole.

THE ACCOUNTS

On or prior to the Closing Date the Trustee will have established each of the following accounts (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 (other than amounts received by the Issuer by reason of the occurrence of an event of default or termination event under the Hedge Agreement or other comparable event that are required to be used for the purchase by the Issuer of a replacement Hedge Agreement) will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the "Interest Collection Account") which may be a subaccount of the Custodial 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, during the

Substitution Period, such Principal Proceeds constituting Specified Principal Proceeds are reinvested in Collateral Debt Securities or Eligible Investments in accordance with the Indenture, will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the "Principal Collection Account" which may be a subaccount of the Custodial Account and, together with the Interest Collection Account, the "Collection Accounts").

The Collection Accounts shall be maintained for the benefit of the Secured Parties and amounts on deposit therein will be available, together with reinvestment earnings thereon, for application in the order of priority set forth above under "Description of the Notes—Priority of Payments".

Amounts received in the Collection Accounts during a Due Period and amounts received in prior Due Periods and retained in the Collection Accounts under the circumstances set forth above in "Description of the 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 Quarterly Distribution Date. All such proceeds will be retained in the Collection Accounts unless used to purchase Collateral Debt Securities (by withdrawing the same from the Principal Collection Account or reinvesting the same immediately upon receipt) on or prior to the last day of the Substitution Period in accordance with the Eligibility 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 "—Eligibility Criteria".

Payment Account

On or prior to the Business Day prior to each Quarterly Distribution Date, the Trustee will deposit into a single, segregated account established and maintained by the Trustee under the Indenture (the "Payment Account") for the benefit of the Secured Parties all funds in the Collection Accounts required for payments to Noteholders and payments of fees and expenses in accordance with the priority described under "Description of the Notes—Priority of Payments". If amounts on deposit in the Payment Account are invested pending payments to the Noteholders on each Quarterly Distribution Date, such amounts shall be invested for the benefit of the Trustee in Eligible Investments with maturities no later than the next Quarterly Distribution Date; *provided* that the Trustee shall not be under an obligation to invest amounts standing to the credit of the Payment Account.

Semi-Annual Interest Reserve Account

On any date upon which the Issuer receives interest payments in cash in respect of semi-annual interest paying securities, the Trustee will deposit into a single, segregated account established and maintained by the Trustee under the Indenture (the "Semi-Annual Interest Reserve Account") 50% of such interest payments on semi-annual interest paying securities. At least one Business Day prior to each Quarterly Distribution Date, the Trustee shall transfer all amounts deposited in the Semi-Annual Interest Reserve Account on or prior to the Determination Date relating to the immediately preceding Quarterly Distribution Date (including any interest accrued on any such amount) to the Payment Account for application as Interest Proceeds in accordance with the Priority of Payments and except as otherwise permitted in the Indenture such transfer shall be the only permitted withdrawal from, or application of funds on deposit in, or otherwise standing to the credit of, the Semi-Annual Interest Reserve Account. Any and all funds at any time on deposit in, or otherwise to the credit of, the Semi-Annual Interest Reserve Account shall be held in trust by the Trustee for the benefit of the Secured Parties. The Trustee is required to give the Issuer immediate notice if the Semi-Annual Interest Reserve Account or any funds on deposit therein, or otherwise standing to the credit of the Semi-Annual Interest Reserve Account, shall become subject to, any writ, order, judgment, warrant of attachment, execution or similar process. The Semi-Annual Interest Reserve Account shall remain at all times with a financial institution having a long-term debt rating of at least "Baa1" by Moody's (and, if rated "Baa1", not be on watch for possible downgrade by Moody's), at least "BBB+" by Standard & Poor's and at least "BBB+" by Fitch and a combined capital and surplus in excess of U.S.\$250,000,000. At the direction of the Collateral Manager, the Trustee shall invest and reinvest the funds held in the Semi-Annual Interest Reserve Account in Eligible Investments maturing not later than the earlier of (i) 30 days after the date of such investment or (ii) the Business Day immediately preceding the next Quarterly Distribution Date (or, in the absence of such direction, in Eligible Investments so maturing that are described in clause (h) of the definition thereof). All interest and other income from such investments shall be deposited in the Semi-Annual Interest Reserve Account, any gain realized from such investments shall be credited to the Semi-Annual Interest Reserve Account and any loss resulting from such investments shall be charged to the Semi-Annual Interest Reserve Account. The Trustee shall not in any way be held liable by reason of any insufficiency

of the Semi-Annual Interest Reserve Account resulting from any loss relating to any such investment, except with respect to investments in obligations of the Bank but only to the extent of the liability of the Bank for any such insufficiency.

Uninvested Proceeds Account

On the Closing Date (and following such date, on the date of any Borrowing under the Class A-1 Notes), 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 Issuer (including, without limitation, the legal fees and expenses of counsel to the Issuer, the Collateral Manager and the Initial Purchaser), the expenses of offering the Offered Notes and amounts deposited in any other Account on the Closing Date). On and prior to the Ramp-Up Completion Date, the Collateral Manager on behalf of the Issuer may direct the Trustee to, and upon such direction the Trustee shall, apply funds in the Uninvested Proceeds Account to purchase additional Collateral Debt Securities and, pending such investment in additional Collateral Debt Securities, such funds will be invested in Eligible Investments with stated maturities not later than the earlier of (i) 30 days after the date of such investment or (ii) the Business Day immediately preceding the next Quarterly Distribution Date or U.S. Agency Securities; *provided* that the maximum aggregate Principal Balance of U.S. Agency Securities that may at any time be standing to the credit of the Uninvested Proceeds Account is U.S.\$300,000,000. 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. The Trustee shall transfer interest and other income in respect of any U.S. Agency Securities or Eligible Investments credited to the Uninvested Proceeds Account received in any Due Period (other than any interest received in respect of accrued interest purchased by the Issuer upon the acquisition of any U.S. Agency Security) to the Interest Collection Account to be treated as Interest Proceeds on the related Quarterly Distribution Date. After the Ramp Up Completion Date, the Issuer shall not be permitted to hold any U.S. Agency Securities in the Uninvested Proceeds Account. If the Issuer has obtained a Rating Confirmation as provided in the Indenture, the Trustee shall transfer any Uninvested Proceeds remaining on deposit in the Uninvested Proceeds Account on the Ramp-Up Completion Date (excluding (i) any amounts transferred to the Interest Collection Account as specified above and (ii) any amounts necessary to settle all agreements entered into by the Issuer on or prior to the Ramp-Up Completion Date to acquire Collateral Debt Securities scheduled to settle following the Ramp-Up Completion Date) to the Payment Account to be treated *first*, as Interest Proceeds in an amount equal to the lesser of (a) the Interest Excess and (b) U.S.\$1,000,000 and, *second*, as Principal Proceeds, on the first Quarterly Distribution Date thereafter and distributed in accordance with the Priority of Payments. If the Issuer has failed to obtain a Rating Confirmation, the Trustee shall transfer any such Uninvested Proceeds to the Payment Account to be treated as Principal Proceeds on the first Quarterly Distribution Date thereafter and distributed in accordance with the Priority of Payments. During the Ramp-Up Period and thereafter to settle the purchase of any Collateral Debt Securities pursuant to an agreement entered into prior to the Ramp-Up Completion Date, the Collateral Manager on behalf of the Issuer may by notice to the Trustee direct the Trustee to sell Eligible Investments or U.S. Agency Securities standing to the credit of the Uninvested Proceeds Account and apply the sale proceeds (or any other cash credited to the Uninvested Proceeds Account) to purchase additional Collateral Debt Securities, Eligible Investments (with stated maturities as described above) or U.S. Agency Securities.

Expense Account

On the Closing Date, after payment of the organizational and structuring fees and expenses of the Issuer (including, without limitation, the legal fees and expenses of counsel to the Issuer, the Collateral Manager and the Initial Purchaser) and the expenses of offering the Offered Notes, U.S.\$200,000 from the proceeds of the offering of the Offered Notes will be deposited by the Trustee into a single, segregated account established and maintained by the Trustee under the Indenture (the "Expense Account"). On each Quarterly 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 paragraph (B) under "Description of the 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.\$200,000. Amounts on deposit in the Expense Account may be withdrawn from time to time to pay accrued and unpaid administrative expenses of the Issuer. All funds on deposit in the Expense Account will be invested in Eligible Investments. All amounts remaining on deposit in the Expense Account at the time when substantially all of the Issuer's assets have been sold or otherwise

disposed of will be deposited by the Trustee into the Payment Account for application as Interest Proceeds on the immediately succeeding Quarterly Distribution Date.

Interest Reserve Account

After payment of the organizational and structuring fees and expenses of the Issuer (including, without limitation, the legal fees and expenses of counsel to the Issuer, the Collateral Manager and the Initial Purchaser) and the expenses of offering the Offered Notes, on the Closing Date U.S.\$500,000 from the proceeds of the offering of the Offered Notes will be deposited by the Trustee into a single, account established and maintained by the Trustee under the Indenture (the "Interest Reserve Account"). All funds on deposit in the Interest Reserve Account will be invested in Eligible Investments. Except as provided in the Indenture, 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 that the Collateral Manager on behalf of the Issuer may by notice to the Trustee direct the Trustee to withdraw or cause to be withdrawn such funds and designate that such funds be applied, in the Collateral Manager's sole discretion (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), in one or more of the following manners: at least one Business Day prior to any Quarterly Distribution Date, transfer any portion of the amount standing to the credit of the Interest Reserve Account to the Payment Account for application (x) as Interest Proceeds on or prior to any Quarterly Distribution Date for distribution to the Holders of the Class A-1 Notes, if, and only to the extent, necessary for such Noteholders to receive the accrued and unpaid interest due and payable in respect of such Notes on or prior to such first Quarterly Distribution Date pursuant to paragraph (E) or (F) of "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; *provided* that the Collateral Manager on behalf of the Issuer may by notice change any such designation at any time prior to the application of such funds except that such notice must be given no later than the Determination Date immediately preceding the relevant Distribution Date on which such application is to occur.

Custodial Account

The Trustee shall, prior to the Closing Date, cause the Custodian to establish a securities account (the "Custodial Account") in the name of the Trustee into which the Trustee shall from time to time deposit Collateral. All Collateral from time to time deposited in, or otherwise standing to the credit of, the Custodial Account shall be held by the Trustee as part of the Collateral and shall be applied in accordance with the terms of the Indenture.

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 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, *provided* that a single Synthetic Security Issuer Account may be established to secure all of the obligations of a particular Synthetic Security Counterparty to the Issuer in respect of Synthetic Securities. Upon Issuer Order, 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.

As directed by an Issuer Order executed by the Collateral Manager on behalf of the Issuer in writing and in accordance with the terms of the applicable Synthetic Security, amounts credited to a Synthetic Security Issuer Account shall be invested in Eligible Investments or Synthetic Security Collateral. 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 an asset of the Issuer for purposes of any of the Collateral Quality Tests, the Coverage Tests or the Sequential Pay Test; however, 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 by the Collateral Manager by Issuer Order, be withdrawn by the Trustee and applied to the payment of any amount owing by the related Synthetic Security Counterparty to the Issuer. After payment of all amounts owing by the Synthetic Security Counterparty to the Issuer in accordance with the terms of the related Synthetic Security, all funds and other property standing to the credit of the related Synthetic Security Issuer Account 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 laws of the United States or any State thereof, authorized under such laws to exercise corporate trust powers, having a long-term debt rating of at least "Baa1" by Moody's (and, if rated "Baa1", not be on watch for possible downgrade by Moody's) and at least "BBB+" by Standard & Poor's and a combined capital and surplus in excess of U.S.\$250,000,000.

Class A-1A Noteholder Prepayment Accounts

If any Class A-1A Noteholder does not at any time during the Commitment Period satisfy the Rating Criteria and such Holder elects the Prepayment Option and meets the other conditions as set out in the Class A-1A Note Funding Agreement, such Class A-1A Noteholder (a "Collateralizing Holder") shall direct the Trustee to, and the Trustee shall, cause to be established and maintained by the Custodian, as securities intermediary, a Securities Account (each such account, a "Class A-1A Noteholder Prepayment Account"), which Securities Account shall be in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties. Upon Issuer Order, the Collateralizing Holder, the Trustee and the Issuer shall enter into an account control agreement (each a "Class A-1A Noteholder Prepayment Account Control Agreement") with the Custodian in respect of such Class A-1A Noteholder Prepayment Account in a form satisfactory to each such party. Upon confirmation by the Trustee of the establishment of such Class A-1A Noteholder Prepayment Account and the entry into by all parties of a Class A-1A Noteholder Prepayment Account Control Agreement related thereto, such Collateralizing Holder will remit to the Trustee for credit to such Class A-1A Noteholder Payment Account cash or Eligible Investments that meet the requirements of the definition of "Eligible Prepayment Account Investments", the aggregate outstanding principal amount of which is equal to the aggregate amount of such Collateralizing Holder's Commitment minus the aggregate amount of all advances previously made by such Collateralizing Holder or one of more of its liquidity providers, as the case may be (as at any date of determination, the "Unfunded Commitment"). The Trustee shall cause all such cash or Eligible Investments received by it from a Collateralizing Holder to be credited to the related Class A-1A Noteholder Prepayment Account.

As directed by a written notice from the Collateralizing Holder to the Trustee, with a copy to the Issuer, amounts standing to the credit of a Class A-1A Noteholder Prepayment Account may be invested in Eligible Prepayment Account Investments. Income received on funds or other property credited to such Class A-1A Noteholder Prepayment Account shall be withdrawn from such Class A-1A Noteholder Prepayment Account on the last Business Day of each month and paid to the related Collateralizing Holder. None of the Co-Issuers or the Noteholders other than the related Collateralizing Holder shall have any right to amounts in a Class A-1A Noteholder Prepayment Account except to satisfy the obligations of the related Collateralizing Holder to the Co-Issuers. Neither of the Issuer or the Trustee shall in any way be held liable for reason of any insufficiency of any Class A-1A Noteholder Prepayment Account resulting from any loss relating to any investment of funds standing to the credit of such account.

Funds and other property standing to the credit of any Class A-1A Noteholder Prepayment Account or Class A-1B Swap Prefunding Account shall not be considered to be an asset of the Issuer for purposes of any of the Collateral Quality Tests, the Coverage Tests or the Sequential Pay Test.

Each Collateralizing Holder's obligation to make advances under the Class A-1A Note Funding Agreement may be satisfied by the Trustee, acting at the direction of the Collateral Manager, withdrawing funds then standing to the credit of such Collateralizing Holder's Class A-1A Noteholder Prepayment Account.

On the Commitment Period Termination Date, the Trustee shall withdraw all funds and other property standing to the credit of each Class A-1A Noteholder Prepayment Account, if any, and pay or transfer the same to the related

Collateralizing Holder. Upon any reduction of the Commitment, the Trustee shall withdraw from the funds then standing to the credit of each Class A-1A Noteholder Prepayment Account and pay to the related Collateralizing Holder an amount equal to the reduction in the Collateralizing Holder's Commitment. Upon acceptance and recording of an assignment and acceptance pursuant to the Class A-1A Note Funding Agreement relating to the assignment by a Collateralizing Holder of all or a portion of its rights and obligations thereunder and its Class A-1 Notes, the Trustee shall withdraw from the funds then standing to the credit of such Collateralizing Holder's Class A-1A Noteholder Prepayment Account and pay to such Collateralizing Holder an amount equal to the amount of such Collateralized Holder's Unfunded Commitment that it has assigned. Upon a Collateralizing Holder providing notice to the Issuer and the Trustee that it subsequently satisfies the Rating Criteria, the Trustee shall withdraw all funds and other property then standing to the credit of such Collateralizing Holder's Class A-1A Noteholder Prepayment Account and pay or transfer the same to the Collateralizing Holder.

"Eligible Prepayment Account Investments" means any Dollar-denominated investment that is one or more of the following (a) direct Registered debt obligations of, and Registered debt obligations the timely payment of principal of and interest on which is fully and expressly guaranteed by, the United States of America or any full faith and credit agency or instrumentality thereof; (b) demand and time deposits in, trust accounts of, certificates of deposit of, bankers' acceptances payable within 183 days of issuance issued by, or federal funds sold by any United States federal or state depository institution or trust company, the commercial paper and/or debt obligations of which (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have been assigned a long-term credit rating of "Aaa" by Moody's, "AAA" by Standard & Poor's and "AAA" by Fitch (if rated by Fitch), in the case of long-term debt obligations, or "P-1" by Moody's, "A-1" by S&P and "F1" by Fitch, in the case of commercial paper and short-term obligations (c) interests in any money market fund or similar investment vehicle having at the time of investment therein the highest credit rating assigned by Moody's, a rating of "AAAm" or "AAAm/G" by Standard & Poor's and the highest credit rating assigned by Fitch, if rated by Fitch; *provided*, that 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 or contractual commitment providing for such investment a long-term credit rating of "Aaa" by Moody's, "AAA" by Standard & Poor's and "AAA" by Fitch; and *provided* further that Eligible Prepayment Account Investments may not include any investment the income from 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 and disposition of which investment will subject the Issuer to net income tax in any jurisdiction.

Class A-1B Swap Prefunding Accounts

If the Class A-1B Swap Counterparty fails at any time prior to the Stated Maturity of the Class A-1B Notes to comply with the Rating Criteria, and the Class A-1B Swap Counterparty elects to cause a Class A-1B Swap Prefunding Account to be established, the Class A-1B Swap Counterparty shall direct the Trustee to, and the Trustee shall, cause to be established and maintained by the Custodian, as securities intermediary, a Securities Account (such account, the "Class A-1B Swap Prefunding Account"), which Securities Account shall be in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties. Upon Issuer Order, the Class A-1B Swap Counterparty, the Trustee and the Issuer shall enter into an account control agreement (a "Class A-1B Swap Prefunding Account Control Agreement") with the Custodian in respect of such Class A-1B Swap Prefunding Account in a form satisfactory to each such party. Upon confirmation by the Trustee of the establishment of such Class A-1B Swap Prefunding Account and the entry into by all parties of a Class A-1B Swap Prefunding Account Control Agreement related thereto, the Class A-1B Swap Counterparty will remit to the Trustee for credit to the Class A-1B Swap Prefunding Account cash or Eligible Investments, the aggregate outstanding principal amount of which is equal to the outstanding notional amount of the Class A-1B Swap Agreement. The Trustee shall cause all such cash or Eligible Investments received by it from the Class A-1B Swap Counterparty to be credited to the Class A-1B Swap Prefunding Account.

As directed by a written notice from the Class A-1B Swap Counterparty to the Trustee, with a copy to the Issuer, amounts standing to the credit of the Class A-1B Swap Prefunding Account may be invested in Eligible Investments. Income received on funds or other property credited to the Class A-1B Swap Prefunding Account shall be withdrawn from the Class A-1B Swap Prefunding Account on a monthly basis and paid to the related Class A-1B Swap Counterparty. Neither of the Issuer or the Trustee shall in any way be held liable for reason of any insufficiency of the Class A-1B Swap Prefunding Account resulting from any loss relating to any investment of funds standing to the credit of such account.

Funds and other property standing to the credit of any Class A-1B Swap Prefunding Account shall not be considered to be an asset of the Issuer for purposes of any of the Collateral Quality Tests, the Coverage Tests or the Sequential Pay Test.

The Class A-1B Swap Counterparty's obligation to make payments under the Class A-1B Swap may be satisfied by the Trustee, acting at the direction of the Collateral Manager, withdrawing funds then standing to the credit of the Class A-1B Swap Counterparty's Class A-1B Swap Prefunding Account.

On the date of the termination of the Class A-1B Swap (or the reduction of the notional amount thereof to zero), the Trustee shall withdraw all funds and other property standing to the credit of the Class A-1B Swap Prefunding Account, if any, and pay or transfer the same to the related Class A-1B Swap Counterparty. Upon any reduction of the notional amount (as defined in the Class A-1B Swap Agreement) of the Class A-1B Swap, the Trustee shall withdraw from the funds then standing to the credit of the Class A-1B Swap Prefunding Account and pay to the related Class A-1B Swap Counterparty an amount equal to such reduction. Upon transfer by the Class A-1B Swap Counterparty of all of its rights and obligations under the Class A-1B Swap, the Trustee shall withdraw from the funds then standing to the credit of the Class A-1B Swap Prefunding Account and pay or transfer the same to the Class A-1B Swap Counterparty. Upon the Class A-1B Swap Counterparty providing notice to the Issuer and the Trustee that it subsequently satisfies the Rating Criteria, the Trustee shall withdraw all funds and other property then standing to the credit of the Class A-1B Swap Prefunding Account and pay or transfer the same to the Class A-1B Swap Counterparty.

Class A-1B Swap Reserve Account

The Priority of Payments provides for the deposit from time to time of amounts in an account established and maintained by the Custodian, as securities intermediary, a Securities Account (such account, the "Class A-1B Swap Reserve Account"), which Securities Account shall be in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties. Amounts are deposited in the Class A-1B Swap Reserve Account in an amount equal to any Class A-1B Swap Reserve Account Funding Requirement. This provision prevents the application of such amounts to amounts subordinate in the Priority of Payments if the Issuer would be left with insufficient funding to meet its obligations under Synthetic Securities (other than Defeased Synthetic Securities) entered into by it.

All funds on deposit in the Class A-1B Swap Reserve Account will be invested in Eligible Investments. Except as provided in the Indenture, the only permitted withdrawal from or application of funds on deposit in, or otherwise standing to the credit of, the Class A-1B Swap Reserve Account shall be that the Collateral Manager on behalf of the Issuer may by notice to the Trustee direct the Trustee to withdraw or cause to be withdrawn such funds and designate that such funds be applied, in the Collateral Manager's sole discretion (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), for any of the uses to which proceeds of the Class A-1B Swap may be applied as described herein. If any balance shall be standing to the credit of the Class A-1B Swap Reserve Account, such balance shall be withdrawn before any payment shall be made by the Class A-1B Swap Counterparty under the Class A-1B Swap.

The Class A-1B Swap Reserve Account will be held in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties. Income received on funds or other property credited to the Class A-1B Swap Prefunding Account shall be withdrawn from the Class A-1B Swap Reserve Account on the last Business Day of each month and treated as Interest Proceeds. Neither of the Issuer or the Trustee shall in any way be held liable for reason of any insufficiency of the Class A-1B Swap Reserve Account resulting from any loss relating to any investment of funds standing to the credit of such account.

Funds and other property standing to the credit of any Class A-1B Swap Reserve Account shall not be considered to be an asset of the Issuer for purposes of any of the Collateral Quality Tests, the Coverage Tests or the Sequential Pay Test.

On any date on which the aggregate notional amount of Synthetic Securities is reduced, the Trustee shall withdraw all funds and other property standing to the credit of the Class A-1B Swap Reserve Account, if any, and apply such amounts as Principal Proceeds, in each case, only so long as no Class A-1B Swap Reserve Account Funding Requirement shall exist prior to, or after giving effect to, such withdrawal. Any CDS Principal Proceeds or Principal Proceeds received under the Class A-1B Swap Agreement shall be applied by the Trustee *first*, on any date, to make payments on behalf of the

Issuer due to the Synthetic Security Counterparty under Synthetic Securities and *second*, for application on the following Distribution Date in accordance with the Indenture.

The Collateral Manager shall ensure that the aggregate Principal Balance of all investments entered into with a U.S. Federal or state depository institution or trust company (acting as principal) described in clause (c) of the definition of Eligible Investments (other than overnight investments in time deposits offered by LaSalle Bank National Association) or entered into with a corporation (acting as principal) whose short-term debt rating is "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's), "A-1" by Standard & Poor's and "F1+" by Fitch, standing to the credit of each of the Principal Collection Account, the Uninvested Proceeds Account and the Interest Reserve Account does not exceed 20% of the aggregate Principal Balance of all Eligible Investments then standing to the credit of each such Account, and (ii) each such investment shall not have a maturity of longer than 30 days.

