

## IMPORTANT NOTICE

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### DISCLAIMER

Attached please find an electronic copy of the Offering Memorandum dated May 28, 2006 (the “**Offering Memorandum**” or “**Offering Memorandum**”) relating to the offering by GSC ABS CDO 2006-2m, Ltd. (the “**Issuer**” and GSC ABS CDO 2006-2m, Corp. (the “**Co-Issuer**”, together with the Issuer, the “**Co-Issuers**” of certain Notes and Preference Shares (the “**Offering**”).

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

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

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

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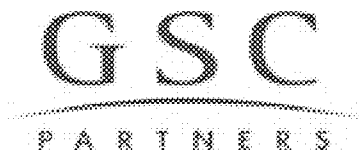
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**GSC ABS CDO 2006-2m, Ltd.**  
**GSC ABS CDO 2006-2m, Corp.**

**Up to U.S.\$225,000,000 Class A-1A First Priority Senior Secured Floating Rate Notes due 2045**  
**Up to U.S.\$125,000,000 Class A-1B Second Priority Senior Secured Floating Rate Delayed Draw Notes due 2045**  
**U.S.\$13,500,000 Class A-2 Third Priority Senior Secured Floating Rate Notes due 2045**  
**U.S.\$56,500,000 Class B Fourth Priority Senior Secured Floating Rate Notes due 2045**  
**U.S.\$14,500,000 Class C Fifth Priority Senior Secured Floating Rate Notes due 2045**  
**U.S.\$22,500,000 Class D Sixth Priority Mezzanine Deferrable Floating Rate Notes due 2045**  
**U.S.\$21,000,000 Class E Seventh Priority Mezzanine Deferrable Floating Rate Notes due 2045**  
**U.S.\$5,000,000 Class F Eighth Priority Mezzanine Deferrable Floating Rate Notes due 2045**  
**U.S.\$5,000,000 Class G Ninth Priority Mezzanine Deferrable Floating Rate Notes due 2045**  
**U.S.\$12,000,000 Class P Notes due 2045**

**16,000 Preference Shares**

**Backed by a Portfolio of Asset-Backed Securities, REIT Debt Securities, CDO Securities and related Synthetic Securities**



GSC ABS CDO 2006-2m, Ltd. (the "Issuer"), a newly formed exempted limited liability company incorporated under the laws of the Cayman Islands, and GSC ABS CDO 2006-2m, Corp., a newly formed Delaware corporation (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers") will issue up to U.S.\$225,000,000 Class A-1A First Priority Senior Secured Floating Rate Notes due 2045 (the "Class A-1A Notes"), up to U.S.\$125,000,000 Class A-1B Second Priority Senior Secured Floating Rate Delayed Draw Notes due 2045 (the "Class A-1B Notes" and, together with the Class A-1A Notes, the "Class A-1 Notes"), U.S.\$13,500,000 Class A-2 Third Priority Senior Secured Floating Rate Notes due 2045 (the "Class A-2 Notes" and, together with the Class A-1 Notes, the "Class A Notes"), U.S.\$56,500,000 Class B Fourth Priority Senior Secured Floating Rate Notes due 2045 (the "Class B Notes"), U.S.\$14,500,000 Class C Fifth Priority Senior Secured Floating Rate Notes due 2045 (the "Class C Notes"), U.S.\$22,500,000 Class D Sixth Priority Mezzanine Deferrable Floating Rate Notes due 2045 (the "Class D Notes"), U.S.\$21,000,000 Class E Seventh Priority Mezzanine Deferrable Floating Rate Notes due 2045 (the "Class E Notes" and together with the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the "Co-Issued Notes"). The Issuer will also issue U.S.\$5,000,000 Class F Eighth Priority Mezzanine Deferrable Floating Rate Notes due 2045 (the "Class F Notes") and U.S.\$5,000,000 Class G Ninth Priority Mezzanine Deferrable Floating Rate Notes due 2045 (the "Class G Notes", together with the Class F Notes and the Co-Issued Notes, the "Notes"). In addition, the Issuer will issue U.S.\$12,000,000 Class P Notes due 2045 (the "Class P Notes") and 16,000 Preference Shares having an aggregate liquidation preference of U.S.\$16,000,000 (the "Preference Shares"). The Notes, the Class P Notes and the Preference Shares being offered hereby are referred to herein as the "Offered Securities".

It is a condition to the issuance of the Offered Securities that the Class A-1 Notes and the Class A-2 Notes be rated "Aaa" by Moody's Investors Service, Inc. ("Moody's"), "AAA" by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") and "AAA" by Fitch, Inc. ("Fitch", and together with Moody's and Standard & Poor's, the "Rating Agencies"), the Class B Notes be rated at least "Aa2" by Moody's, "AA" by Standard & Poor's and "AA" by Fitch, that the Class C Notes be rated at least "Aa3" by Moody's, "AA-" by Standard & Poor's and "AA-" by Fitch, that the Class D Notes be rated at least "A2" by Moody's, "A" by Standard & Poor's and "A" by Fitch, that the Class E Notes be rated at least "Baa2" by Moody's, "BBB" by Standard & Poor's and "BBB" by Fitch, that the Class F Notes be rated at least "Ba1" by Moody's, "BB+" by Standard & Poor's and "BB+" by Fitch and that the Class G Notes be rated at least "Ba2" by Moody's, "BB" by Standard & Poor's and "BB" by Fitch. The Class P Notes will be rated by Moody's and are expected to have a rating of "Aaa"; provided that such rating will apply only to the return of the initial Class P Note Rated Balance. The Preference Shares will not be rated. Application will be made to the Irish Stock Exchange for the Notes and the Class P Notes to be listed on the Daily Official List. Application will be made to list the Preference Shares on the Channel Islands Stock Exchange. There can be no assurance that listing on the Irish Stock Exchange with respect to the Notes and the Class P Notes, or on the Channel Islands Stock Exchange with respect to the Preference Shares, will be granted.

**THE OFFERED SECURITIES WILL NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF, AND WILL NOT BE INSURED OR GUARANTEED BY, THE INITIAL PURCHASER, THE COLLATERAL MANAGER, THE TRUSTEE, THE PREFERENCE SHARE PAYING AGENT, ANY SWAP COUNTERPARTY OR ANY OF THEIR RESPECTIVE AFFILIATES (EACH AS DEFINED HEREIN). INVESTING IN THE OFFERED SECURITIES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 22.**

The Offered Securities have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws. The Offered Securities are being offered (a) in the United States in reliance upon an exemption from the registration requirements of the Securities Act (i) pursuant to Rule 144A under the Securities Act ("Rule 144A") to "Qualified Institutional Buyers" (as defined in Rule 144A) and (ii) solely in the case of the Preference Shares, to a limited number of "accredited investors" within the meaning of Rule 501(a) under the Securities Act and, in each case, who are also "qualified purchasers" for purposes of the Investment Company Act of 1940 (the "Investment Company Act") 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 ("Regulation S") under the Securities Act and, in each case, in accordance with applicable laws. For a description of certain restrictions on purchases and transfers of the Offered Securities, see "Transfer Restrictions". All of the Notes and those Class P Notes and Preference Shares that are sold pursuant to Regulation S will be settled in book-entry form. The Class P Notes and Preference Shares sold in the United States or to U.S. Persons will be physical securities registered in the name of the investors. Prospective purchasers are hereby notified that the sellers of the Offered Securities 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 a Note will be deemed to make, and each Original Purchaser of a Class P Note or Preference Share by its execution of an investor application form (an "Investor Application Form") will make, certain acknowledgments, representations, warranties and certifications. See "Transfer Restrictions".

The Offered Securities 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 Securities 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 Securities will be delivered on or about May 31, 2006 in the case of the Notes, the Regulation S Global Class P Notes and the Regulation S Global Preference Shares through the facilities of The Depository Trust Company ("DTC") and in the case of the Restricted Preference Shares in the offices of counsel to Merrill Lynch, Pierce, Fenner & Smith Incorporated, against payment therefor in immediately available funds. It is a condition to the issuance of the Offered Securities that all Offered Securities be issued concurrently.

**Merrill Lynch & Co.**

May 28, 2006

(cover continued)

The Notes will be issued and secured pursuant to an Indenture dated as of May 31, 2006 (the “**Indenture**”) between the Issuer, the Co-Issuer and LaSalle Bank National Association, as Trustee (the “**Trustee**”). The Preference Shares will be issued pursuant to the Issuer’s Memorandum and Articles of Association and in accordance with the Preference Share Paying Agency Agreement dated as of May 31, 2006 (the “**Preference Share Paying Agency Agreement**”) between the Issuer and LaSalle Bank National Association, as Preference Share Paying Agent (in such capacity, the “**Preference Share Paying Agent**”). The Collateral (as defined herein) securing the Notes will be managed by GSCP (NJ), L.P. (the “**Collateral Manager**”).

Subject in each case to the Priority of Payments, the Notes will bear interest at three month LIBOR plus, (a) in the case of the Class A-1A Notes, 0.30%, (b) in the case of the Class A-1B Notes, 0.30%, (c) in the case of the Class A-2 Notes, 0.43%, (d) in the case of the Class B Notes, 0.52%, (e) in the case of the Class C Notes, 0.63%, (f) in the case of the Class D Notes, 1.35%, (g) in the case of the Class E Notes, 3.15%, (h) in the case of the Class F Notes, 6.25% and (i) in the case of the Class G Notes, 7.25%. See “Description of the Notes—Priority of Payments”.

Payments of interest on the Notes will be payable in U.S. Dollars quarterly in arrears on each June 8, September 8, December 8, and March 8 commencing in September 2006 (each, a “**Distribution Date**”), *provided that* (i) the final Distribution Date for the Notes shall be June 8, 2045 and (ii) if any such date is not a Business Day, the relevant Distribution Date will be the next succeeding Business Day. Payments of principal of and interest on the Notes on any Distribution Date will be made if and to the extent that funds are available on such Distribution Date in accordance with the Priority of Payments set forth herein. See “Description of the Notes—Interest” and “Description of the Notes—Principal”. The Class A-1A Notes, Class A-1B Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes and Class G Notes are each referred to herein as a “**Class**” of Notes.

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

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This Offering Memorandum has been prepared by the Co-Issuers solely for use in connection with the proposed offering of the Offered Securities described herein (the “**Offering**”). This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Offered Securities. Distribution of this Offering Memorandum to any person other than the offeree and any person retained to advise such offeree with respect to its purchase is unauthorized, and any disclosure of any of its contents, without the prior written consent of the Co-Issuers, is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to herein. Notwithstanding anything in this Offering Memorandum to the contrary, each recipient (and each employee, representative or other agent of each recipient) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction contemplated by this Offering Memorandum and all materials of any kind (including opinions or other tax analyses) that are provided to the recipient relating to such tax treatment and tax structure. This authorization to disclose the tax treatment and tax structure does not permit disclosure of information identifying a Co-Issuer, the Collateral Manager or any other party to the transaction, this offering or the pricing (except to the extent pricing is relevant to tax structure or tax treatment) of this offering.

The Initial Purchaser, the Collateral Manager, the Trustee, the Preference Share Paying Agent, the Swap Counterparties and their respective affiliates make no representation or warranty, express or implied, to any person as to the accuracy or completeness of the information contained in this Offering Memorandum, except, in the case of the Collateral Manager, for the section entitled “The Collateral Manager”. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a representation to any person by the Initial Purchaser, the Collateral Manager, the Trustee, the Preference Share Paying Agent, the Swap Counterparties or their respective affiliates, except, in the case of the Collateral Manager, for the section entitled “The Collateral Manager”. The Initial Purchaser, the Collateral Manager, the Trustee, the Preference Share Paying Agent, the Swap Counterparties and their respective affiliates have not independently verified any of the information contained herein (financial, legal or otherwise) and assume no responsibility for the accuracy or completeness of any such information, except, in the case of the Collateral Manager, for the section entitled “The Collateral Manager”.

The ratings assigned to the Notes on the Closing Date by each Rating Agency and to the Class P Notes by Moody’s will have been assigned in accordance with such Rating Agency’s published rating criteria and methodology. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning Rating Agency. In the event that a rating initially assigned to any Class of Notes is subsequently lowered for any reason, no person or entity is obligated to provide any additional support or credit enhancement with respect to the Notes. The Co-Issuers will inform the Irish Stock Exchange, so long as any of the Notes or Class P Notes are listed thereon, if the ratings assigned to such Notes as of the Closing Date are reduced or withdrawn. Each person receiving this Offering Memorandum acknowledges that such person has not relied on any of the Initial Purchaser, the Collateral Manager, the Trustee, the Preference Share Paying Agent, the Administrator, the Swap Counterparties, their respective affiliates, or on any affiliate of the Issuer or Co-Issuer, in connection with the accuracy of such information or its investment decision.

**None of the Securities and Exchange Commission (the “SEC”), any state securities commission and any other U.S. regulatory authority has approved or disapproved the Offered Securities and none of the foregoing authorities has passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.**

In making an investment decision, prospective investors must rely on their own examination of the Co-Issuers and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this Offering Memorandum as legal, regulatory, business, accounting, investment or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the Offered Securities under applicable legal investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of their investment for an indefinite period of time.

This Offering Memorandum contains summaries believed by the Co-Issuers to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to the Co-Issuers or the Initial Purchaser.

In this Offering Memorandum, references to “U.S. Dollar”, “Dollars”, “\$” and “U.S. \$” are to United States dollars.

## NOTICE TO PURCHASERS

### 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.**

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

THE CO-ISSUED NOTES ARE LIMITED RECOURSE OBLIGATIONS OF THE CO-ISSUERS (OR, IN THE CLASS OF THE CLASS F NOTES AND THE CLASS G NOTES, 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, THE CO-ISSUER, THE TRUSTEE, THE ADMINISTRATOR, THE COLLATERAL MANAGER, ANY RATING AGENCY, THE SHARE TRUSTEE, THE INITIAL PURCHASER, ANY SWAP COUNTERPARTY, ANY OF THEIR RESPECTIVE AFFILIATES OR ANY OTHER PERSON OR ENTITY WILL BE OBLIGATED TO MAKE PAYMENTS ON THE NOTES. CONSEQUENTLY, THE NOTEHOLDERS MUST RELY SOLELY ON AMOUNTS RECEIVED IN RESPECT OF THE COLLATERAL DEBT SECURITIES AND OTHER COLLATERAL PLEDGED TO SECURE THE NOTES FOR THE PAYMENT OF PRINCIPAL THEREOF AND INTEREST AND COMMITMENT FEE THEREON.

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, EFFECTIVE FROM THE DATE OF COMMENCEMENT OF DISCUSSIONS, RECIPIENTS OF THIS OFFERING MEMORANDUM AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF ANY SUCH RECIPIENT MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE 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 SUB-ADVISOR 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.

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

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

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**THIS DOCUMENT WILL COMPRISE THE LISTING DOCUMENT FOR THE PURPOSE OF THE LISTING OF THE PREFERENCE SHARES ON THE CHANNEL ISLANDS STOCK EXCHANGE. NEITHER THE ADMISSION OF THE PREFERENCE SHARES TO THE OFFICIAL LIST, NOR THE APPROVAL OF THIS LISTING DOCUMENT PURSUANT TO THE LISTING REQUIREMENTS OF THE CHANNEL ISLANDS STOCK EXCHANGE SHALL CONSTITUTE A WARRANTY OR REPRESENTATION BY THE CHANNEL ISLANDS STOCK EXCHANGE AS TO THE COMPETENCE OF THE SERVICE PROVIDERS TO OR ANY OTHER PARTY CONNECTED WITH THE ISSUER, THE ADEQUACY AND ACCURACY OF INFORMATION CONTAINED IN THIS LISTING DOCUMENT OR THE SUITABILITY OF THE ISSUER FOR INVESTMENT OR FOR ANY OTHER PURPOSE.**

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**THE OFFERED SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY SECURITIES COMMISSION OR**

**OTHER REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION, AND NONE OF THE FOREGOING AUTHORITIES HAS CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

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

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

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

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THE OFFERED SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED UNLESS PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS IS AVAILABLE. THE CO-ISSUERS WILL RELY ON AN EXEMPTION FROM REGISTRATION UNDER THE INVESTMENT COMPANY ACT, AND NO TRANSFER OF OFFERED SECURITIES MAY BE MADE WHICH WOULD CAUSE EITHER OF THE CO-ISSUERS OR THE POOL OF COLLATERAL TO BECOME SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE INVESTMENT COMPANY ACT. THE OFFERED SECURITIES WILL ALSO BE SUBJECT TO CERTAIN OTHER RESTRICTIONS ON TRANSFER DESCRIBED HEREIN.

THIS OFFERING MEMORANDUM HAS BEEN PREPARED BY THE CO-ISSUERS SOLELY FOR USE IN CONNECTION WITH THE OFFERING OF THE OFFERED SECURITIES, AND FOR PURPOSES OF ANY LISTING OF THE NOTES AND THE CLASS P NOTES ON THE IRISH STOCK EXCHANGE AND THE PREFERENCE SHARES ON THE CHANNEL ISLANDS STOCK EXCHANGE. THE CO-ISSUERS ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM OTHER THAN INFORMATION PROVIDED IN THE SECTIONS ENTITLED “*THE COLLATERAL MANAGER*”, TO THE BEST KNOWLEDGE AND BELIEF OF THE CO-ISSUERS, THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. NOTHING CONTAINED IN THIS OFFERING MEMORANDUM 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 MEMORANDUM AND ASSUMES NO RESPONSIBILITY FOR ITS CONTENTS.

IT IS EXPECTED THAT PROSPECTIVE INVESTORS INTERESTED IN PARTICIPATING IN THIS OFFERING ARE WILLING AND ABLE TO CONDUCT AN INDEPENDENT INVESTIGATION OF THE RISKS POSED BY AN INVESTMENT IN THE OFFERED SECURITIES. REPRESENTATIVES OF THE INITIAL PURCHASER WILL BE AVAILABLE TO ANSWER QUESTIONS CONCERNING THE CO-ISSUERS, THE OFFERED SECURITIES, THE COLLATERAL MANAGER AND THE COLLATERAL

AND WILL, UPON REQUEST, MAKE AVAILABLE SUCH OTHER INFORMATION AS INVESTORS MAY REASONABLY REQUEST.

EACH INITIAL INVESTOR IN THE OFFERED SECURITIES WILL BE DEEMED TO HAVE MADE CERTAIN PURCHASER REPRESENTATIONS AS DESCRIBED UNDER “TRANSFER RESTRICTIONS” HEREIN. EACH PURCHASER OF THE PREFERENCE SHARES WILL BE DEEMED OR WILL BE REQUIRED (WITH RESPECT TO CLASS P NOTES AND PREFERENCE SHARES OFFERED IN THE UNITED STATES OR TO PURCHASERS THAT ARE U.S. PERSONS) TO MAKE CERTAIN PURCHASER REPRESENTATIONS AS DESCRIBED UNDER “*TRANSFER RESTRICTIONS*” HEREIN. IN ADDITION, THE OFFERED SECURITIES WILL BEAR RESTRICTIVE LEGENDS AND WILL BE SUBJECT TO RESTRICTIONS ON TRANSFER AS DESCRIBED HEREIN, INCLUDING THE REQUIREMENT THAT, WITH RESPECT TO THE PREFERENCE SHARES TRANSFERRED OR EXCHANGED IN THE UNITED STATES OR TO U.S. PERSONS IN RELIANCE ON SECTION 4(2) OF THE SECURITIES ACT, SUBSEQUENT TRANSFERREES FURNISH A REPRESENTATION LETTER IN THE FORM PRESCRIBED BY THE PREFERENCE SHARES PAYING AGENCY AGREEMENT. ANY RESALE OR OTHER TRANSFER, OR ATTEMPTED RESALE OR OTHER ATTEMPTED TRANSFER, OF OFFERED SECURITIES WHICH IS NOT MADE IN COMPLIANCE WITH THE APPLICABLE TRANSFER RESTRICTIONS WILL BE NULL AND VOID AB INITIO. SEE “*TRANSFER RESTRICTIONS*”.

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NOTICE TO FLORIDA RESIDENTS

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

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NOTICE TO CONNECTICUT RESIDENTS

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

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NOTICE TO GEORGIA RESIDENTS

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

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NOTICE TO RESIDENTS OF AUSTRALIA

NO PROSPECTUS, DISCLOSURE DOCUMENT, OFFERING MATERIAL OR ADVERTISEMENT IN RELATION TO THE OFFERED SECURITIES 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 SECURITIES 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 MEMORANDUM 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.

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NOTICE TO RESIDENTS OF BAHRAIN

NO PUBLIC OFFER OF THE OFFERED SECURITIES WILL BE MADE IN BAHRAIN AND NO APPROVALS HAVE BEEN SOUGHT FROM ANY GOVERNMENTAL AUTHORITY OF OR IN BAHRAIN. NONE OF THE CO-ISSUERS, THE PORTFOLIO MANAGER AND THE INITIAL PURCHASER IS PERMITTED TO MAKE ANY INVITATION TO THE PUBLIC IN THE STATE OF BAHRAIN TO SUBSCRIBE FOR THE OFFERED SECURITIES AND THIS OFFERING MEMORANDUM MAY NOT BE ISSUED, PASSED TO, OR MADE AVAILABLE TO MEMBERS OF THE PUBLIC IN BAHRAIN GENERALLY.

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NOTICE TO RESIDENTS OF BELGIUM

THIS OFFERING DOES NOT CONSTITUTE A PUBLIC OFFERING IN BELGIUM. THE OFFERING HAS NOT BEEN AND WILL NOT BE NOTIFIED TO, AND THIS OFFERING MEMORANDUM OR ANY OTHER OFFERING MATERIAL RELATING TO THE OFFERED SECURITIES 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 THE ISSUER, CO-ISSUER AND THE INITIAL PURCHASER HAS UNDERTAKEN NOT TO OFFER SELL, RESELL, TRANSFER OR DELIVER, OR TO TAKE ANY STEPS THERETO, DIRECTLY OR INDIRECTLY, ANY OFFERED SECURITIES, AND NOT TO DISTRIBUTE OR PUBLISH THIS OFFERING MEMORANDUM OR ANY OTHER MATERIAL RELATING TO THE OFFERED SECURITIES OR TO THE OFFERING IN A MANNER WHICH WOULD BE CONSTRUED AS (I) A PUBLIC OFFERING UNDER THE BELGIAN ROYAL DECREE OF 7 JULY 1999 ON THE PUBLIC CHARACTER OF FINANCIAL TRANSACTIONS OR (II) AN OFFERING OF OFFERED SECURITIES TO THE PUBLIC UNDER DIRECTIVE 2003/71/EC WHICH TRIGGERS AN OBLIGATION TO PUBLISH A PROSPECTUS IN BELGIUM. ANY ACTION CONTRARY TO THESE RESTRICTIONS WILL CAUSE THE RECIPIENT AND THE ISSUER TO BE IN VIOLATION OF THE BELGIAN SECURITIES LAWS.

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NOTICE TO MEMBERS OF THE PUBLIC IN THE CAYMAN ISLANDS

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

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NOTICE TO RESIDENTS OF DENMARK

THE OFFERING OF THE OFFERED SECURITIES 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 MEMORANDUM 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. THE OFFERED SECURITIES MAY NOT BE MADE AVAILABLE TO ANY OTHER PERSON IN DENMARK NOR MAY THE OFFERED SECURITIES OTHERWISE BE MARKETED OR OFFERED FOR SALE IN DENMARK.

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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 OR WHERE THE PROSPECTUS DIRECTIVE IS APPLIED BY THE REGULATOR (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 OR APPLIED IN THAT RELEVANT MEMBER STATE (THE "RELEVANT IMPLEMENTATION DATE") IT HAS NOT MADE AND WILL NOT MAKE AN OFFER OF OFFERED SECURITIES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE PRIOR TO THE PUBLICATION OF A CIRCULAR IN RELATION TO THE OFFERED 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 OFFERED 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 CO-ISSUERS OF A CIRCULAR 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 OFFERED SECURITIES 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 SECURITIES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE OR SUBSCRIBE THE OFFERED 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 FINLAND

THE OFFERED SECURITIES MAY NOT BE OFFERED OR SOLD, AND THIS OFFERING MEMORANDUM 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 SECURITIES MAY ONLY BE ACQUIRED FOR DENOMINATIONS OF NOT LESS THAN EURO 50,000, AND THE OFFERED SECURITIES MAY NOT BE OFFERED OR SOLD, AND THIS OFFERING MEMORANDUM 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.

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## 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 SECURITIES TO THE PUBLIC IN THE REPUBLIC OF FRANCE AND THAT ANY OFFERS, SALES OR OTHER TRANSFERS OF THE OFFERED SECURITIES 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 MEMORANDUM 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 MEMORANDUM OR ANY OTHER OFFERING MATERIAL RELATING TO THE OFFERED SECURITIES OTHER THAN TO INVESTORS TO WHOM OFFERS, SALES OR OTHER TRANSFERS OF THE OFFERED SECURITIES IN THE REPUBLIC OF FRANCE MAY BE MADE AS DESCRIBED ABOVE.

THIS OFFERING MEMORANDUM AND ANY OTHER OFFERING MATERIAL RELATING TO THE OFFERED SECURITIES 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 SECURITIES 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*.

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NOTICE TO RESIDENTS OF THE SPECIAL ADMINISTRATIVE REGION OF HONG KONG

NO PERSON MAY OFFER OR SELL ANY OFFERED SECURITIES IN HONG KONG BY MEANS OF THIS OFFERING MEMORANDUM OR ANY OTHER DOCUMENT OTHERWISE THAN TO PERSONS WHOSE ORDINARY BUSINESS IT IS TO BUY OR SELL SECURITIES (WHETHER AS PRINCIPAL OR AGENT) OR IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES ORDINANCE (CHAPTER 32 OF THE LAWS OF HONG KONG). UNLESS IT IS A PERSON WHO IS PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG, NO PERSON MAY ISSUE, OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, THIS OFFERING MEMORANDUM OR ANY OTHER ADVERTISEMENT, INVITATION OR DOCUMENT WHICH CONTAINS AN INVITATION TO THE PUBLIC TO ENTER INTO OR OFFER TO ENTER INTO AN AGREEMENT TO ACQUIRE, DISPOSE OF, SUBSCRIBE FOR OR UNDERWRITE THE OFFERED SECURITIES OTHER THAN IN RESPECT OF OFFERED SECURITIES WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO PERSONS WHO ARE "PROFESSIONAL INVESTORS" WITHIN THE MEANING OF THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG) AND ANY RULES MADE THEREUNDER.

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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 ISSUER 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 PARAGRAPH 2 AND ARTICLE 4 PARAGRAPH 2 OF THE PROSPECTUS DIRECTIVE AS CASES OF PRIVATE PLACEMENT.

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NOTICE TO RESIDENTS OF IRELAND

EACH OF THE ISSUER AND THE INITIAL PURCHASER HAS REPRESENTED, WARRANTED AND UNDERTAKEN THAT: (A) IT WILL NOT SELL OFFERED SECURITIES 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; (B) IN CONNECTION WITH OFFERS OR SALES OF OFFERED SECURITIES, 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 SECURITIES TO PERSONS WHO ARE PERSONS TO WHOM THE DOCUMENTS MAY OTHERWISE LAWFULLY BE ISSUED OR PASSED ON; AND (C) 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) OF OFFERED SECURITIES 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 ISSUER AND THE INITIAL PURCHASER HAS REPRESENTED AND AGREED THAT IT WILL NOT OFFER, SELL OR DELIVER THE OFFERED SECURITIES OR DISTRIBUTE ANY DOCUMENT RELATING TO THE OFFERED SECURITIES IN ITALY UNLESS SUCH OFFER, SALE OR DELIVERY OF OFFERED SECURITIES 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 THE INITIAL PURCHASER PURCHASING THE OFFERED SECURITIES UNDERTAKES NOT TO FURTHER DISTRIBUTE OR TRANSFER THE OFFERED SECURITIES, EXCEPT IN ACCORDANCE WITH ANY APPLICABLE LAWS AND REGULATIONS, INCLUDING ANY REQUIREMENTS OR LIMITATIONS IMPOSED BY CONSOB OR THE BANK OF ITALY.

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#### NOTICE TO RESIDENTS OF JAPAN

THE OFFERED SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES AND EXCHANGE LAW OF JAPAN. NEITHER THE OFFERED SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO OR FOR THE ACCOUNT OF ANY RESIDENT 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 RE-OFFERING OR SALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO A RESIDENT OF JAPAN EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE SECURITIES AND EXCHANGE LAW AND ANY OTHER APPLICABLE LAW, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

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#### 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 MEMORANDUM FOR THE PURPOSE OF INVESTING IN THE OFFERED SECURITIES UNDER THE LAWS OF KOREA, INCLUDING AND WITHOUT LIMITATION THE FOREIGN EXCHANGE MANAGEMENT LAW AND REGULATIONS THEREUNDER. THE OFFERED SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES AND EXCHANGE LAW OF KOREA AND NONE OF THE OFFERED SECURITIES 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.

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#### NOTICE TO RESIDENTS OF THE KINGDOM OF NORWAY

THE INITIAL PURCHASER HAS ACKNOWLEDGED THAT THE OFFERED SECURITIES 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 SECURITIES 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 SECURITIES NOR THIS OFFERING MEMORANDUM HAS BEEN APPROVED AND REGISTERED BY THE NORWEGIAN STOCK EXCHANGE OR REGISTERED WITH THE NORWEGIAN REGISTER OF BUSINESS ENTERPRISES.

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NOTICE TO RESIDENTS OF SINGAPORE

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

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NOTICE TO RESIDENTS OF SPAIN

THE OFFERED SECURITIES 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 SECURITIES NOR THIS OFFERING MEMORANDUM HAVE BEEN VERIFIED OR REGISTERED IN THE ADMINISTRATIVE REGISTRIES OF THE *COMISIÓN NACIONAL DE MERCADO DE VALORES* OF SPAIN.

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NOTICE TO RESIDENTS OF SWITZERLAND

THE CO-ISSUERS HAVE NOT BEEN AUTHORIZED BY THE SWISS FEDERAL BANKING COMMISSION AS A FOREIGN INVESTMENT FUND UNDER ARTICLE 45 OF THE SWISS FEDERAL LAW ON INVESTMENT FUNDS OF 18 MARCH 1994. ACCORDINGLY, THE OFFERED SECURITIES MAY NOT BE OFFERED OR DISTRIBUTED ON A PROFESSIONAL BASIS IN OR FROM SWITZERLAND, AND NEITHER THIS OFFERING MEMORANDUM NOR ANY OTHER OFFERING MATERIALS RELATING TO THE OFFERED SECURITIES MAY BE DISTRIBUTED IN CONNECTION WITH ANY SUCH OFFERING OR DISTRIBUTION. THE OFFERED SECURITIES MAY, HOWEVER, BE OFFERED AND THIS OFFERING MEMORANDUM 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 SECURITIES 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.

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NOTICE TO RESIDENTS OF THE UNITED KINGDOM

THIS COMMUNICATION IS DIRECTED ONLY AT PERSONS WHO (i) ARE OUTSIDE THE UNITED KINGDOM OR (ii) HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS OR (iii) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(a) TO (d) ("HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS ETC") OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS COMMUNICATION MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

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The distribution of this Offering Memorandum and the offering of the Offered Securities may also be restricted by law in certain jurisdictions. Consequently, nothing contained herein shall constitute an offer to sell, or a solicitation of an offer to buy, (i) any securities other than the Offered Securities or (ii) any Offered Securities in any jurisdiction in which it is unlawful for such Person to make such an offer or solicitation. Persons into whose possession this Offering Memorandum comes are required by the Issuer, the Co-Issuer and the Initial Purchaser to inform themselves about, and to observe, any such restrictions.

## FORWARD-LOOKING STATEMENTS

Any projections and estimates in this Offering Memorandum are forward-looking statements and are based on reasonable assumptions. Projections are necessarily speculative in nature, and some or all of the assumptions underlying the projections probably will not materialize or will vary significantly from actual results. Accordingly, the projections are only estimates. 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, among others, changes in interest rates; market, financial, or legal uncertainties; and the timing and frequency of the occurrence of Credit Events. Consequently, the inclusion of projections in this Offering Memorandum should not be regarded as a representation by the Issuer, the Co-Issuer, the Swap Counterparties, the Initial Purchaser, the Trustee, the Collateral Manager, their respective affiliates or any other person or entity, of the results that actually will be achieved by the Co-Issuers.

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

## AVAILABLE INFORMATION

To permit compliance with Rule 144A (“**Rule 144A**”) under the Securities Act in connection with the resale of the Offered Securities, the Issuer (and the Co-Issuer, in the case of the Co-Issued Notes) will be required to furnish, upon request of a Holder of Offered Securities, to such Holder and a prospective purchaser designated by such Holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request the Co-Issuers are not subject to the reporting requirements of Section 13 or 15(d) the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. Such information may be obtained from (i) in the case of the Notes, the Trustee, (ii) in the case of the Preference Shares, the Preference Share Paying Agent or (iii) if and for so long as any Notes or Class P Notes are listed on the Irish Stock Exchange, the Irish Paying Agent located in Dublin. Neither the Issuer nor the Co-Issuer is expected to become a reporting company or to be exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

To the extent the Issuer (and the Co-Issuer, in the case of the Co-Issued Notes) deliver any annual or other periodic report to the Holders of the Offered Securities, the Issuer (and the Co-Issuer, in the case of the Co-Issued Notes) will include in such reports a reminder that (i) each Holder (other than those Holders who are not U.S. Persons and have purchased their Offered Securities outside the United States pursuant to Regulation S under the Securities Act (“**Regulation S**”)) is required to be (a) a “qualified institutional buyer” as defined in Rule 144A under the Securities Act (a “**Qualified Institutional Buyer**”) (or, solely in the case of the Preference Shares, an “**accredited investor**” within the meaning of Rule 501(a) under the Securities Act) and (b) (x) a “qualified purchaser” as defined in section 2(a)(51) of the United States Investment Company Act of 1940, as amended (the “**Investment Company Act**”) and the Rules thereunder, or (y) a company beneficially owned exclusively by one or more “qualified purchasers” (each, a “**Qualified Purchaser**”), in each case, purchasing for its own account, (ii) the Offered Securities can only be transferred to a transferee (other than transferees who are not U.S. Persons and have purchased their Offered Securities outside the United States pursuant to Regulation S) that is (a) a Qualified Institutional Buyer (or, solely in the case of the Preference Shares, an accredited investor) and (b) a Qualified Purchaser; and (iii) the Issuer (and the Co-Issuer, in the case of the Co-Issued Notes) have the right to compel any Holder who does not meet the transfer restrictions to transfer its interest in the Offered Securities to a person designated by the Issuer or sell such interests on behalf of the Holder.

## CERTAIN CONSIDERATIONS RELATING TO THE CAYMAN ISLANDS

The Issuer is an exempted company incorporated under the laws of the Cayman Islands. As a result, it may not be possible for purchasers of the Offered Securities to effect service of process upon the Issuer within the United States 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 Maples and Calder, 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. Although there is no statutory enforcement in the Cayman Islands of judgments obtained in New York or other states in the United States, the courts of the Cayman Islands will recognize and enforce a foreign judgment of a court of competent jurisdiction, based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given, and provided such judgment is final, for a liquidated sum not in respect of taxes or a fine or penalty, and which was not obtained in a manner, and is not of a kind the enforcement of which is, contrary to the public policy of the Cayman Islands. A Cayman Islands court may also stay proceedings if concurrent proceedings are being brought elsewhere. The Issuer will appoint Corporation Service Company with an address at 1133 Avenue of the Americas, Suite 3100, New York, NY 10036, as its agent in New York for service of process.



## SUMMARY OF TERMS

*The following summary does not purport to be complete and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offering Memorandum. An index of defined terms and a glossary of certain defined terms appear at the back of this Offering Memorandum.*

### **Securities Offered:**

Up to U.S.\$225,000,000 aggregate principal amount Class A-1A First Priority Senior Secured Floating Rate Notes due 2045 (the “**Class A-1A Notes**”). Up to U.S.\$125,000,000 aggregate principal amount Class A-1B Second Priority Senior Secured Floating Rate Delayed Draw Notes due 2045 (the “**Class A-1B Notes**”, and together with the Class A-1A Notes, the “**Class A-1 Notes**”). U.S.\$13,500,000 aggregate principal amount Class A-2 Third Priority Senior Secured Floating Rate Notes due 2045 (the “**Class A-2 Notes**”, and together with the Class A-1 Notes, the “**Class A Notes**”). U.S.\$56,500,000 aggregate principal amount Class B Fourth Priority Senior Secured Floating Rate Notes due 2045 (the “**Class B Notes**”). U.S.\$14,500,000 aggregate principal amount Class C Fifth Priority Senior Secured Floating Rate Notes due 2045 (the “**Class C Notes**”). U.S.\$22,500,000 aggregate principal amount Class D Sixth Priority Mezzanine Deferrable Floating Rate Notes due 2045 (the “**Class D Notes**”). U.S.\$21,000,000 aggregate principal amount Class E Seventh Priority Mezzanine Deferrable Floating Rate Notes due 2045 (the “**Class E Notes**”). U.S.\$5,000,000 aggregate principal amount Class F Eighth Priority Mezzanine Deferrable Floating Rate Notes due 2045 (the “**Class F Notes**”). U.S.\$5,000,000 aggregate principal amount Class G Ninth Priority Mezzanine Deferrable Floating Rate Notes due 2045 (the “**Class G Notes**”). The Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes and Class G Notes are herein referred to as the “**Notes**”.

The Issuer will also issue U.S.\$12,000,000 Class P Notes due 2045 (the “**Class P Notes**”) and 16,000 Preference Shares, par value U.S.\$0.01 per share and having liquidation preference of U.S.\$1,000 per share (the “**Preference Shares**”). The Notes, the Class P Notes and Preference Shares offered hereby are referred to collectively herein as the “**Offered Securities**”.

Each of the Class A-1A Notes, Class A-1B Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes, Class G Notes, the Class P Notes and the Preference Shares are herein referred to as a “**Class**” of Notes or Offered Securities, as applicable.

All Class A-1B Notes will be issued on the Closing Date with a maximum principal amount of \$125,000,000. U.S.\$75,000,000 of the maximum principal amount of the Class A-1B Notes will be advanced on the Closing Date and further advances of up to \$50,000,000 may be made under the Class A-1B Notes after the Closing Date as provided in the Class A-1B Note Funding Agreement. See “Description of the Notes—Drawdown of the Class A-1B Notes”.

The Class A-1A Notes will be issued on the Closing Date with a maximum principal amount of up to U.S.\$225,000,000, none of which principal amount will be outstanding on the Closing Date. Pursuant to

the Class A-1A Swap Agreement, (i) in connection with the Issuer's payment of any Outstanding CDS Issuer Payment Obligation or any termination payment due to the CDS Counterparty in respect of the Credit Default Swap Agreement in whole (other than a Defaulted Swap Termination Payment), to the extent available amounts standing to the credit of the Synthetic Security Collateral Account are insufficient to pay in full the aggregate amount of the Outstanding Issuer Payment Obligation and such termination payments then owing, and/or (ii) if there is an Amortization Shortfall with respect to a Distribution Date, the Class A-1A Swap Counterparty will be obligated to make a payment in the aggregate amount of such insufficiency and Amortization Shortfall (each a "**Class A-1A Swap Payment**") to the Issuer and the Issuer will increase the aggregate outstanding principal amount of the Class A-1A Notes in an amount equal to the amount of such payment, all as set forth in the Class A-1A Swap Confirmation. See "Description of the Notes—Class A-1A Swap Agreement".

The Notes and the Class P Notes will be issued and secured (to the extent solely of the Class P Treasury Strip, in the case of the Class P Notes) pursuant to an Indenture dated as of May 31, 2006 (the "**Indenture**"), between the Issuer, the Co-Issuer and LaSalle Bank National Association, as trustee (in such capacity, together with its successors in such capacity, the "**Trustee**"). Each Swap Counterparty will be an express third party beneficiary of the Indenture. See "Description of the Notes—Status and Security" and "—The Indenture". The Co-Issued Notes will be limited-recourse debt obligations of the Co-Issuers, and the Class F Notes and Class G Notes will be limited-recourse debt obligations of the Issuer, in each case, secured solely by a pledge of the Collateral by the Issuer to the Trustee pursuant to the Indenture for the benefit of the holders from time to time of the Notes, the Collateral Manager, and each Swap Counterparty (collectively, the "**Secured Parties**"). See "Description of the Notes—Status and Security".

The terms of the Preference Shares will be set out in and the Preference Shares will be issued pursuant to the Memorandum and Articles of Association of the Issuer and a Preference Share Paying Agency Agreement dated as of May 31, 2006 (the "**Preference Share Paying Agency Agreement**") between the Issuer and LaSalle Bank National Association, as preference share issuing and paying agent (in such capacity, the "**Preference Share Paying Agent**").

All of the Class A-1A Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-1B Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-2 Notes are entitled to receive payments *pari passu* among themselves, all of the Class B Notes are entitled to receive payments *pari passu* among themselves, all of the Class C Notes are entitled to receive payments *pari passu* among themselves, all of the Class D Notes are entitled to receive payments *pari passu* among themselves, all of the Class E Notes are entitled to receive payments *pari passu* among themselves, all of the Class F Notes are entitled to receive payments *pari passu* among themselves, all of the Class G Notes are entitled to receive payments *pari passu* among themselves and all of the Preference Shares are entitled to receive payments *pari passu* among themselves, in each case based upon the respective aggregate outstanding principal

amounts thereof (or, in the case of the Preference Shares, based upon the respective numbers thereof). Except as otherwise described herein, the relative order of seniority of payment of each Class of Notes is as follows: first, Class A-1A Notes, second, Class A-1B Notes, third, Class A-2 Notes, fourth, Class B Notes, fifth, Class C Notes, sixth, Class D Notes, seventh, Class E Notes, eighth, the Class F Notes and, ninth, the Class G Notes with (a) each Class of Notes (other than the Class G Notes) in such list being “**Senior**” or in “**Seniority**” to each other Class of Notes that follows such Class of Notes in such list and (b) each Class of Notes (other than the Class A-1 Notes) in such list being “**Subordinate**” to each other Class of Notes that precedes such Class of Notes in such list.

No payment of interest on any Class of Notes will be made until all accrued and unpaid interest on the Notes of each Class that is Senior to such Class and that remain outstanding has been paid in full. See “Description of the Notes—Priority of Payments”. Payment of principal of any Class of Notes will be made in accordance with the Priority of Payments to the extent of Available Principal Excess in respect of the related Determination Date, Interest Proceeds in respect of the related Due Period and, in the case of the Class A-1A Notes, in respect of Class A-1A Redemption Payments. See “Description of the Notes—Priority of Payments”.

The Offered Securities will be sold to Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “**Initial Purchaser**”) on May 31, 2006 (the “**Closing Date**”). On and after the Closing Date the Initial Purchaser may resell the Offered Securities to investors (the “**Original Purchasers**”) in individually negotiated transactions from time to time at varying prices determined at the time of sale.

**The Co-Issuers:**

GSC ABS CDO 2006-2m, Ltd. (the “**Issuer**”) is an exempted company with limited liability that was incorporated on April 11, 2006 under the Companies Law (2004 Revision) of the Cayman Islands pursuant to the Issuer’s Memorandum and Articles of Association. The Issuer was established as a special purpose vehicle for the purpose of issuing asset-backed securities. The entire share capital of the Issuer consists of (i) 250 ordinary shares, par value U.S.\$1.00 per share, each of which is and will be held in trust for charitable purposes in the Cayman Islands by Maples Finance Limited (the “**Share Trustee**”) under the terms of a declaration of trust and (ii) 16,000 Preference Shares, par value U.S.\$0.01 per share and having liquidation preference of U.S.\$1,000 per share, issued pursuant to the Issuer’s Memorandum and Articles of Association and in accordance with the Preference Share Paying Agency Agreement. The Indenture and the Issuer’s Memorandum and Articles of Association will provide that the activities of the Issuer are limited to (1) acquiring, entering into, disposing of, and investing and reinvesting in Collateral Debt Securities and Eligible Investments for its own account, (2) entering into and performing its obligations under the Indenture, the Class A-1B Note Funding Agreement, the Account Control Agreement, the CDS Counterparty Collateral Account Control Agreement, the Administration Agreement, any Noteholder Prepayment Account Control Agreements, the Master Forward Sale Agreement, the Credit Default Swap Agreement, the Management Agreement, the Class A-1A Swap Agreement, the Hedge Agreement, the Collateral Administration

Agreement, the Securities Purchase Agreement and the Preference Share Paying Agency Agreement, (3) issuing and selling the Offered Securities, (4) pledging the Collateral as security for its obligations in respect of the Notes and otherwise for the benefit of the Secured Parties, (5) owning the capital stock of the Co-Issuer, (6) issuing and listing the Notes and Preference Shares, (7) creating this Offering Memorandum and any supplements thereto and (8) other activities incidental to the foregoing.

GSC ABS CDO 2006-2m, Corp., a Delaware corporation (the “Co-Issuer” and, together with the Issuer, the “Co-Issuers”), was incorporated for the sole purpose of co-issuing the Notes. The entire authorized share capital of the Co-Issuer is owned by the Issuer.

The Issuer will not have any material assets other than the Cash Securities, the Synthetic Securities (and any Delivered Obligations received in connection therewith), Eligible Investments, certain Accounts and the funds and investments credited thereto, its rights under the Credit Default Swap Agreement, the Class A-1A Swap Agreement, the Hedge Agreement and certain other agreements entered into as described herein, certain other Collateral as described herein, and its equity interest in the Co-Issuer.

The Co-Issuer will not have any assets (other than the proceeds of its shares, being U.S.\$250) and will not pledge any assets to secure the Notes. The Co-Issuer will not have any interest in the Collateral held by the Issuer.

**Collateral Manager:**

GSCP (NJ), L.P., a Delaware limited partnership (“GSC” or the “Collateral Manager”) and a registered investment adviser, will select and manage Collateral under a collateral management agreement to be entered into between the Issuer and the Collateral Manager (the “Management Agreement”). Pursuant to the Management Agreement and in accordance with the Indenture, the Collateral Manager will manage the investment in and Disposition of the Collateral Debt Securities (including the selection of the related Reference Obligations and exercising rights and remedies associated with the Synthetic Securities) based on the restrictions set forth in the Indenture (including the Eligibility Criteria described herein) and on the Collateral Manager’s research, credit analysis and judgment. For a summary of the provisions of the Management Agreement and certain other information concerning the Collateral Manager and key individuals associated therewith who will be managing the Issuer’s portfolio. See “The Collateral Manager” and “The Management Agreement”.

**The Hedge Agreement:**

On the Closing Date, the Issuer will enter into an interest rate protection agreement (such agreement, and any replacement thereof entered into in accordance with the Indenture, the “Hedge Agreement”) consisting of an interest rate swap with a counterparty with respect to which the Rating Condition has been satisfied (the “Hedge Counterparty”). The initial Hedge Counterparty shall be AIG Financial Products Corp., a corporation incorporated under the laws of the State of Delaware. The Hedge Counterparty will make an initial up-front payment of U.S.\$4,695,000 (the “Up-Front Payment”) in respect of the Hedge Agreement, which payment will be used to pay a

portion of the expenses expected to be incurred by the Issuer in connection with the Offering.

**Use of Proceeds:**

The gross proceeds received from the issuance and sale of the Offered Securities and the Up-Front Payment will be approximately U.S.\$283,695,000 (after giving effect to and assuming the making of all available Borrowings under the Class A-1B Notes after the Closing Date). A portion of the proceeds equal to U.S.\$375,000 will be deposited to the Expense Account for certain delayed expenses and, as directed by the Collateral Manager, for application as Interest Proceeds or deposit to the Principal Collection Account or the Synthetic Security Collateral Account. After giving effect to the total expenses relating to the issuance and admission to trading of the Notes and the Class P Notes on the Irish Stock Exchange and the listing of the Preference Shares on the Channel Islands Stock Exchange, organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, certain structuring and placement fees payable to the Initial Purchaser, the Portfolio Accumulation Fee payable to the Collateral Manager and the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser, the Trustee and the Collateral Manager and the fees and expenses payable in connection with the ratings of the Notes), the expenses, fees and commissions incurred in connection with the acquisition by the Issuer of the Collateral Debt Securities and the expenses of offering the Offered Securities (but excluding the initial deposit into the Expense Account), the expected net proceeds to the Issuer are expected to be approximately U.S.\$273,920,000 (after giving effect to and assuming the making of all available Borrowings under the Class A-1B Notes after the Closing Date). Such net proceeds will be used by the Issuer to purchase a diversified portfolio of Cash Securities and Credit Linked Notes and to fund deposits to the Synthetic Security Collateral Account or a Third Party Collateral Account in respect of related Defeased Synthetic Securities (and, as applicable, pending any such application will be deposited to the Principal Collection Account and invested in Eligible Investments). See “Security for the Notes”.

**Class A-1B Notes:**

Pursuant to a Class A-1B Note Funding Agreement dated May 31, 2006 (the “**Class A-1B Note Funding Agreement**”) among the Issuer, the Co-Issuer, the Trustee and the Holders from time to time of the Class A-1B Notes, the Holders of the Class A-1B Notes (or the Liquidity Provider(s) with respect to any such Holders) will commit to make advances under such Notes, on and subject to the terms and conditions specified therein, *provided* that the aggregate principal amount advanced under the Class A-1B Notes will not exceed U.S.\$125,000,000. Subject to compliance with certain borrowing conditions specified in the Class A-1B Note Funding Agreement and described herein under “Description of the Notes—Drawdown of the Class A-1B Notes”, the Co-Issuers may borrow amounts under the Class A-1B Notes during the Commitment Period (as defined herein) on the 25th day of each calendar month and on the Ramp-Up Completion Date (or, if any such day is not a Business Day, the next succeeding Business Day, each a “**Borrowing Date**”). 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-1B 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 of the Class A-1B Notes”.

Amounts will be drawn from the Holders of the Class A-1B Notes (or the Liquidity Provider(s) with respect to any such Holders) after the Closing Date to (i) pay the purchase price in respect of additional Cash Securities acquired by the Issuer, (ii) deposit amounts to the Synthetic Security Collateral Account (or, as applicable, a Third Party Collateral Account) in connection with the Issuer’s entry into additional Synthetic Securities and (iii) repay amounts due by the Issuer under the Master Forward Sale Agreement. See “Description of the Notes—Drawdown of the Class A-1B Notes”.

Prior to the Commitment Period Termination Date, each holder of Class A-1B Notes (or its Liquidity Provider) will be required to satisfy the Rating Criteria. If any holder of Class A-1B Notes fails at any time prior to the Commitment Period Termination Date to comply with the Rating Criteria or fund its obligations in respect of a Borrowing, the Issuer will have the right (under the Class A-1B Note Funding Agreement) and the obligation (under the Indenture) either to (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-1B Notes to such other entity) or if such holder fails to effect the transfer required within such 30-day period, upon written direction from the Collateral Manager (on behalf of the Issuer) or the Issuer, the Trustee shall cause such holder’s interest in such Class A-1B Note to be transferred in a commercially reasonable sale to a person that satisfies the Rating Criteria or (ii) require such holder to (x) cause a Class A-1B Noteholders Prepayment Account to be established, (y) credit to such Class A-1B Noteholders Prepayment Account cash or Eligible Prepayment Account Investments, the aggregate outstanding principal amount of which is equal to such Holder’s remaining Commitment at such time and (z) enter into a Noteholder Prepayment Account Control Agreement in relation to such account. See “Description of the Notes—Drawdown of the Class A-1B Notes”.

**Class A-1B Commitment Fee:**

The Commitment Fee will accrue on the unfunded Aggregate Class A-1B Commitment Amount 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 quarterly in arrears on each Distribution Date relating to a Due Period that commenced prior to the Commitment Period Termination Date and will rank *pari passu* with the payment of interest on the Class A-1B Notes. The Commitment Fee will be computed on the basis of a 360-day year and the actual number of days elapsed. No Class of Notes other than the Class A-1B Notes will be entitled to a Commitment Fee. The “**Aggregate Class A-1B Commitment Amount**” will be, as of any date of determination prior to the Commitment Period Termination Date, an amount equal to the amount of U.S.\$125,000,000 minus the aggregate of all Borrowings on or prior to such date (including any Borrowings on the Closing Date). See “Description of the Notes—Commitment Fee on Class A-1B Notes”.

**Class A-1A Swap Agreement:**

On or prior to the Closing Date, the Issuer will enter into a swap agreement (the “**Class A-1A Swap Agreement**”) with Merrill Lynch

International (the “**Class A-1A Swap Counterparty**” or “**MLI**”) in the form of an ISDA Master Agreement (Multicurrency-Cross Border), together with a schedule and confirmation (the “**Class A-1A Swap Confirmation**”). See “Description of the Notes—Class A-1A Swap Agreement”.

Pursuant to the Class A-1A Swap Agreement, the Class A-1A Swap Counterparty will be obligated to make Class A-1A Swap Payments and the Issuer will increase the principal balance of the Class A-1A Notes in an amount equal to each such Class A-1A Swap Payment, all as set forth in the Class A-1A Swap Confirmation. See “Description of the Notes—Class A-1A Swap Agreement”.

The outstanding notional amount of the Class A-1A Swap Confirmation with respect to any date of determination prior to the termination of the Class A-1A Swap Agreement (the “**Class A-1A Notional Amount**”) will be an amount equal to (i) U.S.\$225,000,000 minus (ii) the aggregate amount of reductions of the “Class A-1A Notional Amount” pursuant to the Priority of Payments by way of application of Unfunded Excess or by deposit of cash to the Synthetic Security Collateral Account minus (iii) the aggregate amount of increases in principal amount of the Class A-1A Notes in connection with Class A-1A Swap Payments since the Closing Date plus (iv) the aggregate amount paid to Class A-1A Noteholders in respect of Class A-1A Redemption Payments since the Closing Date.

During the Reinvestment Period, Principal Proceeds that would otherwise be deposited to the Principal Collection Account will be deposited instead to the Synthetic Security Collateral Account up to an amount equal to the lesser of (i) the aggregate outstanding principal amount of Class A-1A Notes or (ii) an amount equal to the sum of (x) 50% of the Aggregate Ramp-Up Notional Amount minus (y) the Class A-1A Notional Amount as of such date minus (z) the Aggregate Notional Balance of all Defeased Synthetic Securities and Credit Linked Notes as of such date (such lesser amount, the “**Class A-1A Reserve Amount**”).

On each Distribution Date during the Reinvestment Period, funds credited to the Synthetic Security Collateral Account (after giving effect to the application of all other deposits or payments pursuant to the Priority of Payments on such Distribution Date and the payment of any Outstanding CDS Issuer Payment Obligation on such Distribution Date) will be applied in reduction of the outstanding principal of the Class A-1A Notes, pursuant to the Priority of Payments with respect to Class A-1A Redemption Payments, and the Class A-1A Notional Amount will be increased by the amount of each such payment. See “Description of the Notes—Priority of Payments—Class A-1A Redemption Payments”.

Prior to the scheduled termination date of the Class A-1A Swap Agreement, the Class A-1A Swap Counterparty will be required to satisfy the Class A-1A Rating Criteria. If the Class A-1A Swap Counterparty fails at any time prior to the scheduled termination date of the Class A-1A Swap Agreement to comply with the Class A-1A Rating Criteria, the Class A-1A Swap Counterparty will be obligated to post collateral to the Class A-1A Swap Prefunding Account, obtain a

guarantee from a guarantor that meets such Class A-1A Rating Criteria, purchase the maximum principal amount of Class A-1A Notes, transfer its rights and obligations in the Class A-1A Swap Agreement to another entity that meets such Class A-1A Rating Criteria or take such other action that satisfies the Rating Condition. See “Description of the Notes—Class A-1A Swap Agreement”.

**Class A-1A Swap Availability Fee:**

The “**Class A-1A Swap Availability Fee**” with respect to any Distribution Date will accrue on the Class A-1A Notional Amount at a rate per annum equal to 0.18% during the related Interest Period as provided in the Class A-1A Swap Agreement. The Class A-1A Swap Availability Fee will be payable quarterly in arrears on each Distribution Date and will rank *pari passu* with the payment of interest and Commitment Fee on the Class A-1 Notes. The Class A-1A Swap Availability Fee will be computed on the basis of a 360-day year and the actual number of days elapsed.

**Interest Payments on the Notes:**

The Class A-1A Notes and Class A-1B Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.30%. The Class A-2 Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.43%. The Class B Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.52%. The Class C Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.63%. The Class D Notes will bear interest at a floating rate per annum equal to LIBOR plus 1.35%. The Class E Notes will bear interest at a floating rate per annum equal to LIBOR plus 3.15%. The Class F Notes will bear interest at a floating rate per annum equal to LIBOR plus 6.25%. The Class G Notes will bear interest at a floating rate per annum equal to LIBOR plus 7.25%.

Interest on each of the Notes and interest on Defaulted Interest and, as applicable, past due Commitment Fee in respect thereof will be computed on the basis of a 360-day year and the actual number of days elapsed.

Interest on the Notes will accrue from the Closing Date (or from the applicable Borrowing Date, with respect to a Borrowing under the Class A-1B Notes). Accrued and unpaid interest will be payable quarterly in arrears on each Distribution Date if and to the extent that funds are available on such Distribution Date in accordance with the Priority of Payments set forth herein.

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

So long as any Class A-1 Note, Class A-2 Note, Class B Note, Class C Note or Class D Note remains outstanding, failure to make payment in respect of interest on the Class E Notes on any Distribution Date by reason of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class E Notes that is



not paid when due by operation of the Priority of Payments will be deferred (such interest “**Class E Deferred Interest**”).

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

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

So long as any Class A Notes, Class B Notes or Class C Notes are outstanding, if the A/B/C Overcollateralization Test is not satisfied on any Determination Date, then Interest Proceeds that would otherwise be used to make payments on the related Distribution Date in respect of interest on any Class of Notes Subordinate to the Class C Notes or distributions as dividends to the Preference Shareholders will be used instead, first, to pay Class A-1A Principal Payments, second, to pay principal of the Class A-1B Notes, third, to pay principal of the Class A-2 Notes, fourth, to pay principal of the Class B Notes, and fifth, to pay principal of the Class C Notes, until the A/B/C Overcollateralization Test is satisfied or the principal of the relevant Classes of Notes (including the Class A-1A Notional Amount) is reduced to zero. See “Description of the Notes—Priority of Payments”.

So long as any Class D Notes are outstanding, if the Class D Overcollateralization Test is not satisfied on any Determination Date, then Interest Proceeds that would otherwise be used to make payments on the related Distribution Date in respect of interest on any Class of Notes Subordinate to the Class D Notes or distributions as dividends to the Preference Shareholders will be used instead to pay principal of the Class D Notes, until the Class D Overcollateralization Test is satisfied or the Classes D Notes are paid in full. See “Description of the Notes—Priority of Payments”.

So long as any Class E Notes are outstanding, if the Class E Overcollateralization Test is not satisfied on any Determination Date, then Interest Proceeds that would otherwise be used to make payments on the related Distribution Date in respect of interest on the Class F Notes or Class G Notes or distributed as dividends to the Preference Shareholders will be used instead to pay principal of the Class E Notes, until the Class E Overcollateralization Test is satisfied or the Class E

Notes are paid in full. See “Description of the Notes—Priority of Payments”.

So long as any Class F Notes are outstanding, if the Class F Overcollateralization Test is not satisfied on any Determination Date, then Interest Proceeds that would otherwise be used to make payments on the related Distribution Date in respect of interest on the Class G Notes or distributed as dividends to the Preference Shareholders will be used instead to pay principal of the Class F Notes until the Class F Overcollateralization Test is satisfied or the Class F Notes are paid in full. See “Description of the Notes—Priority of Payments”

So long as any Class G Notes are outstanding, if the Class G Interest Diversion Test is not satisfied on any Determination Date, Interest Proceeds that would otherwise be distributed as dividends to the Preference Shares must instead be used to pay principal of the Class G Notes, including any Class G Deferred Interest, on the related Distribution Date, to the extent necessary to cause the Class G Interest Diversion Test to be satisfied or until the Class G Notes are paid in full. See “Description of the Notes—Priority of Payments”.

Additionally, so long as any Class F Notes or Class G Notes are outstanding, 15% of the Interest Proceeds that would otherwise be distributed to the Preference Shares must instead be used to pay, *pro rata*, the principal of the Class G Notes and the Class F Notes, until such Classes of Notes are paid in full. See “Description of the Notes—Priority of Payments”

In addition, if (i) Fitch downgrades any Class of Notes prior to the date 30 days after the delivery of the Ramp-Up Notice, (ii) any Collateral Quality Test or Overcollateralization Test (other than the Standard & Poor’s CDO Monitor Notification Test) is not satisfied as of the Ramp-Up Completion Date and Moody’s has not confirmed the ratings assigned by it on the Closing Date to each Class of Notes prior to the date 30 days after the delivery of the Ramp-Up Notice or (iii) Standard & Poor’s has not confirmed to the Trustee in writing the rating assigned by it on the Closing Date to each Class of Notes prior to the date 21 days after the delivery of the Ramp-Up Notice (a “**Ratings Confirmation Failure**”), Available Principal Excess, and if the Available Principal Excess is not sufficient therefor, Interest Proceeds will be applied, subject to the Priority of Payments, on the Distribution Date relating to the first Determination Date occurring thereafter to prepay principal of each applicable Class of Notes (sequentially in direct order of Seniority) in accordance with the Priority of Payments, to the extent necessary to obtain confirmation from each downgrading or non-confirming Rating Agency that it has restored the ratings (including private and confidential ratings) on such affected Class of Notes to (or will maintain) the ratings assigned by it to such Class of Notes on the Closing Date (a “**Rating Confirmation**”). The Preference Shares will not be entitled to any such prepayments. See “Description of the Notes—Priority of Payments”.

**Reinvestment Period:**

The “**Reinvestment Period**” is the period from and including the Closing Date and ending on the first to occur of (i) the Distribution Date immediately following the date that the Collateral Manager notifies the Trustee and the CDS Counterparty that, in light of the

composition of the Collateral Debt Securities included in the Collateral, general market conditions and other factors, the Collateral Manager (in its sole discretion) has determined that investments in additional Collateral Debt Securities within the foreseeable future would either be impractical or not beneficial; (ii) the Distribution Date occurring in June 2009; and (iii) the termination of the Reinvestment Period as a result of the occurrence of an Event of Default. The other factors referred to in clause (i) above may include any change in U.S. Federal tax law requiring tax to be withheld on payments to the Issuer with respect to obligations or securities held by the Issuer.

Provided that no Event of Default has occurred and is continuing and subject to the Priority of Payments, Available Principal Excess, including Disposition Proceeds and any notional increase in Available Principal Excess resulting from the Disposition or amortization of a Synthetic Security, may be reinvested in, or otherwise used to enter into, substitute Collateral Debt Securities during the Reinvestment Period in compliance with the Eligibility Criteria. See “Security for the Notes—Disposition of Collateral Debt Securities” and “—Eligibility Criteria”.

**Maturity; Average Life; Duration:**

The stated maturity of the Notes is June 8, 2045 or, if such date is not a Business Day, the next following Business Day (with respect to each Class of Notes, the “**Stated Maturity**”). Each Class of Notes will mature at the Stated Maturity unless redeemed or repaid prior thereto. The average life of each Class of Notes and the duration of the Preference Shares may be less than the number of years until the Stated Maturity of the Notes. See “Maturity, Prepayment and Yield Considerations” and “Risk Factors—Projections, Forecasts and Estimates”.

**Principal Repayment of the Notes:**

After the Reinvestment Period, Available Principal Excess will be applied in accordance with the Priority of Payments (i) if a Sequential Payment Period is not in effect and would not occur as a result of such payment, to pay, first, the applicable Pro Rata Principal Payment Amount in reduction of the principal of each Class of Notes (which amount shall be applied as Class A-1A Principal Payments, in the case of the Class A-1A Notes) and second, unpaid interest (including Deferred Interest) on the Class D Notes, Class E Notes, Class F Notes and Class G Notes, sequentially in direct order of Seniority or (ii) if a Sequential Payment Period is in effect or would occur as a result of the payments described in the preceding clause, to pay Class A-1A Principal Payments and principal of the Class A-1B Notes, Class A 2 Notes, Class B Notes, Class C Notes, Class D Notes (plus any accrued and unpaid interest thereon, any Class D Deferred Interest and accrued interest thereon), Class E Notes (plus any accrued and unpaid interest thereon, any Class E Deferred Interest and accrued interest thereon), Class F Notes (plus any accrued and unpaid interest thereon, any Class F Deferred Interest and accrued interest thereon) and Class G Notes (plus any accrued and unpaid interest thereon, any Class G Deferred Interest and accrued interest thereon) sequentially in direct order of Seniority, until each such Class of Notes is paid in full and the Class A-1A Notional Amount is reduced to zero. The amount and frequency of principal payments of a Class of Notes will depend upon, among other things, the amount and frequency of payments of principal and interest

made under the Cash Securities and the Reference Obligations referenced by the Synthetic Securities.

The “**Pro Rata Principal Payment Amount**” means, with respect to any Distribution Date and each Class of Notes, an amount equal to (a) the amount of Available Principal Excess available in accordance with the Priority of Payments on such Distribution Date to make payments pursuant to clause (11) under “Priority of Payments—Available Principal Excess” multiplied by (b) the aggregate outstanding principal amount of such Class of Notes (including, in the case of the Class A-1A Notes, the Class A-1A Notional Amount) (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal (or reductions) thereof on such Distribution Date (x) from Interest Proceeds and (y) Available Principal Excess applied prior to clause (11) under “Priority of Payments—Available Principal Excess”) divided by (c) the aggregate outstanding principal amount of all Classes of Notes (including, in the case of the Class A-1A Notes, the Class A-1A Notional Amount) (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal (or reductions) thereof on such Distribution Date (x) from Interest Proceeds and (y) Available Principal Excess applied prior to clause (11) under “Priority of Payments—Available Principal Excess”); provided that if the aggregate outstanding principal amount of such Class of Notes (including, in the case of the Class A-1A Notes, the Class A-1A Notional Amount) is zero (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal (or reductions) thereof on such Distribution Date (x) from Interest Proceeds and (y) Available Principal Excess applied prior to clause (11) under “Priority of Payments—Available Principal Excess”), the applicable “Pro Rata Principal Payment Amount” with respect to such Class of Notes shall be zero.

The “**Class A-1A Principal Payments**” means, with respect to the amount of Available Principal Excess or Interest Proceeds (as applicable) to be applied pursuant to a step of the Priority of Payments directing the payment of “Class A-1A Principal Payments” on a Distribution Date, application of such amount in the following order: *first*, with respect to the portion thereof, if any, consisting of Unfunded Excess, 100% to the reduction of the Class A-1A Notional Amount, *second*, to the aggregate outstanding principal amount of the Class A-1A Notes and, *third*, to the reduction of the Class A-1A Notional Amount, by deposit to the Synthetic Security Collateral Account.

The “**Available Principal Excess**” means, with respect to any Determination Date, the amount, if any, by which (i) the sum of (a) the Synthetic Security Collateral Account Balance as of such date plus (b) the balance of all Eligible Investments credited to the Principal Collection Account (including any amount designated for withdrawal as Available Principal Excess, but excluding any amount designated for withdrawal as Interest Proceeds) plus the Class A-1A Notional Amount exceeds (ii) the aggregate Remaining Exposure as of such date under all Synthetic Securities as to which both the Issuer and the CDS Counterparty are counterparties.

The “**Unfunded Excess**” means, with respect to any Determination Date, the amount, if any, by which the Available Principal Excess with

respect to such Determination Date exceeds that portion of such Available Principal Excess consisting of cash.

An “**Amortization Shortfall**” means with respect to any Distribution Date on which Pro Rata Principal Payment Amounts are to be paid, the amount, if any, by which the portion of such Pro Rata Principal Payment Amounts to be paid in cash on such Distribution Date exceeds the amount of the Available Principal Excess consisting of cash available pursuant to the Priority of Payments for such Pro Rata Principal Payment Amounts.

The “**Sequential Payment Period**” means the period commencing on the earliest of (a) the first Measurement Date on which the Net Outstanding Portfolio Collateral Balance as of such Measurement Date is less than 50% of the Net Outstanding Portfolio Collateral Balance on the Ramp-Up Completion Date, (b) the occurrence of an Event of Default under the Indenture and (c) the first date on which the Class A Sequential Payment Test is not satisfied and ending on the date on which each Class of Notes is paid in full.

The “**Class A Sequential Payment Test**” is a test that is satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date on which any Class A Notes remain outstanding, if the Class A Sequential Payment Ratio on such Measurement Date is equal to or greater than 130.0%.

The “**Class A Sequential Payment 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 Class A-1A Notional Amount plus (iii) the aggregate outstanding principal amount of the Class A-2 Notes.

Payments of principal may be made on the Notes (and reductions of the Class A-1A Notional Amount effected) during the Reinvestment Period only in the following circumstances (subject to the Priority of Payments): (a) upon the failure of the Issuer to meet any Overcollateralization Test applicable to any Class of Notes as of the related Determination Date, (b) in the event of a Ratings Confirmation Failure, (c) in connection with a Tax Redemption, (d) in the case of the Class F Notes and Class G Notes, if amounts are otherwise available to be paid to the Preference Shares, in accordance with paragraph (21) under the heading “Description of the Notes—Priority of Payments—Interest Proceeds”, (e) in respect of Class A-1A Redemption Payments or (f) if the Collateral Manager directs the Trustee to apply a portion of Available Principal Excess to redeem Notes (and to reduce the Class A-1A Notional Amount) in accordance with paragraphs (10) and (11) under the heading “Description of the Notes—Priority of Payments—Available Principal Excess”. See “Description of the Notes—Principal”, “—Principal” and “—Priority of Payments—Interest Proceeds”.

In addition, the Issuer may redeem the Notes, in whole but not in part, at the applicable Redemption Price therefor on any Distribution Date occurring after the last day of the Reinvestment Period under the

circumstances described in “Description of the Notes—Optional Redemption and Tax Redemption”, “—Mandatory Redemption”, “—Auction Call Redemption” and “—Priority of Payments—Interest Proceeds”.

**Distributions on the Preference Shares:** On each Distribution Date, to the extent that funds are available therefor, Interest Proceeds will be released from the lien of the Indenture for payment to the Preference Share Paying Agent only after the payment of interest on the Notes and certain other amounts in accordance with the Priority of Payments. Until the Notes have been paid in full and certain other amounts have been paid in accordance with the Priority of Payments, Available Principal Excess is not permitted to be released from the lien of the Indenture and will not be available to make distributions in respect of the Preference Shares. Distributions will be made in cash. See “Description of the Preference Shares—Distributions”.

If any of the Overcollateralization Tests is not satisfied on the Determination Date related to any Distribution Date, funds that would otherwise be distributed to Preference Shareholders on the related Distribution Date (subject to the payment of certain other amounts prior thereto) may be used instead to repay principal of the applicable Classes of Notes (and reduce the Class A-1A Notional Amount) in accordance with the Priority of Payments, until each applicable Overcollateralization Test or the principal of the applicable Classes of Notes (including the Class A-1A Notional Amount) is reduced to zero.

In addition, if a Ratings Confirmation Failure occurs, funds that would otherwise be distributed to Preference Shareholders (subject to the payment of certain other amounts prior thereto) on the Distribution Date relating to the first Determination Date occurring thereafter will be used, in accordance with the Priority of Payments, to redeem the applicable Class of Notes (and reduce the Class A-1A Notional Amount) (sequentially in direct order of Seniority), to the extent necessary to obtain a Rating Confirmation. See “Description of the Notes—Priority of Payments”.

On each Distribution Date on which any Class F Notes or Class G Notes remain outstanding, 15% of the Interest Proceeds that would otherwise be distributed to Preference Shareholders will be applied *pro rata* to pay principal of the Class F Notes and the Class G Notes. See “Description of the Notes—Priority of Payments—Interest Proceeds”.

**Mandatory Redemption:** Each Class of Notes shall, on any Distribution Date, be subject to mandatory redemption (or reduction, in the case of the Class A-1A Notional Amount) pursuant to the Priority of Payments in the event that any Overcollateralization Test applicable to such Class is not satisfied on the related Determination Date. Any such redemption will be effected, *first*, from Interest Proceeds and *second* (to the extent that the application of Interest Proceeds pursuant to the Priority of Payments would be insufficient to cause such tests to be satisfied), from Available Principal Excess, in each case, to the extent necessary to cause each applicable Overcollateralization Test to be satisfied or the principal of the relevant Classes of Notes (including the Class A-1A Notional Amount) to be reduced to zero.

In the event of a Ratings Confirmation Failure, as described under “Description of the Notes—Mandatory Redemption”, the Issuer will be required to apply on the Distribution Date relating to the first Determination Date occurring thereafter *first*, Available Principal Excess and *second*, Interest Proceeds to the repayment of the Notes (and the reduction of the Class A-1A Notional Amount) (sequentially in direct order of Seniority) in accordance with the Priority of Payments and as and to the extent necessary to obtain a Rating Confirmation.

On any Distribution Date prior to the last day of the Reinvestment Period, the Collateral Manager may, if the Collateral Manager (in its sole discretion) determines that investing in additional Collateral Debt Securities in the near future would either be impractical or not beneficial to the Issuer, direct the Trustee to apply all or any portion of Available Principal Excess that would otherwise be available for deposit in the Synthetic Security Collateral Account or the Principal Collection Account (in each case for the purposes of reinvestment) pursuant to paragraph (10) under the heading “Description of the Notes—Priority of Payments—Available Principal Excess” to the payment of principal of the Notes (and the reduction of the Class A-1A Notional Amount) in accordance with the applicable priorities set forth in paragraph (11) under the heading “Description of the Notes—Priority of Payments—Available Principal Excess”. See “Description of the Notes—Mandatory Redemption” and “—Priority of Payments—Available Principal Excess”.

**Optional Redemption  
and Tax Redemption of the Notes:**

Subject to certain conditions described herein, on any Distribution Date occurring on or after the Distribution Date occurring in June 2009, a Special Majority of Preference Shareholders may direct the Issuer to redeem the Notes in whole but not in part, in each case at the applicable Redemption Price therefor. See “Description of the Notes—Optional Redemption and Tax Redemption”.

In addition, upon the occurrence of a Tax Event, the Issuer may redeem the Notes (such redemption, a “**Tax Redemption**”), in whole but not in part (i) at the written direction of a Majority of any Class of Notes that, as a result of the occurrence of such 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 of the Preference Shareholders. Any such redemption may only be effected on a Distribution Date and only from (a) the Disposition Proceeds of the Collateral and (b) all other funds in the Accounts (other than in the Collateral Accounts, except to the extent funds therein will be released to the Issuer) on the relevant Distribution Date, at the applicable Redemption Price. No Tax Redemption may be effected, however, unless (i) all Disposition Proceeds under clause (a) above are used to make such a Tax Redemption, (ii) funds under clauses (a) and (b) above are sufficient to redeem all of the Notes simultaneously and to pay any termination amounts due to the Swap Counterparties (including in order to terminate all of the Synthetic Securities) and to pay certain other amounts in accordance with the procedures set forth in the Indenture and (iii) the Tax Materiality Condition is satisfied. See “Description of the Notes—Optional Redemption and Tax Redemption”.

**Auction Call Redemption:**

If, on or prior to the Auction Call Date, the Notes have not been (and on the Auction Call Date will not be) redeemed in full, the Issuer shall conduct an Auction of the Collateral Debt Securities in accordance with the Auction Procedures set forth in the Indenture. Such Auction shall be conducted on a date no later than ten Business Days prior to the Auction Call Date and, if the Notes are not redeemed in full on the related Distribution Date, no later than ten Business Days prior to each Distribution Date thereafter until the Notes have been redeemed in full.

In connection with each Auction, the CDS Counterparty will quote termination amounts payable to or by the Issuer in respect of each Synthetic Security. The Issuer or an agent of the Issuer shall also obtain quotes for the purchase of the Collateral Debt Securities from Qualified Bidders. If certain conditions are met in connection with an Auction, including the receipt by the Issuer or an agent of the Issuer of proceeds sufficient to pay (i) any accrued and unpaid amounts payable under the Priority of Payments prior to the payment of the Notes (including any termination payments payable by the Issuer pursuant to the Swap Agreements), and any fees and expenses incurred in connection with such Auction, (ii) the Notes in full, (iii) the Preference Share Required Return and (iv) any accrued and unpaid Subordinated Collateral Management Fee and any interest accrued thereon, the Synthetic Securities and all other Collateral Debt Securities will be Disposed of and the Notes will be redeemed in connection with such Auction. If such conditions are not satisfied and the Disposition of all Synthetic Securities and all other Collateral Debt Securities is not successfully conducted with respect to such Auction, the Issuer or an agent of the Issuer will conduct an Auction on a quarterly basis (subject to the exceptions described herein) until the Notes are redeemed in full. See “Description of the Notes—Auction Call Redemption”.

“**Internal Rate of Return**” means, as of any date of determination, the per annum discount rate at which the sum of (x) the initial aggregate liquidation preference of the Preference Shares (which amount will be deemed to be negative for purposes of such calculation) and (y) each distribution in respect of Preference Shares made on or prior to such determination date is equal to zero (as calculated using the “XIRR” function of Microsoft® Office Excel 2003 or equivalent software achieving the same result).

“**Preference Share Required Return**” means a distribution in respect of the Preference Shares sufficient to provide the Preference Shareholders with an Internal Rate of Return of (i) on any date occurring prior to the Distribution Date in June 2016, 5% or (ii) on any date occurring on or after the Distribution Date in June 2016, 2%.

**Security for the Notes:**

Pursuant to the Indenture, the Notes, together with the Issuer’s obligations to the Collateral Manager, the Collateral Administrator, the Preference Share Paying Agent, the Trustee and the Swap Counterparties, will be secured by: (i) the Collateral Debt Securities and any Equity Securities; (ii) the Issuer’s rights with respect to the Payment Account, the Income Collection Account, Principal Collection Account, the Expense Account, the Synthetic Security Collateral Account, the Custodial Account and Eligible Investments purchased with funds on deposit in such accounts; (iii) the rights of the Issuer under the Preference Share Paying Agency Agreement, the



Management Agreement, the Swap Agreements, the Collateral Administration Agreement, the Master Forward Sale Agreement, the Investor Application Forms, the Class A-1B Note Funding Agreement and the Securities Purchase Agreement (including the rights of the Issuer in respect of the CDS Counterparty Collateral Account, any Third Party Collateral Account and any Class A-1B Noteholders Prepayment Account); (iv) all cash delivered to the Trustee; and (v) all proceeds, accessions, profits, income benefits, substitutions and replacements, whether voluntary or involuntary, of and to any other property of the Issuer described in the foregoing (collectively, the “Collateral”). In the event of any realization on the Collateral, proceeds will be allocated to the payment of each Class of Notes in accordance with the respective priorities established by the Priority of Payments. The Class P Notes (except to the extent of the Class P Preference Share Component, which are not secured) will be secured solely to the extent of the Class P Treasury Strip. The Class P Treasury Strip is not included in the Collateral securing the Notes and the other obligations of the Issuer.

“Accounts” means, collectively, the Income Collection Account, the Principal Collection Account, the Payment Account, the Expense Account, each Class A-1B Noteholders Prepayment Account, the Custodial Account, the Synthetic Security Collateral Account, each Collateral Account and any subaccount thereof that the Trustee deems necessary or appropriate.

**Ramp-Up Period:**

It is currently expected that the Aggregate Notional Balance of Collateral Debt Securities that the Issuer has acquired or entered into or has committed to acquire or enter into as of the Closing Date will be approximately equal to U.S.\$440,000,000 (of which U.S.\$225,000,000 will constitute Synthetic Securities). The Issuer expects that, no later than the 86th day following the Closing Date, it will have invested in Collateral Debt Securities having an Aggregate Notional Balance of at least U.S.\$500,000,000 (the “Aggregate Ramp-Up Notional Amount”). All of the Collateral Debt Securities will be subject to the Collateral Quality Tests and the Eligibility Criteria to the extent described herein.

The Collateral Debt Securities entered into or purchased by the Issuer will, on the date of entry therein, have the applicable characteristics and satisfy the applicable criteria set forth herein under “Security for the Notes—Synthetic Securities” and “—Eligibility Criteria”. Although the Issuer expects that the Collateral Debt Securities in which it invests will, on the Ramp-Up Completion Date, satisfy the Collateral Quality Tests and Overcollateralization Tests described herein, there is no assurance that such tests will be satisfied on such date. Failure to satisfy such tests following the Closing Date may result in a Ratings Confirmation Failure, which could cause the repayment or redemption of all or a portion of the Notes (and a reduction of the Class A-1A Notional Amount) (according to the priority specified in the Priority of Payments). See “Description of the Notes—Mandatory Redemption”.

No investments in Collateral Debt Securities (other than in respect of commitments entered into during the Reinvestment Period or Short Synthetic Securities in respect of then-effective long Synthetic Securities) will be effected by the Issuer after the termination of the

Reinvestment Period. Unless terminated earlier as described in the definition of “Reinvestment Period” herein, the Reinvestment Period will terminate on the Distribution Date occurring in June 2009.

**Liquidation of Collateral:**

In connection with the Stated Maturity of the Notes, any Optional Redemption, Tax Redemption or Auction Call Redemption, the Issuer will Dispose of the Collateral Debt Securities, Eligible Investments and other Collateral. All net proceeds from such Disposition and all available cash will be applied to the payment (in the order of priorities set forth under “Description of the Notes—Priority of Payments”) of all (i) fees, (ii) expenses (including all amounts due to the Swap Counterparties) and (iii) principal of and interest (including any Defaulted Interest, interest on Defaulted Interest and Deferred Interest and any interest thereon) and Commitment Fee on the Notes. Net proceeds from such liquidation and available cash remaining after all payments required pursuant to the Indenture (other than the final payments to the Preference Share Paying Agent for distribution to the Preference Shareholders) 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.\$250 of capital to the owner of the Issuer’s ordinary shares and the payment of a U.S.\$250 profit fee to the owner of the Issuer’s ordinary shares and interest thereon will be paid to the Preference Share Paying Agent for distribution to the Preference Shareholders in accordance with the Preference Share Paying Agency Agreement.

**Optional Redemption of the Preference Shares:**

Subject to certain conditions described herein, if the Preference Shares are not otherwise redeemed in connection with a redemption of the Notes, on any Distribution Date on or after the Distribution Date on which the Notes have been paid in full, a Special Majority of Preference Shareholders may direct the Issuer to liquidate any remaining assets and redeem the Preference Shares (in whole but not in part), at the redemption price therefor. See “Description of the Preference Shares—Optional Redemption”.

**The Credit Default Swap Agreement:**

On or prior to the Closing Date, the Issuer will enter into a 1992 ISDA Master Agreement (Multicurrency-Cross Border) (together with the schedule, the Credit Support Annex and any Confirmations thereto, the “**Credit Default Swap Agreement**”) with MLI (in such capacity, the “**CDS Counterparty**”), for the purpose of entering into Synthetic Securities in the form of credit default swap transactions (each, a “**Synthetic Security**”) under which the Issuer will, as seller or buyer of protection, acquire or sell synthetic exposure to the related Reference Obligations.

The obligations of the CDS Counterparty under the Credit Default Swap Agreement will be guaranteed pursuant to a guarantee issued by Merrill Lynch & Co. (the “**CDS Guarantor**”) to the Issuer.

The short-term unsecured and unguaranteed debt obligations of the CDS Guarantor are currently rated “A-1” by Standard & Poor’s, “F1+” by Fitch and “P1” by Moody’s.

Synthetic Securities will be documented by one or more Confirmations under the Credit Default Swap Agreement and each Synthetic Security will constitute a separate transaction under the Credit Default Swap Agreement. See “The Credit Default Swap Agreement”.

The Synthetic Securities will generally be documented by a Form-Approved Synthetic Security that is substantially in the form of a “Credit Derivative Transaction on Mortgage-Backed Security With Pay-As-You-Go or Physical Settlement (Form I) (Dealer Form)” template confirmation published by ISDA or any successor form published by ISDA from time to time (a “**Pay As You Go Confirmation**”), with the elections described under “The Credit Default Swap” below. The Credit Events applicable to each Synthetic Security are generally expected to be: Failure to Pay Principal, Writedown and Distressed Ratings Downgrade. In addition to specifying the Credit Events that may trigger physical settlement, the Form-Approved Synthetic Security requires the protection seller to pay floating amounts to the protection buyer in amounts equal to any principal shortfalls, writedowns and interest shortfalls upon the occurrence thereof. The protection buyer will generally be required to reimburse all or part of such floating amounts to the protection seller if they are ultimately paid by the Reference Obligor to holders of the Reference Obligation, within one year after the Effective Maturity Date of the applicable Synthetic Security. A Writedown or a Failure to Pay Principal in respect of a Reference Obligation will entitle the protection buyer to elect whether to deliver a Credit Event Notice or require a Credit Protection Payment under the related Synthetic Security. With respect to each Synthetic Security, the parties will elect to cap the interest shortfall risk being transferred to the protection seller by limiting amounts to be paid by the protection seller to the protection buyer to the amount of premium payable by the protection buyer under the Synthetic Security on the first premium payment date immediately following the Reference Obligation payment date on which the relevant interest shortfall occurred. The terms of some Synthetic Securities, including Synthetic Securities the Reference Obligations of which are CDO Securities, will be documented using a form substantially similar to the form described above in this paragraph, although certain terms, including the credit events specified in the form for CDO Securities are expected to vary. See “The Credit Default Swap Agreement”.

After the Closing Date, the Issuer may enter into additional ISDA Master Agreements (or similar documentation) and related documentation in respect of Credit Linked Notes or Defeased Synthetic Securities with the CDS Counterparty or with counterparties other than the CDS Counterparty (each, a “**Synthetic Security Counterparty**”). If any such Credit Linked Note or Defeased Synthetic Security is not a Form-Approved Synthetic Security, the Issuer will be required to satisfy the Rating Condition.

**The Offering:**

The Offered Securities are being offered only (a) in the United States in reliance upon an exemption from the registration requirements of the Securities Act to Qualified Institutional Buyers (or, solely in the case of the Preference Shares, accredited investors) who are also Qualified Purchasers and (b) outside the United States in compliance with Regulation S to persons who are not U.S. Persons. A “**Qualified Purchaser**” means (i) a “qualified purchaser” as defined in

Section 2(a)(51)(a) of the Investment Company Act, (ii) a company each of whose beneficial owners is a qualified purchaser, (iii) in the case of the Preference Shares, a “knowledgeable employee” with respect to the Issuer as specified in Rule 3c-5 promulgated under the Investment Company Act or (iv) in the case of the Preference Shares, a company owned exclusively by knowledgeable employees and/or Qualified Purchasers. See “Transfer Restrictions”.

**Ratings:**

It is a condition to the issuance of the Offered Securities that the Class A-1 Notes and the Class A-2 Notes be rated “Aaa” by Moody’s Investors Service, Inc. (“**Moody’s**”), “AAA” by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. (“**Standard & Poor’s**”) and “AAA” by Fitch, Inc. (“**Fitch**”, and together with Moody’s and Standard & Poor’s, the “**Rating Agencies**”), the Class B Notes be rated at least “Aa2” by Moody’s, “AA” by Standard & Poor’s and “AA” by Fitch, that the Class C Notes be rated at least “Aa3” by Moody’s, “AA-” by Standard & Poor’s and “AA-” by Fitch, that the Class D Notes be rated at least “A2” by Moody’s, “A” by Standard & Poor’s and “A” by Fitch, that the Class E Notes be rated at least “Baa2” by Moody’s, “BBB” by Standard & Poor’s and “BBB” by Fitch, that the Class F Notes be rated at least “Ba1” by Moody’s, “BB+” by Standard & Poor’s and “BB+” by Fitch and that the Class G Notes be rated at least “Ba2” by Moody’s, “BB” by Standard & Poor’s and “BB” by Fitch. The Class P Notes will be rated by Moody’s and are expected to have a rating of “Aaa”; provided that such rating will apply only to the return of the initial Class P Note Rated Balance. The Preference Shares will not be rated by any Rating Agency.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

**Minimum Denominations of Offered Securities:**

The Notes will be issuable in a minimum denomination of U.S.\$250,000 and will be offered only in such minimum denomination or an integral multiple of U.S.\$1,000 in excess thereof. The Preference Shares will be issuable in a minimum amount of 250 shares and integral multiples of 1 share in excess thereof. After issuance, a Note may fail to be in compliance with the minimum denomination requirement stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments.

**Form of the Notes:**

The Class A-1A Notes, Class A-1B Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes and Class G Notes (collectively, the “**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**”) and Preference Shares 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 Preference Share**”) and, collectively with the Regulation S Global Notes, the “**Regulation S Global Securities**”) in definitive, fully registered form, without interest coupons, and deposited with the Trustee or, in the case of the Regulation S Global Preference Shares, with the Preference Share Paying Agent, as custodian for, and registered in the name of, The

Depository Trust Company (“**DTC**”) or its nominee. Notes that are sold or transferred to a U.S. Person or in the United States in reliance upon an exemption from the registration requirements of the Securities Act will be represented by one or more permanent global notes (“**Restricted Global Notes**” and, collectively with the Regulation S Global Securities, the “**Global Securities**”) in definitive, fully registered form, without interest coupons, and deposited with the Trustee as custodian for, and registered in the name of DTC, or its nominee. Preference Shares that are sold or transferred to a U.S. Person or in the United States in reliance upon an exemption from the registration requirements of the Securities Act will be represented by certificates (“**Restricted Preference Shares**” and, collectively with the Restricted Global Notes, “**Restricted Securities**”) in definitive, fully registered form, registered in the name of the legal and beneficial owner thereof.

**Listing:**

Application will be made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for a prospectus (the “**Prospectus**”) to be approved. Application will be made to the Irish Stock Exchange for the Notes and the Class P Notes to be admitted to the Official List and trading on its regulated market. No application will be made to list the Notes on any other such stock exchange. Application will be made for the listing of and permission to deal in the Preference Shares on the Channel Islands Stock Exchange LBG (the “**CISX**”). No application will be made to list the Preference Shares on any other such stock exchange.

**Listing Agent :**

Maples and Calder, Listing Services Limited with respect to the Notes and Maples Finance Jersey Limited, with respect to the Preference Shares (each, a “**Listing Agent**”).

**Irish Paying Agent:**

Maples Finance Dublin (the “**Irish Paying Agent**”).

**Governing Law:**

The Notes, the Investor Application Forms, the Indenture, the Management Agreement, the Collateral Administration Agreement, the Class A-1A Swap Agreement, the Preference Share Paying Agency Agreement, the Hedge Agreement, the Credit Default Swap Agreement, the Class A-1B Note Funding Agreement and the Securities Purchase Agreement will be governed by, and construed in accordance with, the law of the State of New York. The Issuer’s Memorandum and Articles of Association and the Administration Agreement will be governed by, and construed in accordance with, the laws of the Cayman Islands.

**Tax Matters:**

See “Income Tax Considerations”.

**Benefit Plan Investors:**

See “ERISA Considerations”.

## RISK FACTORS

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

*Limited Liquidity and Restrictions on Transfer.* There is currently no market for the Offered Securities. Although the Initial Purchaser may from time to time make a market in any Class of Notes or the Preference Shares, as the case may be, the Initial Purchaser is under no obligation to do so. In the event that the Initial Purchaser commences any market-making, it may discontinue the same at any time without notice. There can be no assurance that a secondary market for any of the Offered Securities will develop, or if a secondary market does develop, that it will provide the holders of such Offered Securities with liquidity of investment or that it will continue for the life of the Offered Securities. Consequently, an investor in the Offered Securities must be prepared to hold its Offered Securities for an indefinite period of time or until the Stated Maturity of the Offered Securities. In addition, no sale, assignment, participation, pledge or transfer of the Offered Securities may be effected if, among other things, it would require any of the Issuer, the Co-Issuer or any of their officers or directors to register under, or otherwise be subject to the provisions of, the Investment Company Act or any other similar legislation or regulatory action. Furthermore, the Offered Securities have not been and will not be registered under the Securities Act or any state securities laws or the laws of any other jurisdiction. The Offered Securities are subject to certain transfer restrictions and can only be transferred to certain transferees as described under "Transfer Restrictions". Such restrictions on the transfer of the Offered Securities may further limit their liquidity. Application will be made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for a Prospectus to be approved. Application will be made to the Irish Stock Exchange for the Notes and the Class P Notes to be admitted to the Official List and trading on its regulated market. Application will be made to the CISX for the listing of and permission to deal in the Preference Shares. There can be no assurance that listing on the Irish Stock Exchange with respect to the Notes and the Class P Notes, or on the CISX with respect to the Preference Shares, will be granted. See "Listing and General Information".

*Limited-Recourse Obligations; Limited Source of Funds.* The Co-Issued Notes are joint and several limited-recourse obligations of the Co-Issuers and the Class F Notes and Class G Notes are limited-recourse debt obligations of the Issuer, in each case, payable solely from the Collateral Debt Securities, Eligible Investments and other Collateral pledged by the Issuer to secure the Notes. The Preference Shares are unsecured limited-recourse obligations of the Issuer. The Preference Shares are payable solely from proceeds of the Collateral released from the lien of the Indenture in accordance with the Priority of Payments. Amounts available to the Trustee for the making of scheduled payments on the Notes and the amounts available for distributions on the Preference Shares are payable solely from the Collateral Debt Securities, Eligible Investments and other Collateral pledged by the Issuer to secure, *inter alia*, the Notes in accordance with the Priority of Payments. None of the security holders, members, officers, directors, managers or incorporators of the Issuer, the Co-Issuer, the Trustee (other than applying the Collateral in accordance with the Priority of Payments), the Administrator, any Rating Agency, the Share Trustee, the Collateral Manager, the Swap Counterparties, the Initial Purchaser, the Collateral Administrator, any of their respective affiliates and any other person or entity will be obligated to make payments on the Notes or distributions on the Preference Shares. Consequently, the Noteholders must rely solely on amounts received in respect of the Collateral Debt Securities, Eligible Investments and other Collateral pledged to secure the 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, Eligible Investments and other Collateral pledged by the Issuer to secure the Notes will be sufficient to make payments on any Class of Notes, in particular after making payments on more Senior Classes of Notes and certain other required amounts ranking Senior to such Class (including payments and deposits in respect of the Class A-1A Swap Agreement and certain termination payments under the Swap Agreements). 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 shall not thereafter revive. Other than amounts the Co-Issuers may be entitled to receive pursuant to certain limited indemnities, amounts received in respect of the Collateral Debt Securities and other Collateral pledged to secure the Notes are the only source for

payments of the expenses of the Co-Issuers, including any expenses incurred by the Co-Issuers in connection with any litigation.

*Subordination of Notes.* Payments of principal of and interest and Commitment Fee on the Notes are subordinated, as and to the extent specified in the Priority of Payments and the Indenture, to payment of certain termination payments under the Swap Agreements and certain other expenses of the Issuer. No payment of interest on and, except for certain applications of Interest Proceeds pursuant to the Priority of Payments, no payments of principal of 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. In addition, after the end of the Reinvestment Period, Available Principal Excess will (i) if a Sequential Payment Period is not in effect and would not occur as a result of such payment, to pay, first, the applicable Pro Rata Principal Payment Amount in reduction of the principal of each Class of Notes (which amount shall be applied as Class A-1A Principal Payments, in the case of the Class A-1A Notes) and second, unpaid interest (including Deferred Interest) on the Class D Notes, Class E Notes, Class F Notes and Class G Notes, sequentially in direct order of Seniority or (ii) if a Sequential Payment Period is in effect or would occur as a result of the payments described in the preceding clause, to pay Class A-1A Principal Payments and principal of the Class A-1B Notes, Class A 2 Notes, Class B Notes, Class C Notes, Class D Notes (plus any accrued and unpaid interest thereon, any Class D Deferred Interest and accrued interest thereon), Class E Notes (plus any accrued and unpaid interest thereon, any Class E Deferred Interest and accrued interest thereon), Class F Notes (plus any accrued and unpaid interest thereon, any Class F Deferred Interest and accrued interest thereon) and Class G Notes (plus any accrued and unpaid interest thereon, any Class G Deferred Interest and accrued interest thereon) sequentially in direct order of Seniority, until each such Class of Notes is paid in full and the Class A-1A Notional Amount is reduced to zero.

If an Event of Default occurs while any Notes are outstanding, the Controlling Class will be entitled to determine the remedies to be exercised under the Indenture. So long as any Class A Notes, Class B Notes or Class C Notes remain outstanding, the failure to make payment in respect of interest on the Class D Notes on any Distribution Date by reason of the Priority of Payments will not constitute an Event of Default under the Indenture. So long as any Class A Notes, Class B Notes, Class C Notes or Class D Notes remain outstanding, the failure to make payment in respect of interest on the Class E Notes on any Distribution Date by reason of the Priority of Payments will not constitute an Event of Default under the Indenture. So long as any Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes remain outstanding, the failure to make payment in respect of interest on the Class F Notes on any Distribution Date by reason of the Priority of Payments will not constitute an Event of Default under the Indenture. So long as any Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class F Notes remain outstanding, the failure to make payment in respect of interest on the Class G Notes on any Distribution Date by reason of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class D Notes, Class E Notes, Class F Notes or Class G Notes that is not paid when due by operation of the Priority of Payments will be deferred. In the event of any realization on the Collateral, proceeds will be allocated to the Notes and other amounts in accordance with the Priority of Payments prior to any distribution to the Preference Shareholders. See “Description of the Notes—The Indenture” and “—Priority of Payments”. Remedies pursued by the holders of the Class or Classes of Notes entitled to determine the exercise of such remedies could be adverse to the interests of the holders of the other Classes of Notes and to the holders of the Preference Shares. To the extent that any losses are suffered by any of the holders of any Offered Securities, such losses, subject to the Priority of Payments, generally will be borne, *first*, by the holders of the Preference Shares, *second*, by the holders of the Class G Notes, *third*, by the holders of the Class F Notes, *fourth*, by the holders of the Class E Notes, *fifth*, by the holders of the Class D Notes, *sixth*, by the holders of the Class C Notes, *seventh*, by the holders of the Class B Notes, *eighth* by the holders of the Class A-2 Notes, *ninth*, by the holders of the Class A-1B Notes and *tenth*, by the holders of the Class A-1A Notes.

*Ongoing Commitments—Class A-1B Notes.* Each Holder of the Class A-1B Notes will be obligated during the Commitment Period, subject to compliance by the Issuer with certain borrowing conditions specified in the Class A-1B Note Funding Agreement, to advance funds to the Co-Issuers until the aggregate principal amount advanced under the Class A-1B Notes equals the amount of such Holder’s original Commitment; provided that (i) the aggregate amount advanced under the Class A-1B Notes may not in any event exceed \$125,000,000 and (ii) at the time of and immediately after giving effect to such Borrowing, no Event of Default has occurred and is continuing or would result from such Borrowing. See “Description of the Notes—Drawdown of the Class A-1B Notes”.

*Status of Preference Shares; Payments in Respect of the Preference Shares.* The Preference Shares are not secured by the Cash Securities, the Synthetic Securities or any of the other Collateral securing the Notes. There can be no assurance that, after payment of principal and interest on the Notes (including reductions of the Class A-1A Notional Amount) Commitment Fee, Class A-1A Swap Availability Fee and other fees and expenses of the Co-Issuers in accordance with the Priority of Payments, the Issuer will have funds remaining to make distributions in respect of the Preference Shares. There can be no assurance that the Issuer will have sufficient funds to make distributions in respect of the Preference Shares in an amount equal to the liquidation preference of the Preference Shares. The failure to make distributions in respect of the Preference Shares shall not be an Event of Default. The rights of the Preference Shareholders to receive payments will, as and to the degree specified in the Priority of Payments, rank behind the rights of the Swap Counterparties and the Noteholders. The Issuer, pursuant to the Indenture, has pledged substantially all of its assets to secure the Notes and certain other obligations of the Issuer. The proceeds of such assets will only be available to make payments in respect of the Preference Shares as and when such proceeds are released in accordance with the Priority of Payments. See “Description of the Notes—Priority of Payments”.

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

*Volatility of the Preference Shares.* The Preference Shares represent a leveraged investment in the underlying Collateral. Therefore, it is expected that changes in the value of the Preference Shares will be greater than the change in the value of the Collateral Debt Securities, which themselves are subject to credit, liquidity, interest rate and other risks. Utilization of leverage is a speculative investment technique and involves certain risks to investors. The indebtedness of the Issuer under the Notes and its obligations under the Class A-1A Swap Agreement will result in interest expense, fees and other costs incurred in connection with such obligations and indebtedness that may not be covered by proceeds received from the Collateral. The use of leverage generally magnifies the Issuer’s opportunities for gain and risk of loss.

*Preference Share Voting Rights.* The holders of the Preference Shares have a variety of voting rights under the Indenture, the Preference Share Paying Agency Agreement and the other transaction documents, including the right to direct an Optional Redemption or Tax Redemption, the exercise of which may materially and adversely affect the rights of the Noteholders. See “Description of the Notes—Optional Redemption and Tax Redemption”.

*Subordination of Collateral Debt Securities.* It is expected that all or most of the Collateral Debt Obligations (including the Reference Obligations of the Synthetic Securities) will generally be subordinated to one or more other classes of securities of the same Issue for purposes of, among other things, offsetting losses and other shortfalls with respect to the related underlying assets. In addition, in the case of certain ABS Type Residential Securities, no distributions of principal will generally be made with respect to any class until the aggregate principal balances of the more senior classes of securities have been reduced to zero. As a result, the subordinate classes are more sensitive to risk of loss and write-downs than senior classes.

*Purchase of Collateral Debt Securities.* All of the Collateral Debt Securities purchased or entered into by the Issuer on the Closing Date will be purchased or assigned, as the case may be, from a portfolio of Collateral Debt Securities selected by the Collateral Manager, and acquired and held, or entered into, by MLI, an affiliate of the Initial Purchaser, pursuant to a Warehouse Agreement dated as of October 20, 2005 (the “**Warehouse Agreement**”) between MLI and GSCP (NJ) L.P. Under the terms of the Warehouse Agreement, MLI has the right to refuse to acquire or enter into any Collateral Debt Security selected by the Collateral Manager. The Issuer will purchase Collateral Debt Securities included in such warehouse portfolio 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 (or the premium payable by the CDS Counterparty) in respect of such Collateral Debt Securities will be based on the purchase price paid (or applicable premium rate payable) when such Collateral Debt Securities were acquired under the Warehouse Agreement, accrued and unpaid interest and/or premium 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 or entry into of such Collateral Debt Securities and related hedging arrangements as if it had acquired



such Collateral Debt Securities directly at the time of purchase or entry into by MLI of such Collateral Debt Securities and not on the Closing Date.

In addition, on the Closing Date, the Issuer will enter into the Master Forward Sale Agreement with MLI (the “**Master Forward Sale Agreement**”) pursuant to which the Issuer may purchase additional Collateral Debt Securities from MLI or draw amounts for deposit to the Synthetic Security Collateral Account or a Third Party Collateral Account (for the purpose of entering into Defeased Synthetic Securities) from time to time during the Ramp-Up Period in advance of anticipated Borrowings under the Class A-1B Note Funding Agreement. 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 on 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. Following the commencement of such case or proceeding, 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 Memorandum, 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; Reinvestment.* The notional amount of Collateral Debt Securities entered into or purchased (as applicable) by the Issuer on the Closing Date and the amount and timing of the investment by the Issuer into additional Collateral Debt Securities both prior to and after the Ramp-Up Completion Date, subject to certain criteria as set forth herein, will affect the return to holders of, and cash flows available to make payments on, the Offered Securities. Reduced liquidity and lower volumes of transactions in Cash Securities or Synthetic Securities (in respect of certain Reference Obligations), in addition to restrictions on investment contained in the Eligibility Criteria, could result in periods of time during which the Issuer is unable to be fully invested in Collateral Debt Securities. During any such period, the aggregate amount of Interest Proceeds received by the Issuer will generally be reduced, which will reduce the amounts available to pay interest on the Notes, make distributions on the Preference Shares and to make other payments pursuant to the Priority of Payments. The longer the period before the Issuer has entered into the maximum permitted Aggregate Notional Balance of 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 Issuer were immediately invested and remained invested at all times in such maximum permitted Aggregate Notional Balance of Collateral Debt Securities. There can be no assurance that the Issuer will be able to invest in sufficient Collateral Debt Securities in order for the Aggregate Notional Balance of all Collateral Debt Securities purchased or entered into by the Issuer to equal the Aggregate Ramp-Up Notional Amount as of the Ramp-Up Completion Date.

On the Closing Date, approximately 60% of the maximum aggregate principal amount of the Class A-1B Notes will be funded and it is expected that the Aggregate Notional Balance of the Collateral Debt Securities that the Issuer has acquired or entered into (or has committed to acquire or enter into) as of the Closing Date will be at least 85% of the Aggregate Ramp-Up Notional Amount. The Issuer will apply the proceeds of any Borrowings made by it during or the Ramp-Up Period, to purchase (or enter into) additional Collateral Debt Securities (and, pending such purchase, to acquire Eligible Investments). There can be no assurance that the applicable conditions to Borrowings will be satisfied or that, if a Holder of Class A-1B Notes fails to fund a Borrowing, a replacement for such defaulting Holder can be found. Under such circumstances, the Issuer may not be able to purchase or enter into additional Collateral Debt Securities and other Eligible Investments during the Ramp-Up Period in an amount sufficient to meet the Aggregate Ramp-Up Notional Amount by the Ramp-Up Completion Date.

In addition, if the Issuer does not invest in additional Collateral Debt Securities promptly after the Aggregate Notional Balance of the existing Collateral Debt Securities is reduced by principal amortization or otherwise, the Interest Proceeds received by the Issuer will be reduced but the interest on the Notes, Class A-1A Swap Availability Fee and Commitment Fee payable by the Issuer to the Noteholders, will generally not be reduced during the Reinvestment Period unless the Collateral Manager directs the Trustee to apply Available Principal Excess to redeem the Notes (and reduce the Class A-1A Notional Amount) in accordance with paragraphs (10) and (11) under the heading “Description of the Notes—Priority of Payments—Available Principal Excess”. The associated reinvestment risk on the Collateral Debt Securities will first be borne by holders of the Preference Shares and then by the holders of the Notes in the reverse order of Seniority.

*Nature of Collateral.* The Collateral Debt Securities are subject to credit, liquidity and interest rate risk. In addition, a significant portion of the Collateral Debt Securities will be entered into or purchased (as applicable) by the Issuer after the Closing Date, and, accordingly, the financial performance of the Issuer may be affected by the pricing and liquidity of the market for asset-backed securities, REIT debt securities and credit default swaps referencing asset-backed securities or REIT debt securities. The amount and nature of the collateral securing the Notes have been established to withstand certain assumed defaults on the Cash Securities and Credit Protection Payments and Physical Settlement Amounts to be made by the Issuer in respect of the Reference Obligations. If defaults under the Cash Securities and/or payments by the Issuer (including Trading Termination Payments) in respect of Synthetic Securities exceed such assumed levels, however, payment of the Notes and the distributions on the Preference Shares could be adversely affected.

The Eligibility Criteria allow the Issuer to enter into or acquire Collateral Debt Securities that are rated below investment grade. Such Collateral Debt Securities will have greater credit, insolvency and liquidity risk than investment grade obligations and, therefore, a greater risk of loss. In addition to credit and liquidity risk, obligations rated below investment grade have greater volatility than investment grade obligations. Future periods of uncertainty in the United States economy and the possibility of increased volatility and default rates in the below investment grade sector may further adversely affect the price and liquidity of below investment grade obligations in this market. Consequently, purchasers of the Offered Securities will bear a higher risk of losing all or part of their principal investment than they would if the Issuer was permitted to invest only in Collateral Debt Securities that were investment grade obligations.

The value of the Collateral Debt Securities generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of the Cash Securities and the Reference Obligations related to the Synthetic Securities, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The current interest rate spreads over LIBOR (or in the case of fixed rate Asset-Backed Securities or REIT Debt Securities, over the applicable swap rates) on Asset-Backed Securities and REIT Debt Securities are at very low levels (compared to the levels during the past ten years). In the event that such interest rate spreads widen after the Closing Date, the value of the Collateral Debt Securities is likely to decline and, in the case of a substantial spread widening, could decline by a substantial amount.