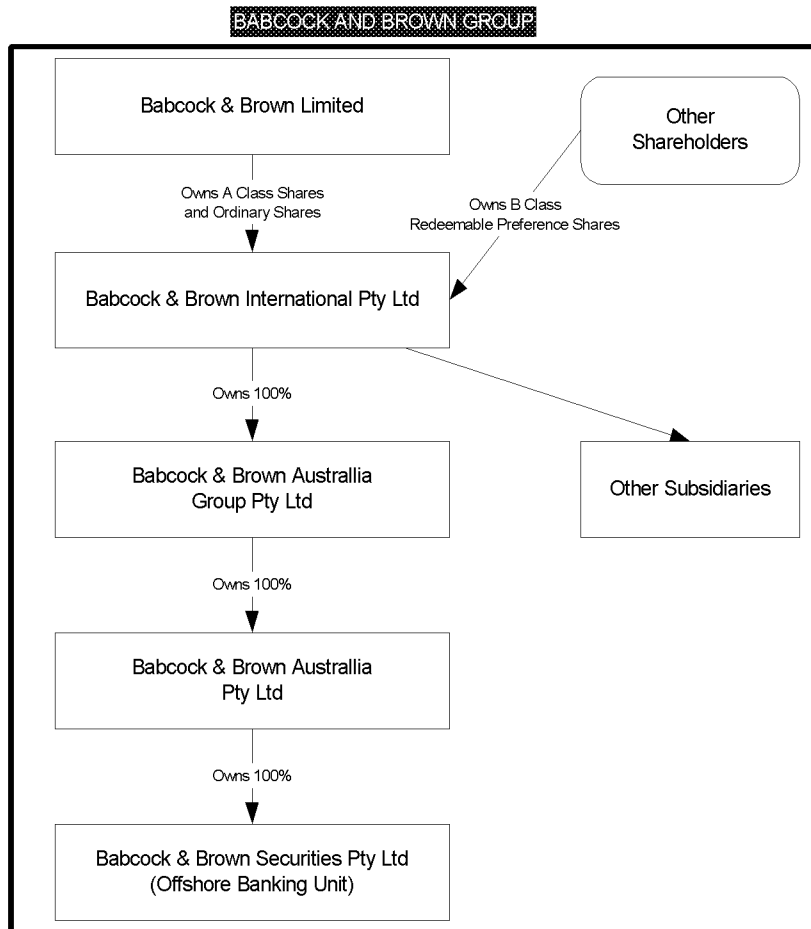
THE COLLATERAL MANAGER

The information appearing under the heading "The Collateral Manager" has been prepared by the Collateral Manager and has not been independently verified by the Issuer, the Initial Purchaser, the Trustee or any other person. Accordingly, the Collateral Manager assumes the responsibility for the accuracy, completeness or applicability of such information.

BABCOCK & BROWN

Overview of Babcock & Brown

The Babcock & Brown Group of companies ("Babcock & Brown Group") consists of Babcock & Brown Limited ("BBL"), a company listed on the Australian Stock Exchange, Babcock & Brown International Pty Limited ("BBIPL"), and its operating and investment subsidiaries located in Australia, North America, Europe and Asia Pacific. Babcock & Brown Securities Pty Limited ABN 69 003 080 840, a proprietary limited company incorporated under the laws of the Commonwealth of Australia, acting through its Offshore Banking Unit ("Babcock & Brown Securities" or the "Collateral Manager", until a successor person will have become the Collateral Manager pursuant to the terms of the Collateral Management Agreement and thereafter "Collateral Manager" will mean such successor person) is an indirect subsidiary of BBIPL.



The Babcock & Brown Group is a global investment and advisory group with capabilities in structured finance and the creation, syndication and management of asset and cash flow based investments. The original Babcock & Brown entity was formed in 1977 as an advisor and arranger of US leveraged leases. The Babcock &

Brown Group operates from 18 offices worldwide, anchored by administrative hub-offices in Sydney, San Francisco, New York, Munich and London. BBL listed on the Australian Stock Exchange in October 2004 (ticker symbol: BNB AU). As of March 9, 2006, the Babcock & Brown Group had a group market capitalization of approximately \$AUD5.3 billion¹. Although headquartered in Australia, the Babcock & Brown Group remains a global concern with over two-thirds of its revenue derived from activities outside of Australia.

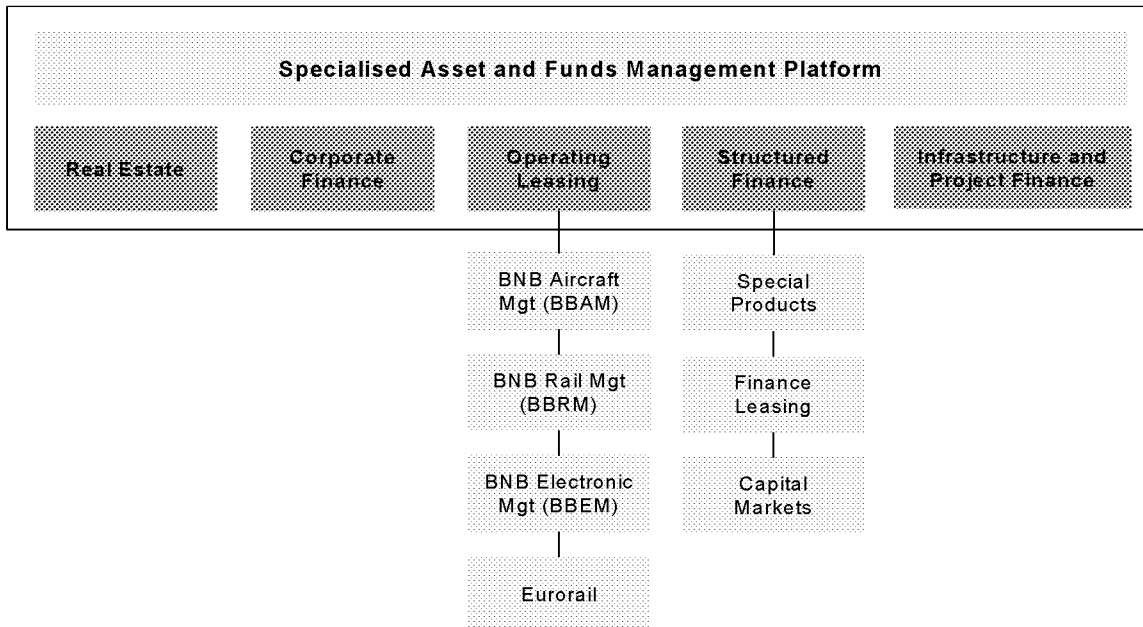
The Babcock & Brown Group has expanded globally from being solely an advisor and arranger of transactions to also being a fund manager and principal in the deals in which it is involved. This involvement has often been in conjunction with co-investors or on behalf of investment vehicles within the Babcock & Brown Group.

Babcock & Brown Business Operations

The Babcock & Brown Group has five business groups:

- Real Estate;
- Operating Leasing;
- Corporate Finance;
- Structured Finance; and
- Infrastructure and Project Finance.

A specialized asset and funds management platform sits across these five business groups and as of December 31, 2005, the Babcock & Brown Group had \$AUD21,743 million of total specialized funds and assets under management.



¹ Shares in BBL, and shares in BBIPL (other than those held by BBL), have materially equivalent rights and hence are aggregated for the purposes of the group market capitalization figure.

CDO Portfolio Management Team

The day to day management and investment decisions of the Collateral Manager are performed by certain members of the Babcock & Brown Capital Markets Team ("B&B Capital Markets"). The members of the team are employed by certain entities in the Babcock & Brown Group. B&B Capital Markets includes experienced professionals across multiple asset classes who between them have focused on the arrangement and trading of structured securities, risk management, rating agency analysis and credit analysis.

On the Closing Date, one or more of the Collateral Manager or its Affiliates will enter into total return swaps and/or other funding arrangements with an Affiliate of the Initial Purchaser pursuant to which they will acquire economic exposure to or purchase some or all of the Class C Notes, Class D Notes and the Senior Income Notes.

Neither the Collateral Manager nor any of its Affiliates have previously acted as collateral manager for an issuer of collateralized debt obligations.

Key Personnel

The Collateral Manager will be responsible for selecting and monitoring the collateral portfolio and performing other obligations under the Collateral Management Agreement. Set forth below is information regarding certain members of B&B Capital Markets whose services will be used by Babcock & Brown Securities so that the latter can perform its obligations under the Collateral Management Agreement. Such persons may not necessarily continue to be so employed during the entire term of the Collateral Management Agreement.

Steven Fleming

Mr. Fleming is co-head of B&B Capital Markets. Mr. Fleming joined the Babcock & Brown Group in their Sydney office in 2001 and since that time has arranged and executed a number of securitizations across different asset classes including a credit tenant lease transaction, a securitization of a future installment due on an initial public offering and a corporate securitization.

Prior to joining the Babcock & Brown Group, Mr. Fleming was Director, Trading for the Capital Company of America ("CCA"), based in New York. CCA was Nomura's commercial mortgage conduit. Prior to CCA, Mr. Fleming was based in London for five years and was an Associate Director in Nomura's Principal Finance Group ("PFG"). At PFG, Mr. Fleming was involved in managing the interest rate risk of PFG transactions as well as structuring and trading asset backed securities across multiple asset classes including sub prime mortgages, pub securitization and corporate securitizations.

Prior to joining Nomura in London in 1995, Mr. Fleming worked for Credit Suisse First Boston in London and Price Waterhouse in Sydney.

Mr. Fleming holds a Masters of Economics from Macquarie University, Bachelor of Commerce from the University of Queensland and was a Member of the Institute of Chartered Accountants, Australia. Mr. Fleming is based in the Brisbane, Australia office of the Babcock & Brown Group.

Brett Cairns

Mr. Cairns is co-head of B&B Capital Markets. Mr. Cairns joined the Babcock & Brown Group in 2002 from Merrill Lynch where he worked for eight years and was a Managing Director, member of the Executive Management Committee and Head of Debt Markets for Australia and New Zealand. During that time Mr. Cairns originated, structured and executed a range of debt related transactions for a number of leading Australian and New Zealand corporations and financial institutions. These transactions involved issuance across a variety of markets, including the public and private US, European, Japanese and Australian capital markets. The scope of these transactions ranged from the raising of senior and subordinated funds to hybrid capital and structured debt securities. He has experience in analyzing capital structures, ratings and assessing the optimal market in which to raise capital.

Prior to joining Merrill Lynch, Mr. Cairns worked for three and a half years at Credit Suisse Financial Products, the derivatives bank of the Credit Suisse/CSFB group. During that time he gained broad experience in developing hedging structures across the foreign exchange, interest rate, equity and commodity derivative markets.

Mr. Cairns has a B.E (Hon1), PhD and MBA all from the University of Sydney. Mr. Cairns is based in the Sydney office of the Babcock & Brown Group.

Michael Groom

Mr. Groom joined the Babcock & Brown Group in February 2001. During this time, Mr. Groom has been a senior member of the Investment Management Team and recently joined B&B Capital Markets, providing both middle office and analytical support. Prior to joining the Babcock & Brown Group, Mr. Groom spent two years working in Brisbane for a stockbroking firm before moving to London where he gained experience with two investment banks. Mr. Groom is a member of the Australian Society of Certified Practising Accountants.

Mark Nichols

Mr. Nichols joined the Babcock & Brown Group in August 2005, bringing with him legal knowledge and experience gained in Sydney and London, working in international law firms and also in-house. He has been involved in a variety of transactions including corporate finance, acquisition finance, securitization and project finance. Mr. Nichols is admitted as a legal practitioner in New South Wales and as a solicitor in England and Wales.

Jacob Rosenberg

Mr. Rosenberg joined the Babcock & Brown Group in September 2005. He was previously employed at BT Financial Group for two years where he was involved in quantitative analysis and systems development for the trading of debt securities within the Fixed Interest Team as well as the assessment and selection of external fund managers.

Babcock & Brown Resources

The following persons are available for consultation as and when considered appropriate by the Collateral Manager:

Dan Brickman

Mr. Brickman coordinates the group's structured finance activities worldwide. He joined the Babcock & Brown Group in 1986. Prior to joining the Babcock & Brown Group, Mr. Brickman was Vice President and Manager of leveraged leasing for the Chrysler Capital Corporation. Mr. Brickman is a graduate of Denison University. He is based in the Greenwich, Connecticut office.

Richard Umbrecht

Mr. Umbrecht manages the US Special Products team and coordinates the group's Special Products activities worldwide. He joined the Babcock & Brown Group in 1995. Prior to joining the Babcock & Brown Group, Mr. Umbrecht was a tax partner at Morgan, Lewis & Bockius where he specialized in domestic and international leasing and asset based finance transactions. Mr. Umbrecht received his B.S. in Economics and Management from Widener University and J.D. from Villanova University Law School where he also held a position as an adjunct professor in the Graduate Tax Program. Mr. Umbrecht is based in the United States.

Michael Larkin

Mr. Larkin is the Chief Financial Officer, joining the Babcock & Brown Group in 2004. Prior to joining the Babcock & Brown Group, Mr. Larkin was Group Financial Controller for Lend Lease Corporation. Mr. Larkin holds a Bachelor of Commerce degree from the University of New South Wales and is a member of the Institute of

Chartered Accountants and the Taxation Institute of Australia. He is based in the Sydney office of the Babcock & Brown Group.

Margaret Cole

Ms. Cole is the General Counsel of the Babcock & Brown Group. Ms. Cole joined the Babcock & Brown Group at the beginning of 2005. Prior to joining the Babcock & Brown Group she was a partner in an international law firm. Ms. Cole has more than 20 years' experience in financing transactions, including structured transactions. She has an LLB from Sydney University and an LLM from Harvard.

Conflicts of Interest Involving the Collateral Manager

The size and scope of activities of the Collateral Manager and its Affiliates create various potential and actual conflicts of interest that may arise from the advisory, investment, brokerage, underwriting, fixed income trading, institutional trading, consulting services in connection with mergers and acquisitions, restructurings and divestitures, sales of insurance products and other activities of the Collateral Manager, its Affiliates and their respective clients and employees. One or more of the Collateral Manager and its Affiliates may provide investment advisory services to clients on a discretionary and non-discretionary basis. For discretionary accounts, the Collateral Manager or any of its Affiliates may have discretionary authority to buy or sell securities, as well as to specify the amount of securities to invest, without obtaining its client's consent. Various potential and actual conflicts of interest may arise from the overall investment activities of the Collateral Manager and its Affiliates for their own accounts or for the accounts of others. The Collateral Manager and its Affiliates may invest for their own accounts or for the accounts of others in debt obligations or other securities that would be appropriate investments for the Issuer and they have no duty, in making such investments, to act in a way that is favorable to the Issuer, the Noteholders or the Income Noteholders. Such investments may be different from those made on behalf of the Issuer. The Collateral Manager and/or its Affiliates have no affirmative obligation to offer any investment to the Issuer, or to inform the Issuer of any investment opportunity before offering such investment to other funds or accounts that the Collateral Manager or its Affiliates may manage, advise or deal with or before acting upon such opportunity for their own account. The Collateral Manager and its Affiliates may have economic interests in or other relationships with issuers in whose obligations or securities the Issuer may invest. In particular, such persons may make and/or hold an investment in an issuer's securities that may be pari passu, senior or junior in ranking to an investment in such issuer's securities made and/or held by the Issuer or in which partners, security holders, officers, directors, agents or employees of such persons serve on boards of directors or otherwise have ongoing relationships. Each of such ownership and other relationships may result in securities laws restrictions on transactions in such securities by the Issuer and otherwise create conflicts of interest for the Issuer. In such instances, the Collateral Manager and its Affiliates may in their sole discretion make investment recommendations and decisions for itself and others that may be the same as or different from those made for the Issuer with respect to the Collateral. In certain circumstances as described under "Security for the Notes—Dispositions of Pledged Collateral Debt Securities", the Collateral Manager on behalf of the Issuer is required to take certain actions with respect to dispositions of the Collateral.

Although the officers and employees of the Collateral Manager and its Affiliates will devote as much time to the Issuer as the Collateral Manager deems appropriate, the officers and key professionals of the Collateral Manager and its Affiliates may have conflicts in allocating their time and services among the Issuer and other accounts now or hereafter advised by the Collateral Manager and/or its Affiliates and allocating their time and services among the Collateral Manager and Affiliates of the Collateral Manager for whom they are also officers and employees. The policies of the Collateral Manager and its Affiliates are such that certain employees of the Collateral Manager and its Affiliates may have or obtain information that, by virtue of the internal policies of the Collateral Manager and its Affiliates relating to confidential communications, cannot or may not be used by the Collateral Manager or any of its Affiliates on behalf of the Issuer. 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 and its Affiliates from purchasing securities or selling securities for itself or its clients (including the Issuer) or otherwise using such information for the benefit of its clients or itself.

The Indenture and the Collateral Management Agreement place significant restrictions on the Collateral Manager's ability to advise the Issuer to buy or sell securities for inclusion in the Collateral. Accordingly, during

certain periods or in certain specified circumstances, the Collateral Manager's compliance with such restrictions may prohibit the Issuer from buying or selling securities or taking other actions that the Collateral Manager, absent such restrictions, might consider in the best interest of the Issuer, the Noteholders or the Income Noteholders.

The Collateral Manager and any of its Affiliates may engage in other businesses, which may include, without limitation, brokerage, underwriting, fixed income trading and institutional trading activities, and furnishing investment management and advisory services to others, including, without limitation, serving as collateral manager or investment manager for, investing in, lending to, or being affiliated with, other entities organized to issue collateralized bond obligations secured by securities such as the Collateral Debt Securities held by the Issuer and other trusts and pooled investment vehicles that acquire interests in, provide financing to, or otherwise deal with securities issued by issuers that would be suitable investments for the Issuer. The Collateral Manager and its Affiliates will be free, in their sole discretion, to make recommendations to others, or effect transactions on behalf of themselves or for others, that may be the same as or different from those effected on behalf of the Issuer, and the Collateral Manager and its Affiliates may furnish investment management and advisory services to others who may have investment policies similar to those followed by the Collateral Manager with respect to the Issuer and who may own securities of the same class, or which are the same type as, the Collateral Debt Securities held by the Issuer.

The Collateral Manager and its Affiliates may enter into, for their own account, or for other accounts for which they have investment discretion, credit swap agreements relating to entities that are issuers of Collateral Debt Securities held by the Issuer. The Collateral Manager and its Affiliates and clients may also have equity and other investments in and may be lenders to, and may have other ongoing relationships with such entities. As a result, officers, key professionals and other employees of the Collateral Manager and its Affiliates may possess information relating to the Collateral Debt Securities held by the Issuer that is not known to the individuals at the Collateral Manager responsible for monitoring the Collateral Debt Securities held by the Issuer and performing other obligations under the Collateral Management Agreement. In addition, the Collateral Manager, its Affiliates and their respective clients may invest in securities (or make loans) that are included among, rank *pari passu* with or senior to Collateral Debt Securities held by the Issuer, or have interests different from or adverse to those of the Issuer.

The Collateral Manager or its Affiliates may serve as a general partner and/or manager of additional special purpose entities organized to issue collateralized debt obligations secured by debt obligations. The Collateral Manager and its Affiliates may make investment decisions for their own account or for the accounts of others, including other special purpose entities organized to issue collateralized debt obligations, that may be different from those made by the Collateral Manager on behalf of the Issuer. The Collateral Manager or its Affiliates may at certain times simultaneously seek to purchase (or sell) investments for the account of the Issuer and sell (or purchase) the same investment for other clients, including other collateralized debt obligation vehicles for which it may serve as manager currently or in the future, or for its Affiliates or their clients. In the course of managing the Collateral Debt Securities held by the Issuer, the Collateral Manager may consider its relationships with its other clients, its Affiliates and the clients of its Affiliates (including companies the securities of which are pledged to secure the Notes). The Collateral Manager may decline to make a particular investment for the Issuer in view of such relationships. The effects of some of the conflicts of interest described in this section may have an adverse impact on the market from which the Collateral Manager seeks to buy, or to which the Collateral Manager seeks to sell, securities on behalf of the Issuer. The Collateral Manager may also at certain times simultaneously seek to purchase investments for the Issuer and/or other clients, including other collateralized debt obligation vehicles for which it may serve as manager currently or in the future, or for its Affiliates or their clients. Such ownership and such other relationships may result in securities laws restrictions on transactions in such securities by the Issuer.

The Collateral Management Agreement and the Indenture do not prohibit the Issuer from (i) purchasing Collateral Debt Securities from the Collateral Manager, its Affiliates or any of their respective clients or (ii) purchasing Collateral Debt Securities issued by any fund or entity owned or managed by the Collateral Manager, its Affiliates or any of their respective clients, if (a) such purchases are made at fair market value and otherwise on arms' length terms and (b) the Collateral Manager determines that such purchases are consistent with the Eligibility Criteria and investment criteria contained in the Indenture and the Collateral Management Agreement and applicable law.

In the event that the Collateral Manager directs the Trustee to purchase Collateral Debt Securities from the Collateral Manager, its Affiliates or from any account or portfolio for which the Collateral Manager or any of its Affiliates serves as investment advisor or as principal or sell Collateral Debt Securities or Equity Securities to the Collateral Manager, its Affiliates or any account or portfolio for which the Collateral Manager or any of its Affiliates serves as investment advisor, the Collateral Manager must first obtain the approval of the Directors of the Issuer for such purchases.

In the foregoing situations, the Collateral Manager and its Affiliates may have a potentially conflicting division of loyalties regarding both parties in the transaction. If an Affiliate of the Collateral Manager acts as a broker in an agency cross transaction, or acts as principal in a principal transaction, such Affiliate may receive commissions or other compensation from one or both of the parties in the transaction. Such Affiliate may have interests in such transactions that are adverse to those of the Issuer, such as an interest in obtaining favorable commissions and the officers and employees of the Collateral Manager who are also officers and employees of any such Affiliate may receive compensation related to the Affiliate's participation in such transactions.

On the Closing Date, one or more of the Collateral Manager, its Affiliates and their respective clients, including accounts for which the Collateral Manager or its Affiliates act as investment advisor, will enter into total return swaps with an affiliate of the Initial Purchaser pursuant to which they will acquire economic exposure to some or all of the Class C Notes, Class D Notes and Senior Income Notes. In addition, from time to time after the Closing Date, one or more of the Collateral Manager, its Affiliates and their respective clients, including accounts for which the Collateral Manager or its Affiliates act as investment advisor, may own or acquire direct or indirect exposure to Offered Notes and Income Notes. The Collateral Manager, its Affiliates and their respective clients may sell any Notes or Income Notes held by them, and may terminate any such total return swaps, at any time.

The Collateral Management Agreement provides that the Notes and Income Notes owned by the Collateral Manager or its Affiliates and any client or account for which the Collateral Manager or any of its Affiliates has discretionary authority, or as to which any of the foregoing have acquired economic exposure, will be disregarded and deemed not outstanding on any vote determining the votes needed for (i) removal of the Collateral Manager and (ii) any assignment of the rights or obligations of the Collateral Manager thereunder. The Indenture and the Collateral Management Agreement do not otherwise restrict the ability of the Collateral Manager and its Affiliates to vote the Offered Notes held by them or by clients or accounts for which they have discretionary authority or as to which they have acquired economic exposure. The Indenture requires the written consent of the Collateral Manager to any amendment of the Indenture that reduces the rights or increases the obligations of the Collateral Manager. For purposes hereof, "Affiliate" means, with respect to the Collateral Manager, (i) any other person who, directly or indirectly, is in control of, or controlled by, or is under common control with, the Collateral Manager or (ii) any other person who is a director, managing 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 ownership of (or direct or indirect exposure to) Notes and Income Notes by it and its Affiliates may give the Collateral Manager an incentive to take actions that vary from the interests of the holders of the Notes.

No provision in the Collateral Management Agreement prevents the Collateral Manager or any of its Affiliates from rendering services of any kind to any person or entity, including the issuer of any obligation included in the Collateral or any of such issuer's Affiliates, the Trustee, the holders of the Offered Notes, the Class A-1B Swap Counterparty or the Hedge Counterparty. Without limiting the generality of the foregoing, the Collateral Manager, its Affiliates and their respective directors, officers, employees and agents may, among other things: (a) subject to the limitations set forth in the Collateral Management Agreement, serve as directors, partners, officers, employees, agents, nominees or signatories for any issuer of any obligation included in the Collateral; (b) subject to the limitations set forth in the Collateral Management Agreement, receive fees for services rendered to the issuer of any obligation included in the Collateral or any affiliate thereof; (c) be retained to provide services unrelated to the Collateral Management Agreement to the Issuer or its Affiliates and be paid therefor; (d) subject to the limitations set forth in the Collateral Management Agreement, be a secured or unsecured creditor of, and/or hold an equity interest in, any issuer of any obligation included in the Collateral; or (e) serve as a member of any "creditors committee" with respect to any obligation included in the Collateral which has become or, in the Collateral

Manager's reasonable opinion, may become a Defaulted Security. Services of this kind may lead to conflicts of interest with the Collateral Manager or any of its Affiliates, and may lead individual officers or employees of the Collateral Manager or any of its Affiliates to act in a manner adverse to the Issuer.

Although the Collateral Manager or its Affiliates may at times be a holder of Offered Notes and Income Notes (or have direct or indirect economic exposure thereto), its interests and incentives will not necessarily be completely aligned with those of the other holders of the Offered Notes (or of the holders of any particular Class of the Notes or the Income Notes).

The Collateral Management Agreement requires the Collateral Manager to use commercially reasonable efforts to obtain the best prices and execution for all orders placed with respect to the Collateral, considering all circumstances that are relevant in its reasonable determination. Subject to the objective of obtaining the best prices and execution, the Collateral Manager may take into consideration research and other brokerage services furnished to the Collateral Manager or its Affiliates by brokers and dealers that are not Affiliates of the Collateral Manager. Such services may be used by the Collateral Manager or its Affiliates in connection with its other advisory activities or investment operations. The Collateral Management Agreement provides that 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 accounts managed by the Collateral Manager or with accounts of the Affiliates of the Collateral Manager if in the Collateral Manager's judgment such aggregation shall result in an overall economic benefit to the Issuer, taking into consideration the advantageous selling or purchase price, brokerage commission and other expenses. If a sale or purchase of a Collateral Debt Security, Eligible Investment, U.S. Agency Security or Equity Security (in accordance with the terms of the Indenture) occurs as part of any aggregate sale or purchase order, the objective of the Collateral Manager (and any of its Affiliates involved in such transactions) shall be to allocate the executions among the relevant accounts in an equitable manner (taking into account constraints imposed by the Eligibility Criteria in the Indenture).

Dependence on the Collateral Manager and Key Personnel and Prior Investment Results

The performance of the portfolio of Collateral Debt Securities depends heavily on the skills of the Collateral Manager and its Affiliates in analyzing and selecting the Collateral Debt Securities. As a result, the Issuer will be highly dependent on the financial and managerial experience of the Collateral Manager and its Affiliates and certain of the officers and employees of the Collateral Manager or its Affiliates responsible for selecting and monitoring the Collateral. Certain employment arrangements between those officers and employees and the Collateral Manager or its Affiliates are subject to termination or amendment without the consent of the Issuer. The loss of the services of employees of any of the Collateral Manager and its Affiliates responsible for monitoring the Collateral Debt Securities and the failure to hire qualified replacements may adversely affect the ability of the Collateral Manager to monitor the portfolio of Collateral Debt Securities.

The prior investment results of the Collateral Manager, its Affiliates and the persons associated with them are not indicative of the Issuer's future investment results. The nature of, and risks associated with, the Issuer's investments may differ substantially from the investments and risks undertaken historically by such persons and entities. There can be no assurance that the Issuer's investments will perform as well as the past investments of any such persons or entities.

THE COLLATERAL MANAGEMENT AGREEMENT AND THE COLLATERAL ADMINISTRATION AGREEMENT

GENERAL

On the Closing Date, the Issuer will enter into a Collateral Management Agreement (the "Collateral Management Agreement") with Babcock & Brown Securities Pty Limited ABN 69 003 080 840, a proprietary limited company incorporated under the laws of the Commonwealth of Australia, acting through its Offshore Banking Unit (the "Collateral Manager") pursuant to which the Collateral Manager agrees to supervise and direct the investment of Uninvested Proceeds in Collateral Debt Securities during the period from the Closing Date to (and including) the Ramp-Up Completion Date and supervise and direct the reinvestment of Specified Principal Proceeds in limited circumstances from the Ramp-Up Completion Date to the end of the Substitution Period and the investment of funds on deposit in the Accounts in Eligible Investments and U.S. Agency Securities and to perform certain other services, on behalf of the Issuer. Such other services include (i) monitoring the Collateral and assisting the Issuer and/or Collateral Administrator in preparing all reports and other data that the Issuer or the Collateral Administrator is required to prepare and deliver under the Indenture, (ii) advising the Issuer regarding the disposition and tender of Collateral Debt Securities, Equity Securities and Eligible Investments, (iii) advising the Issuer in connection with an Optional Redemption or Tax Redemption, (iv) advising the Issuer regarding the exercise or waiver of remedies in respect of Defaulted Securities and the exercise of voting rights with respect to Collateral Debt Securities and Equity Securities, (v) assisting the Issuer in determining the fair market value of Collateral Debt Securities in accordance with the Indenture and consulting with the Issuer regarding approved dealers and approved pricing services used to make such determination, (vi) directing Borrowings under the Class A-1A Note Funding Agreement, (vii) exercise rights under the Class A-1B Swap Agreement and (viii) negotiating and entering into on behalf of the Issuer, any replacement Hedge Agreement.

In addition, pursuant to the terms of the Collateral Administration Agreement between the Issuer, LaSalle Bank National Association (the "Collateral Administrator") and the Collateral Manager (the "Collateral Administration Agreement"), the Issuer will retain the Collateral Administrator to prepare certain reports with respect to the Collateral Debt Securities. LaSalle Bank National Association will receive a single fee for acting as Collateral Administrator under the Collateral Administration Agreement and as Trustee under the Indenture. Such fee will be treated as an expense of the Issuer under the Indenture and will be subject to the priorities set forth under "Description of the Notes—Priority of Payments".

COMPENSATION

As compensation for the performance of its obligations under the Collateral Management Agreement, the Collateral Manager will be entitled, to the extent of the funds available for such purpose in accordance with the Priority of Payments, to receive a Senior Management Fee (the "Senior Management Fee") equal to (a) 0.05% per annum of the Quarterly Asset Amount on each Quarterly Distribution Date occurring in or prior to July 5, 2010 and (b) 0.10% per annum of the Quarterly Asset Amount on each Quarterly Distribution Date occurring thereafter. In addition, the Collateral Manager will receive an up-front fee on the Closing Date in an amount equal to U.S.\$2,500,000.

The Collateral Manager will be responsible for its own ordinary expenses incurred in the course of performing its obligations under the Collateral Management Agreement; *provided* that the Issuer is responsible for extraordinary expenses incurred by the Collateral Manager in the performance of such obligations, including any reasonable expenses incurred by it to employ lawyers, consultants, accountants or other professionals 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. Such expenses will be reimbursed by the Issuer to the extent funds are available therefor in accordance with the Priority of Payments and subject to the limitations contained in the Indenture.

INDEMNIFICATION

The Issuer will indemnify and hold harmless the Collateral Manager, its Affiliates and each of the directors, officers, stockholders, partners, members, managers, agents and employees of the Collateral Manager or any of their

respective Affiliates from and against any and all losses, claims, damages, judgments, assessments, costs or other liabilities, and reimburse each such indemnified party for all reasonable fees and expenses (including reasonable fees and expenses of counsel), incurred by any such indemnified party in investigating, preparing, pursuing or defending any claim, action, proceeding or investigation with respect to any pending or threatened litigation or investigation or inquiry by any governmental entity or self-regulatory organization to which such indemnified party belongs or, in each case is subject, caused by, or arising out of or in connection with, the issuance and sale of the Notes or the Income Notes, 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 person; *provided* that no such person shall be indemnified for any such liabilities or expenses arising (i) as a result of acts or omissions constituting bad faith, willful misconduct, gross negligence or breach of fiduciary duty in the performance, or reckless disregard, of its obligations under the Collateral Management Agreement and (ii) with respect to the information concerning the Collateral Manager provided by it in writing for inclusion in this Offering Circular under the heading "The Collateral Manager", if such information contains any untrue statement of material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading or (iii) from liability to which only such indemnified party would be subject by reason of willful misconduct, bad faith, gross negligence or reckless disregard of the obligations of such indemnified party. Any such indemnification by the Issuer will be paid in accordance with the Priority of Payments.

STANDARD OF CARE AND LIMITATION ON LIABILITY

The Collateral Manager shall, subject to the terms and conditions of the Collateral Management Agreement and the Indenture, perform its obligations thereunder (including with respect to any exercise of discretion) with commercially 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 and (ii) without limiting the foregoing, in a manner consistent with the customary standards, policies and procedures followed by institutional managers of national standing in the United States relating to assets of the nature and character of the Collateral, except as expressly provided otherwise in the Collateral Management Agreement and/or the Indenture (such standard of care, the "Collateral Manager Standard of Care"). The Collateral Manager shall comply with all the terms and conditions of the Indenture affecting the duties and functions that have been delegated to it thereunder and under the Collateral Management Agreement.

The Collateral Manager, its directors, officers, stockholders, partners, members, managers, agents and employees and its Affiliates and their directors, officers, stockholders, partners, members, managers, agents and employees, will not be liable to the Issuer, the Trustee, the Income Note Paying and Transfer Agent, the Noteholders, the Income Noteholders, the Hedge Counterparty or any other person for any losses, claims, damages, judgments, assessments, costs or other liabilities incurred by the Issuer, Trustee, the Income Note Paying and Transfer Agent, the Noteholders, the Income Noteholders, the Hedge Counterparty or any other person that arise out of or in connection with the performance by the Collateral Manager of its duties under the Collateral Management Agreement unless (i) such act or omission was performed in bad faith or constituted willful misconduct, gross negligence or breach of fiduciary duty in the performance, or reckless disregard, of its obligations under the Collateral Management Agreement and (ii) with respect to the information concerning the Collateral Manager provided by it in writing for inclusion in this Offering Circular under the heading "The Collateral Manager", such information containing any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Collateral Manager will not be liable for any actions taken or omitted to be taken at the express direction of the Issuer, the Trustee or other person entitled under the Indenture to give such direction.

The Collateral Manager shall not be 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. The Trustee has agreed in the Indenture not to enter into any supplemental indenture that modifies the rights or increases the obligations of the Collateral Manager or that adversely affects the manner in which the Collateral Manager manages the portfolio of Collateral Debt Securities in any respect without the written consent of the Collateral Manager and the Collateral Manager will not be bound by any such amendment unless the Collateral Manager has so consented.

ASSIGNMENT

The Collateral Manager may not assign or delegate its rights or obligations under the Collateral Management Agreement, as amended unless (a) such assignment or delegation (i) is to an Eligible Successor, (ii) is consented to by holders of at least 66-2/3% in principal amount of each Class of Notes (voting as a single class), (iii) is consented to by holders of at least 66-2/3% of Income Notes and (iv) satisfies the Rating Condition or (b) such assignment or delegation is to a successor to the Collateral Manager's business.

REMOVAL OR RESIGNATION OF THE COLLATERAL MANAGER

So long as any Notes are outstanding, the Collateral Manager may be removed for "cause" upon 15 days' prior written notice given by the Issuer to the Collateral Manager by the holders of at least 66-2/3% of the principal amount of Notes of each Class (voting as a single class) and the holders of at least 66-2/3% of the Income Notes then outstanding. Each of the following events with respect to the Collateral Manager will constitute "cause": (a) willful breach of or taking of any action that it knows violates any provision of the Collateral Management Agreement or any term of the Indenture applicable to the Collateral Manager; (b) breach in any material respect of any provision of the Collateral Management Agreement or any terms of the Indenture applicable to the Collateral Manager and failure to cure such breach within 30 days after notice of such failure is given to the Collateral Manager; (c) merger of the Collateral Manager without assumption by the surviving person of the obligations of the Collateral Manager under the Collateral Management Agreement; (d) insolvency, dissolution, winding-up or liquidation of the Collateral Manager or the institution of a proceeding seeking a judgment of insolvency or bankruptcy; (e) any action taken by the Collateral Manager that constitutes fraud against the Issuer; (f) a felony conviction of the Collateral Manager or any of its principals, or the indictment of the Collateral Manager for, judgment against the Collateral Manager in a civil suit for, or the conviction of the Collateral Manager of, a violation of the Securities Act or any other United States Federal securities law or any rules or regulations thereunder; (g) a change of control of the Collateral Manager, (h) an Event of Default occurs under the Indenture that results from any breach by the Collateral Manager of its duties under the Indenture or the Collateral Management Agreement, which breach or default is not cured within any applicable cure period and (i) if the appointment or conduct of the Collateral Manager has cause the Issuer to be engaged in a trade or business in the United States for United States federal income tax purposes. In determining whether the holders of the requisite percentage of each Class of Notes and the Income Notes have given such direction, Offered Notes owned by the Collateral Manager, any Affiliate thereof, or any client or portfolio for which the Collateral Manager or any Affiliate exercises discretionary authority or as to which any of the foregoing have acquired economic exposure will be disregarded and deemed not to be outstanding. The Collateral Manager may not otherwise be removed.

At any time following the Ramp-Up Completion Date, the Collateral Manager may resign on 90 days' written notice to the Issuer (or such shorter notice as is acceptable to the Issuer) and appointment of an Eligible Successor as Collateral Manager. No termination of the Collateral Management Agreement or resignation of the Collateral Manager is effective unless; (i) an Eligible Successor has, pursuant to a written agreement, assumed all of the Collateral Manager's duties and obligations under the Collateral Management Agreement, (ii) such Eligible Successor has not been objected to by Holders of at least 66 2/3% in aggregate outstanding amount of Notes of the Controlling Class within 30 days after notice of appointment of the successor Collateral Manager and (iii) 10 days' prior notice has been given to the Rating Agencies and the Trustee.

CONFLICTS

In certain circumstances, the interests of the Issuer and/or the holders of the Offered Notes with respect to matters as to which the Collateral Manager is advising the Issuer may conflict with the interests of the Collateral Manager and its Affiliates. See "Risk Factors—Certain Potential Conflicts of Interest".

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 Offered Notes. It addresses only purchasers that buy in the original offering at the original offering price, that hold the Offered Notes as capital assets and use the U.S. dollar as their functional currency. The discussion is a general summary. It is not a substitute for tax advice. The discussion does not consider the circumstances of particular purchasers, some of which (such as banks, insurance companies, securities traders and dealers or persons holding the Offered Notes as part of a hedge, straddle, conversion, integrated or constructive sale transaction) are subject to special tax regimes.

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

For purposes of this discussion, a "Holder" is a beneficial owner of an Offered Note. A "U.S. Holder" is a Holder that is, for U.S. Federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation, partnership or other 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 franchise tax in the Cayman Islands. The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has applied for and expects to obtain an undertaking from the Governor in Cabinet of the Cayman Islands in substantially the following form:

The Tax Concessions Law
(1999) Revision
Undertaking as to Tax Concessions

In accordance with Section 6 of the Tax Concession Law (1999 Revision) the Governor in Cabinet undertakes with Bernoulli High Grade CDO I, Ltd. (the "Issuer"):

- (a) That no law which is hereinafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Issuer or its operations; and
- (b) In addition, that no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Issuer; or
 - (ii) by way of the withholding in whole or in part of any relevant payments as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

These concessions shall be for a period of thirty years from the date of issuance.

Governor in Cabinet

U.S. Taxation

The Issuer expects that it will not be engaged in a trade or business within the United States for U.S. Federal income tax purposes except to the extent the Indenture permits investments in certain Equity Securities, Deliverable Obligations and equity securities received in an Offer issued by non-corporate entities that are so engaged.

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 or certain Deliverable Obligations or receive equity securities in an Offer issued by a non-corporate entity engaged in a U.S. trade or business, those investments should not cause the Issuer's income from other investments to become subject to net income tax in the United States. The Issuer also expects that payments received on the Collateral Debt Securities, the Eligible Investments and 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, certain Deliverable Obligations or equity securities received in an Offer of U.S. issuers is likely to be subject to U.S. withholding 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, Commitment Fees and other amounts on the Offered Notes.

Australian Taxation

The Issuer expects that neither the Issuer nor the Co-Issuer will be resident for tax purposes in Australia. Further, the Issuer expects that the activities carried on by the Collateral Manager in Australia under the Collateral Management Agreement should not cause either the Issuer or the Co-Issuer to become resident for tax purposes in Australia. As a non-resident of Australia, each of the Issuer and the Co-Issuer will only be subject to Australian income tax in respect of income which has a source in Australia or that has a relevant connection with Australia.

TAXATION OF THE HOLDERS

Cayman Islands Taxation

No Cayman Islands withholding tax applies to payments on the Offered Notes. 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 Offered Notes (except that (a) the Holder or the legal representative of such Holder whose Offered Note is brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty under the laws of the Cayman Islands in respect of such Offered Notes and (b) an instrument transferring title to an Offered Note, if in registered form, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty).

U.S. Taxation

Notes

The Issuer expects that the Class A Notes and the Class B Notes will be treated as debt for U.S. Federal income tax purposes. The Issuer intends to treat all of the Offered Notes as debt for such purposes, and the following discussion assumes that the Offered Notes will be debt.

U.S. Holders. Interest paid on a Class A Note or Class B Note and Commitment Fee paid on a Class A-1A Note generally will be includible in the gross income of a U.S. Holder in accordance with its regular method of tax

accounting. Because interest on a Class A Note or Class B Note is determined at a floating rate, it is treated as accruing at a hypothetical fixed rate equal to the value of the floating rate on the issue date. The amount of interest actually recognized for any accrual period will increase (or decrease), however, if the interest actually paid during the period is more (or less) than the amount accrued at the hypothetical fixed rate. U.S. Holders therefore generally will recognize income for each period equal to the amount paid during that period.

Interest on the Offered Notes will be ordinary income, and assuming the Issuer is not engaged in a U.S. trade or business, the interest will be generally from sources outside the United States.

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

Non-U.S. Holders. Interest and Commitment Fee 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, Commitment Fees might not be subject to U.S. withholding tax and interest paid to many Non-U.S. Holders would qualify for an exemption from withholding tax if the holders certify their foreign status. Interest and Commitment Fee paid to a Non-U.S. Holder also will not be subject to U.S. Federal net income tax unless the interest is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States. Gain realized by a Non-U.S. Holder on the redemption or disposition of an Offered 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.

Tax-Exempt U.S. Holders.

Special considerations apply to pension plans and other investors that are subject to tax only on their unrelated business taxable income ("UBTI"). A tax-exempt investor's interest income and gain from the Offered Notes generally would not be treated as UBTI *provided* such investor's investment in the Offered Notes is not debt-financed. However, a tax-exempt investor that owns more than 50% of the Income Notes and also owns 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 Offered Notes.

U.S. Information Reporting and Backup Withholding.

Payments of principal, interest and Commitment Fee on the Offered Notes and proceeds from the disposition of the Offered Notes 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. 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 SHOULD CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE OFFERED NOTES UNDER 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 that are not subject to ERISA.

Any fiduciary of an ERISA Plan, of an entity whose underlying assets include assets of ERISA Plans by reason of an ERISA Plan's investment in such entity, or of a governmental or church plan that is subject to fiduciary standards similar to those of ERISA ("plan fiduciary"), that proposes to cause such a plan or entity to purchase Offered Notes should determine whether, under the general fiduciary standards of ERISA or other applicable law, an investment in the Offered Notes 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 Notes, a fiduciary should determine whether such an investment is consistent with the foregoing regulations and its fiduciary responsibilities, including any specific restrictions to which such fiduciary may be subject.

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

Each of the Issuer, the Initial Purchaser and the Collateral Manager as a result of their own activities or because of the activities of an affiliate, may be considered a Party-In-Interest or a Disqualified Person with respect to Plans. Accordingly, prohibited transactions within the meaning of Section 406 of ERISA and Section 4975 of the Code may arise if Notes are acquired by a Plan with respect to which any of the 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, the acquisition or holding of Notes by or on behalf of the Plan could be considered to constitute an indirect prohibited transaction. Moreover, the acquisition or holding of Notes or other indebtedness issued by the Issuer 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 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 Notes were to be a non-exempt prohibited transaction, the purchase might have to be rescinded.

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

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

There is little pertinent authority in this area. However, it is not anticipated that the Class A Notes, the Class B Notes or the Class C Notes will constitute "equity interests" in the Issuer. Based primarily on the investment-grade rating of the Class D Notes, the unconditional obligation of the Issuer 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 Issuer, despite their subordinated position in the capital structure of the Issuer. No measures (such as those described below with respect to the Income Notes) 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 Notes for ERISA purposes could change subsequent to their issuance (i.e. they could be treated as equity) if the Issuers incur losses or the rating of such Notes changes. The risk of recharacterization is enhanced for subordinate classes of Notes.

It is intended that the ownership interests in the Senior Income Notes and the Subordinate Income Notes that are held by Benefit Plan Investors will be maintained at a level below the 25% Threshold (excluding Senior Income Notes and Subordinate Income Notes held by Controlling Persons) by limiting the aggregate amount of Senior Income Notes and Subordinate Income Notes that may be held by Benefit Plan Investors to below the 25% Threshold. In this regard, each initial purchaser of Senior Income Notes and Subordinate Income Notes will be required to provide information in the Investor Application Form pursuant to which such Senior Income Notes or Subordinate Income Notes were purchased and from time to time thereafter as to what portion, if any, of the funds it is using to purchase and hold Income Notes is comprised of assets of a Benefit Plan Investor and whether or not it is a Controlling Person. No Senior Income Notes or Subordinate Income Notes may be transferred to a Benefit Plan Investor or a Controlling Person after the initial placement of the Senior Income Notes and the Subordinate Income Notes. Any subsequent transferee that acquires Senior Income Notes or Subordinate Income Notes will be deemed to represent and warrant that it is not a Benefit Plan Investor or Controlling Person (in the case of a transferee of an interest in a Regulation S Global Senior Income Note or a Regulation S Global Subordinate Income Note) or be required to represent and warrant that it is not a Benefit Plan Investor or Controlling Person in the transfer certificate delivered to the Income Note Paying and Transfer Agent, in the case of Senior Income Notes or the Subordinate Income Notes in connection with such transfer (in the case of a transferee of Definitive Senior Income Notes or Definitive Subordinate Income Notes). In addition, each transferee of an interest in a Regulation S Global Senior Income Note or a Regulation S Global Definitive Income Note will be required to execute and deliver to the Issuer and the Income Note Paying and Transfer Agent, a letter in the form attached as an exhibit to the Income Note Paying Agency Agreement to the effect that, among other things, it is not a Benefit Plan Investor or a Controlling Person and that it will, prior to any sale, pledge or other transfer by it of such interest, obtain from the transferee a duly executed letter to the same effect. The Income Note Documents permit the Issuer to require that any person acquiring Senior Income Notes or Subordinated Income Notes (or a beneficial interest therein) after the initial placement of the Senior Income Notes and the Subordinate Income Notes who is determined to be a Benefit Plan Investor or a Controlling Person to sell such Senior Income Notes or Subordinate Income Notes (or beneficial

interest therein) to a person who is not a Benefit Plan Investor or a Controlling Person and who meets all other applicable transfer restrictions and, if such holder does not comply with such demand within 30 days thereof, the Issuer may sell such holder's interest in such Senior Income Notes or Subordinate Income Notes.

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

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

EACH ORIGINAL PURCHASER AND EACH TRANSFEREE OF A NOTE OR AN INTEREST THEREIN WILL BE REQUIRED TO CERTIFY (OR IN CERTAIN CIRCUMSTANCES DEEMED TO REPRESENT AND WARRANT) EITHER THAT (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS ANY NOTE OR ANY INTEREST THEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS ANY NOTE OR INTEREST THEREIN WILL NOT BE ACTING ON BEHALF OF) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF ERISA THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE CODE, AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. SECTION 2510.3-101, WHICH PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR A GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) ITS ACQUISITION AND HOLDING OF SUCH NOTE WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A VIOLATION OF SUCH SIMILAR LAW). AN INVESTOR THAT IS A BENEFIT PLAN INVESTOR SUBJECT TO TITLE I OF ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW WILL BE REQUIRED TO CERTIFY THAT ITS INVESTMENT IN INCOME NOTES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A VIOLATION OF ANY SUCH SIMILAR LAW).

EACH ORIGINAL PURCHASER OF A SENIOR INCOME NOTE OR A SUBORDINATE INCOME NOTE WILL BE REQUIRED TO CERTIFY WHETHER OR NOT IT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. NO SENIOR INCOME NOTE AND NO SUBORDINATED INCOME NOTE MAY BE TRANSFERRED TO A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AFTER THE INITIAL PLACEMENT OF THE INCOME NOTES. THE INCOME NOTE DOCUMENTS PERMIT THE ISSUER TO REQUIRE THAT ANY PERSON ACQUIRING SENIOR INCOME NOTES OR SUBORDINATE INCOME NOTES (OR A BENEFICIAL INTEREST THEREIN) AFTER THE INITIAL PLACEMENT OF THE SENIOR INCOME NOTES OR SUBORDINATE INCOME NOTES WHO IS DETERMINED TO BE A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON TO SELL SUCH SENIOR INCOME NOTES OR

SUBORDINATE INCOME NOTES (OR BENEFICIAL INTEREST THEREIN) TO A PERSON WHO IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND WHO MEETS ALL OTHER APPLICABLE TRANSFER RESTRICTIONS AND, IF SUCH HOLDER DOES NOT COMPLY WITH SUCH DEMAND WITHIN 30 DAYS THEREOF, THE ISSUER MAY SELL SUCH HOLDER'S INTEREST IN SUCH SENIOR INCOME NOTES OR SUBORDINATE INCOME NOTES.

ANY PLAN FIDUCIARY THAT PROPOSES TO CAUSE A PLAN TO PURCHASE OFFERED NOTES 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 NOTES IS APPROPRIATE FOR THE PLAN, TAKING INTO ACCOUNT THE OVERALL INVESTMENT POLICY OF THE PLAN AND THE COMPOSITION OF THE PLAN'S INVESTMENT PORTFOLIO. NO TRANSFER OF A INCOME NOTE WILL BE EFFECTIVE, AND NEITHER THE ISSUER NOR THE INCOME NOTE PAYING AND TRANSFER AGENT WILL RECOGNIZE ANY SUCH TRANSFER AFTER THE INITIAL PLACEMENT OF THE INCOME NOTES IF SUCH TRANSFER IS TO A BENEFIT PLAN INVESTOR.