Although the Issuer is permitted to invest in Cash Securities that are Asset-Backed Securities and REIT Debt Securities and Synthetic Securities the Reference Obligations of which are Asset-Backed Securities or REIT Debt Securities, the Issuer may find that, as a practical matter, these investment opportunities are not available to it for a variety of reasons such as the limitations imposed by the Eligibility Criteria and, as applicable, the requirement with respect to Synthetic Securities not entered into pursuant to a Form-Approved Synthetic Security that the Issuer receive confirmation of the Notes’ ratings from the Rating Agencies. At any time there may be a limited amount 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 enter invest in suitable Collateral Debt Securities. If there is Available Principal Excess on a Distribution Date during the Reinvestment Period and the Collateral Manager (in its sole discretion) determines that investing in additional Collateral Debt Securities in the near future would either be impractical or not beneficial to the Issuer, the Collateral Manager may direct the Trustee to apply Available Principal Excess to pay the principal of Notes, subject to and in accordance with the Priority of Payments. See “Security for the Notes—Synthetic Securities” and “—Eligibility Criteria”.

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

*Asset-Backed Securities.* Most of the Cash Securities will be, and most of the Synthetic Securities will have Reference Obligations that are, Asset-Backed Securities. Asset-Backed Securities are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from, or market value of, a specified pool of financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities. See “Security for the Notes—Asset-Backed Securities”.

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

Asset-Backed Securities bear various risks, including credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks. See “Security for the Notes—Asset-Backed Securities” below.

Up to 100% of the Cash Securities and the Reference Obligations related to the Synthetic Securities 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 transactions have structural features that divert payments of interest and/or principal to more senior classes when the delinquency or loss experience of the pool exceeds certain levels. As a result, such securities have a higher risk of loss as a result of delinquencies or losses on the underlying assets. In certain circumstances, payments of interest may be reduced or eliminated for one or more payment dates. Additionally, as a result of cash flow being diverted to payments of principal on more senior classes, the average life of such securities may lengthen. For example in the case of certain ABS Type Residential Securities, no distributions of principal will generally be made with respect to any class until the aggregate principal balances of the more senior classes of securities have been reduced to zero. Subordinate Asset-Backed Securities generally do not have the right to call a default or vote on remedies following a default unless more senior securities have been paid in full. As a result, a shortfall in payments to subordinate investors in Asset-Backed Securities will generally not result in a default being declared on the transaction and the transaction will not be restructured or unwound. Furthermore, because subordinate Asset-Backed Securities may represent a relatively small percentage of the size of the asset pool being securitized, the impact of a relatively small loss on the overall pool may be substantial to the holders of such subordinate security.

*CDO Securities.* Up to 10% of the Cash Securities and the Reference Obligations related to the Synthetic Securities may consist of CDO Securities.

CDO Securities generally have underlying risks similar to many of the risks set forth in these Risk Factors, such as interest rate mismatches, trading and reinvestment risk and tax considerations. Each CDO Security, however, will involve risks specific to the particular CDO Security and its Underlying Portfolio. The value of the

CDO Securities generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of the Underlying Portfolio, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

CDO Securities are usually limited-recourse obligations of the issuer thereof payable solely from the Underlying Portfolios of such issuer or proceeds thereof. Consequently, holders of CDO Securities must rely solely on distributions on the Underlying Portfolio or proceeds thereof for payment in respect thereof. If distributions on the Underlying Portfolio are insufficient to make payments on the CDO Security, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligation of such issuer to pay such deficiency shall be extinguished. As a result, the amount and timing of interest and principal payments will depend on the performance and characteristics of the related Underlying Portfolios.

Some of the CDO Securities may have Underlying Portfolios that hold or invest in some of the same assets as other Asset-Backed Securities that are Reference Obligations in respect of the Synthetic Securities pledged to secure the Notes. The concentration in any particular asset may adversely affect the Issuer's ability to make payments on the Notes. In addition, the Underlying Portfolios of CDO Securities may be actively traded.

CDO Securities are subject to interest rate risk. The Underlying Portfolio of an issue of CDO Securities may bear interest at a fixed or floating rate while the CDO Securities issued by such issuer may bear interest at a floating or fixed rate. As a result, there could be a floating/fixed rate or basis mismatch between such CDO Securities and Underlying Portfolios, and there may be a timing mismatch between the CDO Securities and Underlying Portfolios that bear interest at a floating rate as the interest rate on such floating rate Underlying Portfolios may adjust more frequently or less frequently, on different dates and based on different indices, than the interest rates on the CDO Securities. As a result of such mismatches, an increase or decrease in the level of the floating rate indices could adversely impact the ability to make payments on the CDO Securities.

CDO Securities may be subordinated to other classes of securities issued by each respective issuer thereof. CDO Securities that are not part of the most senior tranche(s) of the securities issued by the issuer thereof may allow for the deferral of the payment of interest on such CDO Securities. The deferral of interest by the issuer of CDO Securities forming part of the Reference Obligations of the Synthetic Securities in the Collateral could result in a reduction in the amounts available to make payments to the holders of the Notes or in the deferral of interest on the Class D Notes, Class E Notes, Class F Notes and Class G Notes. The CDO Securities that the Collateral Manager anticipates will be Cash Securities or Reference Obligations may include both senior and mezzanine debt issued by the related CDO Security issuers. The CDO Securities that are mezzanine debt will have payments of interest and principal that are subordinated to one or more classes of notes that are more senior in the related issuer's capital structure, and generally will allow for the deferral of interest subject to the related issuer's priority of payments. To the extent that any losses are incurred by the issuer thereof in respect of its CDO Securities, such losses will be borne by holders of the mezzanine tranches before any losses are borne by the holders of senior tranches. In addition, if an event of default occurs under the applicable indenture, as long as any senior tranche of CDO Securities is outstanding, the holders of the senior tranche thereof generally will be entitled to determine the remedies to be exercised under the indenture, which could be adverse to the interests of the holders of the mezzanine tranches.

In order to purchase CDO Securities or enter into Synthetic Securities in respect of CDO Securities, the Issuer must satisfy at all times the investor qualifications in the applicable Underlying Instruments and applicable securities laws. Such Underlying Instruments generally require that the Issuer either be a Qualified Institutional Buyer that is also a Qualified Purchaser or a non-U.S. Person, and may require that other criteria be satisfied. In the event that the Issuer does not satisfy the requirements applicable to investors in a CDO Security, it will not be able to purchase a CDO Security or enter into a Synthetic Security in respect of such CDO Security. In addition, if it does not satisfy such requirements at any time after a CDO Security is purchased by or delivered to the Issuer as a Delivered Obligation, the applicable Underlying Instruments may permit the issuer of such CDO Security to force the Issuer to sell such CDO Security, which sale by the Issuer could be made at a loss.

*Commercial/Mortgage-Backed Securities.* A portion of the Cash Securities and a portion of the Reference Obligations under the Synthetic Securities may consist of commercial mortgage-backed securities.

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

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

Additional risks may be presented by the type and use of a particular commercial property. For instance, commercial properties that operate as hospitals and nursing homes may present special risks to lenders due to the significant governmental regulation of the ownership, operation, maintenance and financing of health care institutions. Hotel and motel properties are often operated pursuant to franchise, management or operating agreements which may be terminable by the franchisor or operator; and the transferability of a hotel's operating, liquor and other licenses upon a transfer of the hotel, whether through purchase or foreclosure, is subject to local law requirements.

Furthermore, a commercial property may not readily be converted to an alternative use in the event that the operation of such commercial property for its original purpose becomes unprofitable for any reason. In such cases, the conversion of the commercial property to an alternative use would generally require substantial capital expenditures. Thus, if the borrower becomes unable to meet its obligations under the related commercial mortgage loan, the liquidation value of any such commercial property may be substantially less, relative to the amount outstanding on the related commercial mortgage loan, than would be the case if such commercial property were readily adaptable to other uses.

*RMBS Securities.* Most of the Issuer's portfolio will consist of Cash Securities that are, and Synthetic Securities with respect to which the Reference Obligations are, RMBS Securities, including Home Equity Loan Securities, Residential A Mortgage Securities and Residential B/C Mortgage Securities. RMBS Securities are, generally, ownership or participation interests in pools of mortgage loans secured by one to four family residential properties. RMBS Securities are subject to various risks. Credit risk arises from losses due to defaults by the borrowers in the underlying collateral and the servicer's failure to perform. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions, particularly those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited. At any one time, a portfolio of RMBS Securities may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a

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

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

RMBS Securities are susceptible to prepayment risks as they generally do not contain prepayment penalties and a reduction in interest rates will increase the prepayments on the RMBS Securities resulting in a reduction in yield to maturity for holders of such securities. Prepayments on the underlying residential mortgage loans in an issue of RMBS Securities will be influenced by the prepayment provisions of the related mortgage notes and may also be affected by a variety of economic, geographic and other factors, including the difference between the interest rates on the underlying residential mortgage loans (giving consideration to the cost of refinancing) and prevailing mortgage rates and the availability of refinancing. In general, if prevailing interest rates fall significantly below the interest rates on the related residential mortgage loans, the rate of prepayment on the underlying residential mortgage loans would be expected to increase. Conversely, if prevailing interest rates rise to a level significantly above the interest rates on the related mortgages, the rate of prepayment would be expected to decrease. Prepayments could reduce the income received on the Synthetic Securities referencing RMBS Securities.

The rate of interest payable on RMBS Securities directly or synthetically held by the Issuer may be set or effectively capped at the weighted average net coupon of the underlying mortgage loans themselves, often referred to as an “available funds cap”. As a result of this cap, the net premium payable to the Issuer in respect of related Synthetic Securities is dependent on the relative timing and rate of delinquencies and prepayments of mortgage loans bearing a higher rate of interest. In general, early prepayments will have a greater negative impact on the premium payable to the Issuer on such related Synthetic Securities.

Furthermore, RMBS Securities often are in the form of certificates of beneficial ownership of the underlying mortgage loan pool. These securities are entitled to payments provided for in the underlying agreement only when and if funds are generated by the underlying mortgage loan pool. The likelihood of the return of interest and principal may be assessed as a credit matter. However, securityholders do not have the legal status of secured creditors, and cannot accelerate a claim for payment on their securities, or force a sale of the mortgage loan pool in the event that insufficient funds exist to pay such amounts on any date designated for such payment. The sole remedy available to such securityholders would be removal of the servicer of the mortgage loans.

It is expected that the RMBS Securities held by the Issuer or referenced by the Synthetic Securities will be subordinated to one or more other senior classes of securities of the same series for purposes of, among other things, offsetting losses and other shortfalls with respect to the related underlying mortgage loans. In addition, in the case of certain RMBS Securities, no distributions of principal will generally be made with respect to any class until the aggregate principal balances of the corresponding senior classes of securities have been reduced to zero. As a result, the subordinate classes are more sensitive to risk of loss and writedowns than senior classes of such securities.

Legal risks can arise as a result of the procedures followed in connection with the origination of the mortgage loans or the servicing thereof which may be subject to various federal and state laws, public policies and principles of equity regulating interest rates and other charges, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and debt collection practices and may limit the servicer’s ability to collect all or part of the principal of or interest on a

residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it or subject the servicer to damages and sanctions. In addition, structural and legal risks of RMBS Securities include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), the assets of the issuer could be treated as never having been truly sold by the originator to the issuer and could be substantively consolidated with those of the originator, or the transfer of such assets to the issuer could be voided as a fraudulent transfer. Challenges based on such doctrines could result also in cash flow delays and losses on the related issue of RMBS Securities.

In some cases, liability of a lender under a mortgage loan may affect subsequent assignees of such obligations, including the issuer of an RMBS Security. In particular, a lender's failure to comply with the Truth in Lending Act could subject such lender and its assignees to monetary penalties and could result in rescission. Numerous class action lawsuits have been filed in multiple states alleging violations of these statutes and seeking damages, rescission and other remedies. These suits have named the originators and current and former holders, including the issuers of related RMBS Securities. If an issuer of RMBS Securities referenced by the Synthetic Securities in the Collateral were to be named as a defendant in a class action lawsuit, the costs of defending or settling such lawsuit or a judgment could reduce the amount available for distribution on the related RMBS Security. In such event, the Issuer, as synthetic holder of such RMBS Security, could suffer a loss.

*REIT Debt Securities.* A portion of the Collateral may consist of Cash Securities and Synthetic Securities the Reference Obligations of which are REIT Debt Securities. REIT Debt Securities will consist of obligations of real estate investment trusts ("REITs"), or qualified REIT subsidiaries meeting the eligibility criteria described herein.

Investments in REIT Debt Securities involve special risks. In particular, REITs and qualified REIT subsidiaries (all discussion concerning the risks relating to REITs herein being generally applicable to such subsidiaries) generally are permitted to invest solely in real estate or real estate related assets and are subject to the inherent risks associated with such investments. Consequently, the financial condition of any REIT may be affected by the risks described above with respect to commercial mortgage loans and mortgage-backed securities and similar risks, including (i) risks of delinquency and foreclosure and risks of loss in the event thereof, (ii) the dependence upon the successful operation of and net income from real property, (iii) risks generally incident to interests in real property, including those described above, (iv) risks that may be presented by the type and use of a particular commercial property and (v) the difficulty of converting certain property to an alternative use in the event that the operation of such commercial property for its original purpose becomes unprofitable for any reason.

In addition, risks of REIT Debt Securities may include (among other risks) (i) limited liquidity and secondary market support, (ii) substantial market price volatility resulting from changes in prevailing interest rates, (iii) subordination to the prior claims of banks and other senior lenders, (iv) the operation of mandatory sinking fund or call/redemption provisions during periods of declining interest rates that could cause the Issuer to seek to replace the income stream associated with REIT Debt Securities and the Synthetic Securities referencing such called/redeemed REIT Debt Securities with Collateral Debt Securities yielding lower premiums to the Issuer, (v) the possibility that earnings of the REIT Debt Security issuer may be insufficient to meet its debt service and (vi) the declining creditworthiness and potential for insolvency of the issuer of such REIT Debt Securities during periods of rising interest rates and economic downturn. An economic downturn or an increase in interest rates could severely disrupt the market for REIT Debt Securities and adversely affect the value of outstanding REIT Debt Securities and the ability of the issuers thereof to repay principal and interest.

Issuers of REIT Debt Securities may be highly leveraged and may not have available to them more traditional methods of financing. The risk associated with acquiring the securities of such issuers generally is greater than is the case with highly rated securities. For example, during an economic downturn or a sustained period of rising interest rates, issuers of REIT Debt Securities may be more likely to experience financial stress, especially if such issuers are highly leveraged. During such periods, timely service of debt obligations may also be adversely affected by specific issuer developments, or the unavailability of additional financing. The risk of loss due to default by the issuer may be significant for the holders of REIT Debt Securities because such securities may be unsecured and may be subordinated to other creditors of the issuer of such securities.

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

As a result of the limited liquidity of REIT Debt Securities, their prices have at times experienced significant and rapid decline when a substantial number of holders have decided to sell. In addition, the Issuer may have difficulty Disposing of certain REIT Debt Securities held as Delivered Obligations because there may be a thin trading market for such securities. Reduced secondary market liquidity may have an adverse impact on market price and the Issuer's ability to Dispose of such issues. Reduced secondary market liquidity for certain REIT Debt Securities also may make it more difficult for the Issuer to obtain accurate market quotations for purposes of valuing the Issuer's portfolio. Market quotations are generally available on many REIT Debt Securities only from a limited number of dealers and may not necessarily represent firm bids of such dealers or prices for actual sales.

*Synthetic Securities.* On the Closing Date, the Aggregate Notional Balance of Synthetic Securities will be approximately U.S.\$225,000,000. After the Closing Date, the Issuer may enter into additional Synthetic Securities. Pursuant to paragraph (24) of the Eligibility Criteria, the Issuer may not enter into a Synthetic Security if, after giving effect to such entry, the Aggregate Notional Balance of all Synthetic Securities would exceed 50% of the Aggregate Ramp-Up Notional Amount. In the event that the Net Outstanding Portfolio Balance declines after the Ramp-Up Completion Date, due to defaults or otherwise, such limitation would permit the Aggregate Notional Balance of the Synthetic Securities to exceed 50% of the Net Outstanding Portfolio Balance. In addition, the Indenture requirement that Principal Proceeds received by the Issuer during the Reinvestment Period be deposited to the Synthetic Security Collateral Account, up to the Class A-1A Reserve Amount, may, with amortizations of Cash Securities and/or the Issuer's Disposition thereof, tend to maximize the amount of Synthetic Securities entered into by the Issuer, subject to the foregoing limits.

The Collateral Manager may only enter into or Dispose of Synthetic Securities in accordance with the requirements of the Indenture and the Management Agreement and with the consent of the CDS Counterparty (which consent will not be unreasonably withheld), *provided* that (i) with respect to any entry by the Issuer into new Synthetic Securities, the Issuer and the CDS Counterparty agree on the pricing and (ii) with respect to any termination of a Synthetic Security, the Issuer or the CDS Counterparty, as applicable, pays any termination payment which the CDS Counterparty shall calculate in accordance with its customary methods taking into account any loss of bargain, cost of funding or loss or cost of termination, liquidating, obtaining or reestablishing any hedge or related trading position (which may be calculated by reference to a market "back-to-back" transaction or an assignment entered into by the CDS Counterparty). Such acquisitions or Dispositions may have an adverse effect on the value of the Collateral and the ability of the Issuer to make payments on the Offered Securities. Any termination payments paid by the Issuer in respect of any Synthetic Security may have an adverse effect on the (i) amounts payable in connection with any Auction Call Redemption, Optional Redemption or Tax Redemption and (ii) proceeds received from the sale or liquidation of Collateral following an Event of Default. The customary terms in the credit default swap market are likely to change in the future, in which event the Rating Condition will need to be satisfied with respect to the entry by the Issuer into Synthetic Securities on such changed terms. Accordingly, there can be no assurance that the Issuer will be able to enter into Synthetic Securities to the extent or in the manner anticipated on the Closing Date. If the Rating Condition is satisfied with respect to such changed terms, then the terms of such credit default swap transactions (including the Credit Events thereunder) may be materially different from the terms of the transactions entered into under the Credit Default Swap Agreement as in effect on the Closing Date. If the Rating Condition is not satisfied with respect to such changed terms, the Issuer may not be able to acquire Synthetic Securities on the terms prevailing in the market and may as a result face increased difficulty and/or costs in remaining invested in Synthetic Securities to the full extent anticipated on the Closing Date. Furthermore, any change in customary terms available in the credit default swap market may result in the Issuer facing additional difficulty and/or cost in effecting the Disposition of Synthetic Securities which utilize terms which have ceased to reflect the market standard. If the Issuer is not invested at all times in Synthetic Securities to the full extent anticipated on the Closing Date, or if it cannot acquire or Dispose of Synthetic Securities, the Collateral may be less diversified than would otherwise be the case, Interest Proceeds or Available Principal Excess (as applicable) may be reduced and payments of interest or principal (including Deferred Interest) on the Notes may not be made in



full and distributions in respect of the Preference Shares will be reduced or eliminated, with the result that investors in the Offered Securities may suffer a loss.

From time to time, the Collateral Manager, on behalf of the Issuer, may approach one or more participants in the markets for credit default swaps in respect of Asset-Backed Securities and REIT Debt Securities, which may include the CDS Counterparty and its affiliates, for the purpose of obtaining firm price quotes in respect of buying or selling synthetic exposure to one or more Reference Obligations. If the Collateral Manager obtains a quote acceptable to the Collateral Manager and such market participant is given final approval with respect to such transaction by the CDS Counterparty in accordance with its then-current internal legal and credit approval procedures (upon such final approval and with respect to such transaction, a “**Qualified Participant**”), the Collateral Manager shall request the CDS Counterparty to, and the CDS Counterparty will, enter into a Synthetic Security with the Issuer in respect of such proposed transaction and may enter into a “back-to-back” transaction with the Qualified Participant, in each case, only on the firm pricing terms quoted by the related Qualified Participant. The terms of the Synthetic Security entered into between the Issuer and the CDS Counterparty will be at the same premium quoted by the Qualified Participant plus or minus, if applicable, the Intermediation Fee described in the next sentence. In cases where the CDS Counterparty enters into a “back-to-back” transaction and the related Qualified Participant is not the CDS Counterparty or an affiliate thereof, an intermediation fee (the “**Intermediation Fee**”) will be subtracted (in the case of a Synthetic Security that is not a Short Synthetic Security) from the premium payable by the CDS Counterparty to the Issuer or added (in the case of a Synthetic Security that is a Short Synthetic Security) to the premium payable by the Issuer to the CDS Counterparty. As a consequence, the pricing or yield of the Synthetic Securities will generally be less favorable to the Issuer than the pricing or yield that would be obtained if the Issuer were to enter directly into the corresponding credit default swaps with the Qualified Participant in the back-to-back swaps that are to be entered into by the CDS Counterparty.

In connection with hedging of any Synthetic Security through entry into Short Synthetic Securities, the Collateral Manager will follow a procedure similar to the procedure for the pricing of Synthetic Securities described in the immediately preceding paragraph. If the Collateral Manager receives a price with respect to such a hedging Synthetic Security from a Qualified Participant that is acceptable to the Collateral Manager, the Collateral Manager shall request the CDS Counterparty to, and the CDS Counterparty will, enter into a Short Synthetic Security with the Issuer in respect of such proposed transaction and may enter into a “back-to-back” transaction with the Qualified Participant. Entry into a Short Synthetic Security will be deemed to be a Disposition of the existing long Synthetic Security to the extent such long Synthetic Security becomes a Hedged Synthetic Security. The Intermediation Fee will apply to such hedging transactions on the same basis as described in the immediately preceding paragraph.

In connection with the Disposition of any Synthetic Security (including a Short Synthetic Security) by assignment, if the Collateral Manager is quoted a price with respect to the disposition of such Synthetic Security from a Qualified Participant that is acceptable to the Collateral Manager, in respect of the assignment of such Synthetic Security, the CDS Counterparty will, against payment of such price by the Issuer or such Qualified Participant, as applicable, enter into an appropriate assignment with the related Qualified Participant. To the extent the CDS Counterparty receives a fee in connection with such assignment from the related Qualified Participant, 100% of such amount shall be paid by the CDS Counterparty to the Issuer. No Intermediation Fee shall apply in connection with such Dispositions by assignment.

The obligation of the Issuer to make payments to the CDS Counterparty in respect of Synthetic Securities creates exposure to the credit default risk of the related Reference Obligations (as well as the default risk of the CDS Counterparty; see “—Reliance on Creditworthiness of the CDS Counterparty and the CDS Guarantor” below). The amount of funds available to make payments in respect of principal of and interest on the Notes is dependent upon whether and to what extent net amounts in respect of losses incurred under the Reference Obligations are due and payable by the Issuer to the CDS Counterparty in respect of Synthetic Securities. Any net amount due and owing to the CDS Counterparty will generally reduce the amount available to pay the obligations of the Issuer to the Noteholders in inverse order of seniority. Accordingly, the holders of the Preference Shares in the first instance and thereafter the holders of the Notes in reverse order of priority may lose all or a portion of their investment.

With respect to a Synthetic Security under which the Issuer is the seller of protection and the CDS Counterparty is the buyer of protection, following the occurrence of a “credit event” with respect to a Reference Obligation under and as defined in the Credit Default Swap Agreement (and subject to the satisfaction of applicable

conditions to settlement), the Issuer will be required to pay to the CDS Counterparty an amount equal to the relevant Physical Settlement Amount or otherwise satisfy its settlement obligations in respect thereof. All or some of the Reference Obligations may currently be or may fall below investment grade (or the equivalent credit quality) in which case it will be more likely that the Issuer, as the seller of protection, will be required to make payment of a Physical Settlement Amount. Payments to the CDS Counterparty in respect of any Synthetic Securities and the termination of the Credit Default Swap Agreement (other than a Defaulted Swap Termination Payment) will be funded by the Issuer applying (A) first, amounts standing to the credit of the Synthetic Security Collateral Account, to the extent funds are available therefor, and (B) second, Class A-1A Swap Payments. As a result, the Issuer may have insufficient funds available to make payments of interest and/or principal, as the case may be, on the Notes when due and payable. Trading Termination Payments payable by the Issuer in respect of any Synthetic Securities will include the market value to the CDS Counterparty of such terminated Synthetic Security, which may expose the Issuer to deterioration in the credit of the Reference Obligations and result in losses to the Issuer, even where no Credit Event has occurred. Any such payments of Physical Settlement Amounts and termination payments by the Issuer will reduce the amount that is available to make payments on the Notes and consequently the Notes could be adversely affected thereby.

In addition, each Synthetic Security under which the Issuer is the seller of protection and the CDS Counterparty is the buyer of protection will require the Issuer, in its capacity as protection seller, to pay floating amounts to the CDS Counterparty in amounts equal to any principal shortfalls, writedowns and interest shortfalls under the Reference Obligation upon the occurrence thereof. Although Credit Protection Payments by the Issuer in respect of Synthetic Securities are contingent, even if the CDS Counterparty, in its capacity as protection buyer, reimburses all or part of such Credit Protection Payments to the Issuer if the related shortfalls are ultimately paid to holders of the Reference Obligations or if the related Reference Obligations are written up, the ability of the Issuer to make payments in respect of the Notes may be adversely affected during the period from and including the date of payment by the Issuer of the relevant Credit Protection Payment to the CDS Counterparty to the date on which the Issuer receives such reimbursement from the CDS Counterparty.

A Writedown or Failure to Pay Principal in respect of a Reference Obligation will generally entitle the CDS Counterparty, as protection buyer under the related Synthetic Security, to elect whether to deliver a Credit Event Notice or require a contingent Credit Protection Payment under the related Synthetic Security.

Credit default swaps are relatively new instruments. While the International Swaps and Derivatives Association, Inc. (“**ISDA**”) has published and supplemented the Credit Derivatives Definitions in order to facilitate transactions and promote uniformity in the credit default swap market, the credit default swap market is expected to change and the Credit Derivatives Definitions and terms applied to credit derivatives are subject to interpretation and further evolution. Past events have shown that the views of market participants may differ as to how the Credit Derivatives Definitions operate or should operate. For example, the restructuring by Consecro, Inc. (“**Consecro**”) in the United States in December 2000 of certain of its debt obligations generated discussions in the credit derivatives market as to what constitutes restructuring under the market standard definitions that preceded the Credit Derivatives Definitions. In addition, the insolvency of Railtrack plc (“**Railtrack**”) in the United Kingdom in October 2001 led to questions in the credit derivatives market regarding what obligations can be deliverable obligations under such earlier market standard definitions. In response to these and other events, ISDA released the Restructuring Supplement and the Supplement Relating to Convertible, Exchangeable or Accreting Obligations to such earlier market standard definitions, provisions which were subsequently incorporated in the Credit Derivatives Definitions.

The Credit Derivatives Definitions are expected to continue to evolve. There can be no assurances that changes to the Credit Derivatives Definitions and other terms applicable to credit derivatives generally will be predictable or favorable to the Issuer. Amendments or supplements to the Credit Derivatives Definitions that are published by ISDA will apply to a Synthetic Security to the extent agreed upon by the Issuer and the CDS Counterparty, *provided* that the Rating Condition is satisfied, and no Noteholder consent shall be required with respect to such determination. In addition, the Issuer and the CDS Counterparty may enter into additional forms of Pay As You Go Confirmations published by ISDA (and other Form-Approved Synthetic Securities) without Noteholder consent. In addition, markets in different jurisdictions have also already adopted and may continue to adopt different practices with respect to the Credit Derivatives Definitions. Furthermore, the Consecro restructuring

and Railtrack insolvency exemplify the fact that the Credit Derivatives Definitions may contain ambiguous provisions that are subject to interpretation and may have consequences that are adverse to the Issuer.

*Defeased Synthetic Securities.* If the Issuer enters into a Defeased Synthetic Security with a Synthetic Security Counterparty, the terms and provisions applicable thereto may be substantially similar to those described with respect to the Synthetic Securities entered into with the CDS Counterparty above under “Risk Factors—Synthetic Securities” but may also substantially differ. The terms of each Defeased Synthetic Security require the Issuer to secure its obligations with respect to such Synthetic Security and funds and other property used to secure such obligations will be deposited into a Third Party Collateral Account. In accordance with the terms of the applicable Defeased Synthetic Securities, these funds will be invested in Eligible Investments or as otherwise specified by the terms of such Defeased Synthetic Securities, and the income therefrom will be for the account of, and payable to, the Issuer, as and to the extent specified by the terms of such Defeased Synthetic Securities. After payment of all amounts owing by the Issuer to the applicable Synthetic Security Counterparty, and as and when otherwise specified by the terms of such Defeased Synthetic Securities, funds and other property standing to the credit of the related Third Party Collateral Account will be withdrawn from the Third Party Collateral Account and credited to the Principal Collection Account. The Issuer will be required to satisfy the Rating Condition with respect to each Defeased Synthetic Security (other than a Form-Approved Synthetic Security) entered into with a Synthetic Security Counterparty; however, no other approval (including any consent of any Class of the Offered Securities) will be required in connection therewith.

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

None of the Issuer the Trustee, the Preference Share Paying Agent, the Collateral Manager or the holders of the Offered Securities will have the right to inspect any records of the CDS Counterparty or the Reference Obligations, and the CDS Counterparty will be under no obligation to disclose any further information or evidence regarding the existence or terms of any obligation of any Reference Obligation or any matters arising in relation thereto or otherwise regarding any Reference Obligation, any guarantor or any other person (other than, if a Credit Event has occurred, the CDS Counterparty may provide a Notice of Publicly Available Information to the Issuer evidencing the occurrence of such Credit Event as required under the terms of the related Synthetic Security).

The Issuer will be required to (a) pay Credit Protection Payments to the CDS Counterparty and (b) in the event that a Credit Event occurs in respect of the related Reference Obligation (and a notice of physical settlement is delivered to the Issuer by the CDS Counterparty), pay the Physical Settlement Amount in respect of such Reference Obligation to the CDS Counterparty against delivery of the related Delivered Obligation.

*Settlement Risk.* The Issuer will bear the risk of settlement default, particularly since the terms of the Synthetic Securities, will generally require physical settlement by the CDS Counterparty (at the option of the CDS Counterparty). Settlement risk will arise if the Issuer meets its payment obligation under a Synthetic Security before the CDS Counterparty meets its corresponding payment or delivery obligations thereunder. A failure to perform by the CDS Counterparty may be due to CDS Counterparty default, operational or administrative error or legal impediments. In particular, the CDS Counterparty is expected to seek to eliminate its credit exposure to the Reference Obligations by entering into back-to-back hedging transactions, and its ability to physically settle Synthetic Securities may be dependent on whether or not the counterparties to such back-to-back hedging transactions perform their delivery obligations. Such risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily mark-to-market

and settlement of positions, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections, and expose the parties to the risk of counterparty default. Furthermore, there may be practical or timing problems associated with enforcing the Issuer's rights to its assets in the case of an insolvency of the CDS Counterparty.

*No Legal or Beneficial Interest in Reference Obligations.* Under Synthetic Securities entered into by the Issuer, the Issuer will have a contractual relationship only with the CDS Counterparty. Consequently, a Synthetic Security does not constitute a purchase or other acquisition or assignment of any interest in any Reference Obligation. The Issuer will not have the right to receive directly from any Reference Obligor any information regarding the collateral related to a Reference Obligation (including any servicer reports) that would normally be available to a holder of such Reference Obligation. The Issuer will not directly benefit from the collateral supporting any Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of any such Reference Obligation. In the event of the insolvency of the CDS Counterparty, the Issuer will be treated as a general creditor of such counterparty, and will not have any claim with respect to any Reference Obligation. The Issuer and the Trustee, therefore, will have rights solely against the CDS Counterparty in accordance with the Synthetic Security and will have no right directly to enforce compliance by any Reference Obligor with the terms of any Reference Obligation nor any rights of set-off against any Reference Obligor. Given that all of the Synthetic Securities entered into by the Issuer will consist of transactions with the CDS Counterparty, the Issuer will have significant exposure to the CDS Counterparty in the event that the CDS Counterparty becomes insolvent.

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

The CDS Counterparty will have only the duties and responsibilities expressly agreed to by it under the Synthetic Securities and will not, by reason of its or any of its affiliates acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to be held to any higher standard of care than that set forth in the Synthetic Securities or imposed by law. In no event shall the CDS Counterparty be deemed to have any fiduciary obligations to the Noteholders or any other person or entity by reason of acting in such capacity. The CDS Counterparty's actions may be inconsistent with or adverse to the interests of the Noteholders.

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

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

be material and that may or may not be publicly available or known to the Issuer, the Trustee or the holders of the Offered Securities and which information the CDS Counterparty, the Collateral Manager or such affiliates will not disclose to the Issuer, the Collateral Manager, the Trustee or the holders of the Offered Securities.

The CDS Counterparty and its affiliates may act as underwriter, initial purchaser or placement agent for entities having investment objectives similar to those of the Issuer and other similar entities in the future. The CDS Counterparty (or an affiliate thereof) may be advising or distributing securities on behalf of an issuer or providing banking or other services to an issuer at the same time at which the Collateral Manager is determining whether to enter into or terminate a Synthetic Security relating to a particular Reference Obligation under the Credit Default Swap Agreement.

*Reliance on Creditworthiness of the CDS Counterparty and the CDS Guarantor.* The ability of the Issuer to make payments on the Offered Securities will be primarily dependent on its receipt of payments from the CDS Counterparty under the Credit Default Swap Agreement. In addition, with respect to any Distribution Date on which Pro Rata Principal Payment Amounts are to be paid in respect of the Notes, if the amount of Pro Rata Principal Payment Amounts to be paid in cash exceeds the portion of Available Principal Excess consisting of cash available pursuant to the Priority of Payments for such Pro Rata Principal Payment Amounts, the CDS Counterparty, as Class A-1A Swap Counterparty, will be required to make a Class A-1A Swap Payment to fund such shortfall. Consequently, the Issuer is relying not only on the performance of the Reference Obligations, but also on the creditworthiness of the CDS Counterparty and, indirectly, the CDS Guarantor, with respect to payments on the Offered Securities. Because the Issuer will enter into all of its Synthetic Securities with the CDS Counterparty, there will be a high degree of concentration risk with respect to the credit risk in relation to the CDS Counterparty and an adverse change in the rating of the CDS Guarantor could adversely affect the rating of the Notes. In addition, the Indenture requirement that Principal Proceeds received by the Issuer during the Reinvestment Period be deposited to the Synthetic Security Collateral Account, up to the Class A-1A Reserve Amount, may, with the amortizations of Cash Securities and/or the Issuer's Disposition thereof, tend to maximize the amount of Synthetic Securities entered into by the Issuer. Although the amount of Synthetic Securities entered into by the Issuer is limited by the Eligibility Criteria to an amount equal to 50% of the Aggregate Ramp-Up Notional Amount, such amount may be greater than 50% of the Net Outstanding Portfolio Balance. Accordingly, the reliance of the Issuer on the creditworthiness of the CDS Counterparty to make payments in respect of the Offered Securities may be substantially increased during the Reinvestment Period.

Neither the Issuer nor the Collateral Manager on its behalf will perform an independent credit analysis of the CDS Counterparty or the CDS Guarantor. However, the CDS Counterparty will agree to specific rating downgrade provisions acceptable to the Rating Agencies as a condition to entering into the Credit Default Swap Agreement with the Issuer. A failure by the CDS Counterparty or the CDS Guarantor to comply with these requirements may result in the termination in full of the Credit Default Swap Agreement. In the event of any such termination, the Issuer may be required to make a termination payment to the CDS Counterparty and the amounts payable by the CDS Counterparty will cease to be payable to the Issuer. As a result, unless such Synthetic Securities are replaced, there will be less funds available to the Issuer to discharge its obligation to make payments in respect of the Offered Securities. The Issuer is therefore relying on the creditworthiness of the CDS Counterparty and the CDS Guarantor with respect to the CDS Counterparty's performance of its obligations to make payments to the Issuer. The CDS Counterparty will be required to transfer cash collateral to the Issuer in respect of its obligations under the Credit Default Swap Agreement pursuant to a collateral arrangement based on the form of the ISDA Credit Support Annex (the "**Credit Support Annex**") unless certain other conditions are satisfied, thereby reducing the Issuer's exposure to the credit risk of the CDS Counterparty and CDS Guarantor. See "Credit Default Swap Agreement—Ratings Provisions" and "The CDS Guarantor".

*Calculation Agency Function of CDS Counterparty.* The CDS Counterparty, as calculation agent under the Credit Default Swap Agreement, will determine the amount of any Credit Protection Payments, Relevant Determination Adjustment Amounts and Physical Settlement Amount(s) for each Credit Event payable by the Issuer in respect of all Synthetic Securities. See "The Credit Default Swap Agreement". The performance by the CDS Counterparty of its duties as calculation agent may result in potential and actual conflicts of interest between its role as calculation agent of the Issuer and its own economic interests as a party to the relevant transaction.

*CDS Counterparty Acts in Its Own Interest.* In taking any action with respect to the Synthetic Securities, the CDS Counterparty will be acting solely in its own commercial interests and not as agent, fiduciary or in any other capacity on behalf of the Co-Issuers, the Initial Purchaser, the Collateral Manager or the holders of the Offered Securities. The CDS Counterparty will have no duty whatsoever to consider the effect of its actions or failure to take action on the holders of the Offered Securities. The interests of the CDS Counterparty may not be aligned with those of the holders of the Offered Securities.

*Reinvestment Period; Entering into Additional Synthetic Securities.* During the Reinvestment Period, the Collateral Manager (on behalf of the Issuer) may cause the Issuer to reinvest Available Principal Excess in Collateral Debt Securities. Although additional Collateral Debt Securities will be subject to the Collateral Quality Tests and certain Eligibility Criteria, the composition of the portfolio of Collateral could change as a result of such reinvestment by the Collateral Manager. It is possible that additional Cash Securities and/or the Reference Obligations relating to additional Synthetic Securities will not perform as well as the portfolio of Collateral on the Closing Date. In addition and with respect to Synthetic Securities, because the Issuer may not be able to enter into or terminate Synthetic Securities as easily as it would be able to buy and sell the related Reference Obligations, and will not be able to terminate such Synthetic Securities without the cooperation of the CDS Counterparty, the Issuer may not be able to manage its exposure to the related Reference Obligations as easily as it would if it purchased such Reference Obligations directly.

*Short Synthetic Securities.* The Collateral Manager, on behalf of the Issuer, will have the discretion to enter into Short Synthetic Securities with respect to then-existing long Synthetic Securities. With respect to long Synthetic Securities as to which the Issuer has entered into Short Synthetic Securities, the risks to the Issuer with respect to Floating Amount Events (other than Interest Shortfalls) and Credit Events will have been substantially eliminated (subject to the risk of non-payment by the CDS Counterparty of its obligations under the Short Synthetic Securities). In the event that the Issuer enters into a Short Synthetic Security in respect of a Credit Risk Security, the Issuer will most likely be obligated to pay a fixed rate premium under the Short Synthetic Security in excess of the premium which it receives under the hedged Synthetic Security. Such net swap premium will reduce amounts otherwise available to make payments on the Notes. Unless the Rating Condition has been satisfied and the CDS Counterparty has consented, the ISDA confirmation used in respect of a Short Synthetic Security shall be substantially identical to the template confirmation used in respect of the related long Synthetic Security.

*Physical Settlement.* In the event that the applicable conditions to settlement (including the delivery of a notice of physical settlement by the CDS Counterparty) have been met after the occurrence of a Credit Event with respect to a Synthetic Security, the Issuer will be obligated to pay the Physical Settlement Amount with respect to the related Reference Obligation, which will be based on the principal amount or certificate balance of the Reference Obligation and the CDS Counterparty will be obligated to deliver one or more Delivered Obligations.

So long as no Event of Default has occurred and is continuing, the Collateral Manager is entitled to Dispose of any Delivered Obligations in accordance with (and subject to) the procedures described in “Security for the Notes—Dispositions of Collateral Debt Securities”. There is, however, no guarantee that the Collateral Manager will succeed in selling any Delivered Obligation, and the time required to sell a Delivered Obligation cannot be predicted. The market value of the Delivered Obligation delivered by the CDS Counterparty in connection with a physical settlement will be less than the Physical Settlement Amount, and there is no guarantee that the Issuer will be able to sell a Delivered Obligation at a price which the Collateral Manager believes accurately reflects its recovery value. The market value of a Delivered Obligation will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, international political events, developments or trends in any particular industry, the performance of the assets backing the Delivered Obligation, the financial condition of the portfolio of the related Reference Obligor, and the terms of the Delivered Obligation. A Delivered Obligation may be in default at the time it is delivered to the Issuer, and the related Reference Obligor may be insolvent. These factors may adversely impact the price and liquidity of the Delivered Obligations. This may adversely affect payments on the Notes and distributions in respect of the Preference Shares.

*Payments to CDS Counterparty Outside of the Priority of Payments.* Payments of Credit Protection Amounts, Relevant Determination Adjustment Amounts, Physical Settlement Amounts and payments owed by the Issuer on Disposition of an individual Synthetic Security (other than in connection with a termination of the Credit

Default Swap Agreement) will be paid directly to the CDS Counterparty out of the Synthetic Security Collateral Account and will not be subject to the Priority of Payments.

*Termination of the Credit Default Swap Agreement.* In the circumstances specified in the Credit Default Swap Agreement, the Issuer or the CDS Counterparty may terminate the Credit Default Swap Agreement (and all of the Synthetic Securities). The Credit Default Swap Agreement is subject to early termination by the Issuer in the event of an “event of default” by the CDS Counterparty or a “termination event” (as such terms are defined in the Credit Default Swap Agreement) affecting the CDS Counterparty under the Credit Default Swap Agreement. The Credit Default Swap Agreement is subject to early termination by the CDS Counterparty in the event of an “event of default” by the Issuer or a “termination event” affecting the Issuer under the Credit Default Swap Agreement. See “The Credit Default Swap Agreement—Termination of the Credit Default Swap Agreement”.

In addition, the Credit Default Swap Agreement is subject to early termination (as more fully described in “The Credit Default Swap Agreement”), among other things, if (i) a Credit Default Swap Ratings Event occurs and is continuing; (ii) an Event of Default occurs under the Indenture and is continuing and the Collateral has been liquidated in full; or (iii) an Optional Redemption, Tax Redemption or Auction Call Redemption occurs.

If a termination payment would be due from the Issuer to the CDS Counterparty the Issuer may not be able to consummate an Optional Redemption, Tax Redemption or Auction Call Redemption.

Under the Credit Default Swap Agreement, with respect to an “event of default” or a “termination event”, the non-defaulting party or the non-affected party will designate the “Early Termination Date” and will determine the “Termination Payment” (as such terms are defined in the Credit Default Swap Agreement) with respect to all the Synthetic Securities that is payable to or by the Issuer, or as applicable, to or by the CDS Counterparty. Any termination payment payable by the Issuer to the CDS Counterparty in connection with the termination in full of the Credit Default Swap Agreement will (i) be payable on a Distribution Date subject to and in accordance with the Priority of Payments, (ii) other than in the case of any Defaulted Swap Termination Payment, rank senior in the Priority of Payments to all payments in respect of the Notes and (iii) reduce the Interest Proceeds and Available Principal Excess available to make payments on the Notes and Preference Shares, and may result in an Event of Default under the Indenture and a loss to the holders of the Notes and holders of the Preference Shares, which loss could be substantial.

*Hedge Agreement.* The Issuer will enter into the Hedge Agreement with the Hedge Counterparty on the Closing Date under which the Issuer will hedge certain interest rate risks and receive the Up-Front Payment from the Hedge Counterparty. The payments by the Issuer to the Hedge Counterparty will rank senior to the payment of interest (and, upon a redemption or acceleration of the maturity of the Offered Securities, principal or liquidation preference, as the case may be) on the Notes and distributions on the Preference Shares. Therefore the Hedge Agreement reduces the proceeds available on each Distribution Date to make payments of interest on the Notes and distributions to the holders of the Preference Shares. In addition, on any redemption or acceleration of the Offered Securities, the Issuer will be obligated to pay the present value of the remaining payments due to the Hedge Counterparty (including in respect of the repayment of the Up-Front Payment) prior to paying any amounts in respect of the principal or liquidation preference, as the case may be, of the Offered Securities. The requirement to so pay the present value of such payments may prevent a redemption of the Offered Securities. The Hedge Counterparty may, in addition to the rights described herein, have additional consent, approval and voting rights as to matters affecting its interests as set forth in the Indenture or in the Hedge Agreement. These rights may affect the outcome of votes, consent requests and other determinations and the ability of the Issuer or the Collateral Manager to effect amendments and waivers, or to perform actions, that may be in the best interests of the Holders of the Offered Securities.

*Illiquidity of Synthetic Securities; Effect of Credit Spreads on Termination Payment.* The market for credit default swaps on Asset-Backed Securities and REIT Debt Securities has only existed for a few years and is not liquid (compared to the market for credit default swaps on investment grade corporate reference entities). Credit default swaps with “pay as you go” credit events have only recently been introduced into the market, and the terms have not yet been fully standardized and may change significantly after the Closing Date (which may make it more difficult for the Issuer to liquidate or value a credit default swap upon a termination). The current premiums which a “buyer” of protection will pay under credit default swaps for reference obligations which are Asset-Backed

Securities and REIT Debt Securities are at very low levels (compared to the levels during the past five years). This results in part from the fact that the current interest rate spreads over LIBOR (or, in the case of fixed rate Asset-Backed Securities or REIT Debt Securities, over the applicable U.S. Treasury Benchmark) on Asset-Backed Securities and REIT Debt Securities are at very low levels (compared to the levels during the past ten years); in the event that such interest rate spreads widen or the prevailing credit premiums on credit default swaps on Asset-Backed Securities and REIT Debt Securities increase after the Closing Date, the amount of a termination payment upon a termination of a Synthetic Security due from the Issuer to the CDS Counterparty could increase by a substantial amount.

*Redemption of Notes and the Preference Shares; Potential Illiquidity and Volatility of Collateral Market Value.* An Optional Redemption, Tax Redemption or Auction Call Redemption is a potential source of liquidity for the Notes and the Preference Shares. There can be no assurance, however, that the Issuer's rights to an Optional Redemption, Tax Redemption or Auction Call Redemption will be exercised or that the conditions for any such redemption will be met. The Collateral Manager or a Majority of Preference Shareholders have the right to direct an Optional Redemption, which may materially and adversely affect the rights of one or more Classes of Noteholders, however there is no assurance that the Collateral Manager or such Majority will exercise this right or that, if exercised, the conditions for such redemption will be met. See "Description of the Notes—Optional Redemption and Tax Redemption".

An Optional Redemption, Tax Redemption or Auction Call Redemption would result in a sale of the Cash Securities into then-existing markets and a Disposition of all the Synthetic Securities pursuant to the Credit Default Swap Agreement (which may include market-based transactions). The value of the Collateral Debt Securities will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, international political events, developments or trends in any particular industry and the financial condition of the underlying obligors on or issuers of the Collateral Debt Securities (or the related Reference Obligations in the case of Synthetic Securities). Lower ratings of such issuers or such securities reflect a greater possibility that adverse changes in the financial condition of an issuer or obligor or in general economic conditions or both may impair the ability of such underlying issuers or obligors to make payments of principal, interest and premium. Any termination payments paid by the Issuer under any Synthetic Security terminated in connection with such redemption may have an adverse effect on the (i) amounts payable in connection with any Auction Call Redemption, Optional Redemption or Tax Redemption and (ii) proceeds received from the sale or liquidation of Collateral following an Event of Default. In addition, future periods of uncertainty in the United States economy and the economies of other countries in which issuers or obligors of the Collateral Debt Securities (or the related Reference Obligations in the case of Synthetic Securities) are domiciled and the possibility of increased volatility and default rates in certain financial markets may also adversely affect the price and liquidity of the Collateral Debt Securities.

The risk of a decline in the market value of the Collateral Debt Securities is increased in the case of the Issuer (as compared to other issuers that enter into credit default swaps with reference obligations that are primarily in investment grade securities) because the Eligibility Criteria allow the Issuer to enter into or acquire Collateral Debt Securities that are rated below investment grade.

A decrease in the market value of the Collateral Debt Securities would adversely affect the Disposition Proceeds which could be obtained upon the Disposition of Collateral Debt Securities and be available for payments on the Notes and for distributions on the Preference Shares. Therefore, there can be no assurance that, upon any Optional Redemption, Tax Redemption or Auction Call Redemption, the Disposition Proceeds realized would equal at least the Total Senior Redemption Amount (in the case of an Optional Redemption or Tax Redemption) or the Auction Call Redemption Amount (in the case of an Auction Call Redemption), thus permitting such a redemption. In any redemption, there is no assurance that the holders of the Preference Shares would receive their initial investment.

*Violations of Consumer Protection Laws May Result in Losses on Consumer Protected Securities.* Applicable state laws generally regulate interest rates and other charges require specific disclosures. In addition, other state laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of the loans backing Cash Securities or Reference Obligations consisting of Home Equity Loan Securities, Residential A



Mortgage Securities, Residential B/C Mortgage Securities and Manufactured Housing Securities (collectively, “**Consumer Protected Securities**”). Depending on the provisions of the applicable law and the specific facts and circumstances involved, violations of these laws, policies and principles may limit the ability of the issuer of a Consumer Protected Security to collect all or part of the principal of or interest on the underlying loans, may entitle a borrower to a refund of amounts previously paid and, in addition, could subject the owner of a mortgage loan to damages and administrative enforcement.

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

- (1) the Federal Truth in Lending Act and Regulation Z promulgated under the Truth in Lending Act, which require particular disclosures to the borrowers regarding the terms of the loans;
- (2) the Equal Credit Opportunity Act and Regulation B promulgated under the Equal Credit Opportunity Act, which prohibit discrimination on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act, in the extension of credit;
- (3) the Americans with Disabilities Act, which, among other things, prohibits discrimination on the basis of disability in the full and equal enjoyment of the goods, services, facilities, privileges, advantages or accommodations of any place of public accommodation;
- (4) the Fair Credit Reporting Act, which regulates the use and reporting of information related to the borrower’s credit experience;
- (5) the Home Ownership and Equity Protection Act of 1994, which regulates the origination of high cost loans;
- (6) the Depository Institutions Deregulation and Monetary Control Act of 1980, which preempts certain state usury laws; and
- (7) the Alternative Mortgage Transaction Parity Act of 1982, which preempts certain state lending laws which regulate alternative mortgage transactions.

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

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

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

*Ratings Confirmation Failure; Mandatory Redemption.* The Issuer will notify each Rating Agency in writing of the occurrence of the Ramp-Up Completion Date within 10 days after the Ramp-Up Completion Date occurs (each such notice a “**Ramp-Up Notice**”). If a Ratings Confirmation Failure occurs, on the Distribution Date

relating to the first Determination Date occurring thereafter, the Issuer will be required to apply *first*, Available Principal Excess and *second*, Interest Proceeds to the repayment of the Notes (and reduction of the Class A-1A Notional Amount) (sequentially in direct order of Seniority) in accordance with the Priority of Payments and as and to the extent necessary to obtain a Rating Confirmation. See “Description of the Notes—Mandatory Redemption” and “—Priority of Payments”.

*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 Reference Obligations will be used by the Collateral Manager only as a preliminary indicator of investment quality. The Eligibility Criteria allow the Issuer to enter into or acquire Collateral Debt Securities that are rated below investment grade. Investments in non-investment grade and comparable unrated obligations will be more dependent on the Collateral Manager’s credit analysis than would be the case with investments in investment grade debt obligations.

*International Investing.* A limited portion of the Cash Securities may be, and a limited portion of the Synthetic Securities may reference, the obligations of issuers located 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 certain Collateral Debt Securities (or related Reference Obligations in the case of Synthetic Securities) may consist of obligations of issuers or borrowers organized under the laws of various jurisdictions other than the United States. Investing outside the United States may involve greater risks than investing in the United States. These risks may include: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; (iii) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws therein, (iv) risks of economic dislocations in such other country and (v) less data on historic default and recovery rates for such Collateral Debt Securities (or related Reference Obligations in the case of Synthetic Securities). Moreover, many foreign companies are not subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies.

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

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

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

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

*Conflicts of Interest Involving the Collateral Manager.* Various potential and actual conflicts of interest may arise from the overall investment activities of the Collateral Manager and its affiliates. The following briefly summarizes some of these conflicts but is not intended to be an exhaustive list of all such conflicts. The Collateral Manager and its affiliates may invest for the account of others in credit default swaps or directly in debt obligations that would be appropriate as Collateral Debt Securities (or as Reference Obligations in respect of Synthetic Securities) and have no duty in making such investments to act in a way that is favorable to the Issuer or the holders of the Notes (the “**Noteholders**”) or the holders of the Preference Shares (the “**Preference Shareholders**” and, together with the Noteholders, the “**Securityholders**”). Such investments may be different from those made on behalf of the Issuer.

As part of its compensation for the performance of its obligations as Collateral Manager under the Management Agreement, the Collateral Manager will receive an Incentive Management Fee on any Distribution Date, subject to and in accordance with the Priority of Payments, if certain conditions to the payment of such fee are met. See “The Management Agreement.” The Collateral Manager’s entitlement to such Incentive Management Fee may cause it to direct the Issuer to invest in high risk Collateral Debt Securities. In evaluating investments, the opportunity to earn incentive compensation based on income to the Preference Shareholders may lead the Collateral Manager to place undue emphasis on the maximization of fixed premiums and current interest at that expense of other criteria in order to achieve higher incentive compensation. Collateral Debt Securities with higher risk premiums are generally riskier or more speculative. This could result in increased risk to the value of the Collateral.

The Collateral Manager, its affiliates and client accounts for which the Collateral Manager or its affiliates act as investment adviser may at times own Offered Securities of one or more Classes. At any given time, the Collateral Manager, its affiliates and accounts managed by any of them will not be entitled to vote Collateral Manager Securities (and such securities will be disregarded) with respect to (i) any removal of the Collateral Manager, (ii) any assignment of the rights or obligations of the Collateral Manager under the Management Agreement or (iii) any change in the compensation to the Collateral Manager. However, at any given time the Collateral Manager, its affiliates and such accounts will be entitled to vote Collateral Manager Securities with respect to all other matters, including in connection with approving or objecting to a replacement collateral manager. The ownership of Notes of any Class or Preference Shares by the Collateral Manager, its affiliates and client accounts, for which the Collateral Manager or its affiliates act as investment adviser may give the Collateral Manager an incentive to take actions that vary from the interests of the holders of the other Classes of Offered Securities and/or the Preference Shares, and the interests of the Collateral Manager in relation to the Notes of any Class or Preference Shares that (in each case) it owns will not necessarily be completely aligned with those of the other holders of the Notes of such Class or of the Preference Shares, as the case may be. “**Collateral Manager Securities**” means any Offered Securities held directly or indirectly by the Collateral Manager, an affiliate of the Collateral Manager or an account for which the Collateral Manager or an affiliate acts as investment adviser (and for which the Collateral Manager or such affiliate has discretionary voting authority); *provided* that “Collateral Manager Securities” shall not include Offered Securities held directly or indirectly by an account for which the Collateral Manager or an affiliate acts as investment adviser if, with respect to any particular vote, such vote is in fact directed by a board of directors or similar governing body with a majority of members that are independent from the Collateral Manager.