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

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

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

PLAN OF DISTRIBUTION

The Issuer and the Initial Purchaser will enter into a Purchase Agreement (the "Purchase Agreement") relating to the purchase and sale of the Offered Notes (other than the Class A-1 Notes) to be delivered on the Closing Date. The Offered Notes 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. In the Purchase Agreement, the Issuer will agree to sell to the Initial Purchaser, and the Initial Purchaser will agree to purchase, the entire principal amounts of the Notes (other than the Class A-1 Notes) and all of the Income Notes as set forth in the Purchase Agreement. The obligations of the Initial Purchaser under the Purchase Agreement are subject to the satisfaction of certain conditions set forth in the Purchase Agreement. Pursuant to the Purchase Agreement, the Issuer will agree 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.

The Issuer has been advised by the Initial Purchaser that the Initial Purchaser proposes to sell the Offered Notes (a) in the United States in reliance upon an exemption from the registration requirements of the Securities Act to Qualified Purchasers who are also Qualified Institutional Buyers and (b) outside the United States to persons who are not U.S. Persons (as defined in Regulation S) in offshore transactions in reliance on Regulation S under the Securities Act and, in each case, in accordance with applicable laws.

CERTAIN SELLING RESTRICTIONS

UNITED STATES

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

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

(2) In the Purchase Agreement, the Initial Purchaser will agree that it will not, acting either as principal or agent, offer or sell any Offered Notes in the United States other than Offered Notes 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 Notes (or approve the resale of any of such Offered Notes):

(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 the Initial Purchaser reasonably believes is a Qualified Institutional Buyer that is also a Qualified Purchaser or (2) otherwise in accordance with the restrictions on transfer set forth in such Offered Notes, the Purchase Agreement and this Offering Circular; or

(b) by means of any form of general solicitation or general advertisement, including but not limited to (1) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio and (2) any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

Prior to the sale of any Offered Notes 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.

UNITED KINGDOM

The Initial Purchaser has represented to and agreed with the Issuer that:

(a) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA") with respect to anything done by it in relation to the Offered Notes in, from or otherwise involving the United Kingdom; and

(b) 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 FSMA) received by it in connection with the issue or sale of any Offered Notes in circumstances in which section 21(1) of FSMA does not apply to the Issuer.

CAYMAN ISLANDS

The Initial Purchaser will represent and agree that it has not made and will not make any invitation to the public in the Cayman Islands to subscribe for any of the Notes.

HONG KONG

The Initial Purchaser will also represent and agree as follows:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Offered Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) 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 purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Offered Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Offered Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), the Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Offered Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Offered Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Offered Notes to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than Euro 43,000,000 and (3) an annual net turnover of more than Euro 50,000,000, as shown in its last annual or consolidated accounts; or

- (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Offered Notes to the public" in relation to any Offered Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Offered Notes to be offered so as to enable an investor to decide to purchase or subscribe the Offered Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression

JAPAN

The Securities have not been and will not be registered under the Offered Notes and Exchange Law of Japan (Law No. 25 of 1948 as amended, the "SEL") and disclosure under the SEL has not been and will not be made with respect to the Offered Notes. Neither the Offered Notes nor any interest therein may be offered, sold, resold or otherwise transferred, directly or indirectly, in Japan to or for the account of any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the SEL and all other applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities. As used in this paragraph, resident of Japan means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

SINGAPORE

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289) of Singapore (the "SFA"). Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Offered Notes may not be circulated or distributed, nor may Offered Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than: (i) to an institutional investor specified in Section 274 of the SFA; (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA; or (iii) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

GENERAL

No action has been or will be taken in any jurisdiction that would permit a public offering of the Offered Notes or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuer or the Offered Notes in any country or jurisdiction where action for that purpose is required. Accordingly, the Offered Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Offered Notes may be distributed or published, in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Purchasers of the Offered Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the purchase price.

Purchasers of the Offered Notes will be required, as a condition to payment of amounts on the Offered Notes without the imposition of withholding tax, to provide certain certifications with respect to any applicable taxes or reporting requirements of the United States or the Cayman Islands.

CLEARING SYSTEMS

GLOBAL SECURITIES

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

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

PAYMENTS OR DISTRIBUTIONS

Payments or distributions on an individual Global Security 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 Security. None of the Issuer, the Trustee, the Collateral Manager, the Note Registrar, the Income Note Paying and Transfer Agent and any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

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

TRANSFERS AND EXCHANGES FOR DEFINITIVE SECURITIES

Interests in a Global Security will be exchangeable or transferable, as the case may be, for a Definitive Security if (a) DTC notifies the Issuer that it is unwilling or unable to continue as depository for such Security, (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 Security is required by law to take physical delivery of securities in definitive form, (d) in the case of a Global Note, there is an Event of Default under the Notes or (e) the transferee is otherwise unable to pledge its interest in a Global Security. Because DTC can only act on behalf of Participants, which in turn act on behalf of indirect Participants and certain banks, the ability of a person having a beneficial interest in a Global Security to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may require that such interest in a Global Security be exchanged for a Definitive Security.

Upon the occurrence of any of the events described in the preceding paragraph, the Issuer will cause Definitive Securities bearing an appropriate legend regarding restrictions on transfer to be delivered. The Trustee shall not execute and deliver a Definitive Security without such specified legend, unless there is delivered to the Issuer and the Trustee such satisfactory evidence, which may include an opinion of U.S. counsel, as may reasonably be required by the Issuer or the Trustee that neither such legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act or the Investment Company Act. Definitive Securities will be exchangeable or transferable for interests in other Definitive Securities as described herein. See "Denomination, Registration and Transfer form of Offered Notes".

CROSS-BORDER TRANSFERS AND EXCHANGES

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

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

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of the relevant Offered Note (including, without limitation, the presentation of such Offered Note for exchange as described above) only at the direction of one or more Participants to whose account with the DTC interests in the related Global Security are credited and only in respect of such portion of the aggregate outstanding principal amount of the Notes or of the number of Income Notes (as the case may be) as to which such Participant or Participants has or have given such direction.

DTC, EUROCLEAR AND CLEARSTREAM

DTC has advised the 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").

The information herein concerning DTC, Clearstream and Euroclear and their book-entry systems has been obtained from sources believed to be reliable, but none of the Issuer, the Collateral Manager or the Initial Purchaser take any responsibility for the accuracy or completeness thereof.

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

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

TRANSFER RESTRICTIONS

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

Representations by Original Purchaser

Each Original Purchaser of an Offered Note (or any beneficial interest therein) will be deemed to acknowledge, represent and warrant to and agree with the Issuer and the Initial Purchaser, and each purchaser of an Income Note, by its execution of an Investor Application Form, acknowledges, represents and warrants to and agrees with the Issuer and the Initial Purchaser, as follows:

(1) *No Governmental Approval.* The purchaser understands that the Offered Notes have not been approved or disapproved by the SEC or any other governmental authority or agency of any jurisdiction and that neither the SEC nor any other governmental authority or agency has passed upon the accuracy or adequacy of this Offering Circular. The purchaser further understands that any representation to the contrary is a criminal offense.

(2) *Certification Upon Transfer.* If required by the Indenture or the Income Note Documents, the purchaser will, prior to any sale, pledge or other transfer by it of any Offered Note (or any interest therein), deliver to the Issuer and the Note Registrar (or, in the case of an Income Note, the Income Note Paying and Transfer Agent) duly executed transferor and transferee certifications in the form of the relevant exhibit attached to the Indenture or the Income Note Paying Agency Agreement, as applicable, and such other certificates and other information as the Issuer, the Trustee (in the case of the Notes) or the Income Note Paying and Transfer Agent (in the case of the Income Notes) may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in this Offering Circular and in the Indenture or the Income Note Documents, as applicable.

(3) *Minimum Denomination.* The purchaser agrees that no Note (or any interest therein) may be sold, pledged or otherwise transferred in a denomination of less than the applicable minimum denomination set forth herein.

(4) *Securities Law Limitations on Resale.* The purchaser understands that the Offered Notes 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 and that the certificates representing the Offered Notes will bear a legend setting forth such restriction. The purchaser understands that the Issuer has no obligation to register the Offered Notes 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).

(5) *Investment Intent.* In the case of a purchaser of a Restricted Security (or any interest therein), it is a Qualified Institutional Buyer that is a Qualified Purchaser, and it is acquiring such Restricted Security for its own account for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A). In the case of a purchaser of a Regulation S Security (or any interest therein), it is not a U.S. Person and is purchasing such Regulation S Security (or interest therein) for its own account and not for the account or benefit of a U.S. Person in an offshore transaction in accordance with Regulation S.

(6) *Purchaser Sophistication; Non-Reliance; Suitability; Access to Information.* The purchaser (a) has such knowledge and experience in financial and business matters that the purchaser is capable of evaluating the merits and risks (including for tax, legal, regulatory, accounting and other financial purposes) of its prospective investment in Offered Notes, (b) is financially able to bear such risk, (c) in making such investment, is not relying on the advice or recommendations of the Initial Purchaser, the Issuer, the Collateral Manager or any of their respective affiliates (or any representative of any of the

foregoing) (*provided* that no such representation is made with respect to the Collateral Manager or its investment advisory affiliates, or by any Affiliate of the Collateral Manager or any account advised or managed by the Collateral Manager or any of its investment advisory affiliates) and (d) has determined that an investment in Offered Notes is suitable and appropriate for it. The purchaser has received and reviewed the contents of, this Offering Circular. The purchaser has had access to such financial and other information concerning the Issuer and the Offered Notes as it has deemed necessary to make its own independent decision to purchase Offered Notes, including the opportunity, at a reasonable time prior to its purchase of Offered Notes, to ask questions and receive answers concerning the Issuer and the terms and conditions of the offering of the Offered Notes.

(7) *Certain Resale Limitations.* The purchaser is aware that no Offered Note (nor any interest therein) may be offered or sold, pledged or otherwise transferred:

(a) in the United States or to a U.S. Person, except to a transferee (i)(A) whom the seller reasonably believes is a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or (B) solely in the case of a Restricted Definitive Income Note, who is entitled to take delivery of such Restricted Definitive Income Note 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 (ii) that is a Qualified Purchaser;

(b) to a transferee acquiring an interest in a Regulation S Global Security except to a transferee that is not a U.S. Person and is acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 903 or Rule 904 of Regulation S;

(c) solely in the case of Income Notes, after the initial placement of the Income Notes, to a transferee who is a Benefit Plan Investor or a Controlling Person; or

(d) except in compliance with the other requirements set forth in the Indenture, the Income Note Documents (as applicable) and in accordance with any other applicable securities laws of any relevant jurisdiction.

(8) *Limited Liquidity.* The purchaser understands that there is no market for the Offered Notes and that there can be no assurance that a secondary market for any of the Offered Notes will develop, or if a secondary market does develop, that it will provide the holders of such Offered Notes with liquidity of investment or that it will continue for the life of the Offered Notes. It further understands that, although the Initial Purchaser may from time to time make a market in one or more Classes of Notes or Income Notes, 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 its Offered Notes for an indefinite period of time or until the applicable Stated Maturity (or, in the case of the Income Notes, the winding-up of the Issuer).

(9) *Investment Company Act.* The purchaser either (a) is not a U.S. Person or (b) is a Qualified Purchaser. The purchaser agrees that no sale, pledge or other transfer of an Offered Note (or any interest therein) may be made (i) to a transferee acquiring a Restricted Security (or any interest therein) except to a transferee that is a Qualified Purchaser, (ii) to a transferee acquiring a Regulation S Security (or any interest therein) except to a transferee that is not a U.S. Person or (iii) if such transfer would have the effect of requiring the Issuer or the Collateral to be registered as an investment company under the Investment Company Act. If the purchaser is a U.S. Person that is an entity that would be an investment company but for the exception provided for in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act (any such entity, an "excepted investment company") (a) all of the beneficial owners of outstanding securities (other than short-term paper) of such entity (such beneficial owners determined in accordance with Section 3(c)(1)(A) of the Investment Company Act) that acquired such securities on or

before April 30, 1996 ("pre-amendment beneficial owners") and (b) all pre-amendment beneficial owners of the outstanding securities (other than short-term paper) of any excepted investment company that, directly or indirectly, owns any outstanding securities of such entity, have consented to such entity's treatment as a Qualified Purchaser in accordance with the Investment Company Act.

(10) *ERISA*. In the case of a purchaser of a Note, either (a) it is not (and for so long as it holds any Note or any interest therein will not be) and is not acting on behalf of (and for so long as it holds any Note or any interest therein will not be acting on behalf of) an "employee benefit plan" as defined in Section 3(3) of the ERISA that is subject to Title I of ERISA, a plan described in Section 4975(e)(1) of the Code, an entity which is deemed to hold the assets of any such plan pursuant to 29 C.F.R. section 2510.3-101, which plan or entity is subject to Title I of ERISA or Section 4975 of the Code, or a governmental or church plan which is subject to any Similar Law, or (b) its acquisition and holding of such Note will be covered by a prohibited transaction class exemption issued by the United States Department of Labor (or, in the case of governmental or church plan, will not constitute a violation of such Similar Law).

In the case of a purchaser of a Senior Income Note or Subordinate Income Note in the initial placement, if such purchaser is a Benefit Plan Investor that is subject to Title I of ERISA, Section 4975 of the Code or any Similar Law, its acquisition and holding of its investment in a Senior Income Notes or a Subordinate Income Notes will not result in a non-exempt "prohibited transaction" under the foregoing provisions of ERISA and the Code or a violation of any Similar Law.

Each purchaser of a Senior Income Note or a Subordinate Income Note understands and agrees that no sale, pledge or other transfer of an Income Note may be made after the initial placement of the Senior Income Notes and Subordinate Income Notes to a Benefit Plan Investor or a Controlling Person.

In addition, if the purchaser of an Offered Note is, or is acting on behalf of, a Plan subject to Title I of ERISA or an employee benefit plan that is not subject to Title I of ERISA but is subject to provisions of a Similar Law, the fiduciaries of such Plan or such employee benefit plan, as applicable, represent and warrant that they have been informed of and understand the Issuer's investment objectives, policies and strategies and that the decision to invest such Plan's assets or such employee benefit plan's assets, as the case may be, in Offered 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*. It is (a) not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle) and (b) if it is a Qualifying Investment Vehicle, (x) it has only one class of securities outstanding (other than any nominal share capital the distributions in respect of which are not correlated to or dependent upon distributions on, or the performance of, the Offered Notes) and (y) either (1) none of the beneficial owners of its securities is a U.S. Person or (2) some or all of the beneficial owners of its securities are U.S. Persons and each such beneficial owner has certified to the purchaser that such owner is a Qualified Purchaser. A purchaser is a "Flow-Through Investment Vehicle" if: (i) in the case of a purchaser that would be an investment company but for the exception in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, the amount of the purchaser's investment in the Offered Notes exceeds 40% of the total assets (determined on a consolidated basis with its subsidiaries) of the purchaser, (ii) any person owning any equity or similar interest in the purchaser has the ability to control any investment decision of the purchaser (other than a general partner or similar entity) or to determine, on an investment-by-investment basis, the amount of such person's contribution to any investment made by the purchaser, (iii) the purchaser was organized or reorganized for the specific purpose of acquiring any Offered Notes or (iv) additional capital or similar contributions were specifically solicited from any person owning an equity or similar interest in the purchaser for the purpose of enabling the purchaser to purchase any Note or Income Note. A "Qualifying Investment Vehicle" means an entity as to which all of the beneficial owners of any securities issued by such entity have made, and as to which (in accordance with the document pursuant to which such entity was organized or the agreement or other document governing such securities) each such beneficial owner must require any transferee of any such security to make each of the representations set forth in this Offering Circular and (where applicable) an

Investor Application Form and/or the transfer certificate pursuant to which such Offered Notes were transferred to such entity (in each case, with appropriate modifications to reflect the indirect nature of the interests of such beneficial owners in the Offered Notes).

(12) *Certain Transfers Void.* The purchaser agrees that (a) any sale, pledge or other transfer of an Offered Note (or any interest therein) made in violation of the transfer restrictions contained in this Offering Circular and the Indenture or the Income Note Documents, as applicable, or made based upon any false or inaccurate representation made by the purchaser or a transferee to the Issuer, will be void and of no force or effect and (b) none of the Issuer, the Trustee and the Note Registrar (in the case of the Notes) and neither the Issuer nor the Income Note Paying and Transfer Agent (in the case of the Income Notes) and none of the Issuer, the Trustee has any obligation to recognize any sale, pledge or other transfer of an Offered 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 Note Registrar, the Income Note Paying and Transfer Agent and others (as applicable) will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements and agrees that, if any of the acknowledgments, representations or warranties made or deemed to have been made by it in connection with its purchase of the Offered Notes are no longer accurate, the purchaser will promptly notify the Issuer and the Initial Purchaser.

(14) *Cayman Islands.* The purchaser is not a member of the public in the Cayman Islands.

(15) *Tax Treatment.* The purchaser acknowledges that it is its intent as well as the intent of the Issuer to treat the Notes as indebtedness of the Issuer and the Income Notes as equity in the Issuer for U.S. Federal income tax purposes. The purchaser further agrees to report all income (or loss) in accordance with such treatment and not to take any action inconsistent with such treatment, except as otherwise required by any relevant taxing authority.

(16) If it is not a "United States person" as defined in Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended, it is not acquiring a Note or Income Note as part of a plan to reduce, avoid or evade U.S. federal income taxes owed, owing or potentially owed or owing.

(17) *Legend.* Each purchaser of a Note (or any beneficial interest therein) understands and agrees that a legend in substantially the following form will be placed on each Note:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (A "QUALIFIED INSTITUTIONAL BUYER") WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A OR (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH 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 RELEVANT JURISDICTION. NEITHER OF THE ISSUER NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). NO TRANSFER OF A NOTE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE TRUSTEE NOR THE NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT OR (II) A COMPANY EACH OF WHOSE

BENEFICIAL OWNERS IS A "QUALIFIED PURCHASER" (ANY PERSON DESCRIBED IN CLAUSES (I) OR (II), A "QUALIFIED PURCHASER"), (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING EITHER OF THE ISSUER OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER WOULD BE MADE TO A PERSON THAT IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE INDENTURE) AND IF IT IS A QUALIFYING INVESTMENT VEHICLE EITHER NONE OF THE BENEFICIAL OWNERS OF ITS SECURITIES IS A U.S. PERSON OR SOME OR ALL OF THE BENEFICIAL OWNERS OF ITS SECURITIES ARE U.S. PERSONS AND EACH SUCH BENEFICIAL OWNER HAS CERTIFIED THAT SUCH OWNER IS A QUALIFIED PURCHASER OR (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE (IF ANY) ATTACHED AS AN EXHIBIT TO THE INDENTURE REFERRED TO BELOW. EACH HOLDER HEREOF IS DEEMED TO REPRESENT AND WARRANT EITHER THAT (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), THAT IS SUBJECT TO SECTION 4975 OF THE CODE, AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. SECTION 2510.3-101, WHICH PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR A GOVERNMENTAL OR CHURCH PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) ITS ACQUISITION AND HOLDING OF THIS NOTE WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR FROM THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT CONSTITUTE A VIOLATION OF ANY SIMILAR LAW). THIS NOTE AND ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN THE PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

The legend set forth on any Restricted Note will also have the following:

IF, NOTWITHSTANDING THE RESTRICTIONS ON TRANSFER CONTAINED IN THE INDENTURE, [EITHER OF THE CO-ISSUERS] / [THE ISSUER]² DETERMINES THAT ANY BENEFICIAL OWNER OF A RESTRICTED 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 [EITHER OF THE CO-ISSUERS] / [THE ISSUER]³ MAY REQUIRE, BY NOTICE TO SUCH HOLDER, THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO SUCH RESTRICTED NOTE (OR INTEREST THEREIN) TO A PERSON THAT IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH BENEFICIAL OWNER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (1) UPON DIRECTION FROM THE ISSUER, THE TRUSTEE (ON BEHALF OF AND

² For Class D Notes, this reference will be to the Issuer.

³ For Class D Notes, this reference will be to the Issuer.

AT THE EXPENSE OF THE ISSUER) SHALL CAUSE SUCH BENEFICIAL OWNER'S INTEREST IN SUCH 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) TO A PERSON THAT CERTIFIES TO THE TRUSTEE AND THE [CO-ISSUERS] / [ISSUER]⁴, 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 NOTE (OR INTEREST THEREIN) HELD BY SUCH BENEFICIAL OWNER.

IN ADDITION, NO TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) MAY BE MADE (AND NONE OF THE TRUSTEE, THE NOTE REGISTRAR AND THE [CO-ISSUERS] / [ISSUER]⁵ WILL RECOGNIZE ANY SUCH TRANSFER) IF SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS (A) A DEALER DESCRIBED IN PARAGRAPH (A)(1)(ii) OF RULE 144A WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.\$25,000,000 IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER OR (B) A PLAN REFERRED TO IN PARAGRAPH (a)(1)(I)(D) OR (a)(1)(i)(E) OF RULE 144A OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, UNLESS INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN. THE TRANSFEREE, AND EACH ACCOUNT FOR WHICH IT IS PURCHASING, IS REQUIRED TO HOLD AND TRANSFER AT LEAST THE MINIMUM DENOMINATIONS OF THE NOTES. EACH TRANSFEREE IS REQUIRED TO PROVIDE WRITTEN NOTICE OF THE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREES.

In addition, the legend set forth on any Regulation S Global Note or Restricted Global Note will also have the following:

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

In addition, the legend set forth on any Class C Note or Class D Note 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.

The U.S. Internal Revenue Code requires Notes that are issued with original issue discount ("OID") to bear this legend. For notes (such as the Class C Notes and Class D Notes) that have OID because the Issuer has not determined whether the likelihood of deferral is remote, all interest will be treated as OID and,

⁴ For Class D Notes, this certification will be made only to the Issuer.

⁵ For Class D Notes, this reference will be to the Issuer.

therefore, the amount of OID will be equal to the interest payable (including interest on deferred interest that has been added to principal) on the Class C Notes and Class D Notes for that period.

(17) *Legend for Income Notes.* The purchaser understands and agrees that a legend in substantially the following form will be placed on each certificate representing any Income Notes:

THE INCOME NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (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) TO A NON U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT ("REGULATIONS") OR (3) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (SUBJECT TO THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE ISSUER CHARTER AND THE INCOME NOTE PAYING AGENCY AGREEMENT REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY RELEVANT JURISDICTION. NEITHER THE ISSUER NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). NO TRANSFER OF A INCOME NOTE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE ISSUER NOR THE INCOME NOTE PAYING AND TRANSFER AGENT WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT OR (II) A COMPANY EACH OF WHOSE BENEFICIAL OWNERS IS A QUALIFIED PURCHASER (ANY PERSON DESCRIBED IN CLAUSES (I) OR (II), A "QUALIFIED PURCHASER"), (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING THE ISSUER OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER IS MADE, AFTER THE INITIAL PLACEMENT OF THE INCOME NOTES, TO A BENEFIT PLAN INVESTOR (AS DEFINED IN THE PLAN ASSET REGULATION OF THE UNITED STATES DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3-101(f) (A "BENEFIT PLAN INVESTOR")) OR TO A PERSON OTHER THAN A BENEFIT PLAN INVESTOR WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR PROVIDES INVESTMENT ADVICE WITH RESPECT TO THE ASSETS OF THE ISSUER FOR A FEE, DIRECT OR INDIRECT, OR IS AN AFFILIATE OF ANY SUCH PERSON (A "CONTROLLING PERSON"), (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A PERSON WHICH IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE TRANSFER CERTIFICATE ATTACHED TO THE INCOME NOTE PAYING AGENCY AGREEMENT) AND IF IT IS A QUALIFYING INVESTMENT VEHICLE EITHER NONE OF THE BENEFICIAL OWNERS OF ITS SECURITIES IS A U.S. PERSON OR SOME OR ALL OF THE BENEFICIAL OWNERS OF ITS SECURITIES ARE U.S. PERSONS AND EACH SUCH BENEFICIAL OWNER HAS CERTIFIED THAT SUCH OWNER IS A QUALIFIED PURCHASER OR (E) SUCH TRANSFER WOULD BE MADE TO A PERSON WHO IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE OR PURCHASER LETTER, AS APPLICABLE, ATTACHED AS AN EXHIBIT TO THE INCOME NOTE PAYING AGENCY AGREEMENT REFERRED TO HEREIN. EACH ORIGINAL PURCHASER OF INCOME NOTES WILL BE REQUIRED TO CERTIFY THAT

ITS INVESTMENT IN INCOME NOTES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, A VIOLATION OF A MATERIALLY SIMILAR FEDERAL, STATE OR LOCAL LAW). ACCORDINGLY, AN INVESTOR IN INCOME NOTES MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

EACH TRANSFEREE OF INCOME NOTES AFTER THE INITIAL PURCHASE THEREOF WILL BE REQUIRED TO CERTIFY THAT IT IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. THE ISSUER MAY REQUIRE ANY PERSON ACQUIRING INCOME NOTES (OR A BENEFICIAL INTEREST THEREIN) AFTER THE INITIAL PLACEMENT OF THE INCOME NOTES WHO IS DETERMINED TO BE A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON TO SELL SUCH INCOME NOTES (OR A BENEFICIAL INTEREST THEREIN) TO A PERSON WHO IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND WHO MEETS ALL OTHER APPLICABLE TRANSFER RESTRICTIONS AND, IF SUCH HOLDER DOES NOT COMPLY WITH SUCH DEMAND WITHIN 30 DAYS THEREOF, THE ISSUER MAY SELL SUCH HOLDER'S INTEREST IN SUCH INCOME NOTES.

The legend set forth on any Restricted Income Note will also have the following:

IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE INCOME NOTE PAYING AGENCY AGREEMENT, THE ISSUER DETERMINES THAT ANY HOLDER OF THIS SECURITY OR AN INTEREST HEREIN (I) IS A U.S. PERSON AND (II) IS NOT BOTH (A) A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 501(A) UNDER THE SECURITIES ACT AND (B) A QUALIFIED PURCHASER, THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO THIS SECURITY (OR INTEREST HEREIN) TO A PERSON THAT IS BOTH (1) A QUALIFIED INSTITUTIONAL BUYER AND (2) A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE ISSUER, THE INCOME NOTE PAYING AND TRANSFER 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 (CONDUCTED BY THE INCOME NOTE PAYING AND TRANSFER AGENT IN ACCORDANCE WITH SECTION 9-610(b) OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THE SUBJECT OF WIDELY DISTRIBUTED PRICE QUOTATIONS) TO A PERSON THAT CERTIFIES TO THE INCOME NOTE PAYING AND TRANSFER AGENT AND THE ISSUER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (1) A QUALIFIED INSTITUTIONAL BUYER AND (2) A QUALIFIED PURCHASER, AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURITY HELD BY SUCH HOLDER, AND THE INTEREST IN THIS SECURITY SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE INCOME NOTES.

The following shall be inserted in the case of Regulation S Global Income Notes:

UNLESS THIS REGULATION S GLOBAL INCOME NOTE CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE INCOME NOTE PAYING AND TRANSFER AGENT FOR REGISTRATION OF TRANSFER OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR

OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS REGULATION S GLOBAL INCOME NOTE CERTIFICATE REPRESENTS REGULATION S GLOBAL INCOME NOTES DEPOSITED WITH DTC ACTING AS DEPOSITORY, 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 INCOME 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 INCOME NOTE CERTIFICATE FOR A DEFINITIVE INCOME NOTE CERTIFICATE OR UPON ANY EXCHANGE OR TRANSFER OF A DEFINITIVE INCOME NOTE CERTIFICATE FOR AN INTEREST IN THIS REGULATION S GLOBAL INCOME NOTE CERTIFICATE IN ACCORDANCE WITH THE INCOME NOTE PAYING AGENCY AGREEMENT, THIS REGULATION S GLOBAL INCOME NOTE CERTIFICATE SHALL BE ENDORSED TO REFLECT THE CHANGE OF THE PRINCIPAL AMOUNT EVIDENCED HEREBY.

Investor Representations on Resale

Except as provided below, each transferor and transferee of an Offered Note will be required to deliver a duly executed certificate in the form of the relevant exhibit attached to the Indenture or the Income Note Paying Agency Agreement, as the case may be, and such other certificates and other information as the Issuer, the Trustee or the Income Note Paying and Transfer Agent may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in this Offering Circular and the Indenture or the Income Note Documents, as applicable.

An owner of a beneficial interest in a Restricted Global Note may transfer such interest in the form of a beneficial interest in such Restricted Global Note without the provision of written certification. An owner of a beneficial interest in a Regulation S Global Income Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Income Note without the provision of written certification, *provided* that any such transferee will be obligated to provide a letter with respect to applicable representations and warranties in the form attached to the Income Note Paying Agency Agreement. Each transferee of a beneficial interest in a Global Security will be deemed to make the applicable representations and warranties described herein.

Each transferee of an Offered Note that is required to deliver a transfer certificate will be required, pursuant to such transferee certificate, and each transferee that is not required to deliver a certificate will be deemed, (a) to acknowledge, represent and warrant to and agree with the Issuer and the Trustee (in the case of a Note) or the Issuer and the Income Note Paying and Transfer Agent (in the case of an Income Note) as to the matters set forth in each of paragraphs (1) through (15) above (other than paragraph (5) above) as if each reference therein to "the purchaser" were instead a reference to the transferee and (b) to further represent and warrant to and agree with the Issuer and the Trustee (in the case of a Note) or to the Issuer and the Income Note Paying and Transfer Agent (in the case of an Income Note) as follows:

(1) In the case of a transferee who takes delivery of a Restricted Security (or a beneficial interest therein), it is a Qualified Institutional Buyer and also a Qualified Purchaser and is acquiring such Restricted Security (or beneficial interest therein) for its own account and is aware that such transfer is being made to it in reliance on Rule 144A (or, solely in the case of a Restricted Definitive Income Note, 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 addition, if such transferee is acquiring a beneficial interest in a Restricted Global Note, it (i) is not a dealer described in paragraph (a)(1)(ii) of Rule 144A unless such purchaser owns and invests on a discretionary basis at least U.S.\$25,000,000 in securities of

issuers that are not affiliated persons of the dealer, (ii) is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan and (iii) it will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any transferee.

(2) In the case of a transferee who takes delivery of a Regulation S Security (or a beneficial interest therein), it is not a U.S. Person and is acquiring such Regulation S Security for its own account and not for the account or benefit of a U.S. Person in an offshore transaction in accordance with Regulation S.

(3) In the case of a transferee of a Senior Income Note or a Subordinate Income Note, it is not, and for so long as it holds any Income Notes, will not be, a Benefit Plan Investor or a Controlling Person and it understands that the Income Note Documents permit the Issuer to require that any person acquiring Senior Income Notes or Subordinate Income Notes (or a beneficial interest therein) after the initial placement of the Senior Income Notes or Subordinate Income Notes who is determined to be a Benefit Plan Investor or a Controlling Person to sell such Senior Income Notes or Subordinate Income Notes (or a beneficial interest therein) to a person who is not a Benefit Plan Investor or a Controlling Person and who meets all other applicable transfer restrictions and, if such holder does not comply with such demand within 30 days thereof, the Issuer may sell such holder's interest in such Senior Income Notes or Subordinate Income Notes.

(4) It acknowledges that the foregoing acknowledgements, representations, warranties and agreements will be relied upon by the Issuer and the Trustee (in the case of a Note) or the Issuer and the Income Note Paying and Transfer Agent (in the case of an Income Note) for the purpose of determining its eligibility to purchase Offered Notes. It agrees to provide, if requested, any additional information that may be required to substantiate or confirm its status as a Qualified Institutional Buyer or under the exception provided pursuant to Section 3(c)(7) of the Investment Company Act, to determine compliance with ERISA and/or Section 4975 of the Code or to otherwise determine its eligibility to purchase Offered Notes.

LISTING AND GENERAL INFORMATION

1. This Offering Circular comprises a prospectus with regard to the Issuer and the Notes for the purposes of the Prospectus Directive. Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under the Prospectus Directive, for the Offering Circular to be approved. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on its regulated market. The Irish Stock Exchange is a regulated market for the purposes of Directive 93/22/EC. No assurances can be given that any such listing will be obtained with respect to the Notes. No application has been or will be made to list the Notes on any other stock exchange.

2. Except as otherwise stated herein, the Issuer accepts responsibility for the information contained in this Offering Circular and to the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in the Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

3. For fourteen days following the date of the Final Offering Circular, electronic copies of the Issuer Charter, the Final Offering Circular, the Indenture, the Collateral Management Agreement, the Income Note Paying Agency Agreement, the Class A-1A Note Funding Agreement, the Class A-1B Swap Agreement, the Hedge Agreement, the Administration Agreement and the Irish Paying Agency Agreement for Ireland (such agreements, collectively, the "Material Contracts") and a description of the Collateral will be available for inspection at the offices of the Irish Paying Agent. Electronic copies thereof may be obtained upon request.

4. If and for so long as any Notes are listed on the Irish Stock Exchange, copies of the Articles of the Issuer, the resolutions of the board of directors of the Issuer authorizing the issuance of the Offered Notes, the Indenture and the Collateral Management Agreement will be available for inspection during the term of the Offered Notes at the office of the Trustee and at the offices of the Irish Paying Agent located in Dublin, Ireland. The activities of the Issuer will be limited to (i) the issuance of the Notes and the Income Notes, (ii) the acquisition and disposition of, and investment and reinvestment in, Collateral Debt Securities, Equity Securities, U.S. Agency Securities and Eligible Investments, (iii) the entering into, and the performance of its obligations under the Indenture, the Notes, the Class A-1A Note Funding Agreement, the Class A-1B Swap Agreement, the Purchase Agreement, the Investor Application Forms, the Account Control Agreement, the Income Note Paying Agency Agreement, the Hedge Agreement, the collateral assignment of the Hedge Agreement, the Collateral Management Agreement, the Collateral Administration Agreement, the Master Forward Sale Agreement, the Administration Agreement, each Class A-1A Noteholder Prepayment Account Control Agreement and any Class A-1B Prefunding Account Control Agreement, (iv) the pledge of the Collateral as security for its obligations in respect of (*inter alia*) the Notes and (v) certain activities conducted in connection with the payment of amounts in respect of the Notes, the management of the Collateral and other incidental activities. Cash flow derived from the Collateral securing the Notes will be the Issuer's only source of cash.

5. The Issuer is not required by Cayman Islands law, and the Issuer does not intend, to publish annual reports and accounts. The Indenture, however, requires the Issuer to provide the Trustee, the Income Note Paying and Transfer Agent, the Hedge Counterparty, each Noteholder and Income Noteholder making a written request therefor and each Rating Agency with written confirmation, on an annual basis, that to the best of its knowledge following review of the activities of the prior year, the Issuer has fulfilled all of its obligations under the Indenture throughout the period, or, if there has been an Event of Default, specifying each such Event of Default known to the Issuer and the nature and status thereof, including actions undertaken to remedy the same.

6. The Issuer represents that, as of the date of this Offering Circular, there has been no material adverse change in its financial position since the date of its creation. The Issuer is not involved, or has not been involved since incorporation, in any litigation or arbitration proceedings relating to claims on

amounts which may have or have had a material effect on the Issuer in the context of the issue of the Offered Notes, nor, so far as the Issuer is aware, is any such litigation or arbitration involving it pending or threatened.

7. The issuance of the Offered Notes will be authorized by the board of directors of the Issuer by resolutions passed on March 28, 2006. Since incorporation, the Issuer has not commenced trading, established any accounts or declared any dividends, except for the transactions described herein relating to the issuance of the Offered Notes.

8. The Issuer was incorporated under the Companies Law (2004 Revision) of the Cayman Islands. Cayman Islands company law combined with the holding structure of the Issuer, covenants made by the Issuer in the Transaction Documents and the role of the Trustee are together intended to prevent any abuse of control of the Issuer.

9. According to the rules and regulations of the Irish Stock Exchange, the Notes shall be freely transferable and therefore no transaction made on the Irish Stock Exchange shall be canceled.

SECURITIES IDENTIFICATION NUMBERS

Offered Notes sold in offshore transactions in reliance on Regulation S and represented by Global Securities have been accepted for clearance through Euroclear and Clearstream. The table below lists the Common Code Numbers, the CUSIP (CINS) Numbers and the International Securities Identification Numbers (ISIN) for Offered Notes represented by Regulation S Global Notes and Regulation S Income Notes and the CUSIP Numbers for Offered Notes represented by Restricted Global Notes and Definitive Income Notes.

	<u>Regulation S Common Codes</u>	<u>Regulation S Global Note CUSIP Numbers</u>	<u>Restricted Global Note CUSIP Numbers</u>	<u>International Securities Identification Numbers</u>
Class A-1A Notes (Funded)	TBD	G11985AA9	085558AA2	Restricted: US085558AA21 Reg S: USG11985AA97
Class A-1A Notes (Unfunded)	TBD	G11985AB7	085558AB0	Restricted: US085558AB04 Reg S: USG11985AB70
Class A-1B Notes (Funded)	TBD	G11985AC5	085558AC8	Restricted: US085558AC86 Reg S: USG11985AC53
Class A-1B Notes (Unfunded)	TBD	G11985AD3	085558AD6	Restricted: US085558AD69 Reg S: USG11985AD37
Class A-2 Notes	TBD	G11985AE1	085558AE4	Restricted: US085558AE43 Reg S: USG11985AE10
Class B Notes	TBD	G11985AG6	085558AG9	Restricted: US085558AG90 Reg S: USG11985AG67
Class C Notes	TBD	G11985AJ0	085558AS3	Restricted: USG11985AS39 Reg S: US085558AJ07
Class D Notes	TBD	G11967AA7	085555AA8	Restricted: USG11967AA81 Reg S: US085555AA73
Senior Income Notes	TBD	G11967109	085555209	Restricted: US0855552099 Reg S: KYG119671090
Subordinate Income Notes	TBD	G11967117	085555407	Restricted: US0855554079 Reg S: KYG119671173

LEGAL MATTERS

Certain legal matters with respect to the Offered Notes 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.

GLOSSARY OF CERTAIN DEFINED TERMS

Following is glossary of certain defined terms used in this Offering Circular. Defined terms not appearing in this glossary are referenced in the Index of Certain Defined Terms.

"ABS Type Diversified Securities" means (a) Automobile Securities; (b) Car Rental Receivable Securities; (c) Credit Card Securities; (d) Student Loan Securities; and (e) any other type of Asset-Backed Securities that becomes a Specified Type after the Closing Date and is designated as "ABS Type Diversified Securities" in connection therewith.

"ABS Type Residential Securities" means (a) Home Equity Loan Securities; (b) Manufactured Housing Securities; (c) Residential A Mortgage Securities; (d) Residential B/C Mortgage Securities; and (e) any other type of Asset-Backed Securities that becomes a Specified Type after the Closing Date and is designated as "ABS Type Residential Securities" in connection therewith.

"ABS Type Undiversified Securities" means each Specified Type of Asset-Backed Securities, other than (a) ABS Type Diversified Securities or (b) ABS Type Residential Securities; and any other type of Asset-Backed Securities that becomes a Specified Type after the Closing Date and is designated as "ABS Type Undiversified Securities" in connection therewith.

"Account Control Agreement" means the account control agreement dated as of the Closing Date between the Issuer, the Trustee and the Custodian.

"Administrative Expenses" means all amounts due or accrued with respect to any Quarterly Distribution Date and payable by the Issuer or the Co-Issuer to (i) the Note Registrar, the Trustee or any co-trustee, (ii) the Collateral Administrator under the Collateral Administration Agreement, (iii) the Administrator under the Administration Agreement, (iv) the Income Note Paying and Transfer Agent under the Income Note Paying Agency Agreement, (v) the Rating Agencies for fees and expenses in connection with any rating (including the annual fee payable with respect to the monitoring of any rating and any credit estimate fees) of the Notes, including fees and expenses due or accrued in connection with any rating of the Collateral Debt Securities, (vi) the independent accountants, agents and counsel of the Issuer for reasonable fees and expenses (including amounts payable in connection with the preparation of tax forms on behalf of the Co-Issuers), (vii) the Collateral Manager for fees and expenses pursuant to the Collateral Management Agreement, (viii) any other Person in respect of any governmental fee, charge or tax in relation to the Issuer or the Co-Issuer (in each case as certified by an authorized officer of the Issuer or the Co-Issuer to the Trustee) and (ix) any Person in respect of any other fees or expenses (including indemnities) permitted under the Indenture, the Collateral Management Agreement and all other documents delivered pursuant to or in connection with the Indenture and the Notes; *provided* that Administrative Expenses shall not include (a) any amounts due or accrued with respect to the actions taken on or in connection with the Closing Date, (b) amounts payable in respect of the Notes, (c) amounts payable under the Hedge Agreement and (d) any Senior Management Fee payable to the Collateral Manager.

"Aerospace and Defense Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from leases and subleases of aircraft, vessels and telecommunications equipment to businesses for use in the provision of goods or services to consumers, the military or the government, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the leases or subleases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, sublessee or third party of the underlying equipment; (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of lease term for excess usage or wear and tear; and (5) the obligations of the lessors or sublessors may be secured not only by the leased equipment but also by other assets of the lessee, sublessee or guarantees granted by third parties.

"Affiliate" or "Affiliated" means, with respect to a 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, in the case of the Issuer, no other special purpose company to which the Administrator provides directors and acts as share trustee shall be an Affiliate of the Issuer.

"Aggregate Amortized Cost" means, with respect to any Interest Only Security on 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 discounted to such date of determination as of each relevant payment date at a discount rate per annum equal to the internal rate of return on such Interest Only Security as calculated by the Collateral Manager in good faith and on a commercially reasonable basis at the time of purchase thereof by the Issuer.

"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, on the basis of an estimate of such Aggregate Attributable Amount from the Collateral Manager made by the Collateral Manager in good faith and in the exercise of its reasonable business judgment based upon all relevant information otherwise available to the Collateral Manager or the Trustee.

"Applicable Recovery Rate" means, with respect to any Collateral Debt Security on any Measurement Date, the lowest of (a) an amount equal to the percentage for such Collateral Debt Security set forth in the Moody's recovery rate matrix set forth in Part I of Schedule A hereto in (x) the table corresponding to the relevant Specified Type of CDO Security or Other ABS, (y) the column in such table setting forth the Moody's Rating of such Collateral Debt Security as of the date of issuance of such Collateral Debt Security and (z) the row in such table opposite the percentage of the Issue of which such Collateral Debt Security is a part relative to the total capitalization of (including both debt and equity securities issued by) the relevant issuer of or obligor on such Collateral Debt Security, determined on the original issue date of such Collateral Debt Security *provided* that (1) if the Collateral Debt Security is a Guaranteed Corporate Debt Security, the recovery rate will be 30% and (2) if the Collateral Debt Security is a Synthetic Security, the recovery rate will be as assigned by Moody's, (b) an amount equal to the percentage for such Collateral Debt Security set forth in the Standard & Poor's recovery rate matrix set forth in Part II of Schedule A hereto in (x) the applicable table, (y) the row in such table opposite the Standard & Poor's Rating of such Collateral Debt Security as of the date on which the Issuer acquired such Collateral Debt Security (or, in the case of a Defaulted Security, the Standard & Poor's Rating at the time of issuance) and (z) in the column in such table below the then current rating of the most senior Class of Notes outstanding *provided* that (1) if the Collateral Debt Security is a Guaranteed Corporate Debt Security, such amount shall be 37% and (2) if the Collateral Debt Security is a Synthetic Security, the recovery rate will be as assigned by Standard & Poor's and (c) with respect to any Collateral Debt Security that is a Defaulted Security, the percentage equal to the Fitch Recovery Rate.

"Asset-Backed Securities" means debt obligations or debt securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from (a) a specified pool of financial assets, either static or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities or (b) real estate mortgages, either static or revolving, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities; *provided* that, in the case of clause (b), such Asset-Backed

Security does not entitle the holder to a right to share in the appreciation in value of or the profits generated by the related real estate assets.

"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 lessees 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.

"Average Current Comparable Discount Margin" means, with respect to any Collateral Debt Security, an amount equal to the average of (at the time of the commitment to purchase and not the time of issuance) either (a) the discount margin quoted by dealers on the most recent 12 new issues of comparable securities issued prior to the Issuer entering into its commitment to purchase such Collateral Debt Security or (b) if there have been fewer than 12 issues of comparable securities issued during the eight-week period prior to the Issuer entering into its commitment to purchase such Collateral Debt Security, the discount margin quoted by dealers for all comparably newly issued securities issued during such eight-week period, in each case as determined on a commercially reasonable basis by the Collateral Manager; *provided* that, if the Collateral Manager determines in its commercially reasonable judgment that there have been no comparable securities issued during such eight-week period, the Collateral Manager will determine the Average Current Comparable Discount Margin with respect to such Collateral Debt Security by obtaining a current comparable market discount margin level through dealer quotes on a commercially reasonable basis.

"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 a 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.

"Bank Trust Preferred CDO Security" means an Asset-Backed Security issued by an entity formed for the purpose of holding or investing and reinvesting in a pool of mostly bank trust preferred securities.

"Benchmark Rate" means (a) with respect to Collateral Debt Securities that bear interest at a floating rate, the offered rate for Dollar deposits in Europe of six 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 trade date of such Collateral Debt Securities and (b) with respect to Collateral Debt Securities that do 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 trade date of such Collateral Debt Securities, 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 having a maturity equal to the Weighted Average Life of such Collateral Debt Securities on such trade date.

"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.

"Breakage Amount" means, with respect to any Optional Redemption or Tax Redemption of any Class of Notes other than the Class A-1A Notes on any day other than a Quarterly Distribution Date, the excess, if any, of (a) interest that would have accrued on such Class of Notes for the period from and including the relevant Redemption Date to but excluding the next succeeding Quarterly Distribution Date (such period, the "Breakage Period") over (b) interest that would have accrued on such Class of Notes for the Breakage Period if LIBOR for the Interest Period that includes the Breakage Period had instead been computed with respect to an Interest Period equivalent to, and with a Designated Maturity equal to the length of, the Breakage Period. For purposes of the foregoing calculation, (a) each relevant Class of Notes shall be deemed to remain outstanding during the Breakage Period and (b) interest on each relevant Class of Notes shall be deemed to accrue during the Breakage Period solely with respect to LIBOR (without the addition of any fixed spread thereto). The Breakage Amount with respect to each relevant Class of Notes shall be calculated by the Calculation Agent.

"Calculation Amount" means, with respect to any Defaulted Security at any time, the lesser of (a) the Fair Market Value of such Defaulted Security and (b) the amount obtained by multiplying the Applicable Recovery Rate by the Principal Balance of such Defaulted Security; provided that the Calculation Amount of any security that is a "Defaulted Security" due to the operation of clause (10) thereof shall be zero.

"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.

"CDO Security" means an Asset-Backed Security issued by an entity formed for the purpose of holding or investing and reinvesting in a pool of commercial and industrial bank loans, obligations and debt securities subject to specified investment and management criteria; *provided*, that any such CDO Security shall be part of a fully syndicated capital structure in which there is a distribution of tranches to unaffiliated investors in the equity, mezzanine and senior portions of the capital structure.

"CDS Principal Proceeds" means any payment made by the Class A-1B Swap Counterparty under Class A-1B Swap Agreement.

"Class" means, with respect to the Notes, each of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes.

"Class A-1 Pro Rata Principal Payment Cap" means, with respect to any Distribution Date and any amount to be distributed pursuant to a particular paragraph of "Priority of Payments—Principal Proceeds—General" or "Priority of Payments—Principal Proceeds—CDS" (a "Principal Application"), an amount equal to (a) the amount of such Principal Application multiplied by (b) the sum of (i) the aggregate outstanding principal amount of the Class A-1 Notes (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal of such Notes on such Distribution Date pursuant to the Priority of Payments prior to such Principal Application) plus (ii) the Class A-1B Swap Reserve Account Funding Requirement (determined on the immediately preceding Determination Date, after giving effect to all deposits therein on such Distribution Date pursuant to the Priority of Payments prior to such Principal Application, but without giving effect to any other deposit therein on such Distribution Date) divided by (c) the sum of (i) the aggregate outstanding principal amount

of the Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes and Class D Notes (determined as provided above) plus (ii) the Class A-1B Swap Reserve Account Funding Requirement (determined as provided above); provided that, if the sum referred to in clause (b) above is zero on the relevant Determination Date, then the Class A-1 Pro Rata Principal Payment Cap for such Distribution Date shall be zero.

"Class A-1B Swap" or **"Class A-1B Swap Agreement"** means a swap providing for the obligation of the Class A-1B Swap Counterparty, subject to certain terms and conditions set forth therein, to make from time to time one or more payments thereunder, each in exchange for the issuance of Class A-1B Notes to the Class A-1B Swap Counterparty in a principal amount equal to the amount of such payment, all as set forth in a confirmation exchanged under the ISDA Master Agreement dated as of March 30, 2006 between the Issuer and the Class A-1B Swap Counterparty.