The Collateral Manager and its affiliates will generally not be restricted in their performance of any other services or types of investments that they may make, and will not be required to offer such services or investments to the Issuer or provide notice of such activities to the Issuer. Although the officers and employees of the Collateral Manager will devote as much time to the Issuer as the Collateral Manager deems appropriate, such officers and employees may have conflicts in allocating their time and services among the Issuer and other accounts advised by the Collateral Manager and/or its affiliates, resulting in reduced availability of resources for the Issuer.

The Collateral Manager and its affiliates currently manage investment entities that invest in equity, debt, synthetic securities and credit default swaps. The Collateral Manager and its affiliates intend to establish in the future additional investment entities to invest in such securities. The Collateral Manager also acts as collateral manager with respect to, and is an investor in, certain other collateralized debt obligation vehicles some of which

invest in securities similar to those in which the Issuer will invest or take exposure. The Collateral Manager and its affiliates may also have ongoing relationships with companies whose securities constitute the Collateral Debt Securities (or the related Reference Obligations in respect of Synthetic Securities) and may own debt or equity securities issued by issuers of the Collateral Debt Securities (or the related Reference Obligations in respect of Synthetic Securities). The Collateral Manager may take into consideration such relationships in its management of the Collateral. For instance, there may be certain investments that the Collateral Manager generally will not undertake on behalf of the Issuer in view of such relationships. Furthermore, as a result of such relationships the Collateral Manager may have material non-public information, which would place significant restriction on the Collateral Manager's ability to buy or sell the related securities or otherwise to use such information for the benefit of its clients or itself. As a result of the foregoing, the Collateral Manager may be prevented from taking actions which it might consider in the best interests of the Issuer, the Noteholders and/or the Preference Shareholders and the Issuer may experience reduced availability of investment opportunities.

As described in greater detail herein, the Collateral Manager may not knowingly direct the Trustee to enter into a securities transaction with the Collateral Manager or its affiliates as principal unless such transaction is not in violation of the Investment Advisers Act of 1940 (the "**Investment Advisers Act**"), the Board of Directors of the Issuer has been informed and has approved of such transaction is on arm's-length terms. In addition, the Collateral Manager may not knowingly direct the Trustee to enter into a securities transaction with any accounts or portfolios for which the Collateral Manager or an affiliate serves as an investment adviser unless such transaction is not in violation of the Investment Advisers Act and such transaction is on arm's length terms. Accordingly, as a result of the Collateral Manager's obligations under the Investment Advisers Act, the Collateral Manager may be unable to direct the Issuer's investment in Collateral Debt Securities or to take other actions which it might consider in the best interests of the Issuer and the Noteholders. See "The Management Agreement".

The Collateral Manager and its affiliates may serve as a general partner or manager of, or as an investment adviser for, entities organized to issue collateralized debt obligations secured by asset-backed securities, REIT debt securities and CDO Securities (or synthetic securities referencing the foregoing) which may compete with the Issuer for investment opportunities. The Collateral Manager may at certain times be simultaneously seeking to purchase investments for the Issuer and any other related entity for which it serves as manager or investment advisor, or for its own account or for affiliates (including investment funds managed by the Collateral Manager or its affiliates) (the "**Related Entities**"). In its capacity as investment adviser and manager, the Collateral Manager may engage in other business and furnish investment management and advisory services to Related Entities whose investment policies differ from those followed by the Collateral Manager on behalf of the Issuer as required by the Indenture. The Collateral Manager may make recommendations or effect transactions which differ from those effected with respect to the Collateral. In addition, the Collateral Manager may, from time to time, cause or direct Related Entities to enter into, buy or sell, or may recommend to Related Entities the entering into, buying and selling of, securities (including synthetic securities) of the same or of a different kind or class of the same obligor (or reference obligor), as securities (or Synthetic Securities) which are part of the Collateral which the Collateral Manager directs to be purchased or sold on behalf of the Issuer. As a result of the foregoing, the Issuer could be disadvantaged because of the investment activities conducted by the Collateral Manager for the Related Entities, including reduced availability of investment opportunities and resources for the Issuer.

The Indenture places significant restrictions on the Collateral Manager's ability to direct the Issuer to invest in Collateral Debt Securities, and the Collateral Manager is required to comply with these restrictions contained in the Indenture. Accordingly, during certain periods or in certain specified circumstances, the Collateral Manager may be unable to direct the Issuer's investment in Collateral Debt Securities or to take other actions which it might consider in the best interests of the Issuer and the Noteholders, as a result of the restrictions set forth in the Indenture.

The Collateral Manager may bid at each Auction and, even if it may not have been the highest bidder, will have the option to purchase any Collateral Debt Securities (including any subpool, in the case of the Synthetic Securities) for a purchase price equal to the highest bid therefor, which could discourage potential bidders from participating in the Auctions.

Subject to certain conditions described under "Description of the Notes—Optional and Tax Redemption, on any Distribution Date occurring on or after the Distribution Date occurring in June 2009, a Special Majority of

Preference Shareholders may direct the Issuer to redeem the Notes in whole but not in part, in each case at the applicable Redemption Price therefor (each such redemption, an “**Optional Redemption**”). The exercise by the Preference Shareholders of this right may materially and adversely affect the rights of all or some of the Noteholders.

*Conflicts of Interest Involving the Initial Purchaser/CDS Counterparty.* Certain of the Cash Securities and Reference Obligations synthetically acquired by the Issuer will consist of obligations of issuers or obligors, or obligations sponsored or serviced by companies, for which the Initial Purchaser and its respective affiliates has acted as underwriter, agent, placement agent, initial purchaser or dealer or for which the Initial Purchaser and its respective affiliates has acted as lender or provided other commercial or investment banking services. MLI, an affiliate of the Initial Purchaser, will act as the CDS Counterparty under the Credit Default Swap Agreement. The CDS Counterparty may eliminate its credit exposure to the Reference Obligations by entering into back-to-back hedging transactions with Qualified Participants selected by the CDS Counterparty and the Collateral Manager. However, the CDS Counterparty will not be required to maintain any such back-to-back transaction. Taking into account the Intermediation Fee, effective fixed rate premiums received by the CDS Counterparty under any such back-to-back hedging transaction in respect of a long Synthetic Security will generally exceed the applicable premium payable by the CDS Counterparty to the Issuer and effective fixed rate premiums paid by the CDS Counterparty under any such back-to-back hedging transaction in respect of a Short Synthetic Security will generally be less than the applicable premium payable to the CDS Counterparty by the Issuer. The CDS Counterparty will have the right to make determinations and to take actions or to decline to take actions which may have an adverse effect on the Issuer, Noteholders and Preference Shareholders. Whether and when to declare a Credit Event and to deliver any notice that a Credit Event or a Floating Amount Event has occurred will be in the sole discretion of the CDS Counterparty, and none of the CDS Counterparty, the calculation agent or any of their affiliates will have any liability to any Noteholder, any Preference Shareholder or any other person as a result of giving (or not giving) any such notice. If a Writedown or Failure to Pay Principal occurs, the CDS Counterparty, if it is acting as buyer of protection, may elect to require the Issuer to pay the Credit Protection Payment or to treat it as a Credit Event and physically settle under the Synthetic Security. In addition, the CDS Counterparty will have a right to determine, in its sole discretion, the termination payment to be made by the Issuer to it or by it to the Issuer in connection with the termination at the request of the Issuer of one or all of the Synthetic Securities and it has no liability to any Noteholder, any Preference Shareholder or any other person (other than any liability which it may have to the Issuer under the Credit Default Swap Agreement) as a result of making such determination.

The Issuer may enter into Synthetic Securities with the CDS Counterparty only to the extent the Collateral Manager determines that such transactions are consistent with the investment guidelines and objectives of the Issuer, the restrictions contained in the Indenture and applicable law. The initial portfolio of Synthetic Securities which the Issuer will enter into with the CDS Counterparty on the Closing Date will not be made on the terms (including the fixed rate which the CDS Counterparty will pay to the Issuer) prevailing in the credit default swap market on the Closing Date. There can be no assurance that the terms of the Credit Default Swap Agreement are the most favorable terms that the Issuer could obtain in the market if it entered into an identical agreement with another potential counterparty that was not an affiliate of the Initial Purchaser.

Certain of the Reference Obligations under the Credit Default Swap Agreement and certain of the Cash Securities may be obligations of issuers that are, or may be securities that are, sponsored or serviced by companies for which the Initial Purchaser, the CDS Counterparty and their respective affiliates have acted as underwriter, agent, placement agent or dealer or for which the Initial Purchaser, the CDS Counterparty and their respective affiliates has acted as lender or provided other commercial or investment banking services. Any of the Initial Purchaser, the CDS Counterparty and their respective affiliates may (i) be an investor in, a lender to or other secured or unsecured creditor of any issuer of a Reference Obligation or Cash Security or a holder of a Reference Obligation or Cash Security and, in such capacity, may make decisions in such capacity in its own commercial interests, regardless of whether any such action might have an adverse effect on the holders of the Notes, the Preference Shares, or on any Cash Security or Reference Obligation (including, without limitation, any action which might constitute or give rise to a Credit Event or might diminish the value of a Cash Security or Reference Obligation), (ii) engage in derivative transactions (including credit derivative transactions) with any issuer of a Reference Obligation or Cash Security and may provide investment banking and other financial services to any such issuer, (iii) hold long or short financial positions with respect to the Cash Securities or Reference Obligations or other securities or obligations of any issuer thereof or the Issuer, (iv) act with respect to such financial positions and may

exercise or enforce, or refrain from exercising or enforcing, any or all of their rights and powers in connection with such financial positions as if the relevant Initial Purchaser or CDS Counterparty (as applicable) had not entered into the Securities Purchase Agreement, Credit Default Swap Agreement or any other agreement with the Issuer, and without regard to whether any such action might have an adverse effect on the Issuer, any holder of Notes or Preference Shares, any issuer of a Reference Obligation or Cash Security or any obligation of the Issuer or any issuer of a Reference Obligation or Cash Security and/or (v) have received or may in the future receive significant fees for such services. Each of the Initial Purchaser and the CDS Counterparty will have only the duties and responsibilities expressly agreed to in the relevant capacity in which it is performing and will not, by virtue of it or any of its affiliates acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to be held to a standard of care other than as expressly provided with respect to each such capacity.

The Initial Purchaser or its respective affiliates may from time to time enter into derivative transactions with third parties with respect to the Offered Securities, and the Initial Purchaser or its respective affiliates may, in connection therewith, acquire (or establish long, short or derivative financial positions with respect to) Offered Securities, Collateral Debt Securities or one or more portfolios of financial assets similar to the portfolio of Collateral Debt Securities acquired by (or intended to be acquired by) the Issuer. These activities may create certain conflicts of interest, and there can be no assurance that the terms on which the Issuer entered into (or enters into) any of the foregoing transactions with the Initial Purchaser or an affiliate thereof were or are the most favorable terms available in the market at the time from potential counterparties.

Each of the Initial Purchaser and its respective affiliates may act in its own commercial interest, in any of the other capacities listed above (including as CDS Counterparty), and need not consider whether its actions will have an adverse effect on the Issuer, Noteholders or Preference Shareholders.

The Initial Purchaser and certain affiliates thereof also are the placement agents for certain investment funds that may invest, directly or indirectly, in the Preference Shares of the Issuer (and possibly also may invest in Notes of the Issuer). The Initial Purchaser will receive compensation from such investment funds for the placement of securities issued by the investment funds. The purchase price at which such funds purchase Offered Securities from the Initial Purchaser may be less than the issue price thereof or the prices at which other investors purchase any such security from the Initial Purchaser.

*Relation to Prior Investment Results.* The prior investment results of the Collateral Manager or persons associated with the Collateral Manager or any other entity or person described herein are not indicative of the Issuer's future investment results. The nature of, and risks associated with, the Issuer's future investments may differ substantially from those investments and strategies undertaken historically by such persons and entities. There can be no assurance that the Issuer's investments will perform as well as the past investments of any such persons or entities.

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

In addition, a prospective investor may have received a prospective investor presentation or other similar materials from the Initial Purchaser. Such a presentation may have contained a summary of certain proposed terms of a hypothetical offering of Offered Securities as contemplated at the time of preparation of such presentation in connection with preliminary discussions with prospective investors in the Offered Securities. However, as indicated therein, no such presentation was an offering of securities for sale, and any offering is being made only pursuant to this Offering Memorandum. Given the foregoing and the fact that information contained in any such presentation was preliminary in nature and has been superseded and may no longer be accurate, neither any such presentation nor any information contained therein may be relied upon in connection with a prospective investment in the Offered Securities. In addition, the Initial Purchaser or the Issuer may make available to prospective investors certain information concerning the economic benefits and risks resulting from ownership of the Offered Securities derived from modeling the cash flows expected to be received by, and the expected obligations of, the Issuer under various hypothetical assumptions provided to the Initial Purchaser or potential investors. Any such information may

constitute projections that depend on the assumptions supplied and are otherwise limited in the manner indicated above.

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

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

*Money Laundering Prevention.* The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (as amended, the “**USA PATRIOT Act**”), effective as of October 26, 2001, requires that financial institutions, a term that includes banks, broker-dealers and investment companies, establish and maintain compliance programs to guard against money laundering activities. The USA PATRIOT Act requires the Secretary of the U.S. Treasury (“**Treasury**”) to prescribe regulations in connection with anti-money laundering policies of financial institutions. The Federal Reserve Board, the Treasury and the U.S. Securities and Exchange Commission (the “**SEC**”) are currently studying what types of investment vehicles should be required to adopt anti-money laundering procedures, and it is unclear at this time whether such procedures will apply to pooled investment vehicles such as the Issuer. It is possible that there could be promulgated legislation or regulations that would require the Issuer, the Initial Purchaser or other service providers to the Issuer, in connection with the establishment of anti-money laundering procedures, to share information with governmental authorities with respect to investors in the Offered Securities. Such legislation and/or regulations could require the Issuer to implement additional restrictions on the transfer of the Offered Securities. The Issuer reserves the right to request such information as is necessary to verify the identity of investors in the Offered Securities and the source of the payment of subscription monies, or as is necessary to comply with any customer identification programs required by Financial Crimes Enforcement Network and/or the SEC. In the event of delay or failure by the applicant to produce any information required for verification purposes, an application for or transfer of Offered Securities and the subscription monies relating thereto may be refused.

The Issuer and the Administrator are also subject to anti-money laundering legislation in the Cayman Islands pursuant to the Proceeds of Criminal Conduct Law (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 Securities in a manner similar to the obligations imposed under the laws of other major financial centers. In addition, if any person who is resident in the Cayman Islands knows or has a suspicion that a payment to the Issuer (by way of investment or otherwise) contains the proceeds of criminal conduct, that person must report such suspicion to the Cayman Islands authorities pursuant to the PCCL. If the Issuer were determined by the Cayman Islands government to be in violation of the PCCL or The Money Laundering Regulations (2005 Revision), the Issuer could be subject to substantial criminal penalties. Such a violation could materially adversely affect the timing and amount of payments by the Issuer to the Holders of the Offered Securities.

*Mandatory Repayment of the Notes.* If any Overcollateralization Test applicable to a Class of Notes is not met, Interest Proceeds and, after application of Interest Proceeds, Available Principal Excess 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 Overcollateralization Test(s) to repay principal of one or more Classes of Notes (and reduce the Class A-1A

Notional Amount) in accordance with the Priority of Payments (after the payment of certain other amounts prior thereto).

If a Ratings Confirmation Failure occurs then funds that would otherwise be used to make a distribution in respect of the Preference Shares (after the payment of certain other amounts prior thereto) will be used instead to repay principal of one or more Classes of Notes (and reduce the Class A-1A Notional Amount) sequentially in direct order of Seniority (after the payment of certain other amounts prior thereto) on the Distribution Date relating to the first Determination Date occurring thereafter to the extent necessary (applying *first*, Available Principal Excess and *then*, Interest Proceeds, for such purpose) to obtain a Rating Confirmation.

On each Distribution Date, 15% of the Interest Proceeds available after payment of interest on the Notes (including any Deferred Interest), Subordinated Collateral Management Fees and certain other amounts will be applied to the payment of principal *pro rata* of the Class F Notes and Class G Notes in accordance with paragraph (21) under the heading “—Priority of Payments—Interest Proceeds”. See “—Priority of Payments” below.

On any Distribution Date prior to the last day of the Reinvestment Period, the Collateral Manager may, if the Collateral Manager (in its sole discretion) determines that entering into additional Synthetic Securities in the near future would either be impractical or not beneficial to the Issuer, direct the Trustee to apply all or any portion of Available Principal Excess that would otherwise be available for deposit in the Synthetic Security Collateral Account or the Principal Collection Account (in each case for the purposes of reinvestment) pursuant to paragraph (10) under the heading “Description of the Notes—Priority of Payments—Available Principal Excess” to the payment of principal of the Notes (and the reduction of the Class A-1A Notional Amount) (sequentially in direct order of Seniority) in accordance with the applicable priorities set forth in paragraph (11) under the heading “Description of the Notes—Priority of Payments—Available Principal Excess”.

Any 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 the Preference Shares or 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, and Noteholders receiving payments of principal pursuant to any of the foregoing may not be able to reinvest such amounts in investments with a return greater than or equal to the Notes being redeemed. See “Description of the Notes—Principal”, “—Mandatory Redemption”, “—Priority of Payments—Interest Proceeds” and “—Priority of Payments—Available Principal Excess”.

*Auction Call Redemption.* If the Notes have not been (or will not be) redeemed in full prior to the Auction Call Date, then an auction of the Collateral Debt Securities (which, in the case of the Synthetic Securities, may be effected through termination of a Synthetic Security and the entry by the CDS Counterparty into a “back-to-back” transaction or assignment with a market participant) will be conducted by the Trustee on behalf of the Issuer. Prior thereto, the Issuer will request the CDS Counterparty (and each Synthetic Security Counterparty with respect to each related Credit Linked Note or Defeased Synthetic Security) to determine the termination payment that will be due to it or the Issuer in respect of each Synthetic Security. Provided certain conditions are satisfied, the Collateral Debt Securities will be sold (or terminated) and the Notes will be redeemed on the next occurring Distribution Date. If such conditions are not satisfied and the auction is not successfully conducted, the Trustee will conduct auctions on a quarterly basis until the Notes are redeemed in full. See “Description of the Notes—Redemption Price” and “—Auction Call Redemption”. The Credit Default Swap Agreement will terminate upon completion of any successful Auction Call Redemption.

*Optional Redemption.* Subject to certain conditions described under “Description of the Notes—Optional and Tax Redemption, on any Distribution Date occurring on or after the Distribution Date occurring in June 2009, a Special Majority of Preference Shareholders may direct the Issuer to redeem the Notes in whole but not in part, in each case at the applicable Redemption Price therefor. See “Description of the Notes—Optional Redemption and Tax Redemption”. The Credit Default Swap Agreement will terminate upon any Optional Redemption.

*Tax Redemption.* Subject to satisfaction of certain conditions, upon the occurrence of a Tax Event, the Issuer may redeem the Notes, in whole but not in part, on a Distribution Date and only from (a) the Disposition Proceeds of the Collateral and (b) all other funds in the Accounts (other than in the Collateral Accounts, except to the extent funds therein will be released to the Issuer) on such Distribution Date, at the written direction of (i)



holders of a Majority of any Affected Class of Notes or (ii) a Majority of the Preference Shareholders, at the applicable Redemption Price. No Tax Redemption may be effected, however, unless (i) all Disposition Proceeds under clause (a) above are used to make such Tax Redemption, (ii) funds under clauses (a) and (b) are sufficient to redeem the Notes simultaneously and to pay certain other amounts in accordance with the procedures set forth in the Indenture and (iii) the Tax Materiality Condition is satisfied. See “Description of the Notes—Optional Redemption and Tax Redemption”. The Credit Default Swap Agreement will terminate upon any Tax Redemption.

*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 (or the related Reference Obligations in the case of Synthetic Securities) and the characteristics of the Collateral Debt Securities (or the related Reference Obligations in the case of Synthetic 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 Collateral Debt Securities (or the related Reference Obligations in the case of Synthetic Securities), the frequency of tender or exchange offers for the Collateral Debt Securities (or the related Reference Obligations in the case of Synthetic Securities) and any sales of Collateral Debt Securities and any dividends or other distributions received in respect of any Equity Securities, as well as the risks unique to investments in obligations of foreign issuers described above. See “Maturity, Prepayment and Yield Considerations” and “Security for the Notes”.

*Distributions on the Preference Shares; Investment Term; Non-Petition Agreement.* Prior to the payment in full of the Notes and all other amounts owing under the Indenture, Preference Shareholders will be entitled to receive distributions from Interest Proceeds released from the lien of the Indenture only to the extent permissible under the Indenture. The timing and amount of distributions payable to Preference Shareholders and the duration of the Preference Shareholders’ investment in the Issuer therefore will be affected by the average life of the Notes. See “—Average Life of the Notes and Prepayment Considerations” above.

*Early Termination of the Reinvestment Period.* Although the Reinvestment Period is scheduled to terminate on the Distribution Date occurring in June 2009, the Reinvestment Period may terminate prior to such date if (i) the Collateral Manager notifies the Trustee and the CDS Counterparty that, in light of the composition of Synthetic Securities, general market conditions and other factors, the Collateral Manager (in its sole discretion) has determined that investment in additional Collateral Debt Securities within the foreseeable future would either be impractical or not beneficial, (ii) the Notes are redeemed pursuant to a Tax Redemption as described below under “Description of the Notes—Optional Redemption and Tax Redemption”, or (iii) an Event of Default occurs. In addition, on each Distribution Date prior to the last day of the Reinvestment Period, the Collateral Manager may direct the application of Available Principal Excess to the reduction of the Class A-1A Notional Amount and to the redemption of the Notes on a *pro rata* basis. The inability to invest in new Collateral Debt Securities after an early termination of the Reinvestment Period may shorten the expected average lives of the Notes and the duration of the Preference Shares described under “Maturity, Prepayment and Yield Considerations”.

*Dependence on Key Personnel.* Because the composition of the Collateral Debt Securities will vary over time, the performance of the Collateral Debt Securities depends heavily on the skills of the Collateral Manager in analyzing, selecting and managing the Collateral Debt Securities including, in the case of the Synthetic Securities, the related Reference Obligations. As a result, the Issuer will be highly dependent on the financial and managerial experience of the Collateral Manager and certain of its officers to whom the task of managing the Collateral has been assigned. See “The Management Agreement” and “The Collateral Manager”.

*Withholding on the Notes.* The Issuer expects that payments of principal and interest and Commitment Fee on the Notes and of distributions and returns of capital on the Preference Shares will ordinarily not be subject to withholding tax in the Cayman Islands, the United States or any other jurisdiction. See “Income Tax Considerations”. In the event that tax must be withheld or deducted from payments on the Offered Securities, neither Co-Issuer shall be obliged to make any additional payments to the holders of any Offered Securities on account of such withholding or deduction.

*Taxes on the Issuer.* The Issuer expects to conduct its affairs so that its income generally will not be subject to tax on a net income basis in the United States or any other jurisdiction. The Issuer also expects that payments it receives generally will not be subject to withholding taxes imposed by the United States or other countries that may be treated as the source of the payments. The Issuer's income might become subject to net income or withholding taxes in the United States or other jurisdictions, however, due to unanticipated circumstances, change in law, contrary positions of relevant taxing authorities or other causes. Payments with respect to any equity securities likely will be subject to withholding taxes imposed by the United States or other countries from which such payments are sourced. Under current U.S. Federal income tax law, the treatment of Synthetic Securities in the form of credit default swaps (including those with "pay-as-you-go" features) is unclear. Certain possible tax characterizations of a credit default swap, if adopted by the U.S. Internal Revenue Service and if applied to Synthetic Securities to which the Issuer is a party, could subject payments received by the Issuer under such Synthetic Securities to U.S. tax. The imposition of unanticipated net income or withholding taxes could materially impair the Issuer's ability to make payments on the Offered Securities. See "Income Tax Considerations".

*Tax Treatment of Preference Shares.* The Preference Share Paying Agency Agreement requires the Issuer and each registered holder and beneficial owner of Preference Shares to treat the Issuer as a corporation for U.S. Federal, state and local income and franchise tax purposes and to treat the Preference Shares as equity in the Issuer for those purposes. Because the Issuer will be a corporation for U.S. Federal income tax purposes that will be a passive foreign investment company, a U.S. person holding Preference Shares may be subject to additional taxes unless it elects to treat the Issuer as a qualified electing fund and to recognize currently its proportionate share of the Issuer's income. The Issuer also may be a controlled foreign corporation, in which case U.S. persons holding Preference Shares could be subjected to different tax treatments. See "Income Tax Considerations".

*Tax Treatment of Class F Notes and Class G Notes.* The Indenture requires that registered holders and beneficial owners and the Issuer agree to treat the Class F Notes and the Class G Notes as debt of the Issuer only for U.S. Federal, state and local income and franchise tax purposes. It is possible that the treatment of the Class F Notes and the Class G Notes as debt of the Issuer could be challenged by the U.S. Internal Revenue Service. If a challenge were successful, the Class F Notes and the Class G Notes would be treated as equity interests in the Issuer, and the U.S. Federal income tax consequences of investing in the Class F Notes and the Class G Notes would be similar to the consequences of investing in the Preference Shares without electing to treat the Issuer as a qualified electing fund. See "Income Tax Considerations".

*ERISA Considerations.* The Issuer intends to prohibit ownership (with respect to the Class P Notes) and restrict ownership of the Class F Notes, the Class G Notes and the Preference Shares by Benefit Plan Investors and Controlling Persons so that no assets of the Issuer will be deemed to be "**plan assets**" subject to ERISA and/or Section 4975 of the Code as such term is defined in the Plan Asset Regulation issued by the United States Department of Labor. Accordingly, the Issuer intends to restrict the acquisition of the Preference Shares by Benefit Plan Investors (which are defined in the Plan Asset Regulation to include all employee benefit plans, whether or not the plans are subject to Title I of ERISA, plans within the meaning of Section 4975 of the Code and entities whose underlying assets are deemed to include plan assets) so that, on the Closing Date and based on representations by the persons acquiring Preference Shares, less than 25% of the Preference Shares will be held by Benefit Plan Investors (disregarding Preference Shares held by Controlling Persons and Preference Shares included in the Class P Preference Share Component), and after the Closing Date, no Preference Shares may be directly or indirectly acquired by Benefit Plan Investors or Controlling Persons.

Each initial purchaser of Class P Notes will be required to certify that it is not (and for so long as it holds Class P Notes or any interest therein will not be), and is not acting on behalf of (and for so long as it holds Class P Notes or any interest therein will not be acting on behalf of), a Plan subject to ERISA or the Code or a foreign, governmental or church plan which is subject to any foreign, federal, state or local law that is substantially similar to the Prohibited Transaction provisions of section 406 of ERISA or section 4975 of the Code, (b) it will not transfer Class P Notes to a Benefit Plan Investor or a Controlling Person and (c) it, and any fiduciary of it causing it to acquire such Class P Notes agrees to indemnify and hold harmless the Issuer, the Collateral Manager, the Trustee, the Shares Paying Agent, the Initial Purchaser and their respective affiliates from any cost, damage or loss incurred by them as a result of it being or being deemed to be a Benefit Plan Investor.

No Preference Share may be transferred to a transferee which is acquiring an interest in a Preference Share unless such transferee executes a certificate in the form attached as an exhibit to the Preference Share Paying Agency Agreement.

Furthermore, it is intended that the ownership interests in the Class F Notes and Class G Notes (“**ERISA Restricted Notes**”) will be restricted so that, on the Closing Date and based on representations by the persons acquiring the ERISA Restricted Notes, less than 25% of each Class of ERISA Restricted Notes will be held by Benefit Plan Investors (disregarding Notes of the applicable Class of ERISA Restricted Notes held by Controlling Persons), and after the Closing Date, no ERISA Restricted Notes may be directly or indirectly acquired by Benefit Plan Investors or Controlling Persons. Any transferee that acquires ERISA Restricted Notes will be required to represent that it is not a Benefit Plan Investor in the transfer certificate delivered to the Trustee in connection with such transfer.

Each Original Purchaser and each transferee of a Note 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, will not be), and is not (and, for so long as it holds any Note or any interest therein, will not be) acting on behalf of an employee benefit plan subject to Title I of ERISA, a plan subject to Section 4975 of the Code or a governmental or church plan subject to any Similar Law or (b) its purchase and ownership of such Note will be covered by a prohibited transaction class exemption issued by the United States Department of Labor (or, in the case of a governmental or church plan, will not result in a violation of any Similar Law). Each purchaser of a Preference Share will be required to certify (or in certain circumstances will be deemed to represent and warrant) that its acquisition and holding of Preference Shares will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any Similar Law. Although each such owner and/or its fiduciary will be required to indemnify the Issuer for the consequences of any breach of such obligations, there is no assurance that an owner or fiduciary will not breach such obligations or that, if any such breach occurs, such owner or fiduciary will have the financial capacity and willingness to indemnify the Issuer for any losses that the Issuer may suffer, including non-compliance with the restriction on transfers to Benefit Plan Investors and Controlling Persons.

It should be noted that there can be no assurance that these restrictions will be effective. If the assets of either of the Issuer were deemed to be “plan assets”, certain transactions that the Issuer might enter into, or may have entered into, in the ordinary course of business might constitute non-exempt prohibited transactions under ERISA and/or Section 4975 of the Code and might have to be rescinded.

See “ERISA Considerations” herein for a more detailed discussion of certain ERISA and related considerations with respect to an investment in the Offered Securities.

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

*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 Securities. 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 Securities will not be subject to the InvStG.

Neither the Co-Issuers nor the Initial Purchaser makes any representation, warranty or other undertaking whatsoever that the Offered Securities are not qualified as unit certificates in a foreign investment fund pursuant to Section 1(1) no. 2 of the InvStG. The Issuer will not comply with any calculation and information requirements set forth in Section 5 of the InvStG. Prospective German investors in the Offered Securities 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 Securities, and neither the Issuer nor the Initial Purchaser accepts any responsibility in respect of the tax treatment of the Offered Securities 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. Following the closing, copies of the Indenture may be obtained by prospective investors upon request to the Trustee at 181 West Madison Street, 32nd Floor, Chicago, Illinois 60602, Attention: CDO Trust Services Group – GSC ABS CDO 2006-2m, Ltd.

### Status and Security

The Co-Issued Notes will be limited-recourse debt obligations of the Co-Issuer and the Class F Notes and Class G Notes will be limited-recourse debt obligations of the Issuer secured by the Collateral. All of the Class A-1A Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-1B Notes are entitled to receive payments *pari passu* among themselves, all of the Class A-2 Notes are entitled to receive payments *pari passu* among themselves, all of the Class B Notes are entitled to receive payments *pari passu* among themselves, all of the Class C Notes are entitled to receive payments *pari passu* among themselves, all of the Class D Notes are entitled to receive payments *pari passu* among themselves, all of the Class E Notes are entitled to receive payments *pari passu* among themselves, all of the Class F Notes are entitled to receive payments *pari passu* among themselves, all of the Class G Notes are entitled to receive payments *pari passu* among themselves and all of the Preference Shares are entitled to receive payments *pari passu* among themselves, in each case based upon the respective aggregate outstanding principal amounts thereof (or, in the case of the Preference Shares, based upon the respective numbers thereof). Except as otherwise described herein, the relative order of seniority of payment of each Class of Notes is as follows: first, Class A-1A Notes, second, Class A-1B Notes, third, Class A-2 Notes, fourth, the Class B Notes, fifth, the Class C Notes, sixth, the Class D Notes, seventh, the Class E Notes, eighth, the Class F Notes and ninth, the Class G Notes with (a) each Class of Notes (other than the Class G Notes) in such list being “**Senior**” or in “**Seniority**” to each other Class of Notes that follows such Class of Notes in such list (e.g., the Class A-1A Notes are Senior to the Class A-1B Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes and Class G Notes) and (b) each Class of Notes (other than the Class A-1A Notes) in such list being “**Subordinate**” to each other Class of Notes that precedes such Class of Notes in such list (e.g., the Class G Notes are Subordinate to the Class A-1A Notes, Class A-1B Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes). No payment of interest on any Class of Notes will be made until all accrued and unpaid interest on the Notes of each Class that are Senior to such Class and that remain outstanding has been paid in full.

After the end of the Reinvestment Period, Available Principal Excess will be applied in accordance with the Priority of Payments (i) if a Sequential Payment Period is not in effect and would not occur as a result of such payment, to pay, first, the applicable Pro Rata Principal Payment Amount in reduction of the principal of each Class of Notes (which amount shall be applied as Class A-1A Principal Payments, in the case of the Class A-1A Notes)

and second, unpaid interest (including Deferred Interest) on the Class D Notes, Class E Notes, Class F Notes and Class G Notes, sequentially in direct order of Seniority or (ii) if a Sequential Payment Period is in effect or would occur as a result of the payments described in the preceding clause, to pay Class A-1A Principal Payments and principal of the Class A-1B Notes, Class A 2 Notes, Class B Notes, Class C Notes, Class D Notes (plus any accrued and unpaid interest thereon, any Class D Deferred Interest and accrued interest thereon), Class E Notes (plus any accrued and unpaid interest thereon, any Class E Deferred Interest and accrued interest thereon), Class F Notes (plus any accrued and unpaid interest thereon, any Class F Deferred Interest and accrued interest thereon) and Class G Notes (plus any accrued and unpaid interest thereon, any Class G Deferred Interest and accrued interest thereon) sequentially in direct order of Seniority, until each such Class of Notes is paid in full and the Class A-1A Notional Amount is reduced to zero.

So long as any Class of Notes is outstanding, if any Overcollateralization Test applicable to such Class of Notes is not satisfied on any Determination Date related to any Distribution Date, any Interest Proceeds available after the payment of current interest on such Class of Notes and all other amounts senior to such interest in accordance with the Priority of Payments will be applied to redeem such Class of Notes (or, in the case of a failure of the Class A/B/C Overcollateralization test, *first* the Class A-1A Notes (including the Class A-1A Notional Amount), *second* the Class A-1B Notes, *third* the Class A-2 Notes, *fourth* the Class B Notes and *fifth*, the Class C Notes), in each case, until such Overcollateralization Test is satisfied or the outstanding principal amount (including Class A-1A Notional Amount) of the applicable Class(es) of Notes is reduced to zero. So long as any Class of Notes is outstanding, if any Overcollateralization Test applicable to such Class of Notes is not satisfied on any Determination Date related to any Distribution Date, Available Principal Excess will be used in accordance with the Priority of Payments (and after giving effect to the application of Interest Proceeds described in the preceding sentence) to, *first*, redeem each Class of Notes that is Senior to such Class of Notes (including Class A-1A Notional Amount) (sequentially in direct order of Seniority) and, *second*, redeem such Class of Notes, until such Overcollateralization Test is satisfied, in each case, until such Overcollateralization Test is satisfied or the outstanding principal amount (including Class A-1A Notional Amount) of the applicable Class(es) of Notes is reduced to zero.

If a Ratings Confirmation Failure occurs with respect to any Class of Notes, the Issuer will be required to apply on the Distribution Date relating to the first Determination Date occurring thereafter *first*, Available Principal Excess and *second*, Interest Proceeds to the payment of principal (including the Class A-1A Notional Amount) of the applicable Class of Notes (sequentially in direct order of Seniority) in accordance with the Priority of Payments and as and to the extent necessary to obtain a Rating Confirmation.

During the Reinvestment Period (and prior to the termination of the Class A-1A Swap Agreement), the Issuer will pay to the Holders of the Class A-1A Notes, in reduction of the outstanding principal amount of the Class A-1A Notes, Class A-1A Redemption Payments as described under “Description of the Notes—Priority of Payments—Class A-1A Redemption Payments”.

On each Distribution Date, 15% of the Interest Proceeds available after payment of interest on the Notes (including any Deferred Interest), Subordinated Collateral Management Fees and certain other amounts will be applied to the payment *pro rata* of the principal of the Class F Notes and Class G Notes in accordance with paragraph (21) under the heading “—Priority of Payments—Interest Proceeds”. See “—Priority of Payments” below.

Under the terms of the Indenture, the Issuer will grant to the Trustee for the benefit of the Secured Parties a first priority security interest in the Collateral described herein to secure the Issuer’s obligations under the Indenture and the Notes.

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

## Interest

The Class A-1A Notes and the Class A-1B Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.30%. The Class A-2 Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.43%. The Class B Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.52%. The Class C Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.63%. The Class D Notes will bear interest at a floating rate per annum equal to LIBOR plus 1.35%. The Class E Notes will bear interest at a floating rate per annum equal to LIBOR plus 3.15%. The Class F Notes will bear interest at a floating rate per annum equal to LIBOR plus 6.25%. The Class G Notes will bear interest at a floating rate per annum equal to LIBOR plus 7.25%.

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

Payments of interest on the Notes will be payable in U.S. Dollars quarterly in arrears on each June 8, September 8, December 8, and March 8 commencing in September 2006 (each, a “**Distribution Date**”), *provided* that (i) the final Distribution Date for the Notes shall be June 8, 2045 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-1 Note, Class A-2 Note, Class B Notes or Class C Notes remains outstanding, failure to make payment in respect of interest on the Class D Notes on any Distribution Date by reason of the Priority of Payments will not constitute an Event of Default under the Indenture. Any interest on the Class D Notes that is not paid when due by operation of the Priority of Payments will be deferred (such interest “**Class D Deferred Interest**”).

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

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

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

For the purposes of the application of Available Principal Excess pursuant to the Priority of Payments on each Distribution Date, “**Deferred Interest**” shall include amounts thereof that were deferred pursuant to the application of Interest Proceeds pursuant to the Priority of Payments on such Distribution Date.

So long as any Class A Notes, Class B Notes or Class C Notes are outstanding, if the A/B/C Overcollateralization Test is not satisfied on any Determination Date, then Interest Proceeds that would otherwise be used to make payments on the related Distribution Date in respect of interest on any Class of Notes Subordinate to the Class C Notes or distributions as dividends to the Preference Shareholders will be used instead, *first*, to pay the

Class A-1A Principal Payments, *second*, to pay principal of the Class A-1B Notes, *third*, to pay principal of the Class A-2 Notes, *fourth*, to pay principal of the Class B Notes and *fifth*, to pay principal of the Class C Notes, until the A/B/C Overcollateralization Test is satisfied or the principal of the relevant Classes of Notes (including the Class A-1A Notional Amount) is reduced to zero. See “Description of the Notes—Priority of Payments”.

So long as any Class D Notes are outstanding, if the Class D Overcollateralization Test is not satisfied on any Determination Date, then Interest Proceeds that would otherwise be used to make payments on the related Distribution Date in respect of interest on any Class of Notes Subordinate to the Class D Notes or distributions as dividends to the Preference Shareholders will be used instead to pay principal of the Class D Notes, until the Class D Overcollateralization Test is satisfied or the Classes D Notes are paid in full. See “Description of the Notes—Priority of Payments”.

So long as any Class E Notes are outstanding, if the Class E Overcollateralization Test is not satisfied on any Determination Date, then Interest Proceeds that would otherwise be used to make payments on the related Distribution Date in respect of interest on the Class F Notes and Class G Notes or distributed as dividends to the Preference Shareholders will be used instead to pay principal of the Class E Notes, until the Class E Overcollateralization Test is satisfied or the Class E Notes are paid in full. See “Description of the Notes—Priority of Payments”.

So long as any Class F Notes are outstanding, if the Class F Overcollateralization Test is not satisfied on any Determination Date, then Interest Proceeds that would otherwise be used to make payments on the related Distribution Date in respect of interest on the Class G Notes or distributed as dividends to the Preference Shareholders will be used instead to pay principal of the Class F Notes until the Class F Overcollateralization Test is satisfied or the Class F Notes are paid in full. See “Description of the Notes—Priority of Payments”.

So long as any Class G Notes are outstanding, if the Class G Interest Diversion Test is not satisfied on any Determination Date, Interest Proceeds that would otherwise be distributed as dividends to the Preference Shares must instead be used to pay principal of the Class G Notes on the related Distribution Date, to the extent necessary to cause the Class G Interest Diversion Test to be satisfied or until the Class G Notes are paid in full. See “Description of the Notes—Priority of Payments”.

Additionally, so long as any Class F Notes or Class G Notes are outstanding, 15% of the Interest Proceeds that would otherwise be distributed to the Preference Shares must instead be used to pay, pro rata, the principal of the Class G Notes and the Class F Notes, until such Classes of Notes are paid in full. See “Description of the Notes—Priority of Payments”.

With respect to each Interest Period, “**LIBOR**” for purposes of calculating the interest rate for each Class of Notes for such Interest Period with respect to the related Distribution Date 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 for a term 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 the Designated Maturity (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 (after consultation with the Collateral Manager) are quoting on the relevant LIBOR Determination Date for Dollar deposits for the term of such Designated Maturity (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 three months, LIBOR shall be determined through the use of straight-line interpolation by reference to two rates calculated in accordance with clauses (i) and (ii) above, one of which shall be determined as if the maturity of the Dollar deposits referred to therein were the period of time for which rates are available next shorter than the Interest Period and the other of which shall be determined as if such maturity were the period of time for which rates are available next longer than the Interest 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 U.S. Dollar certificates of deposit of major U.S. money market banks having a remaining maturity closest to the Designated Maturity.

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

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

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

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

#### **Class A-1B Commitment Fee**

The Commitment Fee will accrue on the unfunded Aggregate Class A-1B Commitment Amount 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 quarterly in arrears on each Distribution Date relating



to an Interest Period that commenced prior to the Commitment Period Termination Date and will rank *pari passu* with the payment of interest on the Class A-1B Notes. The Commitment Fee will be computed on the basis of a 360-day year and the actual number of days elapsed. No Class of Notes other than the Class A-1B Notes will be entitled to a Commitment Fee.

#### **Drawdown of the Class A-1B Notes**

All of the Class A-1B Notes will be issued on the Closing Date. U.S.\$75,000,000 of the principal amount of the Class A-1B Notes will be advanced on the Closing Date. Pursuant to the Class A-1B Note Funding Agreement dated May 31, 2006 between the Issuer, the Co-Issuer, the Trustee, Merrill Lynch, Pierce, Fenner & Smith Incorporated as distribution agent and the holders from time to time of the Class A-1B Notes, subject to compliance with the conditions set forth therein, the Collateral Manager (on behalf of the Co-Issuers) may request (and the holders of the Class A-1B Notes (or such Liquidity Providers to whom such holders have delegated their obligations under the Class A-1B Note Funding Agreement) will be obligated to make *pro rata* in accordance with their respective Commitments) advances under the Class A-1B Notes until the aggregate principal amount advanced under the Class A-1B Notes equals U.S.\$125,000,000 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 following the Ramp-Up Completion Date; (ii) the redemption of the Class A-1B Notes in full; (iii) the first date on which the Aggregate Class A-1B Commitment Amount has been reduced to zero; (iii) the date of the occurrence of an Event of Default specified in clause (iv), (vi) or (vii) of the definition thereof; or (iv) the sale, foreclosure or other disposition of the Collateral under the Indenture; *provided* that if a holder of a Class A-1B Note has failed as of the Commitment Period Termination Date to make any advance required to be made by it under the Class A-1B Note Funding Agreement, such Holder of Class A-1B Notes shall remain obligated to make such advance notwithstanding that the Commitment Period Termination Date has occurred. Any reference herein to “**Aggregate Class A-1B Commitment Amount**” means, as of any date of determination prior to the Commitment Period Termination Date, a principal amount equal to U.S.\$125,000,000 minus the aggregate of all Borrowings on or prior to such date. The “**Commitment**” with respect to each Holder of the Class A-1B Notes as of any time, means the maximum aggregate principal amount of advances in respect of the Aggregate Class A-1B Commitment Amount that such Holder (or any Liquidity Provider (as defined in the Class A-1B Note Funding Agreement) to whom such holder has delegated its obligations under the Class A-1B Note Funding Agreement) is then obligated to make to the Issuer under the Class A-1B Note Funding Agreement.

The proceeds of Borrowings may be applied by the Issuer to (i) pay the purchase price in respect of additional Cash Securities and Credit Linked Notes acquired by the Issuer (or, pending such purchase, Eligible Investments), (ii) deposit amounts to the Synthetic Security Collateral Account (or, as applicable, one or more Third Party Collateral Accounts) in connection with the Issuer’s entry into additional Synthetic Securities and (iii) repay amounts due by the Issuer under the Master Forward Sale Agreement.

During the Commitment Period, the Issuer (at the direction of the Collateral Manager) may borrow amounts under the Class A-1B Notes pursuant to the Class A-1B 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-1B Notes on any date may not in any event exceed the Aggregate Class A-1B Commitment Amount as of such date (calculated without giving effect to such Borrowings on such date) 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-1B Notes shall otherwise agree, Borrowings shall be made only on the 25th day of each month (or if such day is not a Business Day, the next succeeding Business Day) commencing June 25, 2006; *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 3 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 aggregate principal amount of any Borrowing (other than a Borrowing in respect of the entire Aggregate Class A-1B Commitment Amount) in respect of the Class A-1B 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 5th Business Day immediately preceding each Borrowing Date (other than the Closing Date), the Collateral Manager will cause the Issuer to provide notice to each Holder of a Class A-1B Note (with a copy to the Trustee) of the Issuers’ intention to effect a Borrowing. The

Collateral Manager will cause the Issuer to provide notice of a Borrowing in respect of the Ramp-Up Completion Date, if the Aggregate Class A-1B Commitment Amount has not been fully drawn prior thereto.

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

Prior to the Commitment Period Termination Date, each Holder of Class A-1B Notes will be required to satisfy the Rating Criteria specified in the Class A-1B Note Funding Agreement. If any Holder of Class A-1B Notes shall at any time prior to the Commitment Period Termination Date fail to satisfy such Rating Criteria or fail to perform its obligations with respect to a Borrowing, the Issuer will have the right under the Class A-1B Note Funding Agreement to, and will be obligated under the Indenture to, 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 its Class A-1B Notes to such other entity) or if such Holder fails to effect the transfer required within such 30-day period, upon written direction from the Collateral Manager (on behalf of the Issuer) or the Issuer, the Trustee shall cause its interest in such Class A-1B Note to be transferred in a commercially reasonable sale to a person that satisfies the Rating Criteria. The “**Rating Criteria**” will be satisfied on any date with respect to any Holder of the Class A-1B 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, “A-1” by Standard & Poor’s and at least “F1” by Fitch or the long-term debt obligations of such Holder, or any 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 at least “AAA” by Standard & Poor’s, “Aaa” by Moody’s and “AAA” by Fitch or (b) such holder (or in the case of a CP Conduit, its External Support Provider) is then entitled under a Liquidity Facility to borrow loans from, or sell Class A-1B Notes to, one or more financial institutions (each, a “**Liquidity Provider**”) provided that 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 at least “F1” by Fitch. A “**Liquidity Facility**” means, as to any Class A-1B Noteholder as of any date, a liquidity loan or asset purchase agreement in a form reasonably acceptable to the Collateral Manager (on behalf of the Issuer) and each Rating Agency pursuant to which the Liquidity Providers party thereto have committed (for the express benefit of the holder, the Issuer and the Trustee) to make loans to, or purchase interests in Class A-1B Notes from, such holder in an aggregate principal amount at any one time outstanding equal to or greater than the undrawn Commitment with respect to Class A-1B Notes held by such holder of a Class A-1B Note (which commitments are not scheduled to terminate, or which may be drawn in their entirety upon a failure to extend such commitments, prior to the Commitment Period Termination Date). The purchase of Class A-1B 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-1B Note Funding Agreement, any purchaser of Class A-1B 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-1B Note Funding Agreement in respect of the Class A-1B Notes held by such purchaser.

“**CP Conduit**” means any person that in the ordinary course of its business (i) issues commercial paper notes to fund its acquisition and maintenance of, or loans secured by, financial assets or interests therein or (ii) obtains funds for its acquisition and maintenance of, or loans secured by, financial assets or interests therein pursuant to a funding agreement with a person that issues CP Notes in the ordinary course of its business.

“**CP Notes**” means commercial paper or other debt obligations issued by a CP Conduit or by a person described in clause (ii) of the definition of “CP Conduit” that has entered into a funding agreement with a CP Conduit.

“**External Support Provider**” means, with respect to any CP Conduit, any provider of the liquidity or credit support facilities to or for the account of such CP Conduit which are used to fund such CP Conduit’s

obligations hereunder or to support the CP Notes, if any, issued by such CP Conduit to fund such obligations, any other or additional person now or hereafter extending credit or having a commitment to extend credit to or for the account of such CP Conduit or any such liquidity provider or additional person issuing a letter of credit, surety bond or other instrument to support any obligations arising under or in connection with such CP Conduit's securitization program and any guarantor of any such party or person; provided that (a) neither the Issuer nor the Collateral Manager shall constitute an External Support Provider for purposes of this definition and (b) each External Support Provider must be a financial institution.

### **Class A-1A Swap Agreement**

On or prior to the Closing Date, the Issuer will enter into a the Class A-1A Swap Agreement with the Class A-1A Swap Counterparty. Pursuant to the Class A-1A Swap Agreement, (i) in connection with the Issuer's payment of any Outstanding CDS Issuer Payment Obligation or any termination payment due to the CDS Counterparty in respect of the Credit Default Swap Agreement in whole (other than a Defaulted Swap Termination Payment), to the extent available amounts standing to the credit of the Synthetic Security Collateral Account are insufficient to pay in full the aggregate amount of the Outstanding Issuer Payment Obligation and such termination payments then owing, and/or (ii) if there is an Amortization Shortfall with respect to a Distribution Date, the Class A-1A Swap Counterparty will be obligated to make a payment in the aggregate amount of such insufficiency and Amortization Shortfall (each a "**Class A-1A Swap Payment**") to the Issuer and the Issuer will increase the aggregate outstanding principal amount of the Class A-1A Notes in an amount equal to the amount of such payment, all as set forth in the Class A-1A Swap Confirmation.

"**Class A-1A Notional Amount**" means an amount equal to (i) U.S.\$225,000,000 minus (ii) the aggregate amount of reductions of the "Class A-1A Notional Amount" pursuant to the Priority of Payments by way of application of Unfunded Excess or by deposit of cash to the Synthetic Security Collateral Account minus (iii) the aggregate amount of increases in principal amount of the Class A-1A Notes in connection with Class A-1A Swap Payments since the Closing Date plus (iv) the aggregate amount paid to Class A-1A Noteholders in respect of Class A-1A Redemption Payments since the Closing Date.

During the Reinvestment Period, Principal Proceeds that would otherwise be deposited to the Principal Collection Account will be deposited, instead to the Synthetic Security Collateral Account up to an amount equal to the lesser of (i) the aggregate outstanding principal amount of Class A-1A Notes or (ii) an amount equal to the sum of (x) 50% of the Aggregate Ramp-Up Notional Amount minus (y) the Class A-1A Notional Amount as of such date minus (z) the Aggregate Notional Balance of all Defeased Synthetic Securities and Credit Linked Notes as of such date (such lesser amount, the "**Class A-1A Reserve Amount**").

On each Distribution Date during the Reinvestment Period, funds credited to the Synthetic Security Collateral Account (after giving effect to the application of all other deposits or payments pursuant to the Priority of Payments and the payment of any Outstanding CDS Issuer Payment Obligations on such Distribution Date) will be applied in reduction of the outstanding principal of the Class A-1A Notes, pursuant to the Priority of Payments with respect to Class A-1 Redemption Payments, and the Class A-1A Notional Amount will be increased by the amount of each such payment. See "Description of the Notes—Priority of Payments—Class A-1A Redemption Payments".

Prior to the scheduled termination date of the Class A-1A Swap Agreement, the Class A-1A Swap Counterparty will be required to satisfy the Class A-1A Rating Criteria. If the Class A-1A Swap Counterparty fails at any time prior to the scheduled termination date of the Class A-1A Swap Agreement to comply with the Class A-1A Rating Criteria, the Class A-1A Swap Counterparty will be obligated to post collateral to the Class A-1A Swap Prefunding Account, obtain a guarantee from a guarantor that meets such Class A-1A Rating Criteria, purchase the maximum principal amount of Class A-1A Notes, transfer its rights and obligations in the Class A-1A Swap Agreement to another entity that meets such Class A-1A Rating Criteria or take such other action that satisfies the Rating Condition.

The "**Class A-1A Rating Criteria**" will be satisfied on any date with respect to the Class A-1A Swap Counterparty if the Class A-1A Swap Counterparty or any credit support provider of the Class A-1A Swap Counterparty has (x) a short-term debt rating of "A-1" by Standard & Poor's or (if it has no short-term debt rating from Standard & Poor's) a long-term debt rating of at least "AA-" by Standard & Poor's and (y) a short-term debt

rating of “P-1” by Moody’s (and is not on credit watch for downgrade) and a long-term debt rating of at least “Aa3” by Moody’s (and is not on credit watch for downgrade).

The Class A-1A 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 (iv), (vi) or (vii) of the definition thereof or (c) the sale, foreclosure or other disposition of the Collateral under the Indenture.

### **Principal**

The Stated Maturity of each Class of Notes is June 8, 2045 or, if such date is not a Business Day, the next following Business Day. Each Class of Notes is scheduled to mature at the Stated Maturity unless redeemed or repaid prior thereto. The Notes may be paid in full prior to the Stated Maturity. See “Risk Factors—Average Life of the Notes and Prepayment Considerations” and “Maturity, Prepayment and Yield Considerations”. Any payment of principal with respect to any Class of Notes (including any payment of principal made in connection with a Mandatory Redemption, Optional Redemption, Auction Call Redemption or Tax Redemption) will be made by the Trustee on a *pro rata* basis on each Distribution Date among the Notes of such Class according to the respective unpaid principal amounts (including, in the case of the Class A-1A Notes, the Class A-1A Notional Amount) thereof outstanding immediately prior to such payment.

Payments of principal (and reduction of the Class A-1A Notional Amount) may be made on the Notes during the Reinvestment Period only in the following circumstances (subject to the Priority of Payments): (a) upon the failure of the Issuer to meet any Overcollateralization Test applicable to any Class of Notes as of the related Determination Date, (b) in the event of a Ratings Confirmation Failure, (c) in connection with a Tax Redemption, (d) in the case of the Class F Notes and Class G Notes, on each Distribution Date, 15% of the Interest Proceeds available after payment of interest on the Notes (including any Deferred Interest), Subordinated Collateral Management Fees and certain other amounts will be applied to the payment *pro rata* of the principal of the Class F Notes and Class G Notes in accordance with paragraph (21) under the heading “—Priority of Payments—Interest Proceeds”, (e) in respect of Class A-1A Redemption Payments or (f) if the Collateral Manager directs the Trustee to apply Available Principal Excess to redeem Notes (and to reduce the Class A-1A Notional Amount) in accordance with paragraph (10) under the heading “—Priority of Payments—Available Principal Excess”. After the Reinvestment Period, Available Principal Excess will be applied on each Distribution Date in accordance with the Priority of Payments to pay the of principal of each Class of Notes (and reduction of the Class A-1A Notional Amount). In addition, the Issuer may redeem the Notes, in whole but not in part, at the applicable Redemption Price therefor on any Distribution Date under the circumstances described in “—Optional Redemption and Tax Redemption”, “—Mandatory Redemption”, “—Auction Call Redemption” and “—Priority of Payments—Interest Proceeds”.

After the Reinvestment Period, Available Principal Excess will be applied in accordance with the Priority of Payments (i) if a Sequential Payment Period is not in effect and would not occur as a result of such payment, to pay, first, the applicable Pro Rata Principal Payment Amount in reduction of the principal of each Class of Notes (which amount shall be applied as Class A-1A Principal Payments, in the case of the Class A-1A Notes) and second, unpaid interest (including Deferred Interest) on the Class D Notes, Class E Notes, Class F Notes and Class G Notes, sequentially in direct order of Seniority or (ii) if a Sequential Payment Period is in effect or would occur as a result of the payments described in the preceding clause, to pay Class A-1A Principal Payments and principal of the Class A-1B Notes, Class A 2 Notes, Class B Notes, Class C Notes, Class D Notes (plus any accrued and unpaid interest thereon, any Class D Deferred Interest and accrued interest thereon), Class E Notes (plus any accrued and unpaid interest thereon, any Class E Deferred Interest and accrued interest thereon), Class F Notes (plus any accrued and unpaid interest thereon, any Class F Deferred Interest and accrued interest thereon) and Class G Notes (plus any accrued and unpaid interest thereon, any Class G Deferred Interest and accrued interest thereon) sequentially in direct order of Seniority, until each such Class of Notes is paid in full and the Class A-1 Notional Amount is reduced to zero.

The “**Pro Rata Principal Payment Amount**” means, with respect to any Distribution Date and each Class of Notes, an amount equal to (a) the amount of Available Principal Excess available in accordance with the Priority of Payments on such Distribution Date to make payments pursuant to clause (11) under “Priority of Payments—

Available Principal Excess” multiplied by (b) the aggregate outstanding principal amount of such Class of Notes (including, in the case of the Class A-1A Notes, the Class A-1A Notional Amount) (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal (or reductions) thereof on such Distribution Date (x) from Interest Proceeds and (y) Available Principal Excess applied prior to clause (11) under “Priority of Payments—Available Principal Excess”) divided by (c) the aggregate outstanding principal amount of all Classes of Notes (including, in the case of the Class A-1A Notes, the Class A-1A Notional Amount) (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal (or reductions) thereof on such Distribution Date (x) from Interest Proceeds and (y) Available Principal Excess applied prior to clause (11) under “Priority of Payments—Available Principal Excess”); provided that if the aggregate outstanding principal amount of such Class of Notes (including, in the case of the Class A-1A Notes, the Class A-1A Notional Amount) is zero (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal (or reductions) thereof on such Distribution Date (x) from Interest Proceeds and (y) Available Principal Excess applied prior to clause (11) under “Priority of Payments—Available Principal Excess”), the applicable “Pro Rata Principal Payment Amount” with respect to such Class of Notes shall be zero.

The “**Class A-1A Principal Payments**” means, with respect to the amount of Available Principal Excess or Interest Proceeds (as applicable) to be applied pursuant to a step of the Priority of Payments directing the payment of “Class A-1A Principal Payments” on a Distribution Date, application of such amount in the following order: *first*, with respect to the portion thereof, if any, consisting of Unfunded Excess, 100% to the reduction of the Class A-1A Notional Amount, *second*, to the aggregate outstanding principal amount of the Class A-1A Notes and, *third*, to the reduction of the Class A-1A Notional Amount, by deposit to the Synthetic Security Collateral Account.

The “**Available Principal Excess**” means, with respect to any Determination Date, the amount, if any, by which (i) the sum of (a) the Synthetic Security Collateral Account Balance as of such date plus (b) the balance of all Eligible Investments credited to the Principal Collection Account (including any amount designated for withdrawal as Available Principal Excess, but excluding any amount designated for withdrawal as Interest Proceeds) plus the Class A-1A Notional Amount exceeds (ii) the aggregate Remaining Exposure as of such date under all Synthetic Securities as to which both the Issuer and the CDS Counterparty are counterparties.

The “**Unfunded Excess**” means, with respect to any Determination Date, the amount, if any, by which the Available Principal Excess with respect to such Determination Date exceeds that portion of such Available Principal Excess consisting of cash.

The “**Amortization Shortfall**” means with respect to any Distribution Date on which Pro Rata Principal Payment Amounts are to be paid, the amount, if any, by which the portion of such Pro Rata Principal Payment Amounts to be paid in cash on such Distribution Date exceeds the amount of the Available Principal Excess consisting of cash available pursuant to the Priority of Payments for such Pro Rata Principal Payment Amounts.

The “**Sequential Payment Period**” means the period commencing on the earliest of (a) the first Measurement Date on which the Net Outstanding Portfolio Collateral Balance as of such Measurement Date is less than 50% of the Net Outstanding Portfolio Collateral Balance on the Ramp-Up Completion Date, (b) the occurrence of an Event of Default under the Indenture and (c) the first date on which the Class A Sequential Payment Test is not satisfied and ending on the date on which each Class of Notes is paid in full.

The “**Class A Sequential Payment Test**” is a test that is satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date on which any Class A Notes remain outstanding, if the Class A Sequential Payment Ratio on such Measurement Date is equal to or greater than 130.0%.

The “**Class A Sequential Payment 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 Class A-1A Notional Amount plus (iii) the aggregate outstanding principal amount of the Class A-2 Notes.

## **Mandatory Redemption**

One or more applicable Classes of Notes shall, on any Distribution Date, be subject to mandatory redemption, in accordance with the Priority of Payments, in the event that any Overcollateralization Test applicable to any Class of Notes is not satisfied on the related Determination Date. Any such redemption will be effected, *first*, from Interest Proceeds and, *second* (to the extent that the application of Interest Proceeds pursuant to the Priority of Payments would be insufficient to cause such test or tests to be satisfied), from Available Principal Excess, in each case, to the extent necessary to cause each applicable Overcollateralization Test to be satisfied. In addition, the Class A-1A Notes will be redeemed (and the Class A-1A Notional Amount correspondingly increased) on each Distribution Date during the Reinvestment Period to the extent funds are available in the Synthetic Security Collateral Account to make Class A-1A Redemption Payments.

In addition, the Issuer will notify each Rating Agency in writing (each such notice a “**Ramp-Up Notice**”) of the occurrence of the date that is the earlier of (a) 86 days following the Closing Date and (b) the first day on which the Aggregate Notional Balance of the Synthetic Securities to which the Issuer is a party is at least equal to the Aggregate Ramp-Up Notional Amount (such date, the “**Ramp-Up Completion Date**”) within 10 days after the Ramp-Up Completion Date occurs.

If (i) Fitch downgrades any Class of Notes prior to the date 30 days after the delivery of the Ramp-Up Notice, (ii) any Collateral Quality Test or Overcollateralization Test (other than the Standard & Poor’s CDO Monitor Notification Test) is not satisfied as of the Ramp-Up Completion Date and Moody’s has not confirmed the ratings assigned by it on the Closing Date to each Class of Notes prior to the date 30 days after the delivery of the Ramp-Up Notice or (iii) Standard & Poor’s has not confirmed to the Trustee in writing the rating assigned by it on the Closing Date to each Class of Notes prior to the date 21 days after the delivery of the Ramp-Up Notice, a “**Ratings Confirmation Failure**” will occur. In the event of a Ratings Confirmation Failure with respect to any Class of Notes, the Issuer will be required on the Distribution Date relating to the first Determination Date occurring thereafter to apply *first*, Available Principal Excess and *second*, Interest Proceeds to the prepayment of principal (including reductions of the Class A-1A Notional Amount) of each affected Class of Notes (sequentially in direct order of Seniority) in accordance with the Priority of Payments and as and to the extent necessary to obtain a Rating Confirmation on such affected Class of Notes, as applicable.

On any Distribution Date prior to the last day of the Reinvestment Period, the Collateral Manager may, if the Collateral Manager (in its sole discretion) determines that entering into additional Synthetic Securities in the near future would either be impractical or not beneficial to the Issuer, direct the Trustee to apply all or any portion of Available Principal Excess that would otherwise be available for deposit in the Synthetic Security Collateral Account or the Principal Collection Account (in each case for the purposes of reinvestment) pursuant to paragraph (10) under the heading “Description of the Notes—Priority of Payments—Available Principal Excess” to the payment of principal (and reduction of the Class A-1A Notional Amount) of the Notes *pro rata* (determined by the Class A-1A Notional Amount and the outstanding principal amount of each Class) if no Sequential Payment Period is in effect or, if a Sequential Payment Period is in effect, in direct order of Seniority.

## **Auction Call Redemption**

In accordance with the procedures set forth in the Indenture or such other procedures (that have substantially the same effect as those proscribed in the Indenture) as are notified to the Trustee by the Issuer and are mutually agreed upon among the Issuer, the CDS Counterparty and the Collateral Manager (the “**Auction Procedures**”), the Issuer or an agent of the Issuer shall, at the expense of the Issuer, conduct an auction (an “**Auction**”) of the Collateral Debt Securities if, on or prior to the Distribution Date in June 2012 (the “**Auction Call Date**”) the Notes have not been (and on the Auction Call Date will not otherwise be) redeemed in full. The Auction shall be conducted on a date no later than ten Business Days prior to (1) the Auction Call Date and (2) if the Notes are not redeemed in full on the related Distribution Date, each Distribution Date thereafter until the Notes have been redeemed in full (each such date on which an Auction is conducted, an “**Auction Date**”). Notwithstanding the foregoing, the Issuer or its agent shall not conduct an Auction on an Auction Date if an Auction was conducted on the preceding Auction Date and the Collateral Manager notifies the Issuer and the Trustee that, due to market conditions, an Auction on such Auction Date is unlikely to be successful. On the Auction Date, the Issuer will request the CDS Counterparty and each Synthetic Security Counterparty, with respect to each Synthetic Security to

which such CDS Counterparty or Synthetic Security Counterparty, as the case may be, is a party, to quote a net termination payment payable to or by the Issuer in respect of (i) the termination of each such Synthetic Security, (ii) each subpool consisting solely of such Synthetic Securities and (iii) all of such Synthetic Securities. The termination quotes provided by the CDS Counterparty and each Synthetic Security Counterparty shall be deemed "Bids" by a Qualified Bidder for the related Synthetic Securities (and each related subpool) for the purposes of the Auction Procedures. Any of the Collateral Manager, the Preference Shareholders and the CDS Counterparty or their respective affiliates may, but shall not be required to, Bid at the Auction (but subject to the prior approval of the CDS Counterparty with respect to any Synthetic Securities). The Trustee shall sell the Collateral Debt Securities in accordance with the direction of the Collateral Manager (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, as certified to the Trustee by the Collateral Manager:

- (i) the Auction has been conducted in accordance with the Auction Procedures;
- (ii) with respect to the applicable Collateral Debt Securities:
  - (A) the Trustee has received bids for such Collateral Debt Securities (or for each of the related subpools) from at least two prospective purchasers (in addition to the deemed "Bids" of the CDS Counterparty and each Synthetic Security Counterparty) identified on a list of qualified bidders delivered to it by the Issuer or its agent, approved, in the case of bidders for Synthetic Securities (or for any subpool thereof), by the CDS Counterparty or the related Synthetic Security Counterparty, as applicable (such bidders, which shall include the then-current list of Qualified Participants, ("**Qualified Bidders**"), for (x) the Disposition of such Collateral Debt Securities or (y) the purchase of each subpool; and
  - (B) the bidder(s) who Bid the highest auction price (the Collateral Manager may, in respect of all or a portion of a Synthetic Security, combine a payment to or from the CDS Counterparty (or a Synthetic Security Counterparty) with a Bid from a third party in respect of a partial assignment or related transaction to obtain the highest auction price for a Synthetic Security) for such Collateral Debt Securities (or the related subpool) enter into written assignment or other agreement(s) (i) in the case of Synthetic Securities, with the CDS Counterparty or the related Synthetic Security Counterparty, as applicable, and, as applicable, the Issuer (in a customary form provided by the CDS Counterparty) (or if the CDS Counterparty or a Synthetic Security Counterparty has provided the highest auction price, the Issuer enters into a written agreement of termination with the CDS Counterparty or such Synthetic Security Counterparty) or (ii) in the case of Cash Securities, with the Issuer (in a customary form provided by the Collateral Manager), which assignment agreements obligate such highest bidders (or the highest bidder for each subpool) to (x) in the case of Synthetic Securities (or the relevant subpool), enter into an assignment or related transaction with the CDS Counterparty or a Synthetic Security Counterparty (or terminate such Synthetic Security if the CDS Counterparty or a Synthetic Security Counterparty has provided the highest auction price), (y) in the case of the Cash Securities (or the relevant subpool), purchase such Cash Securities (or the relevant subpool), and (z) pay the applicable purchase price (or net termination payments, if any, payable to or by the CDS Counterparty or related Synthetic Security Counterparty, in the case of a termination) in cash to the Trustee on or prior to the sixth Business Day following the relevant Auction Date; and
- (iii) the Collateral Manager certifies that (I) the aggregate purchase price (paid in cash) (including any net termination payments payable to the Issuer) that would be received pursuant to the highest Bids obtained with respect to the Collateral Debt Securities pursuant to clause (ii) above plus (II) the balance of all Eligible Investments and cash held by the Issuer (other than in the Collateral Accounts, except to the extent funds therein will be released to the Issuer) (the resulting amount of the preceding clauses (I), and (II), the "**End Value**") will be at least equal to the sum of (x) the Total Senior Redemption Amount plus (y) the Preference Share Required Return (such sum, the "**Auction Call Redemption Amount**"); *provided* that holders of 100% of the aggregate

outstanding amount of any Class of Notes and/or holders of 100% of the Preference Shares, as the case may be, may elect, in connection with any Auction Call Redemption, to receive less than 100% of the portion of End Value that would otherwise be payable to holders of such Class and/or to the Preference Shareholders, as the case may be, in which case the Auction Call Redemption Amount shall be reduced accordingly for purposes of the foregoing calculation and the Auction Procedures.

If all of the conditions set forth in clauses (i), (ii) and (iii) above have been met and each winning bidder (with respect to any Synthetic Securities) has been approved by the CDS Counterparty or the related Synthetic Security Counterparty, as applicable, under its then-current legal and credit standards, (x) the Trustee shall deliver the Collateral Debt Securities, without representation, warranty or recourse, to the highest bidder that has offered the highest auction price (or the highest bidder for each subpool, as the case may be) and (y) the Issuer will terminate the transactions under each Synthetic Security terminated under clause (ii), in each case in accordance with and upon completion of the Auction Procedures. Notwithstanding the foregoing, but subject to the satisfaction of the conditions set forth in clauses (i), (ii) and (iii) above, the Collateral Manager, although it may not have been the highest bidder, will have the option (which the Collateral Manager may waive prior to the Auction) to purchase (which option may be exercised by the Collateral Manager or an entity or group of entities to which the Collateral Manager provides investment management or advisory services) the Cash Securities (or any subpool thereof) or, with the consent of the CDS Counterparty or the related Synthetic Security Counterparty, as applicable, the Synthetic Securities (or any subpool thereof) for a purchase price equal to the highest Bid therefor. The Trustee shall deposit the Disposition Proceeds from the Disposition of the Synthetic Securities and other Collateral Debt Securities, including the net termination payments received in respect of the Collateral Debt Securities, in the Payment Account, and the Notes and the Preference Shares shall be redeemed on the Distribution Date immediately following the relevant Auction Date (such redemption, an “**Auction Call Redemption**”).

If (x) any of the foregoing conditions are not met with respect to any Auction, or (y) the highest bidder (or the highest bidder for any subpool) or the Collateral Manager, as the case may be, fails to pay the purchase price for any Collateral Debt Security (including the failure to pay any net termination payments payable by the CDS Counterparty or a related Synthetic Security Counterparty with respect to any termination of a Synthetic Security), in each case before the sixth Business Day following the relevant Auction Date (and, in the case of a failure by the highest bidder to pay for a subpool, the End Value is less than the Auction Call Redemption Amount), (a) the Auction Call Redemption shall not occur on the Distribution Date following the relevant Auction Date, (b) the Trustee shall give notice of the withdrawal pursuant to the Indenture, (c) subject to clause (e) below, the Issuer or the Issuer’s agent 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, (d) the Issuer shall not terminate any Synthetic Securities in relation to such Auction and (e) unless the Notes are redeemed in full prior to the next succeeding Auction Date, or the Collateral Manager notifies the Trustee and the Issuer that market conditions are such that such Auction would not likely be successful, the Issuer or an agent of the Issuer shall conduct another Auction on the next succeeding Auction Date.

#### **Optional Redemption and Tax Redemption**

Subject to certain conditions described herein, a Special Majority of Preference Shareholders may direct the Issuer to redeem the Notes (an “**Optional Redemption**”) in whole but not in part, in each case at the applicable Redemption Price therefor, on any Distribution Date, *provided* that no such Optional Redemption may be effected prior to the Distribution Date occurring in June 2009. In addition, upon the occurrence of a Tax Event, the Notes shall be redeemable (such redemption, a “**Tax Redemption**”), in whole but not in part, by the Issuer (i) at the direction of a Majority 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 of the Preference Shareholders.

Any such Optional Redemption or Tax Redemption may only be effected on a Distribution Date and only from (a) the Disposition Proceeds with respect to some or all of the Collateral, (b) Refinancing Proceeds and (c) all other funds in the Accounts (excluding each Collateral Account, except to the extent of any funds that will be released to the Issuer from such Account in connection with such redemption) on the relevant Distribution Date, and only if the aggregate amount described in clauses (a), (b) and (c) above is at least equal to the Total Senior



Redemption Amount. In addition to the preceding requirements, no Tax Redemption may be effected unless the Tax Materiality Condition is also satisfied.

In connection with any Tax Redemption or Optional Redemption, in lieu of directing the Disposition of all or a portion of the Collateral, the Collateral Manager (with the written consent of a Majority of the Preference Shareholders) may direct the Co-Issuers to obtain a loan, credit or similar facility or effect an issuance of replacement notes, from one or more financial institutions or purchasers (a refinancing provided pursuant to such loan, credit or similar facility or issuance, a “**Refinancing**”). Prior to the execution by the Trustee and any Co-Issuer of any Refinancing, the Issuer will provide 10 Business Day’s prior written notice thereof to each Rating Agency. The Issuer shall obtain a Refinancing only if the net Cash proceeds from the Refinancing (the “**Refinancing Proceeds**”), the Disposition Proceeds (if some or all of the Collateral will be being Disposed of in connection with such redemption) and all other funds credited to the Accounts (excluding each Collateral Account, except to the extent of any funds that will be released to the Issuer from such Account in connection with the redemption of Notes) on the relevant Distribution Date will be at least equal to the Total Senior Redemption Amount. In the event that a Refinancing is obtained meeting the criteria specified above, the Issuer and the Trustee will, contemporaneously therewith (and effective on or after the funding date of such Refinancing), amend the Indenture to the extent necessary to reflect the terms of the Refinancing (including the grant of a security interest in the Collateral, subject to the prior security interests of the Secured Parties) and no consent for such amendment will be required. The Trustee will not be obligated to enter into any related amendment that, in its view, adversely affects its duties, obligations, liabilities or protections hereunder; and the Trustee shall be entitled (but not obligated) to require the Issuer to provide to it an opinion of counsel to the effect that such amendment meets the conditions precedent to such amendment (except that such counsel shall have no obligation to opine as to the sufficiency of the Refinancing Proceeds or other related financial matters).

The Notes may not be redeemed pursuant to an Optional Redemption or Tax Redemption unless at least four Business Days before the scheduled Redemption Date, the Collateral Manager shall have furnished to the Trustee and each Swap Counterparty evidence (which may be an officer’s certificate of the Collateral Manager) that the Collateral Manager on behalf of the Issuer has received firm Bids for the purchase (or other Disposition) of the Collateral Debt Securities, a firm financing commitment (in the case of a Refinancing) or purchase commitment in the case of the issuance of replacement Notes (in the case of a Refinancing) (or a combination of firm Bids, financing or purchase commitments) from (i) a financial institution or institutions (or any affiliate of such financial institution or any transferee thereof that guarantees the obligations of such financial institution or such transferee, as the case may be) whose short term unsecured debt obligations have a credit rating of “P1” by Moody’s (which rating is not on watch for possible downgrade by Moody’s), at least “A-1” by Standard & Poor’s and at least “F1” by Fitch (or as to which the Rating Condition has been satisfied or whose financing or purchase commitment has been fully collateralized in Cash) or (ii) the CDS Counterparty, not later than the Business Day immediately preceding the scheduled Redemption Date, for Cash in immediately available funds, of all or part of the Collateral Debt Securities for a combination of any Disposition Proceeds and Refinancing Proceeds which, when added to the balance of all cash and Eligible Investments maturing on or prior to the scheduled Redemption Date credited to the Accounts (excluding each Collateral Account, except to the extent of any funds that will be released to the Issuer from such Account in connection with the redemption of Notes) on the relevant Redemption Date, is at least equal to an amount sufficient to pay any accrued and unpaid amounts payable under the Priority of Payments prior to the payment of the Notes (including any termination payments payable by the Issuer pursuant to the Swap Agreements), all unpaid administrative expenses, and any fees and expenses incurred by the Trustee and the Collateral Manager in connection with the Disposition of the Collateral Debt Securities and/or any Refinancing payable by the Issuer, to redeem the Notes on the scheduled Redemption Date at the applicable Redemption Prices and to pay the amount of any accrued and unpaid Subordinated Collateral Management Fee and any interest accrued thereon (the aggregate amount required to make all such payments, the “**Total Senior Redemption Amount**”).

*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, to each Swap Counterparty and 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, direct the Irish Paying Agent to 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. Notes must be surrendered at the offices designated by any Paying Agent under the Indenture in order to receive the applicable Redemption Price, unless the holder provides (i) an undertaking to surrender such Note thereafter and (ii) in the case of a holder that is not a Qualified Institutional Buyer, such security or indemnity as may be required by the Co-Issuers or the Trustee.

Any notice of redemption in respect of a Tax Redemption or Optional Redemption may be withdrawn by the Issuer up to the third Business Day prior to the scheduled Redemption Date, but only if (i) the Collateral Manager is unable to deliver the sale agreement or agreements or certifications described in the second preceding paragraph in form satisfactory to the Trustee or (ii) the persons that initiated the redemption (i.e., the requisite percentage of the Preference Shares or a Majority of the Affected Class or Classes, as applicable) have requested that such notice of redemption be withdrawn. Any notice of redemption in the case of an Auction Call Redemption may be withdrawn by the Issuer at any time if the Issuer determines that the conditions for consummation of the related Auction are not satisfied. Any such withdrawal of a notice of redemption shall be by written notice by the Issuer to the Trustee, each Rating Agency, each Swap Counterparty and the Collateral Manager.

During the period when a notice of redemption may be withdrawn, the Issuer shall not terminate in full any Swap Agreement and the Swap Agreements shall not be terminable in full by the related Swap Counterparties in relation to such notice of redemption. 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 second Business Day prior to the scheduled Redemption Date. In addition, the Trustee will, if any Class of Notes to have been redeemed was listed on the Irish Stock Exchange, direct the Irish Paying Agent to deliver a notice of such withdrawal to the Company Announcements Office of the Irish Stock Exchange not less than two Business Days prior to the scheduled Redemption Date.

### **Redemption Price**

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

### **Cancellation**

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

### **Payments**

Payments in respect of principal of and interest on any Note will be made to the person in whose name such Note is registered fifteen days prior to the applicable Distribution Date (the "**Record Date**"). Payments on each Note will be payable by wire transfer in immediately available funds to a Dollar account maintained by the Noteholder 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 designated by 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 foreign exchange markets settle payments in New York City, and London and any other city in which the corporate trust office of the Trustee is located (initially,

Chicago, Illinois) and, in the case of the final payment of principal of any Note, the place of presentation of such Note.

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

Except as otherwise required by applicable law, any money deposited with the Trustee or any Paying Agent in trust for the payment of principal of or interest on any Note and remaining unclaimed for two years (subject to applicable escheatment laws) 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 or the Co-Issuer for payment of such amounts and all liability of the Trustee or such Paying Agent with respect to such trust money (but only to the extent of the amounts so paid to the Issuer) shall thereupon cease. The Trustee or the Paying Agent, before being required to make any such release of payment may, but shall not be required to, adopt and employ, at the expense of the Issuer, any reasonable means of notification of such release of payment, including mailing notice of such release to holders whose Notes have been called but have not been surrendered for redemption or whose right to or interest in monies due and payable but not claimed is determinable from the records of any Paying Agent, at the last address of record of each such holder.

### **Priority of Payments**

On each Distribution Date (i) Interest Proceeds with respect to the Due Period relating to such Distribution Date and deposited to the Payment Account pursuant to the Indenture and (ii) Available Principal Excess (or portion thereof) with respect to the related Determination Date withdrawn from the Principal Collection Account and/or the Synthetic Security Collateral Account and deposited to the Payment Account pursuant to the Indenture for distribution on such Distribution Date will be applied in the priority set forth below under “Priority of Payments—Interest Proceeds” and “Priority of Payments—Available Principal Excess”, respectively, and on each Distribution Date during the Reinvestment Period, funds credited to the Synthetic Security Collateral Account will be applied to reduce the outstanding principal of the Class A-1A Notes and increase the Class A-1A Notional Amount as set forth below under “Priority of Payments—Class A-1A Redemption Payments” (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:

- (1) to the payment of taxes and filing and registration fees owed by the Co-Issuers, if any;
- (2) (a) first, to the payment to the Trustee of accrued and unpaid fees, expenses and other amounts due and payable to the Trustee, in an amount not to exceed the greater of 0.00375% of the Quarterly Asset Amount with respect to such Distribution Date and U.S.\$6,250, (b) second, to the payment, in the following order, to the Trustee, the Collateral Administrator, the Preference Share Paying Agent and the Administrator, of accrued and unpaid fees, expenses and other amounts owing to them under the Indenture, the Collateral Administration Agreement, the Preference Share Paying Agency Agreement and the Administration Agreement, as applicable, (c) third, to the payment to the Collateral Manager of the Technology Expense Allowance with respect to such Distribution Date and any Technology Expense Allowance that was not paid on a prior Distribution Date, (d) fourth, to the payment, in the following order, to the Rating Agencies and accountants of other accrued and unpaid administrative expenses of the Co-Issuers owed to them, (e) fifth, to the payment, *pro rata* (determined by amount due), of any other accrued and unpaid administrative expenses of the Co-Issuers and (f) sixth, if the balance of all Eligible Investments and cash in the Expense Account on the related Determination Date is less than U.S.\$75,000, for deposit to the Expense Account of such amount as would have caused the balance of all Eligible Investments and cash in the Expense Account immediately after such deposit to equal U.S.\$75,000; *provided* that the aggregate amount of the payments made on such Distribution Date pursuant to sub-clauses (b), (c), (d), (e) and (f) above shall not exceed U.S.\$75,000;

- (3) to the payment to the Collateral Manager of the accrued and unpaid Senior Collateral Management Fee;
- (4) to the payment of on a *pari passu* basis (a) the Hedge Counterparty of any amounts due to the Hedge Counterparty under the Hedge Agreement (excluding any Defaulted Swap Termination Payment) and (b) the CDS Counterparty of any amounts due to the CDS Counterparty in respect of premium under any Short Synthetic Security;
- (5) to pay first, *pro rata* (a) accrued and unpaid interest (including Defaulted Interest and any interest thereon) on the Class A-1A Notes and (b) the Class A-1A Swap Availability Fee, second, *pro rata* (a) accrued and unpaid interest (including Defaulted Interest and any interest thereon) on the Class A-1B Notes and (b) Commitment Fee on the Class A-1B Notes, third, accrued and unpaid interest on the Class A-2 Notes (including Defaulted Interest and any interest thereon), fourth, accrued and unpaid interest on the Class B Notes (including Defaulted Interest and any interest thereon) and fifth, accrued and unpaid interest on the Class C Notes (including Defaulted Interest and any interest thereon);
- (6) (a) if (so long as any Class A-1 Notes, Class A-2 Notes, Class B Notes or Class C Notes remain outstanding) the Class A/B/C Overcollateralization Test is not satisfied on the related Determination Date, to the payment of, first, Class A-1A Principal Payments, second, the outstanding principal of the Class A-1B Notes, third, the outstanding principal of the Class A-2 Notes, fourth, the outstanding principal of the Class B Notes and, fifth, the outstanding principal of the Class C Notes, in each case, to the extent necessary to cause the Class A/B/C Overcollateralization Test to be satisfied or, if sooner, reduce the outstanding principal of such Class of Notes (including the Class A-1A Notional Amount, in the case of the Class A-1A Notes) to zero, and  
 (b) on the Distribution Date relating to the first Determination Date after the occurrence of a Ratings Confirmation Failure with respect to the Class A-1A Notes, Class A-1B Notes, the Class A-2 Notes, the Class B Notes or the Class C Notes, after giving effect to the application of Available Principal Excess on such Distribution Date, to the payment of, first, Class A-1A Principal Payments, second, the outstanding principal of the Class A-1B Notes, third, the outstanding principal of the Class A-2 Notes, fourth, the outstanding principal of the Class B Notes and fifth, the outstanding principal of the Class C Notes, in each case, to the extent necessary in order to obtain a Rating Confirmation or, if sooner, reduce the outstanding principal of such Class of Notes (including the Class A-1A Notional Amount, in the case of the Class A-1A Notes) to zero;
- (7) to the payment of interest with respect to the Class D Notes (including Defaulted Interest and accrued interest thereon and interest on Class D Deferred Interest but excluding Class D Deferred Interest);
- (8) (a) if (so long as any Class D Notes remain outstanding) the Class D Overcollateralization Test is not satisfied on the related Determination Date, to the payment of the outstanding principal of the Class D Notes to the extent necessary to cause the Class D Overcollateralization Test to be satisfied as of such Determination Date or, if sooner, until the outstanding principal of the Class D Notes is reduced to zero, and  
 (b) on the Distribution Date relating to the first Determination Date after the occurrence of a Ratings Confirmation Failure with respect to the Class D Notes, after giving effect to the application of Available Principal Excess on such Distribution Date, to the payment of, first, Class A-1A Principal Payments, second, the outstanding principal of the Class A-1B Notes, third, the outstanding principal of the Class A-2 Notes, fourth, the outstanding principal of the Class B Notes, fifth, the outstanding principal of the Class C Notes, and sixth, the outstanding principal of the Class D Notes, in each case, to the extent necessary in order to obtain a Rating Confirmation

or, if sooner, reduce the outstanding principal of such Class of Notes (including the Class A-1A Notional Amount, in the case of the Class A-1A Notes) to zero;

- (9) to the payment of unpaid Class D Deferred Interest;
- (10) to the payment of interest with respect to the Class E Notes (including Defaulted Interest and accrued interest thereon and interest on Class E Deferred Interest but excluding Class E Deferred Interest);
- (11) (a) if (so long as any Class E Note remains outstanding) the Class E Overcollateralization Test is not satisfied on the related Determination Date, to the payment of the outstanding principal of the Class E Notes to the extent necessary to cause the Class E Overcollateralization Test to be satisfied as of such Determination Date or, if sooner, until the outstanding principal of the Class E Notes is reduced to zero, and  
  
(b) on the Distribution Date relating to the first Determination Date after the occurrence of a Ratings Confirmation Failure with respect to the Class E Notes, after giving effect to the application of Available Principal Excess on such Distribution Date, to the payment of, first, Class A-1A Principal Payments, second, the outstanding principal of the Class A-1B Notes, third, the outstanding principal of the Class A-2 Notes, fourth, the outstanding principal of the Class B Notes, fifth, the outstanding principal of the Class C Notes, sixth, the outstanding principal of the Class D Notes and seventh, the outstanding principal of the Class E Notes, in each case, to the extent necessary in order to obtain a Rating Confirmation or, if sooner, reduce the outstanding principal of such Class of Notes (including the Class A-1A Notional Amount, in the case of the Class A-1A Notes) to zero.
- (12) to the payment of unpaid Class E Deferred Interest;
- (13) to the payment of interest with respect to the Class F Notes (including Defaulted Interest and accrued interest thereon and interest on Class F Deferred Interest but excluding Class F Deferred Interest);
- (14) (a) if (so long as any Class F Note remains outstanding) the Class F Overcollateralization Test is not satisfied on the related Determination Date, to the payment of the outstanding principal of the Class F Notes to the extent necessary to cause the Class F Overcollateralization Test to be satisfied as of such Determination Date or, if sooner, until the outstanding principal of the Class F Notes is reduced to zero, and  
  
(b) on the Distribution Date relating to the first Determination Date after the occurrence of a Ratings Confirmation Failure with respect to the Class F Notes, after giving effect to the application of Available Principal Excess on such Distribution Date, to the payment of, first, Class A-1A Principal Payments, second, the outstanding principal of the Class A-1B Notes, third, the outstanding principal of the Class A-2 Notes, fourth, the outstanding principal of the Class B Notes, fifth, the outstanding principal of the Class C Notes, sixth, the outstanding principal of the Class D Notes, seventh, the outstanding principal of the Class E Notes and eighth, the outstanding principal of the Class F Notes, in each case, to the extent necessary in order to obtain a Rating Confirmation or, if sooner, reduce the outstanding principal of such Class of Notes (including the Class A-1A Notional Amount, in the case of the Class A-1A Notes) to zero;
- (15) to the payment of unpaid Class F Deferred Interest;
- (16) to the payment of interest with respect to the Class G Notes (including Defaulted Interest and accrued interest thereon and interest on Class G Deferred Interest but excluding Class G Deferred Interest);

- (17) (a) if (so long as any Class G Note remains outstanding) the Class G Interest Diversion Test is not satisfied on the related Determination Date, to the payment of the outstanding principal of the Class G Notes, to the extent necessary to cause the Class G Interest Diversion Test to be satisfied as of such Determination Date or, if sooner, reduce the outstanding principal of the Class G Notes to zero, and
- (b) on the Distribution Date relating to the first Determination Date after the occurrence of a Ratings Confirmation Failure with respect to the Class G Notes, after giving effect to the application of Available Principal Excess on such Distribution Date, to the payment of, first, Class A-1A Principal Payments, second, the outstanding principal of the Class A-1B Notes, third, the outstanding principal of the Class A-2 Notes, fourth, the outstanding principal of the Class B Notes, fifth, the outstanding principal of the Class C Notes, sixth, the outstanding principal of the Class D Notes, seventh, the outstanding principal of the Class E Notes, eighth, the outstanding principal of the Class F Notes and ninth, the outstanding principal of the Class G Notes, in each case, to the extent necessary in order to obtain a Rating Confirmation or, if sooner, reduce the outstanding principal of such Class of Notes (including the Class A-1A Notional Amount, in the case of the Class A-1A Notes) to zero;
- (18) to the payment of unpaid Class G Deferred Interest;
- (19) to the payment of, first, the amounts referred to in clauses (2)(a) through (e) above in the same order of priority specified therein, but only to the extent not paid in full thereunder (whether as the result of the limitations on amounts set forth therein or otherwise), second, if the balance of all Eligible Investments and cash in the Expense Account is less than U.S.\$75,000 after giving effect to any deposit to the Expense Account pursuant to paragraph (2)(f) above, for deposit to the Expense Account of such amount required to cause the balance of all Eligible Investments and cash in the Expense Account to equal U.S.\$75,000 and, third, of any amounts due to the Hedge Counterparty under the Hedge Agreement in respect of a Defaulted Swap Termination Payment;
- (20) to the payment to the Collateral Manager of the accrued and unpaid Subordinated Collateral Management Fee;
- (21) the lesser of (a) 15% of any remaining amounts and (b) the outstanding principal balance of the Class G Notes and the Class F Notes, to pay *pro rata*, the outstanding principal of the Class G Notes and the outstanding principal of the Class F Notes, in each case, until reduced to zero;
- (22) to the Preference Share Paying Agent for distribution to the Preference Shareholders, but only in such an amount that would not cause the Internal Rate of Return for such Distribution Date to exceed 20.1%; and
- (23) (x) 20% of any remaining amounts to the Collateral Manager, as part of the Incentive Management Fee and (y) 80% of any remaining amounts to the Preference Share Paying Agent for distribution to the Preference Shareholders.

*Available Principal Excess.* On each Distribution Date, the Available Principal Excess with respect to the related Determination Date will be distributed in the order of priority set forth below:

- (1) to the payment of the amounts referred to in paragraphs (1) through (5) 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;
- (2) (a) if (so long as any Class A-1 Notes, Class A-2 Notes, Class B Notes or Class C Notes remain outstanding) if one or more Overcollateralization Tests (other than the Class G Interest Diversion Test) is not satisfied on the related Determination Date, after giving effect to the application of Interest Proceeds on such Distribution Date to the payment of, first, to Class A-1A

Principal Payments, second, the outstanding principal of the Class A-1B Notes, third, the outstanding principal of the Class A-2 Notes, fourth, the outstanding principal of the Class B Notes and fifth, the outstanding principal of the Class C Notes, in each case, to the extent necessary to cause each such Overcollateralization Test to be satisfied as of such Determination Date or, if sooner, reduce the outstanding principal of such Class of Notes (including the Class A-1A Notional Amount, in the case of the Class A-1A Notes) to zero, and

(b) on the Distribution Date relating to the first Determination Date after the occurrence of a Ratings Confirmation Failure with respect to the Class A-1A Notes, Class A-1B Notes, Class A-2 Notes, Class B Notes or Class C Notes, to the payment of, first, Class A-1A Principal Payments, second, the outstanding principal of the Class A-1B Notes, third, the outstanding principal of the Class A-2 Notes, fourth, the outstanding principal of the Class B Notes and fifth, the outstanding principal of the Class C Notes, in each case, to the extent necessary in order to obtain a Rating Confirmation or, if sooner, reduce the outstanding principal of such Class of Notes (including the Class A-1A Notional Amount, in the case of the Class A-1A Notes) to zero;

(3) prior to the last day of the Reinvestment Period, to the payment of the amounts referred to in paragraph (7) under “Priority of Payments—Interest Proceeds”, but only to the extent (i) not paid in full thereunder and (ii) that such payment will not result in a breach of any of the Overcollateralization Tests;

(4) (a) if (so long as any Class D Notes remain outstanding) the Class D Overcollateralization Test, the Class E Overcollateralization Test or the Class F Overcollateralization Test is not satisfied on the related Determination Date, after giving effect to the application of Interest Proceeds on such Distribution Date, to the payment of the outstanding principal of the Class D Notes, to the extent necessary to cause each such Overcollateralization Test to be satisfied as of such Determination Date or, if sooner, reduce the outstanding principal of the Class D Notes to zero, and

(b) on the Distribution Date relating to the first Determination Date after the occurrence of a Ratings Confirmation Failure with respect to the Class D Notes, to the payment of, first, Class A-1A Principal Payments, second, the outstanding principal of the Class A-1B Notes, third, the outstanding principal of the Class A-2 Notes, fourth, the outstanding principal of the Class B Notes, fifth, the outstanding principal of the Class C Notes and sixth, the outstanding principal of the Class D Notes, in each case, to the extent necessary in order to obtain a Rating Confirmation or, if sooner, reduce the outstanding principal of such Class of Notes (including the Class A-1A Notional Amount, in the case of the Class A-1A Notes) to zero.

(5) prior to the last day of the Reinvestment Period, to the payment of the amounts referred to in paragraphs (9) and (10) under “Priority of Payments—Interest Proceeds”, in the same order of priority specified therein, but only to the extent (i) not paid in full thereunder and (ii) that such payment will not result in a breach of any of the Overcollateralization Tests;

(6) (a) if (so long as any Class E Notes remain outstanding) the Class E Overcollateralization Test or the Class F Overcollateralization Test is not satisfied on the related Determination Date after giving effect to the application of Interest Proceeds on such Distribution Date, to the payment of the outstanding principal of the Class E Notes, to the extent necessary to cause each such Overcollateralization Test to be satisfied as of such Determination Date or, if sooner, reduce the outstanding principal of the Class E Notes to zero, and

(b) on the Distribution Date relating to the first Determination Date after the occurrence of a Ratings Confirmation Failure with respect to the Class E Notes, to the payment of, first, Class A-1A Principal Payments, second, the outstanding principal of the Class A-1B Notes, third, the outstanding principal of the Class A-2 Notes, fourth, the outstanding principal of the Class B Notes, fifth, the outstanding principal of the Class C Notes, sixth, the outstanding principal of the Class D Notes and, seventh, the outstanding principal of the Class E Notes, in each case, to the

extent necessary in order to obtain a Rating Confirmation or, if sooner, reduce the outstanding principal of such Class of Notes (including the Class A-1A Notional Amount, in the case of the Class A-1A Notes) to zero.

- (7) prior to the last day of the Reinvestment Period, to the payment of the amounts referred to in paragraph (12) and (13) under “Priority of Payments—Interest Proceeds”, in the same order of priority specified therein, but only to the extent (i) not paid in full thereunder and (ii) that such payment will not result in a breach of any of the Overcollateralization Tests;
- (8)
  - (a) if (so long as any Class F Notes remain outstanding) the Class F Overcollateralization Test is not satisfied on the related Determination Date after giving effect to the application of Interest Proceeds on such Distribution Date, to the payment of the outstanding principal of the Class F Notes, to the extent necessary to cause the Class F Overcollateralization Test to be satisfied as of such Determination Date or, if sooner, reduce the outstanding principal of the Class F Notes to zero, and
  - (b) on the Distribution Date relating to the first Determination Date after the occurrence of a Ratings Confirmation Failure with respect to the Class F Notes, to the payment of, first, Class A-1A Principal Payments, second, the outstanding principal of the Class A-1B Notes, third, the outstanding principal of the Class A-2 Notes, fourth, the outstanding principal of the Class B Notes, fifth, the outstanding principal of the Class C Notes, sixth, the outstanding principal of the Class D Notes seventh, the outstanding principal of the Class E Notes, and eighth, the outstanding principal of the Class F Notes, in each case, to the extent necessary in order to obtain a Rating Confirmation or, if sooner, reduce the outstanding principal of such Class of Notes (including the Class A-1A Notional Amount, in the case of the Class A-1A Notes) to zero.
- (9) prior to the last day of the Reinvestment Period, to the payment of the amounts referred to in paragraphs (15), (16) and (18) under “Priority of Payments—Interest Proceeds”, in the same order of priority specified therein, but only to the extent (i) not paid in full thereunder and (ii) that such payment will not result in a breach of any of the Overcollateralization Tests;
- (10) prior to the last day of the Reinvestment Period, first, to the Synthetic Security Collateral Account, in an amount sufficient to cause the balance thereof to be at least equal to the Class A-1A Reserve Amount and second, any remaining amounts to the Synthetic Security Collateral Account or the Principal Collection Account (as directed by the Collateral Manager), in order to permit the Issuer to invest in additional Collateral Debt Securities in accordance with the Eligibility Criteria set forth in the Indenture, *provided* that, if the Collateral Manager (in its sole discretion) determines that investing in additional Collateral Debt Securities in the near future would be impractical or not beneficial to the Issuer, the Collateral Manager may direct the Trustee (by notice delivered no later than the related Determination Date) to apply on such Distribution Date an amount of Available Principal Excess pursuant to paragraph (11) below;
- (11) on any Distribution Date on or after the last day of the Reinvestment Period (and, with respect to amounts designated by the Collateral Manager pursuant to paragraph (10) above, on any Distribution Date prior to such last day) either (a) if a Sequential Payment Period is not in effect and would not occur as a result of such payment, first, to the payment of principal of each Class of Notes (and the reduction of the Class A-1A Notional Amount) in an amount equal, with respect to each Class, to the Pro Rata Principal Payment Amount with respect to such Class of Notes (which amount shall be applied as Class A-1A Principal Payments, in the case of the Class A-1A Notes), and second, in the following order, to the payment of unpaid interest on the Class D Notes (including Class D Deferred Interest), unpaid interest on the Class E Notes (including Class E Deferred Interest), unpaid interest on the Class F Notes (including Class F Deferred Interest) and unpaid interest on the Class G Notes (including Class G Deferred Interest); or (b) if a Sequential Payment Period is in effect, to the payment of, first, Class A-1A Principal Payments until the outstanding principal of the Class A-1A Notes and the Class A-1A Notional Amount are each reduced to zero, second, the outstanding principal of the Class A-1B Notes, third, the outstanding



principal of the Class A-2 Notes, fourth, the outstanding principal of the Class B Notes, fifth, the outstanding principal of the Class C Notes, sixth, the outstanding principal of the Class D Notes (plus any unpaid interest thereon, including any Class D Deferred Interest), seventh, the outstanding principal of the Class E Notes (plus any unpaid interest thereon, including any Class E Deferred Interest), eighth, the outstanding principal of the Class F Notes (plus any unpaid interest thereon, including any Class F Deferred Interest) and ninth, the outstanding principal of the Class G Notes (plus any unpaid interest thereon, including any Class G Deferred Interest);

- (12) to the payment of the amount referred to in paragraph (19) under “Priority of Payments—Interest Proceeds”, in the same order of priority specified therein, but only to the extent not paid in full thereunder;
- (13) to the payment to the Collateral Manager of the accrued and unpaid Subordinated Collateral Management Fee after giving effect to the payments under paragraph (20) under “Priority of Payments—Interest Proceeds”;
- (14) on and after the last day of the Reinvestment Period, to the Preference Share Paying Agent for distribution to the Preference Shareholders, but only in such an amount that would not cause the Internal Rate of Return for such Distribution Date to exceed 20.1%; and
- (15) on and after the last day of the Reinvestment Period, (x) 20% of any remaining amounts to the Collateral Manager, as part of the Incentive Management Fee and (y) 80% of any remaining amounts to the Preference Share Paying Agent for distribution to the Preference Shareholders.

*Class A-1A Redemption Payments.* On each Distribution Date during the Reinvestment Period (and prior to the termination of the Class A-1A Swap Agreement), after giving effect to all payments and deposits made as described above under “—Interest Proceeds” and “—Available Principal Excess” and the payment of all Outstanding CDS Issuer Payment Obligations due on such date, the Trustee shall apply the remaining Balance (if any) of the Synthetic Security Collateral Account to pay principal to the Class A-1A Notes in an amount not to exceed the aggregate outstanding principal amount of the Class A-1A Notes (each such payment a “**Class A-1A Redemption Payment**”), which payment will cause a corresponding increase in the Class A-1A Notional Amount in accordance with the Class A-1A Swap Agreement.

In determining the amounts to be paid on any Distribution Date pursuant to each paragraph under “Priority of Payments—Interest Proceeds” and “Priority of Payments—Available Principal Excess”, (1) if the distribution of all amounts available to be paid pursuant to any such paragraph would cause the Issuer to fail any Overcollateralization Test referred to in any paragraph with a higher priority, the Trustee shall reduce the distribution for any such paragraph by the minimum amount necessary so that, after giving effect to such distribution, the Issuer would not fail such Overcollateralization Test (determined as of the related Determination Date, but after giving effect to such payments on such Distribution Date) referred to in the paragraph with a higher priority, (2) the amount required to be distributed pursuant to any such paragraph under “Priority of Payments—Interest Proceeds” will be determined after giving effect to the application of amounts pursuant to any other paragraph with a higher priority under such heading (and the determination as to whether an Overcollateralization Test has been satisfied as a result of payments made pursuant to such paragraph shall be determined as of the related Determination Date, but after giving effect to such payments to be made pursuant to such paragraph on such Distribution Date) and (3) the amount required to be distributed pursuant to any such paragraph under “Priority of Payments—Available Principal Excess” will be determined after giving effect to the application of amounts pursuant to any other paragraph with a higher priority under such heading (and the determination as to whether an Overcollateralization Test has been satisfied as a result of payments made pursuant to such paragraph shall be determined as of the related Determination Date, but after giving effect to such payments to be made pursuant to such paragraph on such Distribution Date).

The “**Class A-1A Principal Payments**” means, with respect to the amount of Available Principal Excess or Interest Proceeds (as applicable) to be applied pursuant to a step of the Priority of Payments directing the payment of “Class A-1A Principal Payments” on a Distribution Date, application of such amount in the following order: *first*, with respect to the portion thereof, if any, consisting of Unfunded Excess, 100% to the reduction of the Class A-1A

Notional Amount, *second*, to the aggregate outstanding principal amount of the Class A-1A Notes and, *third*, to the reduction of the Class A-1A Notional Amount, by deposit to the Synthetic Security Collateral Account.

Any amounts paid to the Preference Share Paying Agent in respect of the Preference Shares pursuant to the Priority of Payments will be released from the lien of the Indenture.

### **Distributions Upon Liquidation**

If the Notes and the Preference Shares have not been redeemed prior to June 8, 2045, it is expected that the Issuer (or the Collateral Manager acting pursuant to the Management Agreement on behalf of the Issuer) will Dispose of all of the Synthetic Securities and Cash Securities and Eligible Investments standing to the credit of the Accounts (other than in the Collateral Accounts, except to the extent funds therein will be released to the Issuer), and sell or liquidate all other Collateral.

All net proceeds from such liquidation and all available cash will be applied to the payment (in the order of Priority of Payments set forth above) of all (i) fees, (ii) expenses and (iii) principal of and interest and (as applicable) Commitment Fee (including any Defaulted Interest, interest on Defaulted Interest and any Deferred Interest and interest thereon) on 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.\$250 of capital to the owner of the Issuer's ordinary shares and the payment of a U.S.\$250 profit fee to the owner of the Issuer's ordinary shares and interest thereon, will be paid to the Preference Share Paying Agent for distribution to the Preference Shareholders in accordance with the Preference Share Paying Agency Agreement.

### **The Overcollateralization Tests**

The Class A/B/C Overcollateralization Test, the Class D Overcollateralization Test, the Class E Overcollateralization Test and the Class F Overcollateralization Test (collectively, together with the Class G Interest Diversion Test, the "**Overcollateralization Tests**") will be used primarily to determine whether and to what extent Interest Proceeds and Available Principal Excess may be used to pay interest on Classes of Notes subordinate to such Class, to pay certain expenses and to make distributions in respect of the Preference Shares and to what extent Available Principal Excess may be reinvested in substitute Collateral Debt Securities. Each of the Overcollateralization Tests will be satisfied if, on any Measurement Date occurring on or after the Ramp-Up Completion Date, the applicable overcollateralization ratio equals or exceeds the prescribed percentage. It is expected that, on the Ramp-Up Completion Date, the Class A/B/C Overcollateralization Ratio will be approximately 115.07%, the Class D Overcollateralization Ratio will be approximately 109.41%, the Class E Overcollateralization Ratio will be approximately 104.60%, the Class F Overcollateralization Ratio will be approximately 103.52%, and the Class G Overcollateralization Ratio will be approximately 102.46%.

### **No Gross-Up**

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

### **The Indenture**

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

#### Events of Default

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

(i) a default in the payment of (1) Class A-1B Swap Availability Fee or (2) interest or Commitment Fee (A) on any Class A Note, Class B Note or Class C Note when the same becomes due and payable or (B) 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 or (C) if there are no Class A Notes, Class B Notes, Class C Notes or Class D Notes outstanding, on any Class E Note when the same becomes due and payable or (D) if there are no Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes outstanding, on any Class F Note when the same becomes due and payable, or (E) if there are no Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class F Notes outstanding, on any Class G 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 default in payment resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, such default continues for a period of five days);

(ii) a default in the payment of the principal of any Note when the same becomes due at its Stated Maturity or Redemption Date (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, such default continues for a period of five days);

(iii) the failure on any Distribution Date to disburse amounts available (subject to the Indenture) in the Income Collection Account, Principal Collection Account or Available Principal Excess, with respect to the Synthetic Security Collateral Account, in accordance with the Priority of Payments (other than a default in payment described in clause (i) or (ii) above), which failure continues for a period of three Business Days (or, in the case of a failure to disburse resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, such failure continues for a period of five days);

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

(v) a default, in any material respect, in the performance, or breach, of any other covenant or other agreement (it being understood that a failure to satisfy a Collateral Quality Test or an Overcollateralization Test, the Class A Sequential Payment Test, S&P CDO Monitor Test or 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, which default, breach or incorrectness has a material adverse effect on any Class of Offered Securities, and the continuation of such default, breach or failure for a period of 30 consecutive days (or, in the case of a default, breach or failure that has an adverse effect on the validity, perfection or priority of the security interest granted under the Indenture, fifteen (15) consecutive days) after the Issuer has actual knowledge thereof or after notice thereof to the Issuer and the Collateral Manager by the Trustee, or to the Issuer, the Collateral Manager and the Trustee by the holders of at least 25% in aggregate outstanding principal amount of Notes of any Class, specifying such default, breach or failure and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Indenture;

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

(vii) the Issuer or the Co-Issuer shall (A) voluntarily commence any proceeding or file any petition seeking winding up, liquidation, reorganization or other relief under any bankruptcy, insolvency,

receivership or similar law now or hereafter in effect, (B) consent to the institution of, or fail to contest in a timely and appropriate manner, any such proceeding or petition described in clause (vi) above, (C) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Issuer or the Co-Issuer or for a substantial part of its assets, (D) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (E) make a general assignment for the benefit of creditors or (F) take any action for the purpose of effecting any of the foregoing; or the Issuer shall cause or become subject to any event with respect to the Issuer that, under the applicable laws of the Cayman Islands, has an analogous effect to any of the foregoing.