"Class A-1B Swap Availability Fee Amount" means with respect to the Class A-1B Swap as of any Quarterly Distribution Date, the sum of (a) the aggregate amount of Class A-1B Swap Availability Fee accrued during the Interest Period ending on such Quarterly Distribution Date plus (b) any Class A-1B Swap Availability Fee Amount due but not paid in any previous Interest Period plus (c) any Defaulted Interest in respect of any Class A-1B Swap Availability Fee Amount due but not paid on any prior Quarterly Distribution Date (which Defaulted Interest shall accrue at the interest rate applicable to the Class A-1B Notes).

"Class A-1B Swap Reserve Account Funding Requirement" means, as of any Measurement Date, the excess, if any, of (a) the aggregate notional amount on such Measurement Date of all Synthetic Securities entered into by the Issuer over (b) the balance standing to the credit of the Class A-1B Swap Reserve Account on such Measurement Date (prior to giving effect to any deposit therein made on such Measurement Date pursuant to any prior application set forth in the Priority of Payments).

"Class A-2/B Pro Rata Principal Payment Cap" means, with respect to any Distribution Date and any amount to be distributed pursuant to a particular paragraph of "Priority of Payments—Principal Proceeds—General" or "Priority of Payments—Principal Proceeds—CDS" (a "Principal Application"), an amount equal to (a) the amount of such Principal Application multiplied by (b) the aggregate outstanding principal amount of the Class A-2 Notes and Class B Notes (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal of such Notes on such Distribution Date pursuant to the Priority of Payments prior to such Principal Application) divided by (c) the aggregate outstanding principal amount of the Class A-2 Notes, Class B Notes, Class C Notes and Class D Notes (determined as provided above); provided that, if the sum referred to in clause (b) above is zero on the relevant Determination Date, then the Class A-2/B Pro Rata Principal Payment Cap for such Distribution Date shall be zero.

"Class A/B Coverage 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 plus (iii) the aggregate outstanding principal amount of the Class B Notes plus (iv) the Class A-1B Swap Reserve Account Funding Requirement on such Measurement Date.

"Class A/B Coverage Test", for so long as any Class A Notes or Class B Notes remain outstanding or the Class A-1B Swap remains in effect, will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class A/B Coverage Ratio on such Measurement Date is equal to or greater than 101.69%.

"Class C Pro Rata Principal Payment Cap" means, with respect to any Distribution Date and any amount to be distributed pursuant to a particular paragraph of "Priority of Payments—Interest Proceeds", "Priority of Payments—Principal Proceeds—General" or "Priority of Payments—Principal Proceeds—CDS" (a "Principal Application"), an amount equal to (a) the amount of such Principal Application 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 of such Notes on such Distribution Date pursuant to the Priority of Payments prior to such Principal Application) divided by (c) the aggregate outstanding principal amount of the Class C Notes and Class D Notes (determined as provided above); provided that, if the sum referred to in clause (b) above is zero on the relevant Determination Date, then the Class C Pro Rata Principal Payment Cap for such Distribution Date shall be zero.

"Class C/D Coverage Test", for so long as any Class C Notes or Class D Notes remain outstanding, will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class C/D Coverage Ratio on such Measurement Date is equal to or greater than 100.41%.

"Class C/D Coverage 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 plus (iii) the aggregate outstanding principal amount of the Class B Notes plus (iv) the Class A-1B Swap Reserve Account Funding Requirement plus (v) the aggregate outstanding principal amount of the Class C Notes plus (vi) the aggregate outstanding principal amount of the Class D Notes.

"CLO Security" means an Asset-Backed Security issued by an entity formed for the purpose of holding or investing and reinvesting in a pool of commercial and industrial bank loans.

"Closing Date" means March 30, 2006.

"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 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.

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

"Collateral Debt Security" means (a) any CDO Security, (b) any Other ABS, (c) any Synthetic Security as to which the relevant Reference Obligation and any Deliverable Obligation is a CDO Security or Other ABS that would qualify to be included as a Collateral Debt Security under the Indenture if purchased directly by the Issuer or (d) any Deliverable Obligation.

"Commitment Fee Amount" means with respect to the Class A-1A Notes as of any Distribution Date, the sum of (a) the aggregate amount of Commitment Fee accrued during the Interest Period ending on such Distribution Date plus (b) any Commitment Fee Amount due but not paid in any previous Interest Period plus (c) any Defaulted Interest in respect of any Commitment Fee Amount due but not paid on any prior Distribution Date (which Defaulted Interest shall accrue at the interest rate applicable to the Class A-1A Notes).

"Controlling Class" means the Class A-1 Notes or, if there are no Class A-1 Notes outstanding (and the Commitment Period Termination Date has occurred), then the Class A-2 Notes or, if there are no Class A-2 Notes outstanding (and the Commitment Period Termination Date has occurred), *then* the Class B Notes, or, if there are no Class B Notes outstanding (and the Commitment Period Termination Date has occurred), then the Class C Notes or, if there are no Class C Notes outstanding (and the Commitment Period Termination Date has occurred), then the Class D Notes; *provided*, that (except for matters as to which the unanimous consent of all Noteholders of each Class of Notes is required under the Indenture, assuming for this purpose, in the case of any limitation on voting rights with respect to a matter to adversely affected Noteholders, that each Noteholder is adversely affected) so long as the Class A-1 Notes are the Controlling Class, the Class A-1 Notes will have a voting power equal to the aggregate outstanding amount of the Class A-1 Notes.

"Corporate CDO Security" means a CDO Security, the terms of which permit more than 10% of the outstanding principal amount of the underlying collateral of such CDO Security to consist of a specified pool of debt securities, corporate loans or other commercial or industrial loans; *provided* that a Trust Preferred CDO Security shall not be considered a Corporate CDO Security.

"Coverage Tests" means the Class A/B Coverage Test and the Class C/D Coverage Test.

"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.

"Credit Improved Security" means any Collateral Debt Security that satisfies one of the following criteria: (1) so long as (a) no rating of any of the Class A Notes or Class B Notes has been reduced below the rating assigned to such Notes on the Closing Date or withdrawn (and has not been reinstated) by Standard & Poor's or Moody's, and (b) no rating of any of the Class C Notes or Class D Notes has been reduced by two or more subcategories below the rating assigned to such Notes on the Closing Date 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 or security has improved in credit quality; or (2) such Collateral Debt Security or security has been upgraded or put on a watch list for possible upgrade by one or more rating subcategories by Standard & Poor's and

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 that the Collateral Manager believes (as of the date of the Collateral Manager's determination in accordance with the standard of care set forth in the Collateral Management Agreement based upon currently available information) has a risk of declining in credit quality and with lapse of time, becoming a Defaulted Security or a Written Down Security.

"Custodian" means the custodian under the Account Control Agreement.

"Default" means any Event of Default or any occurrence that, with notice or the lapse of time or both, would become an Event of Default.

"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 paragraph if (i) the Collateral Manager certifies in writing to the Trustee, in its judgment, that such payment default is due to non-credit and non-fraud related reasons and such default does not continue for more than five Business Days (or, if earlier, until the next succeeding Determination Date) or (ii) such payment default has been cured by the payment of all amounts that were originally scheduled to have been paid;

(2) as to which the Trustee has actual knowledge that (i) all amounts due under such Collateral Debt Security have been accelerated prior to its Stated Maturity or (ii) the holders of such Collateral Debt Security can immediately accelerate such amounts, unless such rights of acceleration have been waived;

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

(4) as to which any bankruptcy, insolvency or receivership proceeding has been initiated in connection with the issuer thereof, or there has been proposed or effected any distressed exchange or other debt restructuring pursuant to which the issuer thereof has offered the holders thereof a new security or package of securities that is intended solely to enable the relevant obligor to avoid defaulting in the performance of its obligations under such Collateral Debt Security; *provided* that a Collateral Debt Security shall not constitute a "Defaulted Security" under this clause (4) if such Collateral Debt Security was acquired in a distressed exchange or other debt restructuring and complies with the requirements of the definition of "Collateral Debt Security";

(5) that is rated "Ca" or "C" by Moody's or has no rating from Moody's but the Issuer has obtained a credit estimate from Moody's that such Collateral Debt Security has a Moody's Rating Factor of 10,000 or higher;

(6) that is rated "CC", "D" or "SD" (or has had its rating withdrawn) by Standard & Poor's;

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

(8) that is a Defaulted Synthetic Security;

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

(10) that is a Deliverable Obligation that would not satisfy paragraphs (1) through (4) and (6) through (32) of the Eligibility Criteria at the time such Deliverable Obligation is delivered to the Issuer.

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

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

"Deliverable Obligation" means, with respect to a Synthetic Security, a debt obligation that is to be delivered to the Issuer upon the occurrence of a "credit event" under such Synthetic Security.

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

"Discount Haircut Amount" means, with respect to any Discount Security, an amount equal to the excess of (x) the Principal Balance of such Collateral Debt Security over (y) the purchase price thereof (exclusive of accrued interest and expressed as a percentage of par on the date of purchase); *provided* that (a) the Discount Haircut Amount for any floating rate security with a Moody's Rating of "Aaa", "Aa1", "Aa2" or "Aa3", the fair market value of which equals or exceeds 95% of its Principal Balance for 60 consecutive days following the initial date on which such percentage was equaled or exceeded shall be zero at all times thereafter, (b) the Discount Haircut Amount for any Fixed Rate Security with a Moody's Rating of "Aaa", "Aa1", "Aa2" or "Aa3", the fair market value of which equals or exceeds 90% of its Principal Balance for 60 consecutive days following the initial date on which such percentage was equaled or exceeded shall be zero at all times thereafter and (c) the Discount Haircut Amount for any Fixed Rate Security with a Moody's Rating below "Aa3", the fair market value of which equals or exceeds 85% of its Principal Balance for 60 consecutive days following the initial date on which such percentage was equaled or exceeded shall be zero at all times thereafter.

"Discount Security" means (a) in the case of floating rate Collateral Debt Securities with a Moody's Rating of "Aaa", "Aa1", "Aa2" or "Aa3", a Collateral Debt Security that is acquired by the Issuer for a purchase price of less than 92.0% of the par amount thereof on the date of such purchase, (b) in the case of Fixed Rate Securities with a Moody's Rating of "Aaa", "Aa1", "Aa2" or "Aa3", a Collateral Debt Security that is acquired by the Issuer for a purchase price of less than 85.0% of the par amount thereof on the date of such purchase and (c) in the case of Collateral Debt Securities with a Moody's Rating below "Aa3" and a Standard & Poor's Rating below "AA-", a Collateral Debt Security (1) that is acquired by the Issuer for a purchase price of less than 75.0% of the par amount thereof on the date of such purchase and (2) on which the effective yield (as determined by the Collateral Manager) on the date of acquisition thereof by the Issuer is greater than the sum of (i) the relevant benchmark rate plus (ii) 2.0%. In no event shall a Defaulted Security be a "Discount Security".

"Dollar or U.S.\$" means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for all debts, public and private.

"Due Period" means (1) with respect to any Quarterly Distribution Date, each period from, but excluding, the 28th day of a calendar month that ends immediately prior to any Quarterly Distribution Date to, and including,

the 28th day of the calendar month that ends immediately prior to the next succeeding Quarterly Distribution Date, except that (a) the initial Due Period will commence on, and include, the Closing Date and (b) the final Due Period will end on, and include, the day preceding the Stated Maturity of the Notes and (2) with respect to any Distribution Date that is not a Quarterly Distribution Date, each period from, but excluding, the 28th day of a calendar month to, and including, the 28th day of the calendar month that ends immediately prior to such Distribution Date, except that (a) the initial Due Period will commence on, and include, the Closing Date and (b) the final Due Period will end on, and include, the day preceding the Stated Maturity of the Notes. The "Quarterly Distribution Date" relating to any Due Period shall be the Quarterly Distribution Date that next succeeds the last day of such Due Period. The "Distribution Date" (other than a Quarterly Distribution Date) relating to any Due Period shall be the Distribution Date that next succeeds the last day of such Due Period.

"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 issued by, or Federal funds sold by any depository institution or trust company incorporated under the laws of the United States or any state thereof and subject to supervision and examination by Federal and/or state banking authorities so long as the commercial paper and/or the debt obligations of such depository institution or trust company (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have a credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's), not less than "AA+" by Standard & Poor's and not less than "AA+" by Fitch in the case of long-term debt obligations, or "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's), "A-1" by Standard & Poor's and "F1+" by Fitch in the case of commercial paper and short-term debt obligations including time deposits; *provided* that (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "A1" by Moody's (and, if such rating is "A1", such rating is not on watch for possible downgrade by Moody's) and not less than "A+" 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 not less than "AA+" by Fitch;
- (d) unleveraged repurchase obligations with respect to (i) any security described in clause (b) above or (ii) any other Registered obligation 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 (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's), not less than "AA+" by Standard & Poor's and not less than "AA+" by Fitch or whose short-term credit rating is "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's), "A-1+" by Standard & Poor's and "F1+" by Fitch at the time of such investment; *provided* that (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's) and (ii) if such security has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's and not less than "AA+" by Fitch;
- (e) Registered debt securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States or any state thereof that have a credit rating of not less than "Aa2" by

Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's), not less than "AA+" by Standard & Poor's and not less than "AA+" by Fitch;

- (f) commercial paper or other short-term obligations with a maturity of not more than 183 days from the date of issuance and having at the time of such investment a credit rating of "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's), "A-1+" by Standard & Poor's and "F1+" by Fitch; *provided* that (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's) and not less than "AA+" by Fitch, and (ii) if such security has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's and not less than "AA+" by Fitch;
- (g) Registered reinvestment agreements issued by any bank (if treated as a deposit by such bank), or a Registered reinvestment agreement issued by any insurance company or other corporation or entity organized under the laws of the United States or any state thereof (if treated as debt for tax purposes by such corporation or entity), in each case, that has a credit rating of "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's), "A-1+" by Standard & Poor's and "F1+" by Fitch; *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, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's), and not less than "AA+" by Fitch, and (ii) if such security has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's and not less than "AA+" 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 Moody's, a rating of "AAAm" or "AAAm/G" by Standard & Poor's and the highest credit rating assigned by Fitch if rated by Fitch;

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 Quarterly 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 whose repayment is subject to substantial non-credit related risk, as determined by the Collateral Manager in its sole judgment on behalf of the Issuer, (iv) any security that does not provide for payment or repayment of a stated principal amount in one or more installments, (v) any security purchased at a price in excess of 100% of the par value thereof, (vi) any investment the income from or proceeds of disposition of which is or will be subject to reduction for or on account of any withholding or similar tax, (vii) any investment the acquisition (including the manner of acquisition), ownership, enforcement or disposition of which will subject the Issuer to net income tax in any jurisdiction, (viii) any floating rate security (other than the time deposits described in paragraph (c) above) 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, (ix) any security that is subject to an Offer on the date of purchase thereof or (x) any security whose rating by Standard & Poor's includes the subscript "r", "t", "p", "pi" or "q". Eligible Investments may be obligations of, and may be purchased from the Trustee and its Affiliates and may include obligations for which the Trustee or an Affiliate thereof receives compensation for providing services.

"Eligible Successor" means an established institution that (a) has demonstrated an ability to professionally and competently perform duties similar to those imposed upon the Collateral Manager under the Collateral Management Agreement and with a substantially similar (or better) level of expertise, (b) is legally qualified and has the capacity to act as Collateral Manager, as successor to the Collateral Manager under the Collateral Management Agreement 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, (c) shall not cause the Issuer or the pool of Collateral to become required to register under the provisions of the Investment Company Act, (d) will perform its duties as Collateral Manager under the Collateral Management Agreement without causing the Issuer to be subject to tax in any jurisdiction where it would not otherwise be subject to tax, and (e) the appointment of which as successor Collateral Manager satisfies the Rating Condition.

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

"Equity Security" means any security, obligation or other property (other than cash) acquired by the Issuer as a result of the exercise or conversion of a Collateral Debt Security, in conjunction with the purchase of a Collateral Debt Security or in exchange for a Defaulted Security.

"ERISA" means The United States Employee Retirement Income Security Act of 1974, as amended.

"Excluded Synthetic ABS CDO Securities" means any Synthetic ABS CDO Securities that contain an underlying derivative transaction (or an instrument the underlying assets of which comprise one or more underlying derivative transactions) for which (i) the seller of credit protection (the "Protection Seller") under the credit derivatives transaction (or any other derivative transaction which contains characteristics of a credit derivative transaction) undertakes to make payments to the buyer of credit protection (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, i.e., an interest shortfall cap pursuant to which the 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; *provided* that CUSIP No. 658829AC0 shall not be considered an Excluded Synthetic ABS CDO Security so long as the aggregate Principal Balance of such Collateral Debt Security does not exceed 1.00% of the Net Outstanding Portfolio Collateral Balance as of the date of acquisition.

"Fair Market Value" of any Collateral Debt Security means, at any time, (i) an amount equal to (x) the average of the bona fide bids for such Collateral Debt Security obtained by the Collateral Manager at such time from any three nationally recognized dealers, which dealers are Independent from one another and from the Collateral Manager and the Issuer and are approved dealers or (y) if the Collateral Manager is in good faith unable to obtain bids from three such dealers, the lesser of the bona fide bids for such Collateral Debt Security obtained by the Collateral Manager at such time from any two nationally recognized dealers chosen by the Collateral Manager, which dealers are Independent from each other and the Collateral Manager and the Issuer and are approved dealers, or (ii) if the Fair Market Value of a Collateral Debt Security cannot be determined pursuant to clause (i), (x) the lesser of the prices for such Collateral Debt Security on such date provided by two pricing services chosen by the Collateral Manager, which pricing services are Independent from each other and the Collateral Manager and the Issuer and are approved pricing services or (y) the lesser of the prices for such Collateral Debt Security on such date provided by one pricing service chosen by the Collateral Manager, which pricing service is Independent from the Collateral Manager and the Issuer and is an approved pricing service and a bona fide bid for such Collateral Debt Security obtained by the Collateral Manager at such time from any nationally recognized dealer which dealer is Independent from the Collateral Manager and the Issuer and is an approved dealers.; *provided* that (a) if the Collateral Manager is unable in good faith to obtain bona fide bids on such Collateral Debt Security pursuant to any of subclauses (x) and (y) of clause (i) but is able to obtain bona fide bids from the requisite number of dealers with respect to the same security in a principal amount other than the principal amount of such Collateral Debt Security in accordance with such subclause, the "Fair Market Value" of such Collateral Debt Security shall be equal to the amount determined pursuant to such subclause using the bona fide bids (or the bona fide bid) obtained for such security in such other principal amount adjusted to reflect the actual principal amount of such Collateral Debt Security, (b) if the Collateral Manager is in good faith unable to obtain bona fide bids for such Collateral Debt Security from at least two nationally recognized dealers, to obtain prices from at least two pricing services, or to obtain prices from one nationally recognized dealer and one pricing service satisfying the criteria specified above, the "Fair Market Value" of such Collateral Debt Security will be the value of such Collateral Debt Security as determined by the Collateral Manager in good faith, *provided* that such value shall not exceed the Applicable

Recovery Rate for such Collateral Debt Security, and the Collateral Manager will notify the Trustee and each Rating Agency that it has determined the Fair Market Value of such Collateral Debt Security pursuant to this clause (b) and (c) if the Collateral Manager is unable in good faith to determine the Fair Market Value of such Collateral Debt Security pursuant to the terms of this proviso within 30 days of the date after the initial attempted determination pursuant to clause (i) or (ii) above, the Fair Market Value of such Collateral Debt Security shall be zero.

"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.

"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.

"Global Notes" means the Regulation S Global Notes and the Restricted Global Notes.

"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.

"Guaranteed Security" means a Bank Guaranteed Security or Insurance Company Guaranteed Security.

"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.

"High-Diversity CDO Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a portfolio of commercial and industrial bank loans, other asset-backed securities or corporate debt securities or any combination of the foregoing, generally having the following characteristics: (1) the bank loans and debt securities have varying contractual maturities; (2) the loans and securities are obligations of obligors or issuers that represent a diversified pool of obligor credit risk having a Moody's diversity score higher than 20 or a Moody's Asset Correlation Factor less than 15.0%; (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual bank loans or debt securities depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of loans or securities bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (4) proceeds from such repayments can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional bank loans and/or debt securities.

"Home Equity Loan Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from balances (including revolving balances) outstanding under loans or lines of credit secured by single family residential real estate the proceeds of which loans or lines of credit are not used to purchase such real estate or to purchase or construct dwellings thereon (or to refinance indebtedness previously so used), and that generally have the following characteristics: (1) the balances

have standardized payment terms and require minimum monthly payments; (2) the balances are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; (3) the repayment stream on such balances does not depend on a contractual repayment schedule, with early repayment depending primarily on interest rates, availability of credit against a maximum line of credit and general economic matters; and (4) the line of credit or loan may be secured by residential real estate with a market value (determined on the date of origination of such line of credit or loan) that is less than the original proceeds of such line of credit or loan.

"Income Note Documents" means the Issuer Charter and related resolutions, the Income Note Paying Agency Agreement and certain resolutions passed by the Issuer's board of directors concerning the Income Notes.

"Income Note Redemption Date Amount" means, in respect of any Quarterly Distribution Date, the amount required (after taking into account any dividends or other distributions made or to be made to the holders of the Income Notes on such Quarterly Distribution Date and all prior Quarterly Distribution Dates in accordance with the Priority of Payments) to ensure that, after distribution of such amount to the Income Noteholders, such Income Noteholders shall have received an IRR, on the Income Notes for the period from the Closing Date to such Quarterly Distribution Date, of 8% during the period until the Quarterly Distribution Date occurring in April 2016 6% during the period thereafter until the Quarterly Distribution Date occurring in April 2018 and 4% thereafter.

"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.

"Insurance Trust Preferred CDO Security" means an Asset-Backed Security issued by an entity formed for the purpose of holding or investing and reinvesting in a pool of insurance company trust preferred securities.

"Interest Distribution Amount" means, (1) with respect to any Class of Notes (other than Class A-1A Notes) and any Quarterly Distribution Date, the sum of (a) the aggregate amount of interest accrued at the annual rate at which interest accrues on the Notes of such Class applicable for the Interest Period relating to such Class during the period from, and including, the immediately preceding Quarterly Distribution Date to, but excluding, such Quarterly Distribution Date, on the aggregate outstanding principal amount of the Notes of such Class on the first day of such Interest Period (after giving effect to any redemption of the Notes of such Class or other payment of principal of the Notes of such Class on any preceding Quarterly Distribution Date) plus (b) any Defaulted Interest in respect of the Notes of such Class and accrued interest thereon and (2) with respect to Class A-1A Notes and any Distribution Date, the sum of (a) the aggregate amount of interest accrued at the annual rate at which interest accrues on the Notes of such Class applicable for the Interest Period relating to such Class during the period from, and including, the immediately preceding Distribution Date to, but excluding, such Distribution Date, on the aggregate outstanding principal amount of the Notes of such Class on the first day of such Interest Period (after giving effect to any redemption of the Notes of such Class or other payment of principal of the Notes of such Class on any preceding Distribution Date) plus (b) any Defaulted Interest in respect of the Notes of such Class and accrued interest thereon.

"Interest Excess" means an amount equal to (a) the sum of (i) the aggregate Principal Balance of the Pledged Collateral Debt Securities on the Ramp-Up Completion Date (including Collateral Debt Securities not yet purchased, but as to which the Issuer has entered into binding purchase agreements for regular settlement) plus (ii) all Uninvested Proceeds on deposit in the Uninvested Proceeds Account on the Ramp-Up Completion Date plus (iii) the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account minus (b) U.S.\$1,500,000,000.

"Interest Only Security" means any security that by its terms provides for periodic payments of interest and does not provide for the repayment of a stated principal amount.