If either of the Co-Issuers obtains knowledge, or has reason to believe, that an Event of Default has occurred and is continuing, such Co-Issuer is obligated to promptly notify the Trustee, the Preference Share Paying Agent, the Collateral Manager, the Noteholders, each 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 (vi) or (vii) under “Events of Default” above), (i) the Trustee may, or shall at the direction of a Majority of the Controlling Class, in accordance with the Indenture, by notice to the Co-Issuers, or (ii) a Majority of the Controlling Class, by notice to the Co-Issuers and the Trustee, may (A) declare the principal of and accrued and unpaid interest and Commitment Fee on all of the Notes to be immediately due and payable, and upon any such declaration such amounts shall become immediately due and payable, (B) reduce the unfunded Commitments to zero and (C) terminate the Reinvestment Period. If an Event of Default described in clause (vi) or (vii) above under “Events of Default” occurs, (x) such an acceleration and reduction of Commitments under clauses (A) and (B) above will occur automatically and without any further action and (y) the Reinvestment Period will terminate. Notwithstanding the foregoing, if the sole Event of Default is an Event of Default described in clause (i) or clause (ii) above under “Events of Default” with respect to a default in the payment of any principal of or interest on the Notes of a Class other than the Controlling Class, neither the Trustee nor the holders of such non Controlling Class will have the right to declare such principal and other amounts to be immediately due and payable. Any declaration of acceleration may under certain circumstances be rescinded by the holders of at least a Majority of the Controlling Class. The “**Controlling Class**” will be the Class A-1A Notes (for these purposes, the Class A-1A Swap Counterparty will be deemed to hold Class A-1A Notes in an aggregate principal amount equal to the outstanding principal amount of the Class A-1A Notional Amount) or, if there are no Class A-1A Notes Outstanding (and the Class A-1A Swap Agreement has been terminated), the Class A-1B Notes or, if there are no Class A-1 Notes Outstanding (and the Commitment Period Termination Date has occurred), the Class A-2 Notes or, if there are no Class A-1 Notes or Class A-2 Notes outstanding (and the Commitment Period Termination Date has occurred), the Class B Notes or, if there are no Class A-1 Notes, Class A-2 Notes or Class B Notes outstanding (and the Commitment Period Termination Date has occurred), the Class C Notes or, if there are no Class A-1 Notes, Class A-2 Notes, Class B Notes or Class C Notes outstanding (and the Commitment Period Termination Date has occurred), the Class D Notes or, if there are no Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes or Class D Notes outstanding (and the Commitment Period Termination Date has occurred), the Class E Notes or, if there are no Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes outstanding (and the Commitment Period Termination Date has occurred), the Class F Notes or, if there are no Class A-1 Notes, Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class F Notes outstanding (and the Commitment Period Termination Date has occurred), the Class G Notes.

If an Event of Default occurs and is continuing when any Note is outstanding, the Trustee will retain the Collateral intact and collect all payments in respect of the Collateral and continue making payments net of all costs of enforcement and collection incurred by the Trustee in the manner described under “—Priority of Payments” unless:

(A) (1) it is determined pursuant to the Indenture that the anticipated net proceeds of a Disposition of such Collateral (after deducting the reasonable expenses of such Disposition) would be sufficient (when applied in accordance with the Priority of Payments) to discharge in full the amounts then due and unpaid on the Notes for principal and interest and Commitment Fee (including Class D Deferred Interest, Class E Deferred Interest, Class F Deferred Interest and Class G Deferred Interest and interest on Deferred Interest and Defaulted Interest, if any), certain due and unpaid administrative expenses, any accrued and unpaid amounts payable by the Issuer pursuant to the Swap Agreements, including any termination payments

(assuming for this purpose that the Credit Default Swap Agreement has been terminated by reason of an “event of default” or “termination event” thereunder with respect to which the CDS Counterparty is not the “defaulting party” or sole “affected party” (as defined in the Credit Default Swap Agreement)) and (2) a Majority in aggregate outstanding amount of the Controlling Class agree with such determination; or

(B) the holders of at least 66-2/3% in aggregate outstanding amount of each Class of Notes voting as separate Classes and each Swap Counterparty (*provided* that no consent of a Swap Counterparty will be required if (x) no early termination or liquidation payment would be owing by the Issuer upon the termination of the related Swap Agreement by reason of an “event of default” or “termination event” under (and as defined in) the applicable Swap Agreement or (y) such Swap Counterparty is the “defaulting party” or sole “affected party” with respect to an “event of default” or “termination event” under (and as defined in) the applicable Swap Agreement) direct the Disposition of the Collateral.

If the conditions set forth in clause (A) or (B) of the preceding sentence are satisfied, the Trustee shall Dispose of all of the Collateral and apply the proceeds thereof in accordance with the Indenture.

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

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 security or indemnity satisfactory to the Trustee.

A Majority of the Controlling Class 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 Controlling Class and the holders of all the Notes and its consequences, except a default in the payment of the principal of any Note or in the payment of interest (including any Defaulted Interest or interest thereon) on any Note or in respect of a provision of the Indenture that cannot be modified or amended without the waiver or consent of the holder of each outstanding Note materially and adversely affected thereby, the holder of each outstanding Preference Share materially and adversely affected thereby and each Swap Counterparty (other than the Class A-1A Swap Counterparty) materially and adversely affected thereby or arising as a result of an Event of Default described in clause (vi) or (vii) above under “Events of Default”.

The Issuer shall not terminate the Credit Default Swap Agreement (if 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.

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% 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 an indemnity satisfactory to it, (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 a Majority of the Controlling Class.

In determining whether the holders of the requisite percentage of Notes have given any direction, notice or consent, (i) Notes owned by the Issuer or the Co-Issuer or any affiliate of any of them shall be disregarded and deemed not to be outstanding and (ii) Collateral Manager Securities shall also be disregarded and deemed not to be outstanding in relation to the termination of the Collateral Manager under the Management Agreement, modifications to the compensation paid to the Collateral Manager and assignments of the Collateral Manager's rights and obligations under the Management Agreement. Collateral Manager Securities held by the Collateral Manager and its affiliates and accounts managed by them, shall be entitled to vote with respect to all matters other than those described in the foregoing clause (ii). The term "Collateral Manager" for purposes of this paragraph includes any successor or successors to GSC.

#### Notices

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

#### Modification of the Indenture

With the consent of a Majority of each Class of Notes materially and adversely affected thereby and, if the Preference Shares are materially and adversely affected thereby, a Majority of Preference Shareholders (which consent(s) shall be evidenced by an officer's certificate of the Issuer certifying that such consent has been obtained) and the consent of each Swap Counterparty (other than the Class A-1A Swap Counterparty) materially and adversely affected thereby (or as otherwise provided in the related Swap Agreement), the Trustee and Co-Issuers may enter into one or more supplemental indentures to add provisions to, or change in any manner or eliminate any provisions of, the Indenture or modify in any manner the rights of the holders of the Notes of such Class, the Preference Shares or such Swap Counterparty under the Indenture.

Notwithstanding the foregoing, no such supplemental indenture shall be entered into, without the consent of each holder of each outstanding Note of each Class, if such Class is materially and adversely affected thereby, and each Preference Share, if the class of Preference Shares is materially and adversely affected thereby (which consent, in each case, shall be evidenced by an officer's certificate of the Issuer certifying that such consent has been obtained) and each Swap Counterparty (other than the Class A-1A Swap Counterparty) materially and adversely affected thereby (or as otherwise provided in the related 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 thereon or Commitment Fee Rate, 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 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) deletes the requirement of the consent of any Swap Counterparty or reduces the percentage of the aggregate outstanding principal amount of holders of Notes of each Class and holders of Preference Shares, in each case 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) impairs or adversely affects the Collateral then pledged under the Indenture except as otherwise expressly 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 Disposition 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 or remove any other Secured Party, in each case whose consent is required to request that the Trustee preserve the Collateral 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 the Noteholders or Preference Shareholders except to increase the percentage of outstanding Notes or Preference Shares

whose holders' consent is required for any such action 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 or Preference Share materially and adversely affected thereby, (vii) modifies the definition of the term "Outstanding", the Priority of Payments or the subordination provisions of the Indenture or increases the minimum denomination of any Class of Notes, (viii) modifies any of the provisions of the Indenture in such a manner as to affect directly 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, or (ix) changes the provisions of the Indenture relating to the application of proceeds of any Collateral to any payment to be made to a Swap Counterparty (including the Class A-1A Swap Availability Fees).

Not later than fifteen (15) Business Days prior to the execution of any such supplemental indenture, the Trustee, at the expense of the Co-Issuers shall mail to the Noteholders, each Swap Counterparty, the Preference Share Paying Agent, the Collateral Manager and each Rating Agency a copy of such proposed supplemental indenture (or a description of the substance thereof) and the Issuer or an agent of the Issuer shall request that the Rating Condition with respect to such supplemental indenture be satisfied. If any Class of Notes is then rated by any Rating Agency, the Trustee will not enter into any such supplemental indenture if, as a result of such supplemental indenture, the Rating Condition would not be satisfied with respect to such supplemental indenture, unless each holder of Notes of each Class whose rating will be reduced or withdrawn as a result of such supplemental indenture has consented to such supplemental indenture and to such failure to meet the Rating Condition. Unless notified by a Majority of any Class of Notes or a Majority of Preference Shareholders that such Class of Notes or the Preference Shares will be materially and adversely affected, or by each Swap Counterparty (other than the Class A-1A Swap Counterparty) that it will be materially and adversely affected, the Trustee may rely in good faith upon an opinion of counsel or an officer's certificate of the Issuer or the Collateral Manager stating that the execution of such supplemental indenture is authorized or permitted by the Indenture and that all conditions precedent thereto have been complied with. Any determination by the Trustee in reliance in good faith upon such written advice or officer's certificate shall be conclusive and binding on all present and future holders of the Notes and the Preference Shareholders and each Swap Counterparty.

The Co-Issuers and the Trustee may also enter into supplemental indentures without obtaining the consent of holders of any Notes, the Preference Shareholders or any Swap Counterparty (except to the extent required under the applicable Swap Agreement) and subject to the requirement provided above in this section with respect to the ratings of the Notes, and subject to the Indenture, in order to (i) evidence the succession of another person to the Issuer or the Co-Issuer and the assumption by any such successor person of the covenants of the Issuer or the Co-Issuer in the Indenture and the Notes pursuant to the Indenture, (ii) add to the covenants of the Co-Issuers or the Trustee for the benefit of the holders of all of the Notes or to surrender any right or power conferred upon the Co-Issuers, (iii) convey, transfer, assign, mortgage or pledge any property to 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 in accordance with any change in applicable law or regulation (or the interpretation thereof) or to enable the Co-Issuers to rely upon any less restrictive exemption from registration under the Securities Act or the Investment Company Act or to remove restrictions on resale and transfer to the extent not required thereunder, (vii) correct any manifest error or any inconsistency, defect or ambiguity in the Indenture, including any inconsistency with any then-current Rating Agency methodology, (viii) obtain ratings on one or more Classes of Notes from any Rating Agency, (ix) accommodate the issuance of Notes in exchange for existing Notes to be held in global form through the facilities of DTC, Euroclear or Clearstream or otherwise or the listing of the Notes on any exchange or the termination of such listing (including the incorporation of any changes required or requested by any governmental authority or stock exchange authority in connection therewith), (x) avoid the imposition of tax on the net income of the Issuer or of withholding tax on any payment to the Issuer or the Co-Issuer or to avoid the Issuer or the Co-Issuer or the Collateral 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) conform the terms of the Indenture to the terms set forth in this Offering Memorandum (xiii) make administrative changes or other amendments and

modifications as the Co-Issuers deem appropriate and that do not materially and adversely affect the interests of any Noteholder, Preference Shareholder or Swap Counterparty (xiv) to effect a Refinancing provided by of the Notes in connection with an Optional Redemption or Tax Redemption or (xv) evidence or implement changes required by any applicable money laundering law and related regulations or guidelines, including without limitation the USA Patriot Act and the Cayman Islands Proceeds of Criminal Conduct Law (2001 Revision).

Notwithstanding anything to the contrary in this section, if any of the Rating Agencies changes the method of calculating any of the Collateral Quality Tests or its methodologies in respect of any of the Eligibility Criteria (a “**Rating Agency Modification**”), the Co-Issuers may incorporate corresponding changes into the Indenture without the consent of the Noteholders or the Preference Shareholders, if (i) the Rating Condition is satisfied with respect to the Rating Agency that made such Rating Agency Modification and Standard & Poor’s, (ii) the CDS Counterparty, if materially and adversely affected thereby, has consented to such Rating Agency Modification and (iii) notice of such change is delivered by the Collateral Manager to the Trustee, and by the Trustee to the Noteholders, the Preference Share Paying Agent and each Swap Counterparty. Any such modification will be effected without execution of a supplemental indenture.

Notwithstanding anything to the contrary in this section, with the consent of the holders of a Majority of the Preference Shares and the CDS Counterparty, the Co-Issuers may modify the procedures for Disposing of the Collateral set forth in the Indenture and may incorporate corresponding changes into the Indenture without the consent of the Noteholders (a “**Redemption Procedure Modification**”), in connection with an Optional Redemption, Tax Redemption or Auction Call Redemption; *provided* that no such Redemption Procedure Modification shall reduce the amount of, or otherwise modify the provisions relating to the calculation of, the Auction Call Redemption Amount or Total Senior Redemption Amount. Any such modification shall be effected without execution of a supplemental indenture.

At the cost of the Co-Issuers, the Trustee will provide to the holders of the Notes and the Preference Share Paying Agent for distribution to the holders of the Preference Shares, each Swap Counterparty and each Rating Agency a copy of any proposed supplemental indenture (or a description of the substance thereof) at least fifteen (15) Business Days prior to the execution thereof by the Trustee and a copy of the executed supplemental indenture after its execution; *provided* that no such notice will be required in connection with any issuance of Notes or Preference Shares in exchange for existing Notes or Preference Shares, as the case may be, in the manner contemplated by the Indenture in order to accommodate their issuance through the facilities of Euroclear or Clearstream. For so long as any Notes are outstanding, the Trustee will not enter into any such supplemental indenture if, with respect to such supplemental indenture, the Rating Condition would not be satisfied; *provided* that the Trustee may, with the consent of the holders of 100% of the aggregate outstanding amount of Notes of each Class whose rating will be reduced or withdrawn as a result of such supplemental indenture and each Swap Counterparty materially and adversely affected thereby, enter into any such supplemental indenture notwithstanding any such reduction or withdrawal of the ratings of any outstanding Class of Notes.

In executing or accepting the additional trusts created by any supplemental indenture permitted by the Indenture or the modifications thereby of the trusts created by the Indenture, the Trustee will be entitled to receive, and (subject to terms of the Indenture) shall be fully protected in relying in good faith upon an opinion of counsel or an officer’s certificate of the Issuer or the Collateral Manager stating that the execution of such supplemental indenture is authorized or permitted by the Indenture and that all conditions precedent thereto have been complied with; *provided* that the Trustee will execute and deliver upon the request of the Issuer or the Collateral Manager, and (upon receipt of such opinion of counsel or officer’s certificate) shall be fully protected in entering into, any supplemental indenture contemplated by the Indenture in order to consummate the issuance through the facilities of Euroclear or Clearstream of Notes or Preference Shares in exchange for existing Notes or Preference Shares, as the case may be.

The Issuer may not enter into any supplemental indenture without the written consent of the Collateral Manager if such supplemental indenture alters the rights or obligations of the Collateral Manager in any respect, and the Collateral Manager will not be bound by any such supplemental indenture unless the Collateral Manager has consented thereto.



For purposes of this section, the interests of the Swap Counterparties shall be deemed not to be materially and adversely affected by, and no Swap Counterparty shall have any right of consent in relation to, any supplemental indenture with respect to (i) the appointment of any successor Collateral Manager in accordance with the Management Agreement or (ii) any change to the Subordinated Collateral Management Fee or Incentive Management Fee in respect of such successor Collateral Manager.

#### Modification of Certain Other Documents

Prior to entering into any amendment to the Account Control Agreement, the Class A-1B Note Funding Agreement, the Class A-1A Swap Agreement, the Preference Share Paying Agency Agreement, the Noteholder Prepayment Account Control Agreement, the Collateral Administration Agreement, the Class A-1A Swap Agreement, the Master Forward Sale Agreement, the Administration Agreement or the Credit Default Swap Agreement, the Issuer shall provide notice of such amendment to each Noteholder materially and adversely affected thereby, shall obtain the consent of each Swap Counterparty (if materially and adversely affected thereby (or as otherwise provided in the related Swap Agreement)), shall provide prior written notice to Moody's and shall obtain the written confirmation of Standard & Poor's that the entry by the Issuer into such amendment satisfies the Rating Condition. Prior to entering into any waiver in respect of any of the foregoing agreements, the Issuer shall provide to each Noteholder (if its rights are materially and adversely affected thereby), each Rating Agency, each Swap Counterparty and the Trustee with written notice of such waiver. The amendment to and waiver of provisions of the Management Agreement are also subject to the restrictions as described herein under "The Management Agreement".

Each Swap Counterparty will be an express third party beneficiary of the Indenture.

#### Consolidation, Merger or Transfer of Assets

Except in the limited circumstances described in the Indenture, neither Co-Issuer will consolidate or merge with or into any other entity or transfer or convey all or substantially all of its assets to any entity.

#### Petitions for Bankruptcy

The Indenture provides that the holders of the Notes agree not to cause the filing of a petition for winding up or a petition in bankruptcy against the Issuer or the Co-Issuer before one year and one day have elapsed since the final payments to the holders of the Notes and redemption in full of the Preference Shares 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 Co-Issuers of all other amounts due under the Notes, the Indenture, the Preference Share Paying Agency Agreement (other than amounts payable in respect of the Preference Shares), the Swap Agreements, the Collateral Administration Agreement, the Administration Agreement, the Management Agreement and any Synthetic Securities.

#### Trustee

LaSalle Bank National Association, will be the Trustee under the Indenture. The Co-Issuers, the Collateral Manager and their respective affiliates may maintain other banking relationships in the ordinary course of business with the Trustee. The payment of the fees and expenses of the Trustee is solely the obligation of the Co-Issuers. The Trustee and its affiliates may receive compensation in connection with the investment of trust assets in certain Eligible Investments as provided in the Indenture. Eligible Investments may include investments for which the Trustee and/or its affiliates provide services. The Indenture contains provisions for the indemnification of the Trustee for any loss, liability or expense incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture. Pursuant to the Indenture, the

Issuer has granted to the Trustee a lien senior to that of the Noteholders to secure payment by the Issuer of the compensation and expenses of the Trustee and any sums the Trustee may be entitled to receive as indemnification by the Issuer under the Indenture (subject to the U.S. Dollar limitations set forth in the Priority of Payments with respect to applicable Distribution Date), which lien the Trustee is entitled to exercise only under certain circumstances. In the Indenture, the Trustee will agree not to cause the filing of a petition for winding up or a petition in bankruptcy against the Co-Issuers for nonpayment to the Trustee of amounts payable thereunder until at least one year and one day, or if longer, the applicable preference period then in effect, after the payment in full of all of the Notes and redemption in full of the Preference Shares; provided, however, that it is not prohibited from filing proofs of claim.

The Trustee may resign at any time by giving written notice thereof to the Co-Issuers, the Noteholders, the Collateral Manager, each Swap Counterparty, each Rating Agency and the Preference Share Paying Agent. Upon receiving such notice of resignation, the Co-Issuers shall promptly appoint a successor trustee. If no successor trustee shall have been appointed and an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee or any holder of a Note, on behalf of itself and all others similarly situated, may petition any court of competent jurisdiction for the appointment of a successor Trustee. The Trustee may be removed by written notice from the Issuer delivered at the direction of Holders of at least 66 2/3% of the aggregate outstanding amount of Notes of any Class. The Trustee may be removed at any time if an Event of Default shall have occurred and be continuing by written notice from the Issuer delivered at the direction of a Majority of the Controlling Class. The Co-Issuers may remove the Trustee, or any holder of a Note may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee if (a) the Trustee ceases to be eligible to act in such capacity under the Indenture and fails to resign after written request therefor by the Co-Issuers or by any holder or (b) the Trustee becomes incapable of acting, is adjudged as bankrupt or insolvent or a receiver or liquidator of the Trustee or of its property is appointed or any public officer takes charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. No resignation or removal of the Trustee will become effective until the acceptance of the appointment of a successor Trustee. If the Trustee resigns or is removed, it will resign in all other capacities under the Preference Shares Paying Agency Agreement, Collateral Administration Agreement, Account Control Agreement, CDS Counterparty Collateral Account Control Agreement, each Noteholder Prepayment Account Control Agreement and the Class A-1B Note Funding Agreement.

#### 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 registered holder and beneficial owner, by accepting a Note or beneficial interest therein, agrees to such treatment, to report all income (or loss) in accordance with such treatment and not to take any action inconsistent with such treatment unless otherwise required by any taxing authority under applicable law.

#### Governing Law

The Indenture, the Notes, the Preference Share Paying Agency Agreement, the Credit Default Swap Agreement, the Hedge Agreement, the Class A-1B Note Funding Agreement, the Collateral Administration Agreement, the Class A-1A Swap Agreement and the Management Agreement will be governed by, and construed in accordance with, the law of the State of New York. The Preference Shares, Administration Agreement and the Issuer's Memorandum and Articles of Association will be governed by, and construed in accordance with, the laws of the Cayman Islands.

### **DESCRIPTION OF THE PREFERENCE SHARES**

The Preference Shares will be issued pursuant to Memorandum and Articles of Association of the Issuer and in accordance with the Preference Share Paying Agency Agreement (the "**Preference Share Paying Agency Agreement**") between LaSalle Bank National Association, as preference share paying agent (in such capacity, the "**Preference Share Paying Agent**") and the Issuer, and will be subscribed to in accordance with the terms of the Investor Application Forms for the Preference Shares. The following summary describes certain provisions of the

Preference Shares, the Memorandum and Articles of Association of the Issuer, the Preference Share Paying Agency Agreement and the Investor Application Forms. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Memorandum and Articles of Association of the Issuer, the Preference Share Paying Agency Agreement and the Investor Application Forms. After the closing, copies of the Preference Share Paying Agency Agreement, the Memorandum and Articles of Association of the Issuer and the form of the Investor Application Forms may be obtained by prospective investors upon request in writing to the Preference Share Paying Agent at 181 West Madison Street, 32nd Floor, Chicago, Illinois 60602, Attention: CDO Trust Services Group – GSC ABS CDO 2006-2m, Ltd. or in Jersey Maples Finance Jersey Limited, Le Masurier House, La Rue Le Masurier, St Helier, Jersey JE2 4YE, Channel Islands, if and for so long as any Preference Shares are listed on the CISX.

### **Status**

The Preference Shares are participating shares in the capital of the Issuer having a U.S.\$0.01 par value per share and a liquidation preference of U.S.\$1,000 per share. The Preference Shares will not be secured under the Indenture. The Preference Shares will be issuable in a minimum amount of 250 shares and in integral multiples 1 share in excess thereof. No fractional Preference Shares will be issued.

### **Distributions**

On each Distribution Date, to the extent that funds are available therefor, Interest Proceeds will be released from the lien of the Indenture for payment to the Preference Share Paying Agent only after the payment of interest (and, in the case of the Class A-1B Notes, Commitment Fee) on the Notes, Class A-1A Swap Availability Fee and, in certain circumstances, principal due in respect of the Notes and the payment of certain other amounts in accordance with the Priority of Payments. Any Interest Proceeds permitted to be released from the lien of the Indenture and paid to the Preference Share Paying Agent will be distributed to the Preference Shareholders on each Distribution Date. The Preference Shares may be paid in full prior to the Stated Maturity of the Notes following the Mandatory Redemption, Optional Redemption, Tax Redemption or Auction Call Redemption of the Notes, out of proceeds of the liquidation of the pool of Collateral. Until the Notes and certain other amounts have been paid in full, Available Principal Excess is not permitted to be released from the lien of the Indenture and will not be available to make distributions in respect of the Preference Shares. See “Description of the Notes—Priority of Payments—Interest Proceeds” and “—Available Principal Excess” and “Security for the Notes”.

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

If any of the Overcollateralization Tests is not satisfied on the Determination Date related to any Distribution Date, funds that would otherwise be distributed to Preference Shareholders (subject to the payment of certain other amounts prior thereto) may be used instead to repay principal on each Class of the Notes to the extent and as described herein. In addition, if a Ratings Confirmation Failure occurs, funds that would otherwise be distributed to the Preference Shareholders (subject to the payment of certain other amounts prior thereto) will be used, on the first Quarterly Determination Date relating to the first Determination Date occurring thereafter, to redeem the affected Classes of Notes (sequentially in direct order of Seniority) as specified in the Priority of Payments to the extent necessary to obtain a Rating Confirmation. See “Description of the Notes—Priority of Payments”.

On each Distribution Date, 15% of the Interest Proceeds available after payment of interest on the Notes (including any Deferred Interest), Subordinated Collateral Management Fees and certain other amounts will be

applied to the payment of principal of the Class F Notes and Class G Notes in accordance with paragraph (21) under the heading “—Priority of Payments—Interest Proceeds”. See “—Priority of Payments” below.

### **Optional Redemption**

On any Distribution Date on or after the Distribution Date on which the Notes have been paid in full, the Preference Shares may be redeemed (in whole but not in part) at the direction of a Majority of Preference Shareholders. Final distributions or payments made in respect of a Preference Share in the course of a winding up will be made only against surrender of the certificate evidencing such Preference Shares at the office designated by the Preference Share Registrar. The Preference Share Registrar will communicate such distributions and payments and the related Distribution Date to the Issuer, the Preference Share Paying Agent, Euroclear, and Clearstream.

Any such notice of redemption may be withdrawn by the Issuer by delivering a notice of such withdrawal to the Preference Share Paying Agent, Euroclear, and Clearstream not less than three Business Days prior to the scheduled date of redemption.

### **Notices**

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

### **Voting Rights**

Set forth below is a summary of certain matters with respect to which Preference Shareholders are entitled to vote. This summary is not meant to be an exhaustive list, and, in the case of transferees of the Preference Shares, in the transfer certificates or deemed to have been made (as the case may be).

*Redemption of the Notes.* On any Distribution Date occurring on or after the Distribution Date occurring in June 2009, the Notes may, subject to satisfaction of certain conditions described herein, be redeemed (in whole or in part) at the direction of the Collateral Manager or a Special Majority of Preference Shareholders, as described under “Description of the Notes—Optional Redemption and Tax Redemption”.

*Redemption of the Preference Shares.* On any Distribution Date on or after the Distribution Date on which the Notes have been paid in full, the Preference Shares may be redeemed (in whole but not in part) at the direction of a Majority of Preference Shareholders. Final distributions or payments made in respect of a Preference Share in the course of a winding up will be made only against surrender of the certificate evidencing such Preference Shares at the office designated by the Preference Share Registrar. The Preference Share Registrar will communicate such distributions and payments and the related Distribution Date to the Issuer, the Preference Share Paying Agent, Euroclear and Clearstream, as described above under “—Optional Redemption”.

*The Reinvestment Period.* Unless previously terminated as described herein, the Reinvestment Period may be terminated on the Distribution Date immediately following the date that the Collateral Manager notifies the Trustee that, in light of the composition of Synthetic Securities, general market conditions and other factors, the Collateral Manager (in its sole discretion) has determined that investments in additional Synthetic Securities within the foreseeable future would either be impractical or not beneficial, so long as a Majority of Preference Shareholders gives its written consent to such termination.

*The Management Agreement.* For a description of certain of the provisions relating to the termination of the Management Agreement and the objection to the appointment of a replacement Collateral Manager, see “The Management Agreement”.

*The Indenture.* For a description of certain of the provisions of the Indenture relating to the modification of the Indenture, see “Description of the Notes—The Indenture”.

*Preference Share Paying Agency Agreement.* The Issuer is not permitted to consent to any amendment of the Preference Share Paying Agency Agreement without the consent of each Preference Shareholder 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 distributions on the Preference Shares or (ii) reduce the voting percentage of Preference Shareholders required to consent to any amendment to the Preference Share Paying Agency Agreement that requires the consent the Preference Shareholders.

### **Dissolution; Liquidating Distributions**

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 Share Trustee passing a special resolution to dissolve the Issuer, (ii) at any time after the sale or other disposition of all of the Issuer's assets, upon the Share Trustee passing a special resolution to dissolve the Issuer, (iii) at any time after the Notes are paid in full, upon the Share Trustee passing a special resolution 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 (2004 Revision) of the Cayman Islands as then in effect. The Directors of the Issuer currently intend, in the event that the Preference Shares are not redeemed following the repayment in full of the Notes, to liquidate all of the Issuer's remaining investments in an orderly manner and distribute the proceeds of such liquidation to the Preference Shareholders. See "Maturity, Prepayment and Yield Considerations".

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

- (1) *first*, to pay the costs and expenses of the winding up, liquidation and termination of the Issuer;
- (2) *second*, to creditors of the Issuer, in the order of priority provided by law, including fees payable to the Collateral Manager or its affiliates and any accrued fees and expenses payable to the Trustee, the Administrator and the Preference Share Paying Agent;
- (3) *third*, to establish reserves adequate to meet any and all contingent, unliquidated liabilities or obligations of the Issuer, *provided* that at the expiration of a period not exceeding three years after the final liquidation distribution, the balance of such reserves remaining after the payment of such contingencies or liabilities shall be distributed in the manner described herein;
- (4) *fourth*, to pay the Preference Shareholders a sum equal to the aggregate liquidation preference amount of the Preference Shares;
- (5) *fifth*, to pay the holders of the ordinary shares the nominal amount paid up thereon and the sum of U.S.\$1.00 per ordinary share; and
- (6) *sixth*, to pay to the Preference Shareholders the balance remaining.

### **Petitions for Bankruptcy**

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

### **Tax Characterization**

The Issuer intends to treat the Preference Shares as equity interests in the Issuer for U.S. Federal, state and local income and franchise tax purposes. The Preference Share Paying Agency Agreement will provide that each

registered holder and beneficial owner, by accepting a Preference Share, agrees to such treatment, to report all income (or loss) in accordance with such treatment and not to take any action inconsistent with such treatment unless otherwise required by any taxing authority under applicable law.

### **Governing Law**

The Investor Application Forms and the Preference Share Paying Agency Agreement will be governed by, and construed in accordance with, the law of the State of New York. The Issuer's Memorandum and Articles of Association will be governed by, and construed in accordance with, the laws of the Cayman Islands.

### **No Gross-Up**

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

### **Benefit Plan Investors**

After the Closing Date, no Preference Share may be directly or indirectly acquired by or transferred to a Benefit Plan Investor (including, for this purpose the general account of an insurance company any of the underlying assets of which constitute "plan assets" under Section 401(c) of ERISA) or a Controlling Person. See "ERISA Considerations" and "Transfer Restrictions". Each Original Purchaser of Preference Share will be required to execute a certificate in the form attached as an exhibit to the Preference Share Paying Agency Agreement. No Preference Share may be transferred to a transferee unless such transferee executes a certificate in the applicable form attached as an exhibit to the Preference Share Paying Agency Agreement.

## **DESCRIPTION OF THE CLASS P NOTES**

### **Overview**

The Issuer will issue the Class P Notes due June 5, 2045 (the "**Class P Notes**"). The Class P Notes will be issued by the Issuer pursuant to the Indenture. The Class P Notes will consist of two components (the "**Class P Beneficial Assets**"): (a) a principal-only security described below and (b) certain Preference Shares allocable to and represented by the applicable Class P Note.

The number of Preference Shares included in the Class P Preference Share Component is included in, and is not in addition to, the number of Preference Shares issued by the Issuer as described elsewhere in this Offering Memorandum. The Preference Shares included in the Class P Preference Share Component will be issued, though will not be capable of being traded independently and will be represented by the relevant certificates evidencing the Class P Notes.

The registered holders of Class P Notes (the "**Class P Noteholders**") will be treated as holders of the Preference Shares and entered in the register of members in respect thereof, to the extent of the applicable Class P Preference Share Component, for purposes of any requests, demands, authorizations, directions, notices, consents, waivers or other actions under the Issuer's Memorandum and Articles of Association and Preference Share Paying Agency Agreement. The holders of the Class P Notes will be entitled to vote, or to direct the voting of, the applicable Class P Preference Share Component represented by such Class P Notes.

Except as otherwise described in this section of the Offering Memorandum, the terms and conditions of the Class P Notes (including amounts due and payable thereunder) will be (a) with respect to the Class P Preference Share Component, the terms and conditions of the Preference Shares and (b) with respect to the Class P Treasury

Strip, the terms and conditions thereof. The Class P Treasury Strip does not bear interest but the holders of the Class P Notes will be entitled to any payments of principal or sale proceeds received by the Issuer in respect thereof as described further below under “—Redemption of the Class P Notes”. For the avoidance of doubt, all references to and descriptions of Noteholders as Secured Parties or Notes as secured by the Collateral (however described) will be deemed to exclude the Class P Noteholders (which are not Secured Parties) and the Class P Notes (which are not secured by the Collateral and are secured solely by the Class P Treasury Strip).

The Class P Notes consist of (1) that portion of a stripped treasury bond that evidences debt obligations of the government of the United States of America and that is secured by its full faith and credit, entitling the bearer to principal only of U.S.\$12,000,000 upon maturity of the bond on August 15, 2021 and bearing CUSIP number “912803AX1” (the “**Class P Treasury Strip**”) and (2) 6,614 Preference Shares with an aggregate liquidation preference of U.S.\$6,614,000 (the “**Class P Preference Share Component**”).

### **Use of Proceeds**

The Issuer will use a portion of the proceeds of the issuance of the Class P Notes to purchase the Class P Treasury Strip and will apply the remaining portion of such proceeds in payment of the subscription amounts due in respect of the Class P Preference Share Component.

### **Rating**

It is a condition to issuance of the Class P Notes that the Class P Notes be rated “Aaa” by Moody’s; provided that such rating will apply only to the ultimate return of the initial Class P Note Rated Balance. See “Ratings of the Notes”.

### **Risk Factors**

#### *General*

An investment in the Class P Notes involves certain risks. In addition to the risks particular to Class P Notes described below, the risk of ownership of the Class P Notes will be (a) with respect to the Class P Preference Share Component, the risks of ownership of the Preference Shares and (b) with respect to the applicable Class P Treasury Strip, the risk of ownership of such Class P Treasury Strip. See “Risk Factors”.

#### *Transfer of Components*

The Class P Beneficial Assets are not separately transferable. However, pursuant to the Indenture, a Class P Noteholder may exchange, redeem or liquidate such Class P Notes for its ratable share of the Class P Preference Shares and the Class P Treasury Strip represented by such Class P Note. The final liquidation or distribution “in kind” of the Class P Treasury Strip, if not previously liquidated or distributed in full, will occur upon the redemption of the Preference Shares. Unless a Class P Noteholder gives direction to the Trustee to the contrary, a portion of the Class P Treasury Strip will be liquidated on each date the Class P Noteholder receives a payment in respect of the Preference Share Component of its Class P Note. Due to changes in the market value of the Class P Treasury Strip, which is likely to decline in an environment of rising interest rates, Class P Noteholders may receive less than the face value of the Class P Notes. See “—Exchange of Class P Notes for Class P Treasury Strip and Preference Shares”.

#### *Limited Liquidity*

There is currently no market for the Class P Notes. Although the Initial Purchaser may from time to time make a market in the Class P Notes, the Initial Purchaser is not under any obligation to do so. If the Initial Purchaser commences any market-making, the Initial Purchaser may discontinue the same at any time. There can be no assurance that a secondary market for the Class P Notes will develop, or if a secondary market does develop, that it will provide the holders of the Class P Notes with liquidity of investment or that it will continue for the life of the Class P Notes. In addition, the Class P Notes are subject to certain transfer restrictions and can only be transferred

to certain transferees as described below. Consequently, an investor in the Class P Notes must be prepared to hold the Class P Notes for an indefinite period of time or until the Class P Stated Maturity.

*Authorized Amount*

The aggregate principal amount of Class P Notes that may be issued under the Indenture may not exceed U.S.\$12,000,000, excluding Class P Notes issued upon registration of, transfer of, or in exchange for, or in lieu of, other Class P Notes in accordance with the Indenture.

**Status and Security**

The Class P Notes are limited recourse obligations of the Issuer, payable solely from the Class P Treasury Strip and, in respect of the portion of the Class P Notes constituted by Class P Preference Share Component, the entitlement of the Class P Noteholder is subject to the terms applicable to the Preference Shares generally. All of the Class P Notes are entitled to receive payments *pari passu* among themselves. No recourse may be had against any Officer, member, director, manager, security holder or incorporator of the Issuer, the Trustee, the Administrator, any Rating Agency, the Collateral Manager, the Initial Purchaser or any of their respective successors or assigns for the payment of any amounts payable under the Class P Notes or the Indenture.

The Class P Notes will be secured solely to the extent of the Class P Treasury Strip.

**Interest**

The Class P Notes will not bear a stated rate of interest. The Class P Noteholders will be entitled to receive all proceeds received in respect of the Class P Treasury Strip and distributions in respect of the Class P Preference Share Component, if, and to the extent, funds are available for such purposes as described below under “— Payments”. The Class P Treasury Strip does not pay interest but entitle the holders thereof of principal payments in the principal amount of such Class P Treasury Strip upon the stated maturity thereof.

**Aggregate Initial Principal Amount and Class P Stated Maturity**

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

| <b>Designation</b> | <b>Aggregate Initial Principal Amount</b> | <b>Face Amount, maturity and CUSIP Number of Class P Treasury Strip</b> | <b>Preference Shares represented by each Class P Note</b> | <b>Class P Stated Maturity</b> |
|--------------------|---|---|---|--------------------------------|
| Class P Notes      | U.S.\$12,000,000                          | U.S.\$12,000,000, maturing August 15, 2021<br>CUSIP No: 912803AX1       | 6,614 Preference Shares                                   | June 8, 2045                   |

The aggregate initial principal amount of the Class P Notes is equal to the face amount of the Class P Treasury Strip represented by the Class P Notes. On each Distribution Date, the aggregate principal amount of a Class P Note will be reduced (absent written direction to the Trustee from the applicable Class P Noteholder to the contrary) by the partial redemption of the Class P Treasury Strip, as described herein.

**Denominations**

The Class P Notes will be issuable in a minimum denomination of U.S.\$250,000 and will be offered only in such minimum denomination or an integral multiple of U.S.\$1,000 in excess thereof. After issuance any Class P Note may fail to be in compliance with the minimum denomination requirement as a result of partial amortization of the Class P Notes as provided for herein.

Class P Notes issued upon transfer, exchange or replacement of other Class P Notes shall be issued in authorized denominations reflecting the original aggregate principal amount of the Class P Notes so transferred,



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

### **Payments**

The Indenture provides that on each Distribution Date on which payments, if any, are made on the Preference Shares, portions of such payments will be allocated to the Class P Notes in the proportion that the number of Preference Shares represented by the Class P Preference Share Component bears to the total number of Preference Shares, including the Class P Preference Share Component (such ratio, expressed as a percentage, the “**Class P Preference Share Component Percentage**”). The Class P Preference Share Component Percentage in respect of the Class P Notes will be allocated to the holders of the Class P Notes in accordance with their Pro Rata Shares. On each Distribution Date on which any distribution is made from the Class P Reserve Account, such distribution shall be made to the Class P Noteholders in accordance with their Pro Rata Shares in respect of the Class P Notes. On each Distribution Date on which any portion of a Treasury Strip is sold as described under “—Redemption of Class P Notes”, the proceeds of each such sale shall be paid to the Class P Noteholders in accordance with their Pro Rata Shares in respect of the Class P Treasury Strip or, in the case of a sale directed by a Class P Noteholder, the Class P Noteholder directing such sale. After the interests of any Class P Noteholder in the Class P Treasury Strip is reduced to zero, the holder of such Class P Note will continue to be entitled to receive distributions in respect of the Class P Preference Shares Component of such Class P Note in accordance with the applicable Pro Rata Share.

“**Pro Rata Share**” means in respect of a holder of Class P Notes and the Class P Preference Share Component, a percentage equal to (x) the initial principal amount of Class P Notes held by such holder divided by (y) the initial aggregate principal amount of all Class P Notes; provided that, with respect to the Class P Treasury Strip, the “Pro Rata Share” of each holder of Class P Notes shall be such holder’s beneficial ownership therein (expressed a percentage of the Class P Treasury Strip).

### **Redemption of Class P Notes**

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

With respect to each Distribution Date, the Trustee shall, in respect of a Class P Note (unless the Holder of such Class P Note instructs the Trustee not to include any (or only a specified portion) of its pro rata share of the distribution made in respect of the Preference Shares represented by such Class P Note on such Distribution Date in the calculation of the Principal Amortization Amount), on the Business Day prior to such Distribution Date, sell a portion of the related Treasury Strip in an amount equal to the applicable Liquidation Percentage. If a sale of such Liquidation Percentage would not satisfy the minimum denomination requirement for transfers of such Treasury Strip, the Trustee shall not sell any portion of such Treasury Strip on such Business Day. The Trustee shall, within two days after the related Distribution Date, deposit the proceeds of any such sale in the Class P Reserve Account for distribution to the holders of the relevant Class P Note.

Notwithstanding the foregoing, such holder, not less than two Business Days prior to any Distribution Date, may instruct the Trustee in writing not to include any (or only a specified portion) of its pro rata share of the distributions made in respect of the Preference Shares represented by its Class P Note on such Distribution Date in the calculation of the Principal Amortization Amount and to retain (for its sole benefit) the portion of the related Treasury Strip that would otherwise have been sold on such Distribution Date as provided above if its pro rata share of such distributions had been included in such calculation.

At least 10 Business Days prior to any Distribution Date, any holder of a Class P Note may instruct the Trustee to sell a percentage of the Class P Treasury Strip on such Distribution Date and each subsequent Distribution Date (unless with respect to any such subsequent Distribution Date, the holder of such Class P Note instructs the Trustee not to include any (or only a specified portion) of its pro rata share of the distribution made in

respect of the Preference Shares represented by such Class P Note on such Distribution Date in the calculation of the Principal Amortization Amount), on the Business Day prior to each such Distribution Date, equal to the applicable Liquidation Percentage. If a sale of such Liquidation Percentage of the Class P Treasury Strip would not satisfy the minimum denomination requirement for transfers of the Class P Treasury Strip, the Trustee shall not sell any portion of the Class P Treasury Strip on such Business Day. The Trustee shall, within two days after the related Distribution Date, deposit the proceeds of any such sale in the Class P Reserve Account for distribution to the holders of the Class P Notes.

Notwithstanding the foregoing, if a holder of a Class P Notes has previously instructed the Trustee to sell a Liquidation Percentage of its Class P Note on each Distribution Date, such holder, not less than two Business Days prior to any Distribution Date, may instruct the Trustee in writing not to include any (or only a specified portion) of its Pro Rata Share of the distributions made in respect of the Preference Shares represented by its Class P Note on such Distribution Date in the calculation of the Principal Amortization Amount and to retain (for its sole benefit) the portion of the related Class P Treasury Strip that would otherwise have been sold on such Distribution Date as provided above if its Pro Rata Share of such distributions had been included in such calculation.

**“Liquidation Percentage”** means, in connection with the redemption of a Class P Note requested by the Holder of such Class P Note on any Distribution Date, a percentage (not greater than 100%) equal to the (x) the Principal Amortization Amount with respect to such redemption divided by (y) the aggregate face amount of the related Class P Treasury Strip (or such lesser percentage as will satisfy the minimum denomination requirements for such Class P Treasury Strip).

**“Principal Amortization Amount”** means, in connection with a redemption of a Class P Note on any Distribution Date, an amount equal to (x) the sum of (1) the amount of distributions to be made in respect of the Class P Preference Share Component represented by such Class P Note on such Distribution Date unless the holder of such Class P Note instructed the Trustee not to include any (or only a specified portion) of its pro rata share of such distribution in the calculation of Principal Amortization Amount plus (2) the amount of any distributions made in respect of such Class P Preference Share Component on any prior Distribution Dates in respect of which no redemption of the related Class P Treasury Strip was effected (unless the holder of such Class P Note instructed the Trustee not to include any (or only a specified portion) of its pro rata share of such distributions in the calculation of Principal Amortization Amount) divided by (y) one minus the Conversion Factor with respect to such Distribution Date. Notwithstanding the foregoing, the amount of the “Principal Amortization Amount” in connection with the final redemption of the Preference Shares shall equal 100% of the aggregate face amount of the then-remaining Class P Treasury Strip.

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

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

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

the Treasury Strip. The date of any distribution of a portion of a Treasury Strip “in kind” or the proceeds of the liquidation of the portion of a Treasury Strip shall constitute a redemption date with respect to the Class P Notes.

### **Class P Reserve Account**

On or prior to the Closing Date, the Trustee shall establish a single, segregated account in the name of the Trustee for the benefit of the Class P Noteholders (the “**Class P Reserve Account**”), to which the Trustee shall credit on the Closing Date the Class P Treasury Strip. The Trustee shall give to the Issuer and the Collateral Manager prompt notice if the Class P Reserve Account or any assets credited thereto shall become subject to any writ, order, judgment, warranty of attachment, execution or similar process. If invested, funds in the Class P Reserve Account will be invested in Eligible Investments. Neither the Issuer nor any of the Secured Parties shall have any legal, equitable or beneficial interest in the Class P Reserve Account. The Class P Reserve Account shall remain at all times with a financial institution organized and doing business under the laws of the United States or any State thereof, authorized under such laws to exercise corporate trust powers and having a long-term debt rating of at least “Baa1” by Moody’s (and, if rated “Baa1”, not be on watch for possible downgrade by Moody’s), at least “BBB+” by Standard & Poor’s and at least “BBB+” by Fitch and a combined capital and surplus in excess of U.S.\$200,000,000.

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

### **Repurchase and Cancellation of Class P Notes**

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

### **Form, Registration and Transfer**

#### General

(i) The Class P Notes offered in the United States in reliance on Rule 144A (“**Restricted Definitive Class P Notes**”) will be issued in definitive, fully registered, certificated form, registered in the name of the beneficial owner thereof. The Restricted Definitive Class P Notes will be offered and may only be transferred in whole and not in part to (a) non U.S. Persons in offshore transactions in reliance on Regulation S taking delivery of a Class P Note in the form of a beneficial interest in a Regulation S Global Class P Note or (b) in the United States to Qualified Institutional Buyers in reliance on an exemption from registration under the Securities Act provided by Rule 144A thereunder that are also Qualified Purchasers. Transfers of Restricted Definitive Class P Notes may only be effected by delivery to the Trustee and the Issuer of the required written certifications from the proposed transferee regarding compliance with applicable transfer restrictions. See “Transfer Restrictions” and “ERISA Considerations.”

(ii) Class P Notes sold outside the United States will be sold to persons that are not U.S. Persons in offshore transactions in accordance with Regulation S, will be represented by one or more permanent global Class P Notes (“**Regulation S Global Class P Notes**”) in definitive, fully registered form, without interest coupons, and deposited with the Trustee as custodian for, and registered in the name of DTC or its nominee, initially for the accounts of Euroclear and Clearstream. By acquisition of a beneficial interest in a Regulation S Global Class P Note, any purchaser thereof will be deemed to represent that (a) it is not a U.S. Person and is purchasing such beneficial interest for its own account and not for the account or benefit of a U.S. Person and (b) if in the future it decides to transfer such beneficial interest, it will transfer such interest only to a person that is not a U.S. Person in an offshore transaction in accordance with Regulation S or to a person who takes delivery in the form of a Restricted

Definitive Class P Note. Beneficial interests in each Regulation S Global Class P Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream. In addition, no beneficial owner of an interest in a Regulation S Global Class P Note will be able to exchange or transfer that interest, except in accordance with the applicable procedures of the depository and (in the case of a Regulation S Global Class P Note) Euroclear or Clearstream (in addition to those under the Indenture), in each case to the extent applicable (the “**Applicable Procedures**”).

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

(iv) Definitive Class P Notes issued to persons that are not U.S. Persons and that are not held for the account or benefit of U.S. Persons are referred to herein as “**Regulation S Definitive Class P Notes**” and, together with the Restricted Definitive Class P Notes the “**Definitive Class P Notes**”. The Regulation S Global Class P Notes and Regulation S Definitive Class P Notes are referred to herein as “**Regulation S Class P Notes**”.

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

#### Restricted Definitive Class P Notes

Subject to the restrictions on transfer set forth in the Indenture and the Class P Notes, Class P Noteholders holding the Restricted Definitive Class P Notes may transfer or exchange such Class P Notes in whole but not in part (in a number equal to any authorized denomination) by surrendering such Class P Notes at the corporate trust office of the Trustee or at the office of a transfer agent designated for such purpose in the Indenture, together with an executed instrument of assignment and an investor certificate substantially in the form attached to the Indenture. In exchange for any Restricted Definitive Class P Notes properly presented for transfer with all necessary accompanying documentation, the Trustee will, within five Business Days of such request if made at the corporate trust office of the Trustee, or within ten Business Days if made at the office of a transfer agent (other than the Trustee) designated for such purpose in the Indenture, deliver at the corporate trust office of the Trustee or the office of the transfer agent, as the case may be, to the transferee or send by first class mail at the risk of the transferee to such address as the transferee may request, a Restricted Definitive Class P Note, for a like number of Class P Notes as may be requested. The presentation for transfer of any Restricted Definitive Class P Note will not be valid unless made at the corporate trust office of the Trustee or at the office of a transfer agent by the registered Class P Noteholder in person, or by a duly authorized attorney in fact.

#### Regulation S Definitive Class P Notes

Interests in a Regulation S Global Class P Note will be exchangeable or transferable, as the case may be, for a Regulation S Definitive Class P Note if (a) DTC notifies the Issuer that it is unwilling or unable to continue as depository for such Regulation S Global Class P Note or (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. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause Regulation S Definitive Class P Notes bearing an appropriate legend (a “**Legend**”) regarding restrictions on transfer to be delivered. Upon the transfer, exchange or replacement of Regulation S Definitive Class P Notes bearing a Legend, or upon specific request for removal of a Legend on a certificate representing the Class P Notes, the Issuer shall deliver through the Trustee or any Paying Agent to the holder and the transferee, as applicable, one or more Regulation S Definitive Class P Note corresponding to the aggregate outstanding amount of Class P Notes surrendered for transfer, exchange or replacement that bear such Legend, or will refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of U.S. counsel, as may reasonably be required by the Issuer that neither the Legend nor the restrictions on transfer set forth therein is required to ensure compliance with the provisions of the Securities Act or the Investment Company Act. Regulation S Definitive Class P Notes will be exchangeable or transferable for interests in other Definitive Class P Notes as described below.

### Transfer and Exchange of Class P Notes

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

(i) to a transferee that (A) is both (1) 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.

(b) *Regulation S Global Class P Notes to Regulation S Global Class P Notes.* The holder of a beneficial interest in a Regulation S Global Class P Note may transfer such interest to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Class P Note. Any such transfer may only be made to a person that is not a U.S. Person and that is not acquiring such beneficial interest for the account or benefit of a U.S. Person and any such transfer may only be effected in an offshore transaction in accordance with Regulation S and only in accordance with the Applicable Procedures. Any such transferee must be able to make the representations set forth under “Transfer Restrictions”, including the representation that it is not a Benefit Plan Investor or a Controlling Person, and will be obligated to deliver a letter to such effect in the form attached to the Indenture. In addition, each transferee acquiring an interest in Regulation S Global Class P Note will be required to execute and deliver to the Issuer, the Trustee and the Collateral Manager a letter in the form attached as an exhibit to the Indenture to the effect that such transferee will not transfer such interest except in compliance with the transfer restrictions set forth in the Indenture (including the requirement that any subsequent transferee execute and deliver such letter as a condition to any subsequent transfer).

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

(d) *Restricted Definitive Class P Note to Restricted Definitive Class P Note.* Class P Notes in the form of Restricted Definitive Class P Notes may be exchanged or transferred in whole or in part in an aggregate principal amount not less than U.S.\$250,000 by surrendering such Restricted Definitive Class P Notes at the office of the Trustee with a written instrument of transfer and written certification from each of the transferor and the transferee in the form provided in the Indenture. With respect to any transfer of a portion of Restricted Definitive Class P Notes, the transferor will be entitled to receive new Restricted Definitive Class P Notes representing the number of Class P Notes retained by the transferor after giving effect to such transfer. Restricted Definitive Class P Notes issued upon any such exchange or transfer (whether in whole or in part) will be made available at the office of the Trustee.

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

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

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

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

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

(h) Subject to compliance with the transfer restrictions applicable to the Class P Notes described above and under “Transfer Restrictions”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream 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 Regulation S Global Class P Notes in DTC and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions directly to the depositories of Clearstream or Euroclear.

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

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

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

DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly (“indirect participants”).

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

(m) If, notwithstanding the foregoing restrictions, the Issuer determines that any beneficial owner of Class P Notes (or any interest therein) (or any interest therein) (A) is a U.S. Person (within the meaning of Regulation S under the Securities Act) and (B) is not both (1) a Qualified Institutional Buyer and (2) a Qualified Purchaser, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Class P Notes to a person that is (1) a Qualified Institutional Buyer and (2) a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30 day period, (I) upon direction from the Collateral Manager (on behalf of the Issuer) or the Issuer, the Class P Note Registrar, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in Class P Notes to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market) to a person that certifies to the Trustee, Class P Note Registrar, the Issuer and the Collateral Manager, in connection with such transfer, that such person is (x) a Qualified Institutional Buyer and (y) a Qualified Purchaser and (II) pending such transfer, no further payments will be made in respect of the Class P Notes held by such beneficial owner.

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

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

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

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

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

#### Exchange of Class P Notes for Class P Treasury Strip and Preference Shares

The components of the Class P Beneficial Assets are not separately transferable. However, pursuant to the Indenture, a Class P Noteholder may exchange, redeem or liquidate such Class P Notes for its ratable share of the Class P Preference Share Component and the Class P Treasury Strip represented by such Class P Note. The final liquidation or distribution “in kind” of the Class P Treasury Strip, if not previously liquidated or distributed in full, will occur upon the redemption of the Preference Shares. Unless a Class P Noteholder gives direction to the Trustee to the contrary, a portion of the Class P Treasury Strip will be liquidated on each date a Class P Noteholder receives a payment in respect of the Preference Share Component of its Class P Note. In addition, (a) a Class P Noteholder may instruct the Trustee from time to time to sell the applicable Liquidation Percentage of the Class P Treasury Strip on the related Distribution Date and (b) will be distributed “in kind” or liquidated on any Redemption Date. Due to

changes in the market value of the Class P Treasury Strip, which is likely to decline in, for example, an environment of rising interest rates, Class P Noteholders may receive less than the discounted value of the face value of the Class P Treasury Strip from any such sale or liquidation and, consequently, may not receive repayment in full of the principal of the Class P Notes.

No exchange shall be made unless the Class P Noteholder has delivered to the Trustee and to the Preference Share Paying Agent a certificate in the form attached as an exhibit to the Indenture and such other documentation as may be required to effect a transfer of a portion of the Class P Treasury Strip. The Trustee, upon surrender of the Class P Notes to be exchanged, with appropriate instructions, will convert and will direct the Issuer to issue Preference Shares in an amount equivalent to the Class P Preference Share Component represented by the Class P Note being exchanged and the Issuer will instruct the Preference Share Registrar to enter such Class P Noteholder's name on the Preference Share Register.

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

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

#### **Paying Agents**

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

#### **Notices**

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

#### **Governing Law**

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

#### **Tax Characterization**

The Issuer intends, and each Class P Noteholder, by accepting a Class P Note, agrees to treat the Class P Notes as direct ownership of the underlying Class P Preference Share Component and Class P Treasury Strip represented by such Class P Note, in each case, for U.S. Federal, state and local income tax purposes. Each of the Issuer, the Trustee and the Class P Noteholders further agrees not to take any action inconsistent with such treatment and to report all income (or loss) in accordance with such treatment unless otherwise required by any taxing authority under applicable law.

#### **No Gross-Up**

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



## **Investor Application Forms**

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

## **Listing**

Application will be made to list the Class P Notes on the Irish Stock Exchange.

## **FORM, REGISTRATION AND TRANSFER OF OFFERED SECURITIES**

### Regulation S Global Securities

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. Preference Shares 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 Preference Share**” and, collectively with the Regulation S Global Notes, the “**Regulation S Global Securities**”) in definitive, fully registered form, without interest coupons, and deposited with the Trustee as custodian for, and registered in the name of DTC or its nominee. By acquisition of a beneficial interest in a Regulation S Global Security, any purchaser thereof will be deemed to represent that (a) it is not a “**U.S. Person**” (as defined in Regulation S) 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 in an offshore transaction in accordance with Regulation S or to a person who takes delivery in the form of a Restricted Security (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 an exemption from the registration requirements of the Securities Act will be represented by one or more permanent global notes (“**Restricted Global Notes**” and, collectively with the Regulation S Global Securities, the “**Global Securities**”) in definitive, fully registered form, without interest coupons, and deposited with the Trustee as custodian for, and registered in the name of DTC or its nominee.

### Restricted Preference Shares

Preference Shares that are sold or transferred to a U.S. Person or in the United States in reliance upon an exemption from the registration requirements of the Securities Act will be represented by certificates (“**Restricted Preference Shares**” and, collectively with the Restricted Global Notes, “**Restricted Securities**”) in definitive, fully registered form, registered in the name of the legal and beneficial owner thereof.

### 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 and 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 Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, Luxembourg S.A. (“**Clearstream**”) will be effected in the ordinary way in accordance with their respective rules and operating procedures.

## Transfer of Global Securities to Definitive Securities

Owners of beneficial interests in Global Securities will be entitled under certain limited circumstances described under “Clearing System—Transfers and Exchanges for Definitive Securities”, to receive physical delivery of certificated Notes (“**Definitive Notes**”) or certificated Preference Shares (“**Definitive Preference Shares**”) and, collectively with the Definitive Notes, “**Definitive Securities**”), in each case, in fully registered, definitive form. However, no owner of an interest in a Regulation S Global Security will be entitled to receive a Definitive Security unless such person provides written certification that the Definitive Security is beneficially owned by a person that is not a U.S. Person or held for the account or benefit of a U.S. Person.

## Transfer Restrictions

The Offered Securities are subject to the restrictions on transfer set forth in this Offering Memorandum under “Transfer Restrictions” and the Indenture, the Memorandum and Articles of Association of the Issuer and the Preference Share Paying Agency Agreement, as applicable, and will bear a legend setting forth such restrictions. See “Transfer Restrictions”. The Issuer may impose additional restrictions on the transfer of Offered Securities in order to comply with the USA PATRIOT Act, to the extent it is applicable to the Issuer.

## **Transfer and Exchange of Notes**

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 on behalf of the Issuer (the “**Note Register**”).

No Note (or any interest therein) may be transferred to a transferee acquiring an interest in a Regulation S Global Note (as applicable) except (a) to a transferee that is acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Regulation S, (b) to a transferee that is not a U.S. Person, (c) in compliance with the certification (if any) and other requirements set forth in the Indenture and (d) in accordance with the applicable procedures of any relevant Clearing System and any applicable securities laws of any State of the United States and any other relevant jurisdiction.

No Note (or any interest therein) may be transferred to a transferee acquiring an interest in a Restricted Global Note (as applicable) except (a) to a transferee whom the seller reasonably believes is a Qualified Institutional Buyer purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A, (b) to a transferee that is a Qualified Purchaser, (c) in compliance with the certification (if any) and other requirements set forth in the Indenture, (d) to a transferee that is not a Flow Through Investment Vehicle (other than a Qualified Investment Vehicle) and (e) in accordance with the applicable procedures of any relevant Clearing System and any applicable securities laws of any State of the United States and any other relevant jurisdiction.

No Note (or any interest therein) may be transferred, and none of the Trustee and the Note Registrar will recognize any such transfer, unless (a) such transfer is made in a transaction exempt from, or not subject to, registration under the Securities Act, (b) such transfer is made in denominations greater than or equal to the minimum denomination therefor and in compliance with the integral multiple requirements set forth herein, (c) such transfer would not have the effect of requiring either of the Co-Issuers or the pool of Collateral to register as an investment company under the Investment Company Act and (d) the transferee is able to make all applicable certifications, warranties and representations required by the relevant transfer certificate attached as an exhibit to the Indenture. Notwithstanding the foregoing, an owner of a beneficial interest in a Regulation S Global Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Note without the provision of written certification, but subject to certain deemed representations, warranties and agreements. See “Transfer Restrictions”.

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

Qualified Institutional Buyer and a Qualified Purchaser, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Note (or any interest therein) to a person or entity that is both a Qualified Institutional Buyer and a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (i) upon direction from the 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 an investment bank retained by the Trustee at the expense of the Issuer and in consultation with the Collateral Manager 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 standard price quotations) to a person or entity that certifies to the Trustee and the Co-Issuers, in connection with such transfer, that such person is both a Qualified Institutional Buyer and a Qualified Purchaser and (ii) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner.

### **Transfer and Exchange of Preference Shares**

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

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

No Preference Share may be transferred to a U.S. Person or within the United States except (a) to a transferee (i) 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 (ii) pursuant to any other exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act), (b) to a transferee that is a Qualified Purchaser, (c) to a transferee that is not a Benefit Plan Investor or Controlling Person, (d) to a transferee that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (e) if such transfer is made in compliance with the certification and other requirements set forth in the Preference Share Paying Agency Agreement and (f) if such transfer is made in accordance with any applicable securities laws of any State of the United States and any other relevant jurisdiction. Without limiting the foregoing, no Preference Share may be transferred to a transferee acquiring an interest in a Regulation S Global Preference Share unless each of the transferor and the transferee executes and delivers to the Issuer and Preference Share Paying Agent a certificate in the form attached as an exhibit to the Preference Share Paying Agency Agreement to the effect that such transferee will not transfer any interest in Regulation S Global Preference Shares except in compliance with the purchase and transfer restrictions set forth in the Preference Share Paying Agency Agreement (including the requirement that any subsequent transferee execute and deliver such certificate to the Issuer and Preference Share Paying Agent).

The Preference Share Paying Agency Agreement provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any beneficial owner of a Regulation S Global Preference Share (or any interest therein) is a Benefit Plan Investor or Controlling Person, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Regulation S Global Preference Share (or any interest therein) to a person or entity that is not a Benefit Plan Investor or Controlling Person and otherwise complies with all the transfer restrictions relating to such Preference Share set forth herein and in the Preference Share Paying Agency Agreement, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (i) the Issuer shall cause such beneficial owner's interest in such Preference Share to be transferred in a commercially reasonable sale (conducted by an investment bank retained by the Preference Share Paying Agent at the expense of the Issuer and in consultation with the Collateral Manager in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that are the subject of widely distributed standard price quotations) to a person that certifies to Issuer, in connection with such transfer,

that such person is not a Benefit Plan Investor or a Controlling Person and otherwise complies with all the transfer restrictions relating to the Preference Shares and (ii) pending such transfer, no further payments will be made in respect of such Preference Shares held by such beneficial owner.

In addition, no Preference Share may be transferred to a person or entity acquiring an interest in a Regulation S Preference Share except (a) to a transferee that is acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Regulation S, (b) to a transferee that is not a U.S. Person, (c) to a transferee that is not a Benefit Plan Investor or Controlling Person, (d) if such transfer is made in compliance with the certification, if any, and other requirements set forth in the Preference Share Paying Agency Agreement and (e) if such transfer is made in accordance with any applicable securities laws of any State of the United States and any other relevant jurisdiction.

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

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

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

## USE OF PROCEEDS

The gross proceeds received from the issuance and sale of the Offered Securities and the Up-Front Payment will be approximately U.S.\$283,695,000 (after giving effect to and assuming the making of all available Borrowings under the Class A-1B Notes after the Closing Date). A portion of the proceeds equal to U.S.\$375,000 will be deposited to the Expense Account for certain delayed expenses and, as directed by the Collateral Manager, for application as Interest Proceeds or deposit to the Principal Collection Account or the Synthetic Security Collateral Account. After giving effect to the total expenses relating to the issuance and admission to trading of the Notes and the Class P Notes on the Irish Stock Exchange and the listing of the Preference Shares on the Channel Islands Stock Exchange, organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, certain structuring and placement fees payable to the Initial Purchaser, the Portfolio Accumulation Fee payable to the Collateral Manager and the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser, the Trustee and the Collateral Manager and the fees and expenses payable in connection with the ratings of the Notes), the expenses, fees and commissions incurred in connection with the acquisition by the Issuer of the Collateral Debt Securities and the expenses of offering the Offered Securities (but excluding the initial deposit into the Expense Account), the expected net proceeds to the Issuer are expected to be approximately U.S.\$273,920,000 (after giving effect to and assuming the making of all available Borrowings under the Class A-1B Notes after the Closing Date). Such net proceeds will be used by the Issuer to purchase a diversified portfolio of Cash Securities and Credit Linked Notes and to fund deposits to the Synthetic Security Collateral Account or a Third Party Collateral Account in respect of related Defeased Synthetic Securities (and, as applicable, pending any such application will be deposited to the Principal Collection Account and invested in Eligible Investments). On the Closing Date, the Issuer will have purchased Cash Securities and entered into Synthetic Securities having an Aggregate Notional Balance of not less than 85% of the Aggregate Ramp-Up Notional Amount. The Issuer expects that, no later than the 86th day following the Closing Date, it will have purchased or entered into Collateral Debt Securities having an aggregate

notional par amount of at least U.S.\$500,000,000 (the “**Aggregate Ramp-Up Notional Amount**”). Net proceeds from the issuance of the Class P Notes will be used by the Issuer to purchase the Class P Treasury Strip and in applying the relevant portion thereof in paying the subscription amounts due in respect of the Class P Preference Share Component on the Closing Date.

## RATINGS OF THE NOTES

It is a condition to the issuance of the Offered Securities that the Class A-1A Notes, the Class A-1B Notes and the Class A-2 Notes be rated “Aaa” by Moody’s Investors Service, Inc. (“**Moody’s**”), “AAA” by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. (“**Standard & Poor’s**”) and “AAA” by Fitch, Inc. (“**Fitch**”, and together with Moody’s and Standard & Poor’s, the “**Rating Agencies**”), the Class B Notes be rated at least “Aa2” by Moody’s, “AA” by Standard & Poor’s and “AA” by Fitch, that the Class C Notes be rated at least “Aa3” by Moody’s, “AA-” by Standard & Poor’s and “AA-” by Fitch, that the Class D Notes be rated at least “A2” by Moody’s, “A” by Standard & Poor’s and “A” by Fitch, that the Class E Notes be rated at least “Baa2” by Moody’s, “BBB” by Standard & Poor’s and “BBB” by Fitch, that the Class F Notes be rated at least “Ba1” by Moody’s, “BB+” by Standard & Poor’s and “BB+” by Fitch, that the Class G Notes be rated at least “Ba2” by Moody’s, “BB” by Standard & Poor’s and “BB” by Fitch and that the Class P Notes be rated at least “Aaa” by Moody’s. The Preference Shares will not be rated.

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

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

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 (other than the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes) address the timely payment of interest and ultimate payment of principal on each such Class of Notes. The rating assigned by Standard & Poor’s to the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes addresses the ultimate payment of interest and ultimate payment of principal on each such Class of Notes. The ratings assigned by Fitch to the Notes (other than the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes) address the timely payment of interest and ultimate payment of principal on each such Class of Notes. The rating assigned by Fitch to the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes addresses the ultimate payment of interest and ultimate payment of principal on each such Class of Notes.

If (i) Fitch downgrades any Class of Notes prior to the date 30 days after the delivery of the Ramp-Up Notice, (ii) any Collateral Quality Test or Overcollateralization Test (other than the Standard & Poor’s CDO Monitor Notification Test) is not satisfied as of the Ramp-Up Completion Date and Moody’s has not confirmed the ratings assigned by it on the Closing Date to each Class of Notes prior to the date 30 days after the delivery of the Ramp-Up Notice or (iii) Standard & Poor’s has not confirmed to the Trustee in writing the rating assigned by it on the Closing Date to any Class of Notes (which instruction has not been withdrawn) to the Trustee prior to the date 21 days after the delivery of the Ramp-Up Notice, a “**Ratings Confirmation Failure**” will occur. In the event of a

Ratings Confirmation Failure with respect to any Class of Notes, the Issuer will, to the extent that funds are available for such purpose in accordance with the Priority of Payments, reduce the Aggregate Class A-1B Commitment Amount and prepay principal of each applicable Class of Notes in accordance with the Priority of Payments, in each case on the Distribution Date relating to the first Determination Date occurring thereafter, as and to the extent necessary for each Rating Agency to confirm that it has restored the ratings assigned by it on the Closing Date to each such affected Class of Notes, as applicable. See “Description of the Notes—Mandatory Redemption” and “—Priority of Payments”.

The Preference Shares will not be rated by any Rating Agency.

## **MATURITY, PREPAYMENT AND YIELD CONSIDERATIONS**

The Stated Maturity of the Notes is June 8, 2045 or, if such date is not a Business Day, the next following Business Day. The Notes will mature at the Stated Maturity unless redeemed or repaid prior thereto. However, the average lives of the Notes and the Effective Duration (as defined below) of the Preference Shares may be less than the number of years until the Stated Maturity. Based on the portfolio of Synthetic Securities that the Collateral Manager expects the Issuer to enter into by the 86th day following the Closing Date, assuming (a) no related Reference Obligations default, (b) on the Ramp-Up Completion Date, the Issuer enters into or purchases additional Collateral Debt Securities such that the notional amount of all Collateral Debt Securities on such date will equal U.S.\$500,000,000, (c) any optional redemption of the related Reference Obligations occurs in accordance with their respective terms, (d) an Auction Call Redemption occurs on the Distribution Date occurring in June, 2012 and the net proceeds to the Issuer in respect of the termination of the Synthetic Securities will be equal to zero and (e) LIBOR for each future Interest Period equals the zero coupon swap curve with such rate as of the first LIBOR Determination Date to be initially equal to approximately 5.22%, (i) the average life of the Class A-1B Notes would be approximately 5.27 years from the Closing Date, (ii) the average life of the Class A-2 Notes would be approximately 5.27 years from the Closing Date, (iii) the average life of the Class B Notes would be approximately 5.27 years from the Closing Date, (iv) the average life of the Class C Notes would be approximately 5.27 years from the Closing Date, (v) the average life of the Class D Notes would be approximately 5.27 years from the Closing Date, (vi) the average life of the Class E Notes would be approximately 5.27 years from the Closing Date, (vii) the average life of the Class F Notes would be approximately 4.45 years from the Closing Date, (viii) the average life of the Class G Notes would be approximately 4.45 years from the Closing Date and (ix) the Effective Duration of the Preference Shares would be approximately 3.56 years. Such average lives of the Notes and the Effective Duration of the Preference Shares are presented for illustrative purposes only. The portfolio assumed to be entered into by the Issuer and the other assumptions used to calculate such average lives of the Notes and the Effective Duration of the Preference Shares are necessarily arbitrary, do not necessarily reflect historical experience with respect to securities similar to the Collateral Debt Securities and do not constitute a prediction with respect to the rates or timing of receipts of Interest Proceeds or other proceeds of the Collateral, the investment in Collateral Debt Securities prior to the Ramp-Up Completion Date, defaults, recoveries, sales, reinvestments, prepayments or optional redemptions to which the underlying Reference Obligations 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 Effective Duration set forth above, and consequently the actual average lives of the Notes and the Effective Duration of the Preference Shares will differ, and may differ materially, from those set forth above. Accordingly, prospective investors should make their own determinations of the expected weighted average lives and maturity of the Notes and the Effective Duration of the Preference Shares and, accordingly, their own evaluation of the merits and risks of an investment in the Notes or the Preference Shares. See “Risk Factors—Projections, Forecasts and Estimates”.

The “Effective Duration” is the weighted average term to maturity (expressed in years) of the cash flows in respect of the Preference Shares where the weights are the present values of each cash flow as a percentage of the present value of all cash flows to the Preference Shares. The cash flows are discounted at the internal rate of return to the Preference Shares for that scenario.

The average lives of the Notes and the Effective Duration of the Preference Shares will be determined by the amount and frequency of principal payments on the Cash Securities and on the Reference Obligations relating to the Synthetic Securities, which are dependent upon any payments received at or in advance of the scheduled maturity (whether through prepayment, sale, maturity, redemption, default or other liquidation or disposition). The

actual average lives of the Notes and the Effective Duration of the Preference Shares will also be affected by the financial condition of the obligors of the underlying 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 Cash Securities and Reference Obligations. Any Disposition of the Collateral Debt Securities may change the composition and characteristics of the Issuer's portfolio and the rate of payment thereon, and, accordingly, may affect the actual average lives of the Notes and the Effective Duration of the Preference Shares. The rate of future defaults and the amount and timing of any cash realization from Defaulted Securities also will affect the average lives of the Notes and the Effective Duration of the Preference Shares.

## THE CO-ISSUERS

### General

The Issuer was incorporated as an exempted company with limited liability and registered on April 11, 2006 in the Cayman Islands with corporation number 165736 pursuant to the Issuer's Memorandum and Articles of Association and is in good standing under the laws of the Cayman Islands. The registered office of the Issuer is at the offices of Maples Finance Limited, Queensgate House, P.O. Box 1093 GT, South Church Street, George Town, Grand Cayman, Cayman Islands, telephone number: (345) 945-7099. The Issuer has no prior operating experience prior to the issuance of the Offered Securities other than in connection with the investment in Collateral Debt Securities and the entering into of arrangements with respect thereto, and the Issuer will not have any substantial assets other than the Collateral pledged to secure the Notes (and the Class P Treasury Strip pledged to secure the Class P Notes (other than the Class P Preference Share Component thereof)) and the Issuer's obligations to the Trustee and under the Swap Agreements. The entire authorized share capital of the Issuer will consist of 250 ordinary shares, par value U.S.\$1.00 per share (the "**Ordinary Shares**") which will be held in trust for charitable purposes by Maples Finance Limited, a licensed trust company incorporated in the Cayman Islands (in such capacity, the "**Share Trustee**") under the terms of a declaration of trust and 16,000 Preference Shares, par value U.S.\$1,000 per share, having a liquidation preference of U.S.\$1,000 per share. The declaration of trust provides that the Share Trustee shall not, as a shareholder, give directions in relation to the management of the business of the Issuer without the prior written consent of the Trustee, acting upon the direction of the Controlling Class if such direction is requested by the Trustee. Under the terms of such declaration of trust, the Share Trustee will, among other things, agree not to dispose of or otherwise deal with such Ordinary Shares while the Offered Securities are Outstanding. The Share Trustee will have no beneficial interest in and derive no benefit other than its fees from its holding of the Ordinary Shares. The Issuer was established as a special purpose vehicle for the purpose of issuing the Offered Securities.

Paragraph 3 of the Issuer's Memorandum and Articles of Association sets out the objects of the Issuer which are unrestricted. The Issuer has, however, covenanted in the Indenture to limit its activities to (1) acquiring and Disposing of, and investing and reinvesting in Collateral Debt Securities and Eligible Investments for its own account, (2) entering into and performing its obligations under the Indenture, The Class A-1B Note Funding Agreement, the Account Control Agreement, the CDS Counterparty Collateral Account Control Agreement, any Noteholder Prepayment Account Control Agreements, the Master Forward Sale Agreement, the Credit Default Swap Agreement, the Management Agreement, the Class A-1A Swap Agreement, the Hedge Agreement, the Collateral Administration Agreement, the Securities Purchase Agreement and the Preference Share Paying Agency Agreement, (3) issuing and selling the Offered Securities, (4) pledging the Collateral as security for its obligations in respect of the Notes and otherwise for the benefit of the Secured Parties, (5) owning the capital stock of the Co-Issuer, (6) issuing and listing the Notes and Preference Shares, (7) creating this Offering Memorandum, and any supplements thereto and (8) other activities incidental to the foregoing. The Issuer will be liquidated, and all Synthetic Securities that have not yet terminated will be terminated, 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's Memorandum and Articles of Association. See "Description of the Preference Shares—Dissolution; Liquidating Distributions".

The Co-Issuer was incorporated on April 10, 2006 under the law of the State of Delaware with the state identification number 4140151 and its registered office is c/o Donald J. Puglisi, 850 Library Avenue, Suite 204

Newark, Delaware 19711, telephone number: (302) 738-6680. The sole director and officer of the Co-Issuer is Donald J. Puglisi and he may be contacted at Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware 19711. The Co-Issuer has no prior operating experience and was established as a special purpose vehicle for the purpose of co-issuing the Co-Issued Notes. It will not have any assets (other than its U.S.\$250 of share capital owned by the Issuer) and will not pledge any assets to secure the Notes. The Co-Issuer will not have any interest in the Collateral Debt Securities or other assets held by the Issuer. The Third Article of the Co-Issuer's Certificate of Incorporation sets out the objects of the Co-Issuer, which are limited to co-issuance of the Co-Issued Notes.

The Co-Issued Notes are obligations only of the Co-Issuers, the Class F Notes, the Class G Notes and the Preference Shares are obligations only of the Issuer and none of the Notes and Preference Shares is an obligation of the Trustee, the Share Trustee, the Administrator, the Collateral Manager, the Initial Purchaser or any of their respective affiliates or any directors or officers of the Co-Issuers. Since the respective dates of incorporation of the Co-Issuers, the Co-Issuers have not commenced operations and no annual accounts or reports have been prepared as of the date of the Prospectus.

Maples Finance 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 Carrie Bunton, Richard Ellison and Phillip Hinds, each of whom is a director or officer of the Administrator and each of whose offices are at Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands. The Administration Agreement may be terminated by either the Issuer (acting upon the recommendation of the Collateral Manager) or the Administrator upon 30 days (or 14 days if the Administrator is subject to bankruptcy actions or if the Administrator breaches its obligations under the Administration Agreement) written notice, in which case a replacement administrator will be appointed.

### Capitalization

The initial capitalization of the Issuer as of the Closing Date, after giving effect to the issuance of the Offered Securities (assuming the Commitments in respect of the Class A-1B Notes have been fully funded and treating the Class A-1A Notional Amount as a fully-funded obligation) and the ordinary shares of the Issuer but before deducting expenses of the offering of the Offered Securities and organizational expenses of the Co-Issuers, is expected to be as follows:

|                   |                         |
|-------------------|-------------------------|
| Class A-1A Notes  | Up to U.S.\$225,000,000 |
| Class A-1B Notes  | Up to U.S.\$125,000,000 |
| Class A-2 Notes   | U.S.\$13,500,000        |
| Class B Notes     | U.S.\$56,500,000        |
| Class C Notes     | U.S.\$14,500,000        |
| Class D Notes     | U.S.\$22,500,000        |
| Class E Notes     | U.S.\$21,000,000        |
| Class F Notes     | U.S.\$5,000,000         |
| Class G Notes     | U.S.\$5,000,000         |
| Total Debt        | U.S.\$488,000,000       |
| Preference Shares | U.S.\$16,000,000        |
| Ordinary Shares   | U.S.\$250               |
| Total Equity      | U.S.\$16,000,250        |



Total Capitalization\*\*\*

Up to U.S.\$504,000,250\*

\*Assumes the funding in full of the Class A-1B Notes and treating the Class A-1A Notional Amount as a fully-funded obligation.

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

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

The Co-Issuer will be capitalized only to the extent of its U.S.\$250 of share capital, will have no assets other than its share capital and will have no debt other than as Co-Issuer of the Co-Issued Notes. As of the Closing Date and after giving effect to the issuance of the Co-Issuer's shares, the authorized and issued share capital of the Co-Issuer is 250 common shares, par value U.S.\$1.00 per share.

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

## SECURITY FOR THE NOTES

### General

The Collateral securing the Notes will consist of: (i) the Cash Securities, Synthetic Securities (and related Delivered Obligations) and Equity Securities; (ii) the Issuer's rights with respect to the Payment Account, the Income Collection Account, the Principal Collection Account, the Expense Account, the Synthetic Security Collateral Account, the Custodial Account and the Eligible Investments purchased with funds on deposit in such accounts; (iii) the rights of the Issuer under the Preference Share Paying Agency Agreement, the Management Agreement, the Swap Agreements, the Collateral Administration Agreement, the Master Forward Sale Agreement, the Investor Application Forms, the Class A-1B Note Funding Agreement and the Securities Purchase Agreement (including the rights of the Issuer in respect of the CDS Counterparty Collateral Account, any Class A-1A Swap Prefunding Account, any Third Party Collateral Account and any Class A-1B Noteholders Prepayment Account); (iv) all cash delivered to the Trustee; and (v) all proceeds of the foregoing (collectively, the "**Collateral**"). The Class P Notes will be secured solely to the extent of the Class P Treasury Strip. The Class P Treasury Strip is not included in the Collateral securing the Notes and the other obligations of the Issuer.

The security interest granted under the Indenture in (a) the Synthetic Security Counterparty Account is subject to and subordinate to the security interest and rights of the relevant Synthetic Security Counterparty in and to such Synthetic Security Counterparty Account and (b) the Class P Reserve Account is for the benefit and security of the Class P Noteholders only.

The Eligibility Criteria allow the Issuer to enter into or acquire Collateral Debt Securities that are rated below investment grade. Such Collateral Debt Securities will have greater credit risk and liquidity risk than investment grade obligations. See "Risk Factors".

### Eligibility Criteria

The Issuer (a) may purchase Cash Securities and enter into Synthetic Securities on the Closing Date and during the Reinvestment Period and (b) may purchase Cash Securities and enter into Synthetic Securities after the Reinvestment Period solely in respect of (i) commitments entered into prior to the end of the Reinvestment Period or (ii) Short Synthetic Securities in respect of then-effective long Synthetic Securities, in each case (in the case of subclauses (a) and (b) above) only if, after giving effect to such entry or purchase, no Notional Amount Shortfall would exist (or, if a Notional Amount Shortfall exists prior to such entry, the Notional Amount Shortfall would not be increased), and in each case only if, at the time of the entry into or purchase (or at the time of the Issuer's commitment to enter into or purchase), after giving effect to the entry into such Synthetic Security or purchase of

such Cash Security, each of the following criteria (the “**Eligibility Criteria**”) would be satisfied with respect to the entry into such Synthetic Security or purchase of such Cash Security:

- |   |  |
|---|--|
| <b>Assignable</b>   | (1) the Underlying Instrument pursuant to which the related Reference Obligation or such Cash Security (as applicable) was issued permits the Issuer to purchase it and pledge it to the Trustee and such Reference Obligation or such Cash Security (as applicable) is a type subject to Article 8 or Article 9 of the UCC;   |
| <b>Jurisdiction of Issuer</b>   | (2) the obligor on or issuer of the related Reference Obligation or such Cash Security (as applicable) (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;   |
| <b>Dollar Denominated</b>   | (3) the related Reference Obligation or such Cash Security (as applicable) is denominated and payable only in Dollars and may not be converted into a security payable in any other currency;  |
| <b>Fixed Principal Amount</b>   | (4) the related Reference Obligation or such Cash Security (as applicable) requires the payment of a fixed amount of principal in cash no later than its applicable stated maturity or termination date;   |
| <b>Rating</b>   | (5) the related Reference Obligation or such Cash Security (as applicable) has been assigned, pursuant to the terms of the Indenture, a Standard & Poor’s Rating (and such rating does not include the subscript “p,” “pi,” “q,” “r” or “t”), a Fitch Rating and a Moody’s Rating;   |
| <b>Issuer or Obligor not Owned or Managed by the Collateral Manager</b> | (6) the obligor on or issuer of the related Reference Obligation or such Cash Security (as applicable) is not a fund or other entity owned or Managed by the Collateral Manager or any of its affiliates;  |
| <b>Registered</b>   | (7) the related Reference Obligation or such Cash Security (as applicable) is Registered;  |
| <b>No withholding</b>   | (8) the Issuer would (in the case of a Reference Obligation) or will (in the case of a Cash Security) receive payments due under the terms of the related Underlying Instruments 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; |
| <b>Does not subject Issuer to Tax on a Net Income Basis</b>             | (9) the acquisition (including the manner of acquisition), ownership, enforcement and disposition of such Synthetic Security or such Cash Security (as applicable) 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;   |
| <b>ERISA</b>  | (10) the related Reference Obligation or such Cash Security (as applicable) 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;  |

**Excluded Securities**

(11) the related Reference Obligation or such Cash Security (as applicable) is not a Defaulted Security, Discounted Security, an Interest Only Security, a Written-Down Security, a Credit Risk Security, a Catastrophe Bond, a Structured Settlement Security, a Tobacco Bond, a Deferred Interest PIK Bond, a NIM Security, a Mutual Fund Fees Security, a Tax Lien Security, an Aircraft Leasing Security, an EETC Security, a Future Flow Security, a Healthcare Security, a Lottery Receivable Security, a Restaurant and Food Services Security, an ABS Natural Resource Receivable Security, a Floorplan Receivable Security, a Recreational Vehicle Security, an ABS Container Security, an ABS Chassis Security, a Guaranteed Corporate Debt Security, a Time Share Security, a Car Rental Receivable Security, a Negative Amortization 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**

(12) if the scheduled termination date of such Synthetic Security, the stated maturity date of the related Reference Obligation or the scheduled maturity date of such Cash Security (as applicable) occurs later than the Stated Maturity of the Notes, such scheduled termination date or stated maturity date, as applicable, does not occur after the tenth anniversary of the Stated Maturity of the Notes; *provided* that (x) the Aggregate Notional Balance of all Collateral Debt Securities as to which any of the stated termination date or stated maturity date, as applicable, occurs after the Stated Maturity of the Notes does not exceed 10% of the Net Outstanding Portfolio Collateral Balance and (y) the Aggregate Notional Balance of all such Collateral Debt Securities as to which any of the stated termination date or stated maturity date, as applicable, occurs after the fifth anniversary of the Stated Maturity of the Notes does not exceed 5% of the Net Outstanding Portfolio Collateral Balance; *provided* further that (a) in each case, the expected maturity (other than a CMBS Security for which the stated maturity is determined to clause (b)) (which shall be the earlier of the call date specified in the Underlying Instruments or as otherwise determined on any commercially reasonable basis by the Collateral Manager) of each such Collateral Debt Security does not occur later than the Stated Maturity of the Notes; and (b) if such Collateral Debt Security is a CMBS Security, the stated maturity of such CMBS Security (for these purposes) shall be deemed to be the earlier of (i) the stated maturity of such CMBS Security as specified in the related Underlying Instrument and (ii) the date which is five years after the later of (A) the last occurring balloon date with respect to any balloon loan securing such CMBS Security and (B) the last scheduled amortization date with respect to any other loans securing such CMBS Security;

**No Foreign Exchange Controls**

(13) the related Reference Obligation or such Cash Security (as applicable) is not a security issued by an issuer located in a country that imposes foreign exchange controls that effectively limit the availability or use of Dollars to make when due the scheduled payments of principal of and interest on such security;

**No Substantial Non-Credit-Related Risk**

(14) the related Reference Obligation or such Cash Security (as applicable) is not a security whose timely repayment is subject to substantial non-credit-related risk, as reasonably determined by the Collateral Manager;

**Investment Company Act**

(15) the acquisition, ownership, enforcement and disposition of the related Reference Obligation or such Cash Security (as applicable) would not cause the Issuer or the pool of Collateral to be required to register as an investment company under the Investment Company Act;

**No debtor-in-Possession Financing**

(16) the related Reference Obligation or such Cash Security (as applicable) is not a financing by a debtor-in-possession in any insolvency proceeding;

|  |  |
|--|--|
| <b>Conversion or Exchange into Equity Securities; Attached Equity Securities</b> | (17) (A) the related Reference Obligation or such Cash Security (as applicable) 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 and (B) such security is not purchased as a unit with an attached equity security;   |
| <b>Not Subject to an Offer or a Called for Redemption</b>                        | (18) the related Reference Obligation or such Cash Security (as applicable) is not the subject of an Offer and has not been called for redemption;   |
| <b>No Future Advances</b>  | (19) after the acquisition of the related Reference Obligation or such Cash Security (as applicable), the Issuer would not be required by the Underlying Instruments related thereto to make any payment or advance to the issuer thereof;   |
| <b>Insurance Company Guaranteed Securities</b>                                   | (20) (A) the related Reference Obligation or such Cash Security (as applicable) (unless, in each case, it is an Insurance Company Guaranteed Security, Multiline Guaranteed Security, U.S. Agency Guaranteed Security or FHLMC/FNMA Guaranteed Security) is not a security the rating of which is based upon an unconditional and irrevocable guarantee as to ultimate or timely payment of principal or interest and (B) if the related Reference Obligation or such Cash Security (as applicable) is an Insurance Company Guaranteed Security, (x) the Aggregate Notional Balance of all such Cash Securities and Synthetic Securities the Reference Obligations of which are such securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance and (y) the Aggregate Notional Balance of all such Cash Securities and Synthetic Securities the Reference Obligations of which are such securities that are Multiline Guaranteed Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance, <i>provided</i> that, in each case, no such Cash Security or related Reference Obligation guaranteed by any single guarantor and its affiliates shall have a guarantor publicly rated below “AA-” by Standard & Poor’s, below “Aa3” by Moody’s or below “AA-” by Fitch;   |
| <b>Ratings Criteria</b>  | (21) with respect to all Synthetic Securities entered into and Cash Securities purchased by the Issuer, the Aggregate Notional Balance of all such Cash Securities and all such Synthetic Securities (with respect to the related Reference Obligations) that have a Moody’s Rating of “Ba1” or lower or are publicly rated “BB” or lower by Standard & Poor’s or Fitch does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;  |
| <b>Single Servicer</b>   | (22) with respect to the Servicer of the related Reference Obligation or such Cash Security (as applicable), the Aggregate Notional Balance of Cash Securities and all Synthetic Securities (referencing Reference Obligations) serviced by such Servicer does not exceed (i)(A) if such Servicer is ranked “Above Average” by Standard & Poor’s or is a U.S. Federal agency, 15% of the Net Outstanding Portfolio Collateral Balance (or, in the case of up to two such Servicers (and subject to further aggregation based on any merger or consolidation involving such Servicers after the Closing Date), 25% of the Net Outstanding Portfolio Collateral Balance), (B) if such Servicer is ranked “Average” with a “Stable” outlook by Standard & Poor’s, 12.5% of the Net Outstanding Portfolio Collateral Balance (or, in the case of up to two such Servicers (and subject to further aggregation based on any merger or consolidation involving such Servicers after the Closing Date), 20% of the Net Outstanding Portfolio Collateral Balance), and (C) if such Servicer is ranked “Average” with an outlook that is below “Stable” by Standard & Poor’s, is ranked below “Average” by Standard & Poor’s or does not have a Standard & Poor’s ranking for Servicers, 10% of the Net Outstanding Portfolio Collateral Balance; <i>provided</i> that if such Servicer is ranked “Weak” by Standard & Poor’s, the Aggregate Notional Balance of all Cash Securities and all Synthetic Securities (referencing Reference Obligations) serviced by such Servicer |

does not exceed 5% of the Net Outstanding Portfolio Collateral Balance and (ii) 7.5% of the Net Outstanding Portfolio Collateral Balance *provided* that (A) if such Servicer is rated at least “RPS1” by Fitch or if such Servicer does not have a servicer rating by Fitch but has a long-term rating of “AA” by Fitch, 25% of the Net Outstanding Portfolio Collateral Balance, (B) if such Servicer is rated at least “RPS2” by Fitch or if such Servicer does not have a servicer rating by Fitch but has a long-term rating of “A-” by Fitch, 17.5% of the Net Outstanding Portfolio Collateral Balance, (C) if such Servicer is rated at least “RPS3” by Fitch or if such Servicer does not have a servicer rating by Fitch but has a long-term rating of “BBB-” by Fitch, 12.5% of the Net Outstanding Portfolio Collateral Balance;

**Synthetic Securities**

(23) (A) if such Synthetic Security is not a Form-Approved Synthetic Security, (x) the Rating Condition with respect to Standard & Poor’s and Moody’s has been satisfied with respect to the entry into such Synthetic Security and (y)(i) each of the Rating Agencies has assigned an Applicable Recovery Rate to such Synthetic Security, (ii) Moody’s shall have assigned a Moody’s Rating and Moody’s Rating Factor to such Synthetic Security and (iii) Standard & Poor’s shall have assigned a Standard & Poor’s Rating to such Synthetic Security (in each case (with respect to subclauses (y)(i), (ii) and (iii)), to the extent not otherwise determined pursuant hereto (including Schedule D hereto)), and (B) if such Synthetic Security is a Short Synthetic Security the Weighted Average Spread Test is satisfied with respect to such acquisition;

**Maximum Synthetic Securities:**

(24) the Aggregate Notional Balance of all Synthetic Securities does not exceed 50% of the Aggregate Ramp-Up Notional Amount; *provided* that the Aggregate Notional Balance of all Synthetic Securities that are Defeased Synthetic Securities or Credit Linked Notes does not exceed 5% of the Aggregate Ramp-Up Notional Amount;

**CDO Securities:**

(25) if the related Reference Obligation or such Cash Security (as applicable) is a CDO Security, the Aggregate Notional Balance of all such Cash Securities and Synthetic Securities the Reference Obligations of which are such securities does not exceed 10% of the Net Outstanding Portfolio Collateral Balance;

**PIK Bonds, Principal Only Securities and Zero Coupon Bonds**

(26) if such Reference Obligation or Cash Security (as applicable) is a PIK Bond, a Principal Only Security or a Zero Coupon Bond, (A) the Aggregate Notional Balance of all such Cash Securities and Synthetic Securities the Reference Obligations of which are PIK Bonds does not exceed 10% of the Net Outstanding Portfolio Collateral Balance and (B) if such Synthetic Security (with respect to a Principal Only Security or Zero Coupon Bond) is being entered into or Cash Security (as applicable) is being purchased after the Ramp-Up Completion Date, the Rating Condition shall be satisfied with respect to such entry or purchase (as applicable);

**Backed by Obligations of Qualifying Foreign Obligor**

(27) the sum of the Aggregate Attributable Amounts of Cash Securities and Synthetic Securities the Reference Obligations of which are related to Qualifying Foreign Obligor does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;

**Backed by other foreign obligors**

(28) the sum of the Aggregate Attributable Amounts of all Cash Securities and Synthetic Securities the Reference Obligations of which are related to obligors incorporated or organized in any jurisdiction other than the United States of America or any State thereof, a Special Purpose Vehicle Jurisdiction or a Qualifying Foreign Obligor does not exceed 0% of the Net Outstanding Portfolio Collateral Balance;

**Floating Rate Securities and Fixed Rate Securities; Frequency of Payments**

(29) (A) if such Cash Security or the Reference Obligation related to such Synthetic Security (as applicable) is not a Floating Rate Security, the Aggregate Notional Balance of all such securities does not, absent satisfaction of the Rating Condition, exceed 6% of the Net Outstanding Portfolio Collateral Balance and (B) if such Cash Security or the Reference Obligation related to such Synthetic Security (as applicable) pays interest less frequently than quarterly, the Aggregate Notional Balance of all such securities does not exceed 10% of the Net Outstanding Portfolio Collateral Balance;

**Certain Issuer Concentrations**

(30) the Aggregate Notional Balance of all Cash Securities that are and all Synthetic Securities the related Reference Obligations of which are issued by a single issuer shall not exceed 1% of the Net Outstanding Portfolio Collateral Balance; provided that any 16 single issuers or obligors may each represent up to 1.5% of the Net Outstanding Portfolio Collateral Balance and up to 2 additional single issuers may each represent up to 2% of the Net Outstanding Portfolio Collateral Balance;

**Collateral Quality Tests**

(31) if such Synthetic Security is entered into or such Cash Security is purchased on or after the Ramp-Up Completion Date, (A) each of the Collateral Quality Tests is satisfied or, if immediately prior to such entry or purchase (as applicable) one or more of the Collateral Quality Tests was not satisfied, the extent of compliance with each such unsatisfied Collateral Quality Test will be maintained or improved and (B) the Standard & Poor's CDO Monitor Notification Test is satisfied or, if immediately prior to such entry or purchase (as applicable) the Standard & Poor's CDO Monitor Notification Test was not satisfied with respect to any Class, the result with respect to such Class 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 Notification Test was not satisfied; and

**Overcollateralization Tests**

(32) each of the Overcollateralization Tests is satisfied or, if immediately prior to such entry or purchase (as applicable) one or more of the Overcollateralization Tests was not satisfied, the related overcollateralization ratio with respect to each unsatisfied Overcollateralization Test is maintained or increased;

*provided that, in the case of the Eligibility Criteria set forth in paragraphs (12) and (20) through (30) above, if such Eligibility Criteria is applicable to such Synthetic Security or Cash Security (as applicable) and is not satisfied prior to the entry into such Synthetic Security or purchase of such Cash Security (as applicable), such Eligibility Criteria shall be deemed to be satisfied if, after giving effect to such entry or purchase (as applicable), the extent of compliance with such Eligibility Criteria is maintained or improved.*

On any date prior to the Ramp-Up Completion Date, each percentage requirement in the Eligibility Criteria set forth in paragraphs (12), (20) through (30) above will be based on the assumption that the Aggregate Notional Balance of the Collateral Debt Securities is equal to the Aggregate Ramp-Up Notional Amount.

The Issuer's entry into any Short Synthetic Security in respect of an existing long Synthetic Security shall, in addition to being an entry into a Synthetic Security, also be deemed to be a "Disposition" of the existing long Synthetic Security to the extent that such existing long Synthetic Security becomes a Hedged Synthetic Security as a result of such entry. Notwithstanding the Eligibility Criteria set forth above, to the extent that the entry into a Synthetic Security constitutes a "deemed" Disposition, as described in the immediately preceding sentence, such entry shall be subject solely to the applicable Eligibility Criteria set forth in subclauses (1), (9) and (23)(B) above.

In addition, the termination or assignment of a Short Synthetic Security shall be deemed to be an entry into the long Synthetic Security (or portion thereof) that becomes an Unhedged Synthetic Security as a result of such termination or assignment; provided that the Collateral Manager will not direct such a voluntary termination or assignment (a) during the Reinvestment Period, unless each of the applicable Eligibility Criteria set forth above are

satisfied with respect to such “deemed entry” into such Unhedged Synthetic Security resulting from such termination or assignment and (b) after the Reinvestment Period, unless each related Hedged Synthetic Security or Short Synthetic Security, as applicable, will to the same extent be contemporaneously terminated or assigned.

If the Issuer has previously entered into a commitment to enter into a Synthetic Security or purchase a Cash Security to be granted to the Trustee for inclusion in the Collateral, then the Eligibility Criteria (other than paragraphs (7) through (10)) need not be satisfied (x) on the date of such grant if the Eligibility Criteria were satisfied on the date on which the Issuer entered into such commitment or (y) on the date on which the Issuer entered into such commitment if the Eligibility Criteria were or will be satisfied on the date of such grant. Notwithstanding the foregoing, the Issuer may only enter into commitments to enter into Synthetic Securities or purchase Cash Securities for inclusion in the Collateral if such commitments do not extend beyond a 60-day period.

Notwithstanding the foregoing provisions, (A) cash on deposit in the Income Collection Account, the Principal Collection Account and the Synthetic Security Collateral Account may be invested in Eligible Investments and (B) if an Event of Default shall have occurred and be continuing, no Synthetic Security may be entered into or Cash Security purchased unless it was the subject of a commitment entered into by the Issuer prior to the occurrence of such Event of Default.

The Management Agreement provides that (without precluding other means of compliance), in directing the Issuer to invest in Collateral Debt Securities, the Collateral Manager shall be deemed to have complied with its responsibility with respect to the requirement that such investment will not cause the Issuer to be engaged in a U.S. trade or business for U.S. Federal income tax purposes if the Collateral Manager complies with the additional investment guidelines set forth in the Collateral Management Agreement or the Collateral Manager receives an opinion of nationally recognized U.S. tax counsel that such investment will not cause the Issuer to be engaged in a trade or business in the United States.

#### **Asset-Backed Securities**

Most of the Collateral Debt Securities will consist of Cash Securities that are and Synthetic Securities the Reference Obligations of which are Asset-Backed Securities, including, without limitation, Automobile Securities, Bank Guaranteed Securities, CDO Securities, CMBS Conduit Securities, CMBS Large Loan Securities, Credit Card Securities, Equipment Leasing Securities, Home Equity Loan Securities, Insurance Company Guaranteed Securities, Manufactured Housing Securities, Reinsurance Securities, Residential A Mortgage Securities, Residential B/C Mortgage Securities, Small Business Loan Securities, and Student Loan Securities. Asset-Backed Securities are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities.

The collateral underlying Asset-Backed Securities includes assets such as credit card receivables, home equity loans, leases, commercial mortgage loans and debt obligations. Sponsors of Asset-Backed Securities are primarily banks and finance companies, captive finance subsidiaries of non-financial corporations or specialized originators such as credit card lenders. Credit risk is an important issue in Asset-Backed Securities because of the significant credit risks inherent in the underlying collateral and because sponsors are primarily private entities. Accordingly, Asset-Backed Securities generally include one or more credit enhancements that are designed to raise the overall credit quality of the security above that of the underlying collateral. Another important type of Asset-Backed Security is commercial paper issued by special-purpose entities. Asset-backed commercial paper is usually backed by trade receivables, though such conduits may also fund commercial and industrial loans. Banks are typically more active as issuers of these instruments than as investors in them.

An Asset-Backed Security is created by the sale of assets or collateral to a conduit, which becomes the legal issuer of the Asset-Backed Securities. The securitization conduit or issuer is generally a bankruptcy-remote vehicle such as a grantor trust or, in the case of an asset-backed commercial paper program, a special-purpose entity. The sponsor or originator of the collateral usually establishes the issuer. Interests in the trust, which embody the right to certain cash flows arising from the underlying assets, are then sold in the form of securities to investors through an investment bank or other securities underwriter. Each Asset-Backed Security has a servicer (often the

originator of the collateral) that is responsible for collecting the cash flows generated by the securitized assets—principal, interest and fees net of losses and any servicing costs as well as other expenses—and for passing them along to the investors in accordance with the terms of the securities. The servicer processes the payments and administers the borrower accounts in the pool.

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

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

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



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

Securities backed by closed-end installment loans are typically the least complex form of asset-backed instruments. Collateral for these Asset-Backed Securities typically includes leases, student loans and automobile loans. The loans that form the pool of collateral for the Asset-Backed Securities may have varying contractual maturities and may or may not represent a heterogeneous pool of borrowers. Unlike a mortgage pass-through instrument, the trustee may 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 or otherwise transfer additional accounts to the pool to maintain a minimum Dollar amount of collateral if accountholders pay down their balances in advance of predetermined rates. Credit card securitizations are the most prevalent form of revolving credit Asset-Backed Securities, although home equity lines of credit are a growing source of Asset-Backed Securities collateral. Credit card securitizations are typically structured to incorporate two phases in the life cycle of the collateral: an initial phase during which the principal amount of the securities remains constant and an amortization phase during which investors are paid off. A specific period of time is assigned to each phase. Typically, a specific pool of accounts is identified in the securitization documents, and these specifications may include not only the initial pool of loans but a portfolio from which new accounts may be contributed. The dominant vehicle for issuing securities backed by credit cards is a master trust structure with a “spread account”, which is funded up to a predetermined amount through “excess yield”—that is, interest and fee income less credit losses, servicing and other fees. With credit card receivables, the income from the pool of loans—even after credit losses—is generally much higher than the return paid to investors. After the spread account accumulates to its predetermined level, the excess yield reverts to the originator. Under United States generally accepted accounting principles, originators are required to recognize on their balance sheet an excess yield asset that is based on the fair value of the expected future excess yield; in principle, this value would be based on the net present value of the expected earnings stream from the transaction. Originators are further required to revalue the asset periodically to take account of changes in fair value that may occur due to interest rates, actual credit losses and other factors relevant to the future stream of excess yield. The accounting and capital implications of these transactions are discussed further below.

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

their customers' credit needs while incurring lower capital requirements and a smaller balance sheet than if it made the loans directly.

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

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

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

For the purpose of determining compliance with the Eligibility Criteria set forth above, the Asset-Backed Securities constituting the Reference Obligations of the Synthetic Securities to be pledged to the Trustee on the Closing Date are divided into the following different "**Specified Types**": Automobile Securities, Bank Guaranteed Securities, CDO Securities, CMBS Conduit Securities, CMBS Large Loan Securities, Credit Card Securities, Equipment Leasing Securities, FHLMC/FNMA Guaranteed Securities, Home Equity Loan Securities, Insurance Company Guaranteed Securities, Manufactured Housing Securities, Oil and Gas Securities, Project Finance Securities, Re-REMICs, Reinsurance Securities, Residential A Mortgage Securities, Residential B/C Mortgage Securities, Small Business Loan Securities, Student Loan Securities and U.S. Agency Guaranteed Securities.

The Specified Types of Asset-Backed Securities are divided into the following categories (the designation of each Reference Obligation to be determined by the Collateral Manager in its discretion at the time entry or commitment to enter the related Synthetic Security): ABS Type Diversified Securities, ABS Type Residential Securities, ABS Type Undiversified Securities, CMBS Securities and RMBS Securities.

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

## REIT Debt Securities

A portion of the Collateral will consist of Cash Securities that are and Synthetic Securities the Reference Obligations of which are REIT Debt Securities. A REIT Debt Security is a debt security issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) (a “REIT”).

REITs are entities formed for the purpose of acquiring different types of real estate properties with the capital of many investors. A REIT is structured as either a corporation or a business trust and is not subject to corporate income taxes on its distributed income if the REIT satisfies the applicable requirements of the Code. The major tests for the tax-qualified status are that the REIT must (i) be managed by one or more trustees or directors, (ii) issue shares of transferable interest to its owners, (iii) have at least 100 beneficial owners, (iv) during the last half of each taxable year have no more than 50% of the shares, by value, held (actually or by attribution) by five or fewer individuals, (v) invest substantially all of its capital in real estate assets and derive substantially all of its gross income from real estate assets and (vi) distribute at least 90% of its taxable income, without regard to any net capital gains, to its shareholders each year.

REITs may be self-managed or managed by separate advisory companies for a fee, which is ordinarily based on a percentage of the assets of the REIT in addition to reimbursement of operating expenses.

There are two principal types of REITs: equity REITs and mortgage REITs. Equity REITs typically hold primarily real estate and benefit from the underlying net rental income generated from the properties. Mortgage REITs typically hold primarily mortgages secured by real estate assets and benefit predominantly from the difference between the interest income on the mortgage loans and the interest expense on the capital used to finance the loans. A third type, hybrid REITs, combines the investment strategies of equity REITs and mortgage REITs. In addition to being classified according to investment type, REITs may be categorized further in terms of their specialization by property type (e.g. retail, multi-family, industrial or office) or geographic focus (e.g. nationwide, regional or metropolitan area).

See “Risk Factors—Nature of Collateral—REIT Debt Securities” for a discussion of the risks associated with investing in REIT Debt Securities.

For the purpose of determining compliance with the Eligibility Criteria set forth below, the REIT Debt Securities constituting Reference Obligations of the Synthetic Securities to be pledged to the Trustee on the Closing Date are divided into ten different “Specified Types” as follows: REIT Debt Securities—Diversified, REIT Debt Securities—Health Care, REIT Debt Securities—Hotel, REIT Debt Securities—Industrial, REIT Debt Securities—Mortgage, REIT Debt Securities—Multi-Family, REIT Debt Securities—Office, REIT Debt Securities—Residential, REIT Debt Securities—Retail and REIT DEBT Securities—Storage.

After the Closing Date, any other type of REIT Debt Security may be designated as a “Specified Type” in a notice from the Collateral Manager to the Trustee so long as Standard & Poor’s has confirmed in writing to the Issuer, the Trustee and the Collateral Manager that such designation satisfies the Rating Condition. If any type of REIT Debt Security shall be so designated as an additional Specified Type, the definition of each Specified Type of REIT Debt Security in existence prior to such designation shall be construed to exclude such newly-designated Specified Type of REIT Debt Security.

## Synthetic Securities

All of the Synthetic Securities will be entered into between the Issuer and the CDS Counterparty or a Synthetic Security Counterparty (with respect to certain Defeased Synthetic Securities or Credit Linked Notes). “Permitted Reference Obligation” means any Asset-Backed Security or REIT Debt Securities that is a Specified Type of Asset-Backed Security or REIT Debt Security and which, if purchased by the Issuer, would satisfy or (as applicable) would have satisfied paragraphs (1) through (22) and (25) through (30) of the Eligibility Criteria described in “—Eligibility Criteria” at the time that the Issuer entered into or acquired or committed to enter into or acquire the related Synthetic Security. “Reference Obligation” means a reference obligation in respect of which the Issuer has entered into or otherwise acquired a Synthetic Security, which reference obligation, at the time that

the Issuer entered into or acquired or committed to enter into or acquire such Synthetic Security, constituted a Permitted Reference Obligation. “**Reference Obligor**” means the obligor on a Reference Obligation.

For purposes of determining the Notional Balance of a Synthetic Security (other than a Credit Linked Note) at any time, the Notional Balance of such Synthetic Security, if it is not a Short Synthetic Security, will be equal to the Remaining Exposure of such Synthetic Security and, if it is a Short Synthetic Security, will be equal to zero, and if it is a Credit Linked Note, will equal the notional amount of such Credit Linked Note.

The Collateral Manager may during the Reinvestment Period cause the Issuer to purchase Cash Securities and to enter into Synthetic Securities from time to time so long as, after giving effect thereto, no Notional Amount Shortfall would exist (or, if a Notional Amount Shortfall exists prior to such investment, such Notional Amount Shortfall would not be increased). After the Reinvestment Period the Collateral Manager may not cause the Issuer to purchase Cash Securities and to enter into Synthetic Securities (other than in respect of commitments entered into during the Reinvestment Period and Short Synthetic Securities in respect of then-effective long Synthetic Securities). Payments to the CDS Counterparty in respect of any Synthetic Security other than Short Synthetic Securities (including Trading Termination Payments payable upon the termination of an individual Synthetic Security but excluding Physical Settlement Interest Amounts and any termination payments payable upon the termination in full of the Credit Default Swap Agreement) will be funded by the Issuer applying amounts standing to the credit of the Synthetic Security Collateral Account. Payments to the CDS Counterparty in respect of any Short Synthetic Security and Physical Settlement Interest Amounts shall be funded by application of amounts standing to the credit of the Income Collection Account. The failure to pay a fixed amount (or similar payment, however denominated) under a Short Synthetic Security on the date when due shall not constitute an “event of default” under such Synthetic Security if such fixed amount is paid (including by netting such fixed amount (or similar payment) against other amounts owed to the Issuer by the CDS Counterparty under the Credit Default Swap Agreement) on or prior to the next following Distribution Date. However, if such fixed amount is not paid on such Distribution Date, it will cause an event of default under such Short Synthetic Security. Payments to a Synthetic Security Counterparty in respect of a related Defeased Synthetic Security will be made by application of the funds credited to the related Third Party Collateral Account (or, in the case of a Defeased Synthetic Security in respect of which the CDS Counterparty is the counterparty, by application of funds credited to the Synthetic Securities Collateral Account).

Investments in Synthetic Securities present risks in addition to those associated with underlying Reference Obligations. See “Risk Factors—Nature of Collateral” and “—Synthetic Securities”.

### **The Collateral Quality Tests**

The “**Collateral Quality Tests**” will be used primarily as criteria for entering into Synthetic Securities. See “—Eligibility Criteria”. The Collateral Quality Tests will consist of the Asset Correlation Test, the Moody’s Maximum Rating Distribution Test, the Moody’s Minimum Weighted Average Recovery Rate Test, the Weighted Average Life Test, the Standard & Poor’s Minimum Weighted Average Recovery Rate Test, the Fitch Weighted Average Rating Factor Test, the Weighted Average Coupon Test and the Weighted Average Spread Test.

Measurement of the degree of compliance with the Collateral Quality Tests will be required on each Measurement Date occurring on or after the Ramp-Up Completion Date. For purposes of the Collateral Quality Tests other than the Asset Correlation Test and the Weighted Average Life Test or for determining the Moody’s Rating of a Synthetic Security, a Synthetic Security will have the characteristics of the Synthetic Security and not of the related Reference Obligation.

*Asset Correlation Test.* The “**Asset Correlation Test**” will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Moody’s Asset Correlation Percentage (calculated based on a model that assumes a number of obligors as the Collateral Manager on behalf of the Issuer has agreed with Moody’s or that otherwise satisfies the Rating Condition with respect to Moody’s) is less than or equal to the Designated Maximum Asset Correlation Factor (as the same shall be adjusted in a manner that otherwise satisfies the Rating Condition with respect to Moody’s in order to take into account any adjustment to the number of obligors in accordance with the foregoing) for the Ratings Matrix selected by the Collateral Manager. The “**Moody’s Asset Correlation Percentage**” is a percentage determined in accordance with any of the one or more asset correlation methodologies provided from time to time to the Collateral Manager and the Trustee by Moody’s as selected by the

Collateral Manager in its sole discretion; *provided* that the Collateral Manager shall give reasonably detailed instructions to the Trustee based on consultations between the Collateral Manager and Moody’s as to the application of such methodology.

*Moody’s Maximum Rating Distribution Test.* The “**Moody’s Maximum Rating Distribution Test**” means a test satisfied on any Measurement Date on or after the Ramp-Up Completion Date if the Moody’s Rating Distribution of the Collateral Debt Securities as of such Measurement Date is equal to or less than the Designated Moody’s Maximum Rating Distribution for any of Ratings Matrix 1, 2 or 3, as selected by the Collateral Manager; *provided* that the Designated Maximum Asset Correlation Factor to be used in calculating the Asset Correlation Test on such Measurement Date shall be the Designated Maximum Asset Correlation Factor for the same Ratings Matrix. The “**Moody’s Rating Distribution**” on any Measurement Date is the number determined by dividing (i) the sum of the series of products obtained for each Collateral Debt Security that is not a Defaulted Security or a Deferred Interest PIK Bond, by multiplying (a) the Notional Balance on such Measurement Date of each such Collateral Debt Security by (b) its respective Moody’s Rating Factor on such Measurement Date by (ii) the Aggregate Notional Balance on such Measurement Date of all Collateral Debt Securities that are not Defaulted Securities or Deferred Interest PIK Bonds and rounding the result up to the nearest whole number.

For purposes of the Moody’s Maximum Rating Distribution Test, if a Collateral Debt Security does not have a Moody’s Rating assigned to it at the date of acquisition thereof, the Moody’s Rating Factor with respect to such Collateral Debt Security shall be 10,000 for a period of 90 days from the acquisition of such Collateral Debt Security and after such 90-day period, if such Collateral Debt Security is not rated by Moody’s and no other security or obligation of the issuer thereof or obligor thereon is rated by Moody’s and the Issuer or the Collateral Manager seeks to obtain an estimate of a Moody’s Rating Factor, then the Moody’s Rating Factor of such Collateral Debt Security will be deemed to be such estimate thereof as may be assigned by Moody’s upon the request of the Issuer or the Collateral Manager.

*Ratings Matrix.* After the Ramp-Up Completion Date, any of the rows of the table below (each a “**Ratings Matrix**”) may be applicable for purposes of the Asset Correlation Test and the Moody’s Maximum Rating Distribution Test. Ratings Matrix 1 will be the applicable Rating Matrix on and after the Ramp-Up Completion Date unless the Trustee is otherwise notified in writing by the Collateral Manager. The maximum Asset Correlation Factor required to satisfy the Asset Correlation Test (the “**Designated Maximum Asset Correlation Factor**”) and the Moody’s Maximum Rating Distribution required to satisfy the Moody’s Maximum Rating Distribution Test (the “**Designated Moody’s Maximum Rating Distribution**”), on each Measurement Date, will be the numbers set forth opposite such Ratings Matrix in the table below chosen by the Collateral Manager with respect to such Measurement Date, by notice to the Trustee prior to such Measurement Date.

| <b>Ratings Matrix</b> | <b>Designated Moody’s Maximum Rating Distribution</b> | <b>Designated Maximum Asset Correlation Factor</b> |
|-----------------------|---|--|
| 1                     | 525   | 19%  |
| 2                     | 550   | 18.1%  |
| 3                     | 510   | 21%  |

*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 occurring on or after the Ramp-Up Completion Date, if the Moody’s Weighted Average Recovery Rate is greater than or equal to 24%.

*Weighted Average Life Test.* The “**Weighted Average Life Test**” will be satisfied (i) as of any Measurement Date occurring prior to the last day of the Reinvestment Period if the Weighted Average Life of all Collateral Debt Securities (other than Defaulted Securities and Deferred Interest PIK Bonds) as of such Measurement Date is less than or equal to 5.5 years and (ii) as of any Measurement Date occurring on or after the last day of the Reinvestment Period if the Weighted Average Life of all Collateral Debt Securities (other than Defaulted Securities and Deferred Interest PIK Bonds) as of such Measurement Date is less than or equal to 2.5 years.

On any Measurement Date with respect to all Collateral Debt Securities other than Defaulted Securities and Deferred Interest PIK Bonds, the “**Weighted Average Life**” is the number obtained by dividing (i) the sum of the products obtained by multiplying (a) the Average Life of each such Collateral Debt Security as of such Measurement Date by (b) the outstanding Notional Balance of such Collateral Debt Security as of such Measurement Date by (ii) the Aggregate Notional Balance as of such Measurement Date of all Collateral Debt Securities other than Defaulted Securities and Deferred Interest PIK Bonds.

*Standard & Poor’s Minimum Weighted Average Recovery Rate Test.* The “**Standard & Poor’s Minimum Weighted Average Recovery Rate Test**” will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date, if the Standard & Poor’s Weighted Average Recovery Rate is equal or greater than (a) with respect to the Class A-1 Notes, 29%, (b) with respect to the Class A-2 Notes, 29%, (c) with respect to the Class B Notes, 33%, (d) with respect to the Class C Notes, 33%, (e) with respect to the Class D Notes, 39%, (f) with respect to the Class E Notes, 45%, (g) with respect to the Class F Notes, 48%, and (h) with respect to the Class G Notes, 48%.

*Weighted Average Coupon Test.* The “**Weighted Average Coupon Test**” will be satisfied on any Measurement Date on or after the Ramp-Up Completion Date if the Weighted Average Coupon is equal to or greater than 5.75%.

“**Weighted Average Coupon**” means, as of any date or Measurement Date, the sum of (a) the ratio (rounded up to the next 0.001%) obtained by dividing (i) the sum of the products obtained by multiplying (x) the current interest rate on each Collateral Debt Security that is a fixed rate security (other than a Synthetic Security, Defaulted Security, Written Down Security or Deferred Interest PIK Security) by (y) the Notional Balance of each such Collateral Debt Security by (ii) the Aggregate Notional Balance of all Collateral Debt Securities that are fixed rate securities (excluding all Synthetic Securities, Defaulted Securities, Written Down Securities and Deferred Interest PIK Securities) plus (b) if the ratio obtained pursuant to clause (a) is less than 5.75%, the Spread Excess, if any, as of such Measurement Date. For purposes of this definition, (1) a PIK Security shall be deemed to be a Deferred Interest PIK Security so long as any interest thereon has been deferred and capitalized for at least one payment date (until payment of interest on such PIK Security has resumed and all capitalized and deferred interest has been paid in accordance with the terms of the Underlying Instruments) and (2) no contingent payment of interest will be included in such calculation.

“**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 1.97% and (b) the Aggregate Notional Balance of all Floating Rate Securities (excluding Defaulted Securities, Written Down Securities, Deferred Interest PIK Securities and Short Synthetic Securities), and the denominator of which is the Aggregate Notional Balance of all fixed rate securities (excluding Synthetic Securities, Defaulted Securities, Written Down Securities and Deferred Interest PIK Securities).

*Weighted Average Spread Test.* The “**Weighted Average Spread Test**” will be satisfied on any Measurement Date on or after the Ramp-Up Completion Date if the Weighted Average Spread is equal to or greater than 1.97%.

“**Weighted Average Spread**” means, as of any date or Measurement Date, the sum (rounded up to the next 0.001%) of (a) the ratio obtained by dividing (i) an amount equal to (A) the sum of the products obtained by multiplying (x) the stated spread above LIBOR at which interest accrues on each Collateral Debt Security that is a Floating Rate Security (other than a Defaulted Security, Written Down Security, Deferred Interest PIK Security or Short Synthetic Security) as of such date by (y) the Notional Balance of such Collateral Debt Security (or Notional Amount, in the case of a Synthetic Security) as of such date, minus (B) the sum of the products obtained by multiplying (x) the fixed rate premium percentage payable to the CDS Counterparty by the Issuer under each Synthetic Security that is a Short Synthetic Security (other than a Defaulted Security, Written Down Security or Deferred Interest PIK Security) by (y) the Notional Amount of such Synthetic Security by (ii) the Aggregate Notional Balance of all Collateral Debt Securities that are Floating Rate Securities (excluding all Defaulted Securities, Written Down Securities, Deferred Interest PIK Securities and Short Synthetic Securities) plus (b) if the ratio obtained pursuant to clause (a) is less than 1.97%, the Fixed Rate Excess, if any, as of such Measurement Date. For purposes of this definition, (1) a PIK Security shall be deemed to be a Deferred Interest PIK Security so long as

any interest thereon has been deferred and capitalized for at least one payment date (until payment of interest on such PIK Security has resumed and all capitalized and deferred interest has been paid in accordance with the terms of the Underlying Instruments), (2) no contingent payment of interest will be included in such calculation, (3) the stated spread on any Floating Rate Security (other than a Synthetic Security) that does not bear interest at a rate expressed as a stated spread above or below the applicable Libor under the related underlying instruments shall be calculated as the difference between the coupon on such security and LIBOR (as determined on such date for purposes of calculating the interest rate payable on the Notes) and (4) the aggregate rate per annum (expressed as a percentage) of fixed premium payable to the Issuer by the CDS Counterparty in respect of a Synthetic Security will be deemed to be the stated spread above LIBOR on such Synthetic Security.

“**Fixed Rate 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 Coupon for such Measurement Date over 5.75% and (b) the Aggregate Notional Balance of all fixed rate securities (excluding Synthetic Securities, Defaulted Securities, Written Down Securities and Deferred Interest PIK Securities), and the denominator of which is the Aggregate Notional Balance of all Floating Rate Securities (excluding Defaulted Securities, Written Down Securities, Deferred Interest PIK Securities and Short Synthetic Securities).

#### **Standard & Poor’s CDO Monitor Notification Test**

If on any date on or after the Ramp-Up Completion Date and following the delivery by Standard & Poor’s of the CDO Monitor to the Issuer, upon the entry into any Collateral Debt Security (after giving effect to the acquisition of such Collateral Debt Security), the Standard & Poor’s CDO Monitor Notification Test is not satisfied or, if immediately prior to such investment the Standard & Poor’s CDO Monitor Notification Test was not satisfied with respect to any Class, the result with respect to such Class is further from 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 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 Scenario Loss Rate, the Standard & Poor’s CDO Monitor considers each obligor’s most senior unsecured debt rating, the number of obligors in the portfolio, the obligor and industry concentration in the portfolio and the remaining weighted average maturity of the Collateral Debt Securities and calculates a cumulative default rate based on the statistical probability of distributions of defaults on the Collateral Debt Securities.

There can be no assurance that actual defaults of the Collateral Debt Securities or the related Reference Obligations 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 Notification Test. Standard & Poor’s makes no representation that actual defaults will not exceed those determined by the Standard & Poor’s CDO Monitor. Neither the Collateral Manager nor the Issuer makes any representation as to the expected rate of defaults of the Collateral Debt Securities or the related Reference Obligations or the timing of defaults or as to the expected recovery rate or the timing of recoveries.

#### **Dispositions of Collateral Debt Securities**

Collateral Debt Securities may be Disposed of, in whole or in part, prior to their respective final scheduled termination dates (in the case of Synthetic Securities) or stated maturity dates (in the case of Cash Securities) due to, among other things, the existence and frequency of exercise of any optional or mandatory redemption or principal prepayment features of the Underlying Instruments or due to early terminations, assignments or settlements, in accordance with their respective terms. Pursuant to the Indenture and so long as no Event of Default has occurred and is continuing, the Collateral Manager may direct the Issuer to Dispose of:

- (1) any Defaulted Security and any Delivered Obligation at any time;

- (2) any equity security acquired by the Issuer in exchange for a Defaulted Security (any of the foregoing, an “**Equity Security**”) at any time;
- (3) any Credit Risk Security at any time;
- (4) any Credit Improved Security at any time; and
- (5) without limiting the foregoing, any Collateral Debt Security that is not a Defaulted Security, a Delivered Obligation, an Equity Security, a Credit Risk Security or a Credit Improved Security, *provided* that the Aggregate Notional Balance of all such Dispositions effected during any calendar year does exceed the Discretionary Disposition Percentage of the Net Outstanding Portfolio Collateral Balance as of the first day of such period. “**Discretionary Disposition Percentage**” means, on any date, 15%.

At any time that the Class G Overcollateralization Ratio is less than the Class G Overcollateralization Ratio as of the Ramp-Up Completion Date, Disposition Proceeds (including, for these purposes, any increase in Available Principal Excess resulting from the Disposition of a Synthetic Security) resulting from any Disposition described in clauses (4) or (5) above may be reinvested in Cash Securities or applied for the purposes of entering into additional Synthetic Securities only if (A)(i) the Aggregate Notional Balance of the Cash Securities so purchased and/or Synthetic Securities so entered into equals or exceeds (ii) the Aggregate Notional Balance of the Collateral Debt Securities so Disposed of multiplied by the percentage of such Disposition Proceeds applied to such purchase or entry or (B) such reinvestment meets the following criteria (the “**Standard & Poor’s Par for Par Criteria**”):

- (1) The Net Outstanding Portfolio Collateral Balance (after giving effect to such reinvestment) is at least equal to the Net Outstanding Portfolio Collateral Balance immediately prior to the Issuer’s receipt of such Disposition Proceeds;
- (2) Each Overcollateralization Test is satisfied before and after such reinvestment; and
- (3) The Eligibility Criteria are met in accordance with the Indenture with respect to such reinvestment.

Any Defaulted Security that is held for more than three years shall be treated as having a Notional Balance of zero.

Any Equity Security or security or other consideration that is received in an exchange and any Delivered Obligation that, in each of the foregoing cases, does not comply with Eligibility Criteria (7), (8), (9) or (10) must be sold, assigned, terminated or otherwise liquidated within five Business Days after the Issuer’s receipt thereof (or within five Business Days of such later date as such security may first be Disposed in accordance with its terms).

In the event of an Auction Call Redemption, Optional Redemption or a Tax Redemption of the Notes, the Collateral Manager may direct the Trustee to Dispose of Collateral Debt Securities without regard to the foregoing limitations; *provided* that (i) the proceeds therefrom will be at least sufficient to pay certain expenses and other amounts and redeem in whole but not in part all Notes, in accordance with the Priority of Payments; and (ii) such proceeds are required to make such a redemption. See “Description of the Notes—Optional Redemption and Tax Redemption” and “—Auction Call Redemption”.

In connection with the Stated Maturity Date, if any Class of Notes then remains outstanding, all of the Collateral Debt Securities will be Disposed of by the Issuer in accordance with the terms of the Indenture.

## **The Accounts**

### Income Collection Account

On or prior to the Closing Date, the Trustee, as custodian, will cause to be established a single, segregated securities account (which may be a subaccount of the Custodial Account) which will be designated as the “**Income Collection Account**” and which will be held in the name of the Trustee in trust for the benefit of the Secured



Parties. All Interest Proceeds, including 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 will be remitted to the Income Collection Account. The Income Collection Account will be maintained for the benefit of the Secured Parties and amounts on deposit therein will be available, together with reinvestment earnings thereon, (a) for payment of fixed premium amounts to the CDS Counterparty (or a Synthetic Security Counterparty, as applicable) under the Short Synthetic Securities (without regard to the Priority of Payments) and any Physical Settlement Interest Amounts in accordance with the Indenture and (b) for application in the order of priority set forth above under “Description of the Notes—Priority of Payments”.

The Issuer’s obligations to fund any fixed premium amount under a Short Synthetic Security and any Physical Settlement Interest Amounts will be paid from available Interest Proceeds on deposit in the Income Collection Account on the date when such payment is due, and on each Business Day thereafter until paid in full (including any Distribution Date), without regard to the Priority of Payments. All amounts received in the Income Collection Account during a Due Period and amounts received in prior Due Periods and retained in the Income Collection Account under the circumstances set forth above in “Description of the Notes—Priority of Payments” will be invested in Eligible Investments with stated maturities no later than the Business Day immediately preceding the next Distribution Date.

#### Principal Collection Account

On or prior to the Closing Date, the Trustee, as custodian, will cause to be established a single, segregated securities account (which may be a subaccount of the Custodial Account) which will be designated as the “**Principal Collection Account**” and which will be held in the name of the Trustee in trust for the benefit of the Secured Parties. All Principal Proceeds in respect of Cash Securities, including all distributions on the Cash Securities and any proceeds received from the Disposition of any such Cash Securities, to the extent such distributions or proceeds constitute Principal Proceeds, will be remitted to the Principal Collection Account; provided that, all Principal Proceeds received with respect to any Due Period ending prior to the last day of the Reinvestment Period (up to an aggregate amount equal to the Class A-1A Reserve Amount) and all Disposition Proceeds of any Delivered Obligation as to which the Issuer has not paid in full any related Physical Settlement Amount will be remitted to the Synthetic Security Collateral Account. The Principal Collection Account will be maintained for the benefit of the Secured Parties and amounts on deposit therein will be available, together with reinvestment earnings thereon, for (A) the application of Available Principal Excess on each Distribution Date in accordance with the Priority of Payments, (B) to effect the transfer to the Income Collection Account of any Interest Proceeds held in therein, (C) to pay the purchase price in respect of Cash Securities and Credit Linked Notes and (D) for deposit to the Synthetic Security Collateral Account in respect of the Issuer’s entry into Synthetic Securities (to the extent a Notional Shortfall would otherwise have been created thereby) and to the related Third Party Collateral Accounts in respect of the Issuer’s entry into Defeased Synthetic Securities.

#### Synthetic Security Collateral Account

On or prior to the Closing Date, the Trustee, as custodian, will establish a single, segregated securities account which will be designated as the “**Synthetic Security Collateral Account**”, which will be held in the name of the Trustee in trust for the benefit of the Secured Parties. All (A) Relevant Determination Adjustment Amounts, any Principal Reimbursements, Trading Termination Payments and amounts received in respect of any Credit Linked Note that would otherwise constitute “Principal Proceeds” if such Credit Linked Note were treated as a Cash Security under the definition of “Principal Proceeds”, received by the Issuer in respect of Synthetic Securities (subject, in each foregoing case, to any obligation the Issuer may have to collateralize any of its obligations under the terms of a Defeased Synthetic Security entered into with a Synthetic Security Counterparty), (B) amounts transferred from the Principal Collection Account in respect of the Issuer’s entry into Synthetic Securities and deposits of Interest Proceeds and Available Principal Excess from the Payment Account pursuant to the Priority of Payments and (C) all Principal Proceeds received with respect to any Due Period ending prior to the last day of the Reinvestment Period (up to an aggregate amount equal to the Class A-1A Reserve Amount) and all Disposition Proceeds of any Delivered Obligation as to which the Issuer has not paid in full any related Physical Settlement Amount, will be remitted to the Synthetic Security Collateral Account. The Trustee will invest the funds held under the Synthetic Security Collateral Account in Eligible Investments at the written direction of the Collateral Manager (which may be standing written instructions).

The Trustee, shall, from time to time upon written direction of the Collateral Manager, effect withdrawals from the Synthetic Security Collateral Account to the extent required: (A) to pay any Outstanding CDS Issuer Payment Obligation under the Credit Default Swap Agreement (without regard to the Priority of Payments), (B) to effect the application of Available Principal Excess on each Distribution Date pursuant to the Priority of Payments, (C) to effect the transfer to the Income Collection Account of any Interest Proceeds held in the Synthetic Security Collateral Account (including Interest Proceeds described in clause (1)(i)(c) of the definition thereof related to the Disposition of a Synthetic Security) and (D) to pay the purchase price in respect of Cash Securities and Credit Linked Notes and to deposit amounts to a Third Party Collateral Account in respect of a related Defeased Synthetic Security. No withdrawal described in clause (D) of the preceding sentence will be permitted (i) at any time if a Notional Amount Shortfall would result therefrom or (ii) during the Reinvestment Period if the aggregate outstanding principal amount of the Class A-1A Notes would exceed the Synthetic Security Collateral Account Balance, in each case after giving effect to any transfers to the Synthetic Security Collateral Account made from the Principal Collection Account or the Payment Account on the date of such withdrawal.

The Collateral Manager (on the Issuer's behalf) or the Issuer will direct the Trustee to, and upon receipt of such direction the Trustee will, without regard to the Priority of Payments, apply amounts from time to time on deposit in the Synthetic Security Collateral Account to the satisfaction of any Outstanding CDS Issuer Payment Obligation then due and owing to the CDS Counterparty.

#### Payment Account

On or prior to the Closing Date, the Trustee will cause to be established a single, segregated securities account which will be designated as the "**Payment Account**" and which will be held in the name of the Trustee for the benefit of the Secured Parties. On or prior to each Distribution Date, the Trustee will deposit into the Payment Account (i) Interest Proceeds with respect to the related Due Period on deposit in the Income Collection Account (and, as applicable, the Synthetic Security Collateral Account to the extent funds therein constitute Interest Proceeds in respect of such Due Period) and (ii) funds standing to the credit of first, the Principal Collection Account and second, the Synthetic Security Collateral Account, to the extent of all or a portion of Available Principal Excess with respect to the related Determination Date, subject to and in accordance with the Indenture, for payment to the Noteholders of interest and Commitment Fee on and principal of the Notes (including Class A-1A Principal Payments), the Class A-1A Swap Availability Fee, amounts owed to the Swap Counterparties in respect of the Swap Agreements, and payments of fees and expenses and other amounts payable by the Issuer, for application, in each case, in accordance with the Priority of Payments described under "Description of the Notes—Priority of Payments".

#### Custodial Account

On or prior to the Closing Date, the Trustee, as custodian, will establish a securities account (the "**Custodial Account**") in the name of the Trustee into which the Trustee shall on the Closing Date, and from time to time thereafter, deposit all Cash Securities. All Cash Securities 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. To the extent that funds in the Custodial Account are invested, they will be invested in Eligible Investments as directed by the Collateral Manager.

#### Expense Account

On or prior to the Closing Date, the Trustee, as custodian, will cause to be established a single, segregated account which will be designated as the "**Expense Account**" which will be held in the name of the Trustee for the benefit of the Secured Parties. On the Closing Date, after payment of the organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Initial Purchaser, the Trustee and the Collateral Manager and the fees and expenses payable in connection with the ratings of the Notes) and the expenses related to the offering of the Offered Securities (including fees payable to the Initial Purchaser in connection with the underwriting and placement of the Notes), the Trustee shall deposit into the Expense Account, an amount equal to U.S.\$375,000 from the net proceeds received by the Issuer on such date from the initial issuance of the Offered Securities and the entry into the Hedge Agreement. In addition, on each

Distribution Date on which the balance of the Expense Account is less than U.S.\$75,000, additional amounts will be deposited therein to the extent that funds are available therefor in accordance with the priorities described under “Description of the Notes—Priority of Payments”. Amounts on deposit in the Expense Account may be withdrawn from time to time to pay accrued (on any day other than a Distribution Date) and unpaid expenses of the Co-Issuers (other than the fees and expenses of the Trustee). All funds on deposit in the Expense Account will be invested in Eligible Investments as directed by the Collateral Manager.

On any Determination Date on which the balance of the Expense Account exceeds U.S.\$75,000, at the direction of the Collateral Manager (on behalf of the Issuer), the Trustee will on the next occurring Distribution Date apply all or a portion of excess (as specified in such direction) as Interest Proceeds, as a deposit to the Principal Collection Account or as a deposit to the Synthetic Security Collateral Account.

The Issuer will enter into an Account Control Agreement with the Trustee, as custodian, in connection with the Custodial Account and the other Accounts (other than Collateral Accounts (unless such agreement is amended to cover such accounts)) on the Closing Date (the “**Account Control Agreement**”). The “**Collateral Accounts**” shall consist of any Class A-1B Noteholders Prepayment Account, any Third Party Collateral Accounts, any Class A-1A Swap Prefunding Account and the CDS Counterparty Collateral Account.

#### CDS Counterparty Collateral Account

On or prior to the Closing Date, the Trustee will cause to be established a single, segregated securities account which will be designated as the “**CDS Counterparty Collateral Account**” and which will be held in the name of the Trustee for the benefit of the Secured Parties. The Trustee will deposit into the CDS Counterparty Collateral Account all funds and other property that are received from the CDS Counterparty to secure the obligations of the CDS Counterparty in accordance with the Credit Default Swap Agreement. On or prior to the Closing Date, the Class A-1A Swap Counterparty, the Trustee and the Issuer shall enter into an account control agreement (the “**CDS Counterparty Collateral Account Control Agreement**”) with the Trustee, as custodian, in respect of such CDS Counterparty Collateral Account in a form satisfactory to each such party.

Amounts on deposit in the CDS Counterparty Collateral Account will be invested in Synthetic Security Collateral at the written direction of the CDS Counterparty with copies to the Issuer and the Collateral Manager. Income received on amounts on deposit in the CDS Counterparty Collateral Account will be withdrawn from such account and paid to the CDS Counterparty or the Issuer in accordance with the Credit Default Swap Agreement.

Upon the CDS Counterparty providing notice and reasonable written evidence to the Issuer, the Collateral Manager and the Trustee that it subsequently satisfies the applicable minimum rating requirements set forth in the Credit Default Swap Agreement, the Trustee shall withdraw all funds and other property then standing to the credit of the CDS Counterparty Collateral Account and pay or transfer the same to the CDS Counterparty.

“**Synthetic Security Collateral**” means (i) Eligible Investments or (ii) other investments whose deposit into the Synthetic Security Counterparty Account satisfies the Rating Condition, provided that under no circumstances may amounts be invested in any investment the income or the proceeds of the disposition of which is or will be subject to deduction or withholding for or on account of any withholding or similar tax, or the acquisition (including the manner of acquisition), ownership, enforcement or disposition of which will subject the Issuer to net income tax in any jurisdiction outside its jurisdiction of incorporation

Posted collateral on deposit in the CDS Counterparty Collateral Account will not be included in the Collateral and will not be available to make payments under the Notes other than (i) as a result of an “event of default”, or “termination event” (howsoever described) under the Credit Default Swap Agreement caused by the CDS Counterparty or (ii) any other past-due payments thereunder. Amounts contained in the CDS Counterparty Collateral Account shall not be considered to be an asset of the Issuer for purposes of any of the Collateral Quality Tests, the Overcollateralization Tests or the Class A Sequential Payment Test, but the Issuer’s right, title and interest in, to and under the Credit Default Swap Agreement shall be considered assets of the Issuer.

Amounts contained in the CDS Counterparty Collateral Account will, as directed in writing by the Collateral Manager (acting on behalf of the Issuer), be withdrawn by the Trustee and applied to the payment of any termination payment or other amount payable by the CDS Counterparty to the Issuer. Any amounts held in the CDS Counterparty Collateral Account after the termination of all Swap Agreements to which the CDS Counterparty is a party and the payment of all amounts owing from the CDS Counterparty to the Issuer will be withdrawn from such CDS Counterparty Collateral Account and paid to the CDS Counterparty (as applicable) in accordance with the Credit Default Swap Agreement.

#### Class A-1A Swap Prefunding Account

If the Class A-1A Swap Counterparty fails at any time prior to the reduction of the Class A-1A Notional Amount to zero to comply with the Class A-1A Rating Criteria, and the Class A-1A Swap Counterparty elects to cause a Class A-1A Swap Prefunding Account to be established, the Class A-1A Swap Counterparty shall direct the Trustee to, and the Trustee, as custodian, will cause to be established a single, segregated securities account (such account, the “**Class A-1A Swap Prefunding Account**”), that would be held in the name of the Trustee in trust for the benefit of the Secured Parties. Upon written direction of the Collateral Manager acting on behalf of the Issuer, the Class A-1A Swap Counterparty, the Trustee and the Issuer shall enter into an account control agreement (a “**Class A-1A Swap Prefunding Account Control Agreement**”) with the Trustee, as custodian, in respect of such Class A-1A Swap Prefunding Account in a form satisfactory to each such party. Upon confirmation by the Trustee of the establishment of such Class A-1A Swap Prefunding Account and the entry into by all parties of a Class A-1A Swap Prefunding Account Control Agreement related thereto, the Class A-1A Swap Counterparty will remit to the Trustee for credit to the Class A-1A Swap Prefunding Account cash or other collateral as required by the Class A-1A Swap Agreement. From time to time thereafter, if required by the Class A-1A Swap Agreement, the Class A-1A Swap Counterparty may be required to remit additional amounts pursuant to the Class A-1A Swap Agreement. The Trustee shall cause all such cash or other collateral received by it from or on behalf of the Class A-1A Swap Counterparty to be credited to the Class A-1A Swap Prefunding Account.

Amounts in the Class A-1A Swap Prefunding Account will be invested in accordance with written instructions from the Class A-1A Swap Counterparty to the Trustee, with copies to the Issuer and the Collateral Manager. Income received on funds or other property credited to the Class A-1A Swap Prefunding Account shall be withdrawn from the Class A-1A Swap Prefunding Account on the last Business Day of each month and paid to the related Class A-1A 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-1A 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-1A Swap Prefunding Account shall not be considered to be an asset of the Issuer for purposes of any of the Collateral Quality Tests, the Overcollateralization Tests or the Class A Sequential Payment Test. The Class A-1A Swap Counterparty’s obligation to make payments under the Class A-1A Swap Agreement may be satisfied by the Trustee, acting at the direction of the Collateral Manager in its capacity as agent for the Co-Issuers, withdrawing funds then standing to the credit of the Class A-1A Swap Prefunding Account.

After the date of the termination of the Class A-1A Swap Agreement (or the reduction of the Class A-1A Notional Amount to zero) and the payment to the Trustee of all amounts owing from the Class A-1A Swap Counterparty to the Issuer, the Trustee shall withdraw all remaining funds and other property standing to the credit of the Class A-1A Swap Prefunding Account, if any, and pay or transfer the same to the related Class A-1A Swap Counterparty. From time to time, to the extent required under the Class A-1A Swap Agreement, the Trustee shall withdraw funds then standing to the credit of the Class A-1A Swap Prefunding Account and deliver such funds to the Class A-1A Swap Counterparty. Upon transfer by the Class A-1A Swap Counterparty of all of its rights and obligations under the Class A-1A Swap Agreement to a successor counterparty and the payment to the Trustee of all amounts owing from such assigning Class A-1A Swap Counterparty to the Issuer, the Trustee shall withdraw from the funds then standing to the credit of the Class A-1A Swap Prefunding Account and pay or transfer the same to the Class A-1A Swap Counterparty. Upon the Class A-1A Swap Counterparty providing notice and reasonable written evidence to the Issuer, the Collateral Manager 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-1A Swap Prefunding Account and pay or transfer the same to the Class A-1A Swap Counterparty.

### Class A-1B Noteholders Prepayment Accounts

The Class A-1B Note Funding Agreement provides that, if any Holder of Class A-1B Notes does not at any time during the Commitment Period satisfy the Rating Criteria and such holder elects the prepayment option or fails to transfer its rights and obligations in respect of all Class A-1B Notes held by it to a person that satisfies the Rating Criteria within 30 days, such Holder of Class A-1B Notes (a “**Collateralizing Holder**”) shall direct the Trustee to, and the Trustee, as custodian, shall, cause to be established and maintained, a single, segregated securities account (each such account, a “**Class A-1B Noteholders Prepayment Account**”), which account shall be in the name of the Trustee as entitlement holder in trust for the benefit of the Issuer and, as provided in the Indenture, the Secured Parties. Upon Issuer Order, the Collateralizing Holder, the Trustee and the Issuer shall enter into an account control agreement (each a “**Noteholder Prepayment Account Control Agreement**”) in respect of such Class A-1B Noteholders Prepayment Account in a form satisfactory to each such party. Such Collateralizing Holder will remit to the Trustee for credit to such Class A-1B Noteholders Prepayment Account cash or Eligible Investments that meet the requirements of the definition of “Eligible Prepayment Account Investments” (or similar term) as defined in the Class A-1B Note Funding Agreement, the aggregate outstanding principal amount of which is equal to the aggregate amount of such Collateralizing Holder’s remaining 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-1B Noteholders Prepayment Account.

As directed by a written notice from the Collateralizing Holder to the Trustee, with copies to the Issuer and the Collateral Manager, amounts standing to the credit of a Class A-1B Noteholders Prepayment Account may be invested and reinvested in Eligible Prepayment Account Investments. Income received on funds or other property credited to such Class A-1B Noteholders Prepayment Account shall be withdrawn from such Class A-1B Noteholders 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-1B Noteholders Prepayment Account except to satisfy the obligations of the related Collateralizing Holder to the Co-Issuers. None of the Co-Issuers or the Trustee shall in any way be held liable by reason of any insufficiency of any Class A-1B Noteholders Prepayment Account resulting from any loss relating to any investment of funds standing to the credit of such account, except to the extent such loss results from the Co-Issuers’, the Trustee’s or the Custodian’s gross negligence or willful misconduct.

Funds and other property standing to the credit of any Class A-1B Noteholders Prepayment Account shall not be considered to be an asset of the Issuer, but the Issuer’s right, title and interest in, to and under the Class A-1B Note Funding Agreement shall be considered assets of the Issuer.

From and after the establishment of a Class A-1B Noteholders Prepayment Account and the entry into a Noteholder Prepayment Account Control Agreement in accordance with the Class A-1B Note Funding Agreement, each Collateralizing Holder’s obligation to make advances under the Class A-1B 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-1B Noteholders Prepayment Account.

On the Commitment Period Termination Date and after the payment to the Trustee of all amounts owing from such Class A-1A Noteholder to the Issuer as of such day in respect on its Commitments, the Trustee shall withdraw all funds and other property standing to the credit of each Class A-1B Noteholders 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-1B Noteholders Prepayment Account and pay to the related Collateralizing Holder an amount equal to the reduction in the Collateralizing Holder’s remaining Commitment. Upon acceptance and recording of an assignment and acceptance pursuant to the Class A-1B 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-1B Notes and after the payment to the Trustee of all amounts owing from such Class A-1B Noteholder to the Issuer as of such day in respect of its Commitments, the Trustee shall withdraw from the funds then standing to the credit of such Collateralizing Holder’s Class A-1B Noteholders Prepayment Account and pay to such Collateralizing Holder an amount equal to the amount by which the balance of such Collateralizing Holder’s Class A-1B Noteholder Prepayment Account exceeds such Collateralizing Holder’s Unfunded Commitment and return such funds or other property to such Collateralizing Holder. Upon a Collateralizing Holder providing notice and reasonable written evidence to the Issuer, the Collateral Manager 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-1B Noteholders Prepayment Account and pay or transfer the same to the Collateralizing Holder.

#### Third Party Collateral Accounts

For each Defeased Synthetic Security (other than a Defeased Synthetic Security entered into with the CDS Counterparty), the Trustee, as custodian, will establish a single, segregated account (each such account, a "**Third Party Collateral Account**") that will be held in the name of the Trustee in trust for the benefit of the related Synthetic Security Counterparty, provided that a single Third Party Collateral Account may be established with respect to all Defeased Synthetic Securities entered into by the Issuer with a particular Synthetic Security Counterparty, and over which the Trustee will have exclusive control and the sole right of withdrawal in accordance with the applicable Synthetic Security and the Indenture. The Trustee and the Issuer will, in connection with the establishment of a Third Party Collateral Account, enter into a separate account control and security agreement with the Synthetic Security Counterparty setting forth the rights and obligations of the Issuer, the Trustee and the Synthetic Security Counterparty with respect to such account and pursuant to which the Issuer will grant the Trustee a first priority security interest in such Third Party Collateral Account for the benefit of the Synthetic Security Counterparty. As directed by the Collateral Manager in writing, the Trustee will withdraw from the Principal Collection Account or the Synthetic Security Collateral Account (or apply the proceeds of a Borrowing) and deposit into each Third Party Collateral Account the amount equal to the Remaining Exposure of such Defeased Synthetic Security.

In accordance with the terms of the applicable Defeased Synthetic Security and related account control and security agreement, amounts standing to the credit of a Third Party Collateral Account will be invested in Eligible Investments or otherwise in accordance with the related account control and security agreement. Amounts and property standing to the credit of a Third Party Collateral Account will be withdrawn by the Trustee (at the direction of the Collateral Manager) and applied to the payment of any amounts payable by the Issuer to the related Synthetic Security Counterparty in accordance with the terms of such Defeased Synthetic Security. To the extent that the Issuer is entitled pursuant to the terms of such Defeased Synthetic Security to receive interest or other income received with respect to the collateral standing to the credit of a Third Party Collateral Account, the Collateral Manager will direct the Trustee to deposit such amounts in the Income Collection Account. After payment of all amounts owing by the Issuer to a Synthetic Security Counterparty in accordance with the terms of the related Defeased Synthetic Security or a default by the Synthetic Security Counterparty which entitles the Issuer to terminate its obligations with respect to such Synthetic Security Counterparty as otherwise permitted pursuant to the terms of such Defeased Synthetic Security, the Collateral Manager, by Issuer Order, will direct the Trustee to withdraw all (or the applicable portion of) funds and other property then standing to the credit of the Third Party Collateral Account related to such Defeased Synthetic Security and credit such funds and other property to the Synthetic Security Collateral Account.

Except for interest and other income on collateral credited to a Third Party Collateral Account payable to the Issuer as described pursuant to the preceding paragraph, funds and other property standing to the credit of a Third Party Collateral Account will not be considered to be assets of the Issuer for purposes of the Collateral Quality Tests, Overcollateralization Tests or the Class A Sequential Payment Test; however the Defeased Synthetic Security that relates to such Third Party Collateral Account will be considered an asset of the Issuer for such purposes.

Each above-described Account shall remain at all times with a financial institution having a long-term debt rating of at least "BBB+" by Standard & Poor's, at least "BBB+" by Fitch and at least "Baa1" by Moody's (and, if rated "Baa1", such rating must not be on watch for possible downgrade by Moody's) and a combined capital and surplus in excess of U.S.\$200,000,000.

## THE CREDIT DEFAULT SWAP AGREEMENT

### General

On or prior to the Closing Date, the Issuer will enter into a 1992 ISDA Master Agreement (Multicurrency-Cross Border) (together with the schedule, the Credit Support Annex (if any) and any Confirmations thereto, the “**Credit Default Swap Agreement**”) with Merrill Lynch International (in such capacity, the “**CDS Counterparty**”), under which the Issuer and the CDS Counterparty will on the Closing Date and from time to time thereafter enter into Synthetic Securities in the form of credit default swap transactions with respect to specified Reference Obligations under which, subject to the limitations set forth in the Eligibility Criteria, either party may act as buyer or seller of protection. Synthetic Securities in respect of RMBS Securities and CMBS Securities will generally be documented by a confirmation that will be substantially in the form of the Pay As You Go Confirmation that was in effect at the time that the terms of the relevant transaction were agreed upon, with the elections set forth below, which form has a pay-as-you-go settlement format with a physical settlement option and is designed for use primarily with RMBS Securities and CMBS Securities. The terms of the Confirmations documenting other Synthetic Securities (including Credit Linked Notes, Defeased Synthetic Securities and Synthetic Securities in respect of CDO Securities) may differ materially from the terms described herein.

The Collateral Manager shall only direct the Issuer to enter into Synthetic Securities with the CDS Counterparty that satisfy (as of the trade date of the relevant Synthetic Security) the Eligibility Criteria, including the requirements that the entry into such Synthetic Securities would 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 subject the Issuer to net income tax in any jurisdiction outside the Issuer’s jurisdiction of incorporation.

It is currently expected that the Aggregate Notional Balance of Synthetic Securities will be approximately equal to U.S.\$225,000,000 on the Closing Date.

The Issuer’s obligations to fund any Trading Termination Payment, Relevant Determination Adjustment Amounts, Credit Protection Payment or Physical Settlement Amount in respect of a Synthetic Security (but excluding any termination payments payable upon the termination in full of the Credit Default Swap Agreement due to an “event of default” or “termination event” thereunder) will be paid from available funds in the Synthetic Security Collateral Account (and, to the extent funds credit thereto are insufficient therefor, through a Class A-1A Swap Payment) on the date when such payment is due (including a Distribution Date) without regard to the Priority of Payments. The Issuer’s obligations to fund any fixed premium amount under a Short Synthetic Security and any Physical Settlement Interest Amount will be paid from available Interest Proceeds on deposit in the Income Collection Account on the date when such payment is due, and on each Business Day thereafter until paid in full (including any Distribution Date), without regard to the Priority of Payments. The Issuer’s failure to pay any amount owed to CDS Counterparty under the Credit Default Swap Agreement that is due to the insufficiency of funds available in the Synthetic Security Collateral Account or a failure by the Class A-1A Swap Counterparty to fund a Class A-1A Swap Payment shall not be an “event of default” under the Credit Default Swap Agreement.

The obligations of the CDS Counterparty under the Credit Default Swap Agreement are guaranteed by Merrill Lynch & Co. (the “**CDS Guarantor**”) pursuant to a guaranty dated as of the Closing Date.

Payments to the CDS Counterparty in respect of any termination payments payable upon the termination in full of the Credit Default Swap Agreement other than a Defaulted Swap Termination Payment shall be made without regard to the Priority of Payments.

### Terms of Synthetic Securities

Each Synthetic Security will generally terminate on the earliest to occur of (a) five Business Days following the legal final maturity date of the related Reference Obligation, (b) five Business Days following the Final Amortization Date, (c) the last date on which any Credit Protection Payments can be made and (d) the last date on which any Principal Reimbursement or Interest Reimbursement can be made. The Notional Amount of each Synthetic Security will be reduced in an amount equal to each payment of principal paid to the holders of the related

Reference Obligation (each such reduction, a “**Principal Amortization**”) and by certain other amounts. In addition, the Notional Amount of any Synthetic Security may, with the consent of the CDS Counterparty, be reduced at the request of the Issuer in whole or in part (any such reduction, a “**Synthetic Security Termination**”). In addition, each Synthetic Security will require physical settlement upon the occurrence of a Credit Event thereunder by delivery of a Delivered Obligation unless the buyer of protection elects that the seller of protection will pay Credit Protection Payments upon the occurrence of a Credit Event that is a Floating Amount Event.

The Credit Events applicable to each Synthetic Security will (and the Credit Events in respect of other Synthetic Securities may) be:

1. “**Failure to Pay Principal**”.

This Credit Event will occur upon the occurrence of the following:

- (i) a failure by the Reference Obligor to pay an expected amount of principal on the Final Amortization Date or the legal final maturity date, as the case may be, or
- (ii) payment on any such day of an actual amount of principal that is less than the expected amount of principal;

*provided* that the failure by the Reference Obligor (or any insurer thereof) to pay any such amount in respect of principal in accordance with the foregoing shall not constitute a Failure to Pay Principal if such failure has been remedied within any grace period applicable to such payment obligation under the Underlying Instruments relating to the Reference Obligation or, if no such grace period is applicable, within three business days after the day on which the expected principal amount was scheduled to be paid.

For purposes of the foregoing, “**Final Amortization Date**” means the first to occur of (i) the date on which the Notional Amount of the Synthetic Security is reduced to zero and (ii) the date on which the assets securing the Reference Obligation or designated to fund amounts due in respect of the Reference Obligation are liquidated, distributed or otherwise disposed of in full and the proceeds thereof are distributed or otherwise disposed of in full.

2. “**Writedown**”.

This Credit Event will occur if at any time any of the following occurs:

(i) (A) a writedown or applied loss (however described in the Underlying Instruments) resulting in a reduction in the outstanding principal amount (other than as a result of a scheduled or unscheduled payment of principal); or

(B) the attribution of a principal deficiency or realized loss (howsoever described in the Underlying Instruments) to the Reference Obligation resulting in a reduction of the current interest payable on the Reference Obligation;

(ii) the forgiveness of any amount of principal by the holders of the Reference Obligation pursuant to an amendment to the Underlying Instruments resulting in a reduction in the outstanding principal amount of the Reference Obligation (*provided* that the buyer of protection has not consented to such forgiveness of principal as an owner of any portion of the Reference Obligation); or

(iii) if the Underlying Instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) above to occur in respect of the Reference Obligation, an Implied Writedown Amount being determined in respect of the Reference Obligation by the CDS Counterparty in its capacity as calculation agent.



For purposes of the foregoing, “**Implied Writedown Amount**” means, (a) if the Underlying Instruments relating to the Reference Obligation do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in clause (i) above to occur in respect of the Reference Obligation, on any Reference Obligation payment date, an amount determined by the CDS Counterparty in its capacity as calculation agent equal to the excess, if any, of the Implied Writedown Amount for the interest accrual period relating to the current Reference Obligation payment date over the Implied Writedown Amount for the immediately preceding interest accrual period and (b) in any other case, zero.

3. “**Distressed Ratings Downgrade**”.

This Credit Event will occur if the Reference Obligation:

(i) if publicly rated by Moody’s, (A) is downgraded to “Caa2” or below by Moody’s or (B) has the rating assigned to it by Moody’s withdrawn and, in either case, not reinstated within five business days of such downgrade or withdrawal; provided that if such Reference Obligation was assigned a public rating of “Baa3” or higher by Moody’s immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least “Caa1” by Moody’s within three calendar months of such withdrawal;

(ii) if publicly rated by Standard & Poor’s, (A) is downgraded to “CCC” or below by Standard & Poor’s or (B) has the rating assigned to it by Standard & Poor’s withdrawn and, in either case, not reinstated within five business days of such downgrade or withdrawal; *provided* that if such Reference Obligation was assigned a public rating of “BBB-” or higher by Standard & Poor’s immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least “CCC+” by Standard & Poor’s within three calendar months of such withdrawal; or

(iii) if publicly rated by Fitch, (A) is downgraded to “CCC” or below by Fitch or (B) has the rating assigned to it by Fitch withdrawn and, in either case, not reinstated within five business days of such downgrade or withdrawal; *provided* that if such Reference Obligation was assigned a public rating of “BBB-” or higher by Fitch immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least “CCC+” by Fitch within three calendar months of such withdrawal.

Credit Events under each Synthetic Security will be physically settled; provided that, in the case of a Writedown or a Failure to Pay Principal, the protection buyer may elect to receive a Credit Protection Payment from the protection seller rather than physical settlement. Multiple Credit Event Notices may be delivered with respect to the Synthetic Securities.

Each Synthetic Security is designed to replicate the risk transfer profile of an actual holding of Asset-Backed Securities or REIT Debt Securities. Asset-Backed Securities and REIT Debt Securities have inherent risks that differ in nature to corporate credit risk, most notably the fact that the obligor is relying on the timely receipt of cash flows from the underlying assets (and therefore has limited control over its ability to pay investors). Distressed scenarios can occur where the cash-flows of the Asset-Backed Security or REIT Debt Security are adversely affected without triggering an event of default under the terms thereof. As well as the Credit Events that trigger physical settlement described above, each Synthetic Security requires the protection seller to pay floating amounts to the protection buyer in amounts equal to (subject to any adjustments set forth in the relevant Confirmation to reflect any applicable percentage or reference price) any principal shortfalls, written down amounts and interest shortfalls under the Reference Obligation (calculated, in the case of principal shortfalls and interest shortfalls, as the expected amount less the actual amount received) upon the occurrence of, respectively, a Failure to Pay Principal, Writedown or Interest Shortfall (any such payment, a “**Credit Protection Payment**”). Under each Synthetic Security, the parties to the Credit Default Swap Agreement will elect to cap the interest shortfall risk being transferred to the protection seller by limiting amounts to be paid by the protection seller to the protection buyer to the amount of premium payable by the protection buyer under the Synthetic Security on the first premium payment date immediately following the Reference Obligation payment date on which the relevant interest shortfall occurred.

Credit Protection Payments made by the seller of protection will be contingent insofar as the protection buyer will be required to reimburse all or part of such Credit Protection Payments to the seller of protection if they are ultimately paid by the Reference Obligor to holders of the Reference Obligation within 365 days after the Effective Maturity Date (any such payment, (a) if made in respect of an amount received as a result of a Writedown or Failure to Pay Principal, a “**Principal Reimbursement**” or (b) if made in respect of an amount received as a result of an Interest Shortfall, an “**Interest Reimbursement**”). However, in the case of an Interest Reimbursement, the protection buyer generally will be entitled to receive recovery of any portion of the Interest Shortfall for which it was not compensated by the seller of protection before it makes any payment in respect of an Interest Reimbursement to the Issuer.

A Writedown or Failure to Pay Principal in respect of a Reference Obligation will entitle the protection buyer to elect whether to deliver a Credit Event Notice or require a contingent Credit Protection Payment under the related Synthetic Security. With respect to each Synthetic Security, the parties will generally elect to cap the interest shortfall risk being transferred to the protection seller by limiting amounts to be paid by the protection seller to the protection buyer to the amount of premium payable by the protection buyer under the Synthetic Security on the first premium payment date immediately following the Reference Obligation payment date on which the relevant interest shortfall occurred.

On each day falling five business days after a Reference Obligation payment date, the buyer of protection will be required to pay to the seller of protection with respect to each Synthetic Security an amount equal to the product of (i) the applicable fixed rate multiplied by (ii) an amount equal to (A) the sum of the Notional Amounts as at a specified time on each day during the related Reference Obligation calculation period divided by (B) the actual number of days in the related Reference Obligation calculation period multiplied by (iii) the actual number of days in the related Reference Obligation calculation period divided by 360.

The premium payable to the CDS Counterparty by the Issuer under a Synthetic Security that is a Short Synthetic Security will be at the quoted premium rate plus the Intermediation Fee, if applicable. The premium payable to the Issuer by the CDS Counterparty under a Synthetic Security that is not a Short Synthetic Security will be at the quoted premium rate minus the Intermediation Fee, if applicable.

Each of the Synthetic Securities is subject to and incorporates the 2003 ISDA Credit Derivatives Definitions, as published by the International Swaps and Derivatives Association, Inc. (“**ISDA**”) (the “**Credit Derivatives Definitions**”). Amendments or supplements to the Credit Derivatives Definitions that are published by ISDA will apply to a Synthetic Security to the extent agreed upon by the Issuer and the CDS Counterparty and provided that the Rating Condition is satisfied. For the Short Synthetic Securities, the Issuer and the CDS Counterparty will enter into a form of Pay As You Go Confirmation that is substantially similar to the then-effective form of Pay As You Go Confirmation on which the related long Synthetic Security is documented, in order to provide for the offset of the obligations between the Issuer and the CDS Counterparty. The Issuer may also enter into additional forms of Pay As You Go Confirmations published by ISDA and other Form-Approved Synthetic Securities. Noteholder consent will not be required with respect to forms of Pay As You Go Confirmations published by ISDA or such other forms of Form-Approved