"Interest Proceeds" means, with respect to any Due Period, the sum (without duplication) of: (1) all payments of interest on the Collateral Debt Securities (other than Defaulted Securities and interest on Written Down Amounts) and any payments of premium by any Synthetic Security Counterparty in respect of any Synthetic Security received in cash by the Issuer during such Due Period (excluding accrued interest included in Principal Proceeds pursuant to paragraph (8) of the definition of Principal Proceeds); (2) all accrued interest received in cash by the Issuer with respect to Collateral Debt Securities sold by the Issuer (excluding (a) sale proceeds received in respect of Defaulted Securities and Written Down Securities and (b) accrued interest included in Principal Proceeds pursuant to paragraph (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 in any Account (except the Hedge Counterparty Collateral Account, any Synthetic Security Issuer Account, any Class A-1A Noteholder Prepayment Account and any Class A-1B Swap Prefunding Account) received in cash by the Issuer during such Due Period and all payments of principal, including repayments, on Eligible Investments purchased with amounts from the Interest Collection Account received by the Issuer during such Due Period; (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 and Eligible Investments (other than fees and commissions received in respect of Defaulted Securities and Written Down Securities included as Principal Proceeds pursuant to paragraph (5) of the definition thereof and yield maintenance payments included in Principal Proceeds pursuant to paragraph (9) of the definition thereof); (5) all payments received in cash by the Issuer pursuant to the Hedge Agreement (excluding any payments received by the Issuer by reason of the occurrence 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 amounts on deposit in the Expense Account, the Interest Reserve Account, the Semi-Annual Interest Reserve Account and the Uninvested Proceeds Account that are transferred to the Payment Account for application as Interest Proceeds as described below under "Security for the Notes—The Accounts—Expense Account", "—Interest Reserve Account", "—Semi-Annual Interest Reserve Account" and "—Uninvested Proceeds Account", respectively; (7) all payments in respect of interest (including any amount representing the accreted portion of a discount from the face amount of a U.S. Agency Security) on U.S. Agency Securities other than amounts representing any accrued interest purchased by the Issuer upon acquisition of a U.S. Agency Security; (8) with respect to the Due Period in which it is determined whether the Issuer has obtained a Rating Confirmation, the amount, if any, from Uninvested Proceeds on deposit in the Uninvested Proceeds Account on the Ramp-Up Completion Date that is transferred to the Payment Account for application as Interest Proceeds as described under "Security for the Notes—The Accounts—Uninvested Proceeds Account"; and (9) all cash contributions made by the Income Noteholders to the Issuer on or prior to the related Distribution Date (and after the immediately preceding Distribution Date) and designated as "Interest Proceeds"; *provided* that (x) Interest Proceeds shall in no event include (i) any payment or proceeds specifically defined as "Principal Proceeds" in the definition thereof or (ii) any Excepted Property and (y) payments made by the Hedge Counterparty on a Quarterly Distribution Date will be deemed to have been made during the related Due Period.

"Investment Company Act" means the United States Investment Company Act of 1940, as amended, and the rules thereunder.

"IRR" means, with respect to each Quarterly Distribution Date, the rate of return on the Income Notes that would result in a net present value of zero assuming (a) the original aggregate stated principal amount of the Income Notes is an initial negative cash flow on the Closing Date and all distributions, if any, on such Quarterly Distribution Date and each preceding Quarterly Distribution Date are positive cash flows, (b) the initial date for the calculation is the Closing Date, (c) the number of days to each subsequent Quarterly Distribution Date from the Closing Date is calculated on the basis of a 360-day year consisting of twelve 30-day months and (d) the calculation is made on an annual compounding basis.

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

"Low-Diversity CDO Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a portfolio of commercial and industrial bank loans, other asset-backed securities or corporate debt securities or any combination of the foregoing, generally having the following characteristics: (1) the bank loans and debt securities have varying contractual maturities; (2) the loans and securities are obligations of a pool of obligors or issuers that represent a relatively undiversified pool of obligor credit risk having a Moody's diversity score of 20 or lower or a Moody's Asset Correlation Factor of greater than or equal to 15.0%; (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual bank loans or debt securities depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of loans or securities bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (4) proceeds from such repayments can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional bank loans and/or debt securities.

"Majority-in-Interest of Income Noteholders" means, at any time, Income Noteholders holding more than 50% of all Income Notes.

"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.

"Margin Stock" means "margin stock" as defined under Regulation U issued by the Board of Governors of the Federal Reserve System.

"Master Forward Sale Agreement" means the master forward sale agreement dated as of the Closing Date between Merrill Lynch International and the Issuer.

"Measurement Date" means any of the following: (a) the Closing Date; (b) the Ramp-Up Completion Date; (c) any date after the Ramp-Up Completion Date on which the Issuer disposes of a Collateral Debt Security or on which a Collateral Debt Security becomes a Defaulted Security; (d) each Determination Date; (e) the last Business Day of each calendar month (other than any calendar month in which a Determination Date occurs and any calendar month ending prior to the Ramp-Up Completion Date); (f) any date on which the Issuer acquires a Collateral Debt Security; and (g) with reasonable notice to the Issuer and the Trustee, any other Business Day that any Rating Agency or holders of more than 50% of aggregate outstanding amount of any Class of 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.

"Mutual Fund Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from 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.

"**NASD**" means the National Association of Securities Dealers.

"**Net Outstanding Portfolio Collateral Balance**" means, as of any Measurement Date, an amount equal to (a) the aggregate Principal Balance on such Measurement Date of all Pledged Collateral Debt Securities plus (b) without duplication, the aggregate amount of all Principal Proceeds and Uninvested Proceeds held as cash and the aggregate Principal Balance of all 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 (without duplication) minus (c) the sum of (i) the aggregate Discount Haircut Amount on such Measurement Date of all Pledged Collateral Debt Securities that are Discount Securities plus (ii) the aggregate Principal Balance on such Measurement Date of all Pledged Collateral Debt Securities that are Defaulted Securities plus (d) for each Defaulted Security, the Calculation Amount with respect to such Defaulted Security. Solely for purposes of the Eligibility Criteria and as used in the definition of "Fair Market Value", on each Measurement Date occurring on or prior to the Ramp-Up Completion Date, the Net Outstanding Portfolio Collateral Balance shall equal U.S.\$1,500,000,000 and during the Substitution Period, solely for the purposes of paragraphs (1) through (18) and (21) through (30) (in each case, inclusive) of the Eligibility Criteria, the aggregate Principal Balance of all Pledged Collateral Debt Securities shall be deemed to be U.S.\$1,500,000,000.

"**Noteholder**" means the person in whose name a Note is registered in the Note Register.

"**Offer**" means, with respect to any security, (a) 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 the related Underlying Instruments) or to convert or exchange such security into or for cash, securities or any other type of consideration or (b) any solicitation by the issuer of such security or any other person to amend, modify or waive any provision of such security or any related Underlying Instrument.

"**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.

"**Original Purchaser**" means a purchaser of Offered Notes on the Closing Date.

"**Other ABS**" means (a) an Asset-Backed Security (other than a CDO Security) issued by an entity formed for the purpose of holding or investing and reinvesting in a pool of receivables, debt obligations, debt securities, finance leases subject to specified acquisition or investment and management criteria or (b) a beneficial interest in a trust all of the assets of which would satisfy the Eligibility Criteria, in either case which is of a Specified Type.

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

"Pledged Collateral Debt Security" means, as of any date of determination, any Collateral Debt Security that has been pledged to the Trustee and has not been released from the lien of the Indenture.

"Pledged Securities" means on any date of determination, (a) the Collateral Debt Securities, Equity Securities, U.S. Agency Securities and Eligible Investments and other financial assets, if any, that have been Granted to the Trustee and (b) all non-Cash proceeds thereof, in each case, to the extent not released from the lien of the Indenture.

"Principal Balance" or **"par"** means, with respect to any pledged security or other Collateral Debt Security, as of any date of determination, the outstanding principal amount of such pledged security or Collateral Debt Security; *provided that*

(a) the Principal Balance of a Collateral Debt Security received upon acceptance of an Offer for another Collateral Debt Security, which Offer expressly states that failure to accept such Offer may result in a default under the Underlying Instruments, shall be deemed to be the Calculation Amount of such other Collateral Debt Security until such time as Interest Proceeds and Principal Proceeds, as applicable, are received when due with respect to such other Collateral Debt Security;

(b) the Principal Balance of any Synthetic Security shall be equal to (i) in the case of any Synthetic Security that does not provide that the Issuer has any (contingent or otherwise) payment obligations to the Synthetic Security Counterparty after an initial payment thereunder, the aggregate amount of the repayment obligations of the Synthetic Security Counterparty payable to the Issuer through the maturity of such Synthetic Security and (ii) in the case of any other Synthetic Security, (1) at any time prior to the delivery of a notice of physical settlement, the notional amount of such Synthetic Security or (2) at any time following the delivery of a notice of physical settlement but prior to the receipt by the Issuer of the related Deliverable Obligation, the physical settlement of such Synthetic Security, in each case determined in accordance with the related Underlying Instruments;

(c) the Principal Balance of any Equity Security, unless otherwise expressly stated herein, shall be deemed to be zero;

(d) the Principal Balance of any Eligible Investment or U.S. Agency Security that does not pay cash interest on a current basis will be the lesser of par and the original issue price thereof;

(e) the Principal Balance of any Written Down Security shall be deemed to be the lesser of (i) the Fair Market Value of such Written Down Security and (ii) the Principal Balance of such Collateral Debt Security (determined without regard to this clause (e)) minus the aggregate par amount of all defaulted collateral securing such Issue in excess of the aggregate par amount of all other securities secured by the same pool of collateral that rank junior in priority of payment to such Collateral Debt Security (as reported to holders of such Written Down Security in the most recent report delivered to holders of such Written Down Security in accordance with its Underlying Instruments and received by the Trustee);

(f) the Principal Balance of any Step-Up Bond shall be the sum of (i) the original issue price thereof plus (ii) the aggregate amount of interest accreted thereon to but excluding such date of determination in accordance with the provisions of the related Underlying Instruments (or any other agreement between the issuer thereof and the original purchasers thereof) relating to the reporting of income by the holders of, and deductions by the issuer of, such Step-Up Bond for U.S. Federal income tax purposes; and

(g) the Principal Balance of any Defaulted Security that is held by the Issuer for more than three years after it first became a Defaulted Security will be zero.

Solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Coverage Tests or the Sequential Pay Test, the Principal Balance of any Written Down Security shall be its outstanding principal amount or certificate balance reduced by the Written Down Amount thereof (to the extent it has not already been taken into account in the calculation of its outstanding principal amount or certificate balance).

Solely for purposes of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Coverage Tests, if a Moody's Rating and Standard & Poor's Rating set forth in the table below is applicable to a Collateral Debt Security (other than any Equity Security, Defaulted Security or Written Down Security), then the Principal Balance of such Collateral Debt Security shall be multiplied by the lowest "Discount Percentage" opposite the Moody's Rating and Standard & Poor's Rating applicable to such Collateral Debt Security in the table below:

Moody's Rating	Discount Percentage	Standard & Poor's Rating	Discount Percentage
Ba1, Ba2, Ba3	90%	BB+, BB, BB-	90%
B1, B2, B3	80%	B+, B, B-	80%
Below B3	50%	Below B-	70%

Solely for purposes of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Sequential Pay Test, if a Moody's Rating and a Standard & Poor's Rating set forth in the table below is applicable to a Collateral Debt Security (other than any Equity Security, Defaulted Security or Written Down Security), then the Principal Balance of such Collateral Debt Security shall be multiplied by the lowest "Discount Percentage" opposite the Moody's Rating and the Standard & Poor's Rating applicable to such Collateral Debt Security in the table below:

Moody's Rating	Discount Percentage	Standard & Poor's Rating	Discount Percentage
Ba1, Ba2, Ba3	90%	BB+, BB, BB-	90%
B1, B2, B3	80%	B+, B, B-	70%
Below B3	50%	Below B-	50%

In the event that unanticipated events affect market conditions generally, the applicability of the Discount Percentages to the calculation of the Net Outstanding Portfolio Collateral Balance described above (including the applicable percentages and ratings, as well as the definitions used therein) may be modified if the Rating Condition with respect to Moody's (insofar as the application of the Discount Percentage relates to the Moody's Rating) and Standard & Poor's (insofar as the application of the Discount Percentage relates to the Standard & Poor's Rating) is satisfied with respect to such modification.

"Principal Proceeds" means, with respect to any Due Period, the sum (without duplication) of: (1) all Uninvested Proceeds remaining on deposit in the Uninvested Proceeds Account on the Ramp-Up Completion Date that are not included in Interest Proceeds pursuant to paragraph (8) of the definition thereof; (2) all payments of principal of the Collateral Debt Securities received in cash by the Issuer during such Due Period including prepayments or mandatory sinking fund payments, or payments in respect of optional redemptions, exchange offers, tender offers, recoveries on Defaulted Securities and Written Down Securities, 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 in cash by the Issuer during such Due Period (including as a result of the sale of any Credit Risk Security, Credit Improved Security, Written Down Security or Defaulted Security but excluding those included in Interest Proceeds as defined above and those applied in accordance with "Security for the Notes—the Accounts—Uninvested Proceeds Account"), but only to the extent such Sale Proceeds were not applied to purchase substitute Collateral Debt Securities during the Substitution Period; (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, received in cash by the Issuer during such Due Period in respect of Defaulted Securities and Written Down Securities; (6) any proceeds resulting from the termination and liquidation of the Hedge Agreement received in cash by the Issuer during such Due Period, to the extent such proceeds exceed the cost of entering into a replacement Hedge Agreement in accordance with the requirements of the Indenture and such proceeds are not included in Interest Proceeds pursuant to clause (5) of the definition thereof; (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 in cash by the Issuer during such Due Period to the extent that they represent accrued and unpaid interest to the date of purchase on Collateral Debt Securities purchased after the Ramp-Up Completion Date; (9) yield maintenance payments received in cash by the Issuer during such Due Period; (10) all payments of interest on Defaulted Securities and on Written Down Amounts received in cash by the Issuer during such Due Period and any other payments in respect thereof not addressed in clauses (1) through (9) above received in cash by the Issuer during such Due Period; (11) all payments in respect of U.S. Agency Securities other than amounts transferred to the Payment Account for application as Interest Proceeds as described under "Description of the Notes—The Accounts—Uninvested Proceeds Account" and payments in respect of interest included in Interest Proceeds pursuant to paragraph (7) of the definition of Interest Proceeds; and (12) all other payments received in such Due Period in connection with the Collateral Debt Securities and Eligible Investments (other than those standing to the credit of each Hedge Counterparty Collateral Account, Synthetic Security Issuer Account, or Class A-1A Noteholder Prepayment Account or Class A-1B Swap Prefunding Account) that are not included in Interest Proceeds (except Reimbursement Payments received from a Synthetic Security Counterparty); *provided* that in no event will Principal Proceeds include the U.S.\$1,000 of capital contributed by the owners of the ordinary shares of the Issuer in accordance with the Issuer Charter or U.S.\$1,000 representing a profit fee to the Issuer.

"Pro Rata Pay Period" means any period other than a Sequential Pay Period.

"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).

"Purchase Agreement" means the purchase agreement dated March 30, 2006 between the Initial Purchaser and the Co-Issuers relating to the placement of the Offered Notes.

"Pure Private Collateral Debt Security" means any Collateral Debt Security other than (a) a Collateral Debt Security that was issued pursuant to an effective registration statement under the Securities Act or (b) a privately placed Collateral Debt Security that is eligible for resale under Rule 144A or Regulation S under the Securities Act.

"Qualified Institutional Buyer" has the meaning given in Rule 144A under the Securities Act.

"Qualified Purchaser" means (a) a "qualified purchaser" as defined in the Investment Company Act or (b) a company beneficially owned exclusively by one or more "qualified purchasers".

"Qualifying Foreign Obligor" means a corporation, partnership or other entity organized in any of Australia, Canada, France, Germany, Ireland, New Zealand, Sweden, Switzerland or the United Kingdom, so long as the unguaranteed, unsecured and otherwise unsupported long-term Dollar sovereign debt obligations of such country

are rated "Aa2" or better by Moody's (and, if rated "Aa2", are not on watch for possible downgrade by Moody's), "AA" or better by Standard & Poor's and "AA" or better by Fitch.

"Qualifying Interest Only Security" means, on any Measurement Date, any Interest Only Security with two of the following: (i) a Moody's rating of "Aaa", (ii) a Standard & Poor's rating of "AAA" and (iii) a Fitch rating of "AAA", if rated by Fitch.

"Quarterly Asset Amount" means, with respect to any Quarterly Distribution Date, the Net Outstanding Portfolio Collateral Balance on the first day of the related Due Period; *provided* that, with respect to the first Quarterly Distribution Date, the "Quarterly Asset Amount" will be the average of the Net Outstanding Portfolio Collateral Balance on the Closing Date and on the last day of the related Due Period.

"Quarterly Distribution Date" means each January 5, April 5, July 5 and October 5, commencing on July 5, 2006; *provided* that (i) the final Quarterly Distribution Date with respect to the Notes shall be July 5, 2042 and (ii) if any such date is not a Business Day, the relevant Quarterly Distribution Date will be the next succeeding Business Day.

"Quarterly Distribution Period" means each period from but excluding a Quarterly Distribution Date to and including the next succeeding Quarterly Distribution Date; *provided* that the first Quarterly Distribution Date will commence on and including the Closing Date.

"Ramp-Up Completion Date" means the date that is the earlier of (a) 90 days after the Closing Date and (b) the first date on which the sum of (1) the aggregate Principal Balance of the Pledged Collateral Debt Securities purchased on the Closing Date or during the Ramp-Up Period with Uninvested Proceeds (including Collateral Debt Securities not yet purchased, but as to which the Issuer has entered into binding purchase agreements for regular settlement) plus (2) the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account plus (3) aggregate amount of all Principal Proceeds distributed on any prior Quarterly Distribution Date is at least equal to U.S.\$1,500,000,000.

"Rating Condition" means, with respect to any action taken or to be taken under the Indenture, a condition that is satisfied when (a) each of Moody's and Standard & Poor's (or if the Indenture expressly so specifies in respect of such action, the specified Rating Agency) has confirmed in writing to the Trustee that such action will not result in the withdrawal, reduction or other adverse action with respect to any then-current rating (including any private or confidential rating) by such Rating Agency of any Class or Sub-class of Notes and (b) notice of such action shall have been given to Fitch.

"Recreational Vehicle 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, recreational vehicles, 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 lessees 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 recreational vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"Redemption Price" means the price payable with respect to any Note in connection with any Auction Call Redemption, Optional Redemption or Tax Redemption, equal to (a) the outstanding principal amount of such Note (including any Class C Deferred Interest and Class D Deferred Interest, if applicable) 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 any reduction in the related Commitment in respect of any Class A-1A Note, an amount equal to accrued Commitment Fee on the amount of such reduction.

"Reference Obligation" means (a) any CDO Security, (b) any Other ABS or (c) a specified pool or index of financial assets, either static or revolving (the composition of which cannot vary as a result of a decision by the Collateral Manager, the Synthetic Security Counterparty, or their respective Affiliates), that by their terms convert into cash within a finite time period, in each case in respect of which the Issuer has obtained a Synthetic Security and which, if purchased by the Issuer, would satisfy paragraphs (6), (7), (8) and (10) of the Eligibility Criteria.

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

"Regulation S" means Regulation S under the Securities Act.

"Reimbursement Payments" means payments received from a Synthetic Security Counterparty that result in the increase in the notional amount of a Synthetic Security.

"Residential A Mortgage Securities" means Asset-Backed Securities (other than Residential B/C Mortgage Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by residential real estate (single or multi-family properties) the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used), generally having the following characteristics: (1) the mortgage loans have generally been underwritten to the standards of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (without regard to the size of the loan); (2) the mortgage loans have standardized payment terms and require minimum monthly payments; (3) the mortgage loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (4) the repayment of such mortgage loans is subject to a contractual payment schedule, with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling.

"Residential B/C Mortgage Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by subprime residential real estate (single or multi-family properties) the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used), generally having the following characteristics: (1) the mortgage loans have generally not been underwritten to the standards of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (without regard to the size of the loan); (2) the mortgage loans have standardized payment terms and require minimum monthly payments; (3) the mortgage loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (4) the repayment of such mortgage loans is subject to a contractual payment schedule, with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling.

"Restaurant and Food Services 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.

"Restricted Note" means a Note offered and sold in the United States pursuant to an exemption from the registration requirements of the Securities Act.

"Rule 144A" means Rule 144A promulgated under the Securities Act.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Semi-Annual Interest Distributions" means distributions of interest on any Collateral Debt Security in respect of which payments of interest are scheduled to be made on a semi-annual basis.

"Senior Management Fee" means the fee payable to the Collateral Manager in arrears on each Quarterly Distribution Date pursuant to the Collateral Management Agreement, in an amount equal to (a) 0.05% per annum of the Quarterly Asset Amount on each Quarterly Distribution Date occurring in or prior to July 5, 2010 and (b) 0.10% per annum of the Quarterly Asset Amount on each Quarterly Distribution Date occurring thereafter; *provided* that the Senior Management Fee will be payable on each Quarterly Distribution Date only to the extent of funds available for such purpose in accordance with the Priority of Payments. Any accrued but unpaid Senior Management Fee will be deferred. Any unpaid Senior Management Fee that is deferred (whether as a result of the operation of the Priority of Payments as described herein or at the option of the Collateral Manager pursuant to the Indenture) shall be paid on the next succeeding Quarterly Distribution Date to the extent funds are available for such purpose in accordance with the Priority of Payments and shall not accrue interest.

"Sequential Pay Period" means the period commencing on the earliest 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, (b) the first Measurement Date on which the Sequential Pay Test is not satisfied, (c) the first Measurement Date on which the Issuer does not satisfy any applicable Coverage Test and (d) the first Determination Date on which an Event of Default has occurred and is continuing, *provided* that if a Sequential Pay Period has commenced solely as a result of one or more breaches of a Coverage Test, such Sequential Pay Period shall cease on the first Measurement Date that all breaches of the Coverage Tests have been cured.

"Sequential Pay Test" will be satisfied on any Measurement Date if 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 on such Measurement Date plus (ii) the Class A-1B Swap Reserve Account Funding Requirement on such Measurement Date is at least 105.38%.

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

"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.

"Special-Majority-in-Interest of Income Noteholders" means, at any time, Income Noteholders holding more than 66-2/3% of all Income Notes.

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

"Specified Principal Proceeds" means, with respect to any Due Period, Principal Proceeds received during such Due Period resulting from the amortization of Collateral Debt Securities that bear interest at a fixed rate or from the sale of Credit Risk Securities that bear interest at a fixed rate or Principal Proceeds received during prior Due Periods resulting from the amortization of Collateral Debt Securities that bear interest at a fixed rate or from the sale of Credit Risk Securities that bear interest at a fixed rate in an amount not to exceed U.S.\$5,000,000.

"Specified Type" means, with respect to any CDO Security or Other ABS, whether such CDO Security or Other ABS is: (1) an Automobile Security; (2) a CMBS Conduit Security; (3) a CMBS Credit Tenant Lease Security; (4) a CMBS Large Loan Security; (5) a Credit Card Security; (6) a High-Diversity CDO Security; (7) a Home Equity Loan Security; (8) a Low-Diversity CDO Security; (9) a Residential A Mortgage Security; (10) a Residential B/C Mortgage Security; (11) a Small Business Loan Security; (12) a Student Loan Security; (13) a Subprime Automobile Security or (14) a Synthetic Corporate CDO Security.

"Stated Maturity" means, with respect to (a) any security (other than a Note), the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, (b) any repurchase obligation, the repurchase date thereunder on which the final repurchase obligation thereunder is due and payable, and (c) any Note, July 5, 2042, or, in each case, if such date is not a Business Day, the next following Business Day.

"Step-Down Bond" means a security which by the terms of the related Underlying Instrument provides for a decrease, in the case of a fixed rate security, in the per annum interest rate on such security or, in the case of a floating rate security, in the spread over the applicable index or benchmark rate, solely as a function of the passage of time; *provided* that a Step-Down Bond shall not include any such security providing for payment of a constant rate of interest at all times after the date of acquisition by the Issuer. In calculating any Collateral Quality Test by reference to the spread (in the case of a floating rate Step-Down Bond) or coupon (in the case of a fixed rate Step-Down Bond) of a Step-Down Bond, the spread or coupon on any date shall be deemed to be the lowest spread or coupon, respectively, scheduled to apply to such Step-Down Bond on or after such date.

"Step-Up Bond" means a security which by the terms of the related Underlying Instrument provides for an increase, in the case of a fixed rate security, in the per annum interest rate on such security or, in the case of a floating rate security, in the spread over the applicable index or benchmark rate, solely as a function of the passage of time; *provided* that a Step-Up Bond shall not include any such security providing (a) for payment of a constant rate of interest at all times after the date of acquisition by the Issuer or (b) for such increase only if the issuer of such security fails to exercise a clean-up call. In calculating any Coverage Test or Collateral Quality Test by reference to the spread (in the case of a floating rate Step-Up Bond) or coupon (in the case of a fixed rate Step-Up Bond) of a Step-Up Bond, the spread or coupon on any date shall be deemed to be the spread or coupon stated to be payable in cash and in effect on such date.

"Stock Exchange or Trading System" means a stock exchange or other trading system on which securities are traded and that establishes rules and directives for (a) the issue size, (b) the minimum holding of securities by the public after the issuance with respect to the number of holders, the holding period and the value of

such holding and (c) conditions for the termination of the trading in the securities, the "de-listing" of the securities from trading and the resumption of trading in the securities; *provided* that a security will not be deemed to trade on any Stock Exchange or Trading System if such security is part of a tranche of securities eligible for resale to "qualified institutional buyers" under Rule 144A under the Securities Act, notwithstanding the listing of a tranche that has identical economic features but is not eligible for trading within the United States or transfer to U.S. Persons on an exchange outside the United States (such as the Irish or Luxembourg stock exchange).

"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 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.

"Synthetic ABS CDO Securities" means any 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 Asset-Backed Securities) on the market value of and cash flow from underlying assets of which greater than 25% of their aggregate principal balance consists of one or more credit default swaps that reference in the aggregate a portfolio of Reference Obligations (based upon the aggregate notional amount or "Floating Rate Payer Calculation Amount" of such credit default swap(s) as such terms are used in the underlying credit default swap(s)); *provided*, that (i) the characteristics of such portfolio of Reference Obligations including its portfolio characteristics, investment and reinvestment criteria, and credit profile (e.g., probability of default, recovery upon default and expected loss characteristics) shall be those normally associated with CDO Securities with current market practice; and (ii) the issuer secures the issuer's obligations under such credit default swap(s) by holding 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 or other investments permitted by the related indenture or other similar document of the issuer that are market standard for Synthetic ABS CDO Securities.

"Synthetic Corporate CDO Security" means an Asset-Backed Security issued by an entity formed for the purpose of securing its obligation with respect to one or more credit default swaps relating to a static portfolio of corporate debt securities.

"Synthetic Security" means any swap transaction, credit-linked note, credit derivative, structured bond investment or other investment purchased from, or entered into by the Issuer with, a Synthetic Security Counterparty which investment contains a probability of default, recovery upon default and expected loss characteristics closely correlated to one Reference Obligation, but which may provide for a different maturity, interest rate or other non-credit characteristics than such Reference Obligation; *provided* that (a) such Synthetic Security terminates upon the redemption or repayment in full of the Reference Obligation, (b)(i) either (x) such Synthetic Security has a Rating, the Rating Condition with respect to Standard & Poor's has been satisfied (and the Issuer has notified Moody's and Fitch of the satisfaction of such Rating Condition) or (y) such Synthetic Security is a Form Approved

Synthetic Security, and (ii) the Trustee has been notified in writing of the Applicable Recovery Rate assigned by each Rating Agency and, in the case of Moody's, the Moody's Rating Factor assigned by Moody's, (c) no amount receivable by the Issuer from the Synthetic Security Counterparty will be subject to withholding tax, unless the Synthetic Security Counterparty is required to make additional payments so that the net amount received by the Issuer is the amount due to the Issuer before the imposition of any withholding tax; (d) the acquisition (including the manner of acquisition), holding, disposition and enforcement of such Synthetic Security will not subject the Issuer to taxation on a net income basis in any jurisdiction outside of its jurisdiction of incorporation or cause the Issuer to be treated as engaged in a trade or business within the United States for U.S. Federal income tax purposes; (e) the agreements relating to such Synthetic Security contain "non-petition" and "limited recourse" provisions with respect to the Issuer and (f) the agreements relating to such Synthetic Security provide for, on the first day of each payment period under such Synthetic Security, the full payment of all amounts owing for such period by the Synthetic Security Counterparty to the Issuer into the Synthetic Security Issuer Account.

"Synthetic Security Collateral" means (i) any Eligible Investments and (ii) any CDO Security or Other ABS pledged by the Issuer to or for the benefit of the related Synthetic Security Counterparty that, if included in the Collateral, would satisfy paragraphs (1) through (4) and (6) through (19) of the Eligibility Criteria and is rated at least "Aa3" by Moody's, at least "AA-" by Standard & Poor's and at least "AA-" by Fitch (if publicly rated by Fitch).

"Synthetic Security Counterparty" means any entity that (a) is required to make payments on a Synthetic Security referenced to payments by one or more Reference Obligor on one or more related Reference Obligation and (b) on the date such Synthetic Security is acquired by the Issuer, is (or the guarantor of such entity's obligations under such Synthetic Security is) rated at least "AA" by Standard & Poor's or has a short-term issuer credit rating from Standard & Poor's of at least "A-1", has a long-term unsecured debt rating from Moody's of at least "Aa2" (and, if rated "Aa2", is not on watch for possible downgrade by Moody's) and has a short-term unsecured debt rating from Moody's, if rated by Moody's, of at least "P-1" (and, if rated "P-1", is not on watch for possible downgrade by Moody's) and has a short-term issuer credit rating from Fitch of at least "F1" and has a long-term senior unsecured debt rating from Fitch of at least "A" or the selection of such entity satisfies the Rating Condition with respect to Standard & Poor's and Moody's.

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

(a) the issuer credit rating of the Synthetic Security Counterparty is rated "D" or "SD" by Standard & Poor's or is rated below "A2" by Moody's; *provided* that the foregoing shall not apply in the case of a 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 Counterparty 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.

"Tax Event" means an event that occurs if (a) 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, and such obligor is not, or will not be, required to make such additional payments 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, (b) the Issuer, a Synthetic Security Counterparty or the Hedge Counterparty is required to deduct or withhold from any payment under a Synthetic Security or a 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 such additional payments that the net amount received by the Issuer, Hedge Counterparty or Synthetic Security Counterparty, as the case may be, after satisfaction of such tax is the amount due to the Issuer, Hedge Counterparty or Synthetic Security Counterparty, as the case may be, before the imposition of any withholding tax, or (c) any jurisdiction imposes net income, profits or similar tax on the Issuer.

"Tax Lien Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of tax obligations owed by businesses and individuals to state and municipal governmental taxing authorities, generally having the following characteristics: (1) the obligations have standardized payment terms and require minimum payments; (2) the tax obligations are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (3) the repayment stream on the obligation is primarily determined by a payment schedule entered into between the relevant tax authority and obligor, with early repayment on such obligation predominantly dependent upon interest rates and the income of the obligor following the commencement of amortization.

"Tax Materiality Condition" means a condition which will be satisfied during any 12-month period if the sum of the following exceeds U.S.\$4,000,000: (a) the aggregate amount deducted or withheld for or on account of any tax by all obligors from any payment under any Collateral Debt Security (net of any additional amounts paid by such obligors to the Issuer) and (b) the aggregate amount of any net income, profits or similar tax imposed on the Issuer and (c) the aggregate amount of any amounts required to be paid by the Issuer and the deficiencies in the amounts received by the Issuer as a result of any deduction or withholding for or on account of any tax with respect to any payment by the Issuer, or the Hedge Counterparty under the Hedge Agreement.

"Time Share Securities" means Asset-Backed Securities (other than Residential A Mortgage Securities, Residential B/C Mortgage Securities and Home Equity Loan 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.

"Total Senior Redemption Amount" means, as of any Quarterly Distribution Date, the aggregate amount required (a) to make all payments under paragraphs (A) through (O) under "Priority of Payments—Interest Proceeds" and under paragraphs (A) through (P) under "Priority of Payments—Principal Proceeds—General" as of such date (including any termination payments payable by the Issuer pursuant to the Hedge Agreement and the Class A-1B Swap Agreement and any fees and expenses incurred by the Trustee in connection with the sale of Collateral Debt Securities), (b) to redeem all the Notes on the scheduled Redemption Date at the applicable Redemption Prices, together with all accrued and unpaid interest and Commitment Fee to the date of redemption, (c) solely in the case of an Optional Redemption or a Tax Redemption, to pay the Breakage Amount and (d) solely in the case of an Auction Call Redemption pursuant to the Indenture, to make a payment to the Income Note Paying and Transfer Agent for distribution to the Income Noteholders in an amount equal to the Income Note Redemption Date Amount (or such lesser amount as is agreed by all of the Income Noteholders).

"Trustee" means LaSalle Bank National Association.

"Trustee Fee" means the fee payable to LaSalle Bank National Association in its capacities (or any successor to it in such capacities) as (i) Note Registrar and Trustee under the Indenture, (ii) Collateral Administrator under the Collateral Administration Agreement and (iii) Income Note Paying and Transfer Agent under the Income Note Paying Agency Agreement in an amount, for (i), (ii) and (iii) combined, equal to, for each Quarterly Distribution Date, 0.005% per annum of the Net Outstanding Portfolio Collateral Balance (without regard to clauses (c) and (d) in the definition thereof) for such Quarterly Distribution Date, (subject on each Quarterly Distribution Date to a minimum fee of U.S.\$6,250).

"UCC" means the Uniform Commercial Code as in effect in the State of New York.

"Underlying Instruments" means the indenture or other agreement pursuant to which a Collateral Debt Security, Eligible Investment, U.S. Agency Security 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, U.S. Agency Security or Equity Security or of which holders of such Collateral Debt Security, Eligible Investment, U.S. Agency Security or Equity Security are the beneficiaries.

"Uninvested Proceeds" means, at any time, (a) the net proceeds received by the Issuer on or after the Closing Date from the initial issuance of the Notes and the Income Notes to the extent such proceeds have not been deposited in the Expense Account or the Interest Reserve Account or invested in Collateral Debt Securities, each in accordance with the Indenture and (b) the net proceeds received by the Issuer after the Closing Date, from any Borrowing under the Class A-1A Notes to the extent such proceeds have not been invested in Collateral Debt Securities in accordance with the terms of the Indenture.

"United States" and **U.S.** means the United States of America, including the States thereof and the District of Columbia.

"U.S. Agency Securities" means Registered 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 the case of each of (i), (ii) and (iii) with a Stated Maturity that does not exceed the Stated Maturity of the Notes.

"USA PATRIOT Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. No. 107-56 (2001).

"U.S. Business Day" means a day on which commercial banks and (if applicable) foreign exchange markets settle payments in New York, New York and any other city in which the Corporate Trust Office of the Trustee is located.

"U.S. Dollars" means United States dollars.

"U.S.\$" means United States dollars.

"U.S. Person" has the meaning given in Regulation S.

"Warehouse Agreement" means the warehouse agreement dated as of April 21, 2005 between Merrill Lynch International and Babcock & Brown Securities Pty Ltd., an Affiliate of the Collateral Manager.

"Written Down Amount" means, as of any date of determination with respect to any Written Down Security, the pro rata share for such Written Down Security (based on its principal amount relative to the aggregate principal amount of 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) of the excess of 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 over the aggregate par amount (including reserved interest or other amounts available for overcollateralization) of all collateral securing such securities (excluding defaulted collateral that has been charged off), as determined by the Collateral Manager using customary procedures and information available in the servicer reports received by the Trustee relating to such Written Down Security. Interest and other distributions on a Written Down Security shall be allocated between the Written Down Amount and the remaining Principal Balance in the manner provided in the Underlying Instruments and the servicer reports received by the Trustee relating to such Written Down Security or, if no such allocation is provided therein, shall be allocated pro rata between such Written Down Amount and such Principal Balance, and in each case the Trustee may request (and rely on) information regarding such allocation provided by the Collateral Manager.

"Written Down Security" means, as of any date of determination, any Collateral Debt Security as to which the aggregate par amount of such Collateral Debt Security and all other securities secured by the same pool of collateral that rank *pari passu* with or senior in priority of payment to such Collateral Debt Security exceeds the

aggregate par amount (including reserved interest or other amounts available for overcollateralization) of all collateral securing such securities (excluding defaulted collateral), as determined by the Collateral Manager using customary procedures and information available in the servicer reports relating to such Written Down Security.

INDEX OF CERTAIN DEFINED TERMS

Following is an index of certain defined terms used in this Offering Circular and the page number where each such definition appears. Defined terms not appearing in this index are defined in the Glossary of Certain Defined Terms.

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SCHEDULE A

**Part I
Moody's Recovery Rate Matrix**

(see definition of "Applicable Recovery Rate")

A. ABS Type Diversified Securities**

Percentage of Total Capitalization	Moody's Rating ¹					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	70%	60%	50%	40%
Less than or equal to 70%, but greater than 10%	75%	70%	60%	50%	40%	30%
Less than or equal to 10%	70%	65%	55%	45%	35%	25%

B. ABS Type Residential Securities**

Percentage of Total Capitalization	Moody's Rating ¹					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	65%	55%	45%	30%
Less than or equal to 70%, but greater than 10%	75%	70%	55%	45%	35%	25%
Less than or equal to 10%, but greater than 5%	65%	55%	45%	40%	30%	20%
Less than or equal to 5%, but greater than 2%	55%	45%	40%	35%	25%	15%
Less than or equal to 2%	45%	35%	30%	25%	15%	10%

¹ The rating assigned by Moody's on the closing date for such Collateral Debt Security

C. ABS Type Undiversified Securities**

Percentage of Total Capitalization	Moody's Rating ¹					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	65%	55%	45%	30%
Less than or equal to 70%, but greater than 10%	75%	70%	55%	45%	35%	25%
Less than or equal to 10%, but greater than 5%	65%	55%	45%	35%	25%	15%
Less than or equal to 5%, but greater than 2%	55%	45%	35%	30%	20%	10%
Less than or equal to 2%	45%	35%	25%	20%	10%	5%

D. Low-Diversity CDO Securities**

Percentage of Total Capitalization	Moody's Rating ¹					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	80%	75%	60%	50%	45%	30%
Less than or equal to 70%, but greater than 10%	70%	60%	55%	45%	35%	25%
Less than or equal to 10%, but greater than 5%	60%	50%	45%	35%	25%	15%
Less than or equal to 5%, but greater than 2%	50%	40%	35%	30%	20%	10%
Less than or equal to 2%	30%	25%	20%	15%	7%	6%

¹ The rating assigned by Moody's on the closing date for such Collateral Debt Security

E. High-Diversity CDO Securities**

Percentage of Total Capitalization	Moody's Rating ¹					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	65%	55%	45%	30%
Less than or equal to 70%, but greater than 10%	75%	70%	60%	50%	40%	25%
Less than or equal to 10%, but greater than 5%	65%	55%	50%	40%	30%	20%
Less than or equal to 5%, but greater than 2%	55%	45%	40%	35%	25%	10%
Less than or equal to 2%	45%	35%	30%	25%	10%	5%

****If the Collateral Debt Security is a Guaranteed Corporate Debt Security, the recovery rate will be 30%.**

¹ The rating assigned by Moody's on the closing date for such Collateral Debt Security

Part II

Standard & Poor's Recovery Rate Matrix

- A. If the Collateral Debt Security (other than a Synthetic Security, REIT Debt Security or a Guaranteed Corporate Debt Security) is the senior-most tranche of securities issued by the issuer of such Collateral Debt Security the recovery rate is as follows*:**

Standard & Poor's Rating of Collateral Debt Security	Recovery Rate by Rating of Notes						
	AAA	AA	A	BBB	BB	B	CCC
"AAA"	80.0%	85.0%	90.0%	90.0%	90.0%	90.0%	90.0%
"AA-", "AA" or "AA+"	70.0%	75.0%	85.0%	90.0%	90.0%	90.0%	90.0%
"A-", "A" or "A+"	60.0%	65.0%	75.0%	85.0%	90.0%	90.0%	90.0%
"BBB-", "BBB" or "BBB+"	50.0%	55.0%	65.0%	75.0%	85.0%	85.0%	85.0%

- B. If the Collateral Debt Security (other than a Synthetic Security, REIT Debt Security or a Guaranteed Corporate Debt Security) is not the senior-most tranche of securities issued by the issuer of such Collateral Debt Security the recovery rate is as follows*:**

Standard & Poor's Rating of Collateral Debt Security	Recovery Rate by Ratings of Notes						
	AAA	AA	A	BBB	BB	B	CCC
"AA-", "AA" or "AA+"	55.0%	65.0%	75.0%	80.0%	80.0%	80.0%	80.0%
"A-", "A" or "A+"	40.0%	45.0%	55.0%	65.0%	80.0%	80.0%	80.0%
"BBB-", "BBB" or "BBB+"	30.0%	35.0%	40.0%	45.0%	50.0%	60.0%	70.0%
"BB-", "BB" or "BB+"	10.0%	10.0%	10.0%	25.0%	35.0%	40.0%	50.0%
"B-", "B" or "B+"	2.5%	5.0%	5.0%	10.0%	10.0%	20.0%	25.0%
"CCC+" and below	0.0%	0.0%	0.0%	0.0%	2.5%	5.0%	5.0%

- C. If the Collateral Debt Security (other than a REIT Debt Security or a Guaranteed Corporate Debt Security) is a Synthetic Security, the recovery rate will be assigned by Standard & Poor's upon the acquisition of such Security by the Issuer.**
- D. If the Collateral Debt Security (other than a Guaranteed Corporate Debt Security) is a REIT Debt Security, the recovery rate will be 40%.**

***If the Collateral Debt Security is a Guaranteed Corporate Debt Security, the recovery rate will be (a) if such Guaranteed Corporate Debt Security is secured and not by its terms subordinate in right of payments, 21.5%.**

Part III

Fitch Recovery Rate Matrix

With respect to any Defaulted Security on any Measurement Date, an amount equal to the percentage set forth in (x) the row of the matrix below corresponding to the type of Collateral Debt Security, domicile and seniority of such Defaulted Security, as applicable, and (y) the column of the matrix below corresponding to the most senior outstanding Class of Notes then rated by Fitch.

Domicile	Seniority	AAA	AA	A	BBB	BB	B
SF Senior AAA		80%	83%	86%	89%	92%	95%
SF Non Sr AAA		65%	70%	75%	80%	85%	90%
SF AA Senior		65%	69%	73%	77%	81%	85%
SF AA Non Sr (>10%)		50%	56%	62%	68%	74%	80%
SF AA Non Sr (5-10%)		45%	51%	57%	63%	69%	75%
SF AA Non Sr (0-5%)		40%	46%	52%	58%	64%	70%
SF Senior A		60%	64%	68%	72%	76%	80%
SF A Non Sr (>10%)		40%	47%	54%	61%	68%	75%
SF A Non Sr (5-10%)		35%	42%	48%	55%	61%	68%
SF A Non Sr (0-5%)		30%	36%	42%	48%	54%	60%
SF Senior BBB		55%	59%	63%	67%	71%	75%
SF BBB Non Sr (>10%)		30%	38%	46%	54%	62%	70%
SF BBB Non Sr (5-10%)		25%	33%	41%	48%	56%	63%
SF BBB Non Sr (0-5%)		20%	27%	35%	42%	50%	55%
SF Senior BB		50%	54%	58%	62%	66%	70%
SF BB Non Sr (>10%)		15%	19%	23%	27%	32%	35%
SF BB Non Sr (5-10%)		10%	14%	18%	22%	27%	30%
SF BB Non Sr (0-5%)		5%	9%	13%	17%	21%	25%
SF B Non Sr (>10%)		12%	16%	20%	24%	28%	32%
SF B Non Sr (5-10%)		8%	11%	15%	19%	23%	27%
SF B Non Sr (0-5%)		3%	7%	11%	14%	18%	22%
SF < B		0%	4%	8%	12%	16%	20%
United States	Sovereign	20%	21%	23%	24%	24%	25%
United States	REITS	52%	55%	59%	62%	63%	65%
United States	Senior Secured	56%	62%	67%	72%	76%	80%
United States	Second Lien (Non IG)	46%	49%	52%	55%	56%	58%
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%

SCHEDULE B

FITCH SECTOR AND SUBSECTOR CLASSIFICATIONS¹Each Collateral Debt Security is assigned one of eleven sectors: CDO of Corporates, CDO of Structured Assets, CMBS, Commercial ABS-Small Business, Commercial ABS-Travel/Transportation, Commercial ABS-Other, Consumer ABS, Corporate, Real Estate, RMBS Prime and RMBS Subprime. In addition, each Collateral Debt Security is assigned an industry. The following includes the sectors and industries which may be assigned to each Collateral Debt Security:

CDO of Corporates

Cashflow
Market Value
Synthetic

CDO of Structured Assets

Cashflow
Market Value
Synthetic

CMBS

Large Loan
Conduit
Credit Tenant Leases

Commercial ABS-Small Business

Equipment Leases
Franchise Loans
Inventory Financing
Small Business Loans
Tax Liens

Commercial ABS-Travel/Transportation

Aircraft Loans/Leases
Dealer Floorplan
Rail Car
Rental Fleet
Taxi Medallion

Commercial ABS-Other

12B1 Fees
Agriculture Loans
Future Flow
Healthcare Receivables
Intellectual Property
Other
Stadium Financing
Structured Settlements
Utility Stranded Costs
Weather Bonds

Consumer ABS

Credit Cards
Auto Prime
Auto SubPrime
Consumer Loans
Student Loans
Charged Off Credit Cards
Motorcycles
Timeshare
RV/Boats
Other

Corporate

Aerospace & Defense
Automobiles
Banking & Finance
Broadcasting/Media/Cable
Building & Materials
Business Services
Chemicals
Computers & Electronics
Consumer Products
Energy
Food, Beverage & Tobacco
Gaming, Leisure & Entertainment
Health Care & Pharmaceuticals
Industrial/Manufacturing
Lodging & Restaurants
Metals & Mining
Packaging & Containers
Paper & Forest Products
Real Estate
Retail (General)
Supermarkets & Drugstores
Telecommunications
Textiles & Furniture
Transportation
Utilities

¹ Fitch Assigned Subsector definitions are subject to reasonable determination and interpretation by the Trustee (in consultation with the Administrative Agent).

Real Estate

REIT-Apartments
REIT-Diversified
REIT-Industrial/Office
REIT-Healthcare
REIT-Hotels
REIT-Retail

RMBS Prime

Residential A
Alt A

RMBS Subprime

Home Equity
High LTV
Manufactured Housing
Residential B/C

Note: Deals guaranteed by an insurer/guarantor should be categorized under Banking & Finance for purposes of Fitch sector.

LTV = Loan to value ratio. RV = Recreational vehicle.

SCHEDULE C

STANDARD & POOR'S ASSET CLASSES

Part A

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 Services Securities
 - Tobacco Litigation Securities
3. Non-RE-REMIC RMBS
 - Manufactured Housing Loan Securities
4. Non-RE-REMIC CMBS
 - CMBS – Conduit
 - CMBS – Credit Tenant Lease
 - CMBS – Large Loan
 - CMBS – Single Borrower
 - CMBS – Single Property
5. REITs
 - REIT – Multifamily & Mobile Home Park
 - REIT – Retail
 - REIT – Hospitality
 - REIT – Office
 - REIT – Industrial
 - REIT – Healthcare
 - REIT – Warehouse
 - REIT – Self Storage
 - REIT – Mixed Use
6. Real Estate Operating Companies

Part B

Residential Mortgages

- Residential "A"
- Residential "B/C"
- Home equity loans

Part C

Specialty Structured

Stadium Financings
Project Finance
Future flows

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 the definition of "Standard & Poor's Rating" in the Offering Circular. This Schedule may be modified from time to time by Standard & Poor's and its applicability should be confirmed with Standard & Poor's prior to use.

1. Non-U.S. Structured Finance Securities
2. Guaranteed Securities
3. CDOs of Structured Finance and Real Estate Securities
4. CBOs of CDOs
5. CLOs of Distressed Debt
6. Mutual Fund Fee Securities
7. Catastrophe Bonds
8. First Loss Tranches of any Securitization
9. Synthetics
10. Synthetic CBOs
11. Re-REMICs
13. Market value CDOs
14. Net Interest Margin Securities (NIMs)
15. Any asset class not listed on Schedule E

SCHEDULE E

STANDARD & POOR'S NOTCHING OF ASSET-BACKED SECURITIES

The Standard & Poor's Rating of an 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 Restaurant and Food Services Securities Tobacco Litigation Securities	-1	-2	-2	-3
3. Non-Re-REMIC RMBS Manufactured Housing Loan Securities	-1	-2	-2	-3

4. Non-Re-REMIC CMBS CMBS – Conduit CMBS - Credit Tenant Lease CMBS – Large Loan CMBS – Single Borrower CMBS – Single Property	-1	-2	-2	-3
5. CBO/CLO Cashflow Securities cash Flow CBO – at least 80% High Yield Corporate cash Flow CBO – at least 80% Investment Grade Corporate cash Flow CLO – at least 80% High Yield Corporate cash Flow CLO – 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 Residential "A" Residential "B/C" Home equity loans	-1	-2	-2	-3
9. Real Estate Operating Companies	-1	-2	-2	-3

As of December 10, 2001

SCHEDULE F

TABLE OF MOODY'S ASSET CLASSES

<p>Class A1</p> <p>Credit Card Securities Healthcare Securities Home Equity Loan Securities Manufactured Housing Securities Residential B/C Mortgage Securities Small Business Loan Securities Student Loan Securities Tax Lien Securities</p>	<p>Class D</p> <p>Bank Guaranteed Securities Corporate Debt Securities Insurance Company Guaranteed Securities REIT Debt Securities—Diversified REIT Debt Securities—Health Care REIT Debt Securities—Hotel REIT Debt Securities—Industrial REIT Debt Securities—Multi-Family REIT Debt Securities—Office REIT Debt Securities—Residential REIT Debt Securities—Retail REIT Debt Securities—Storage</p>
<p>Class A2</p> <p>Franchise Securities Mutual Fund Securities Oil and Gas Securities Restaurant and Food Services Securities</p>	<p>Class E</p> <p>Project Finance Securities</p>
<p>Class B</p> <p>Aerospace and Defense Securities Automobile Securities Car Rental Receivable Securities Subprime Automobile Securities Recreational Vehicle Securities</p>	<p>Class F</p> <p>Residential A Mortgage Securities</p>

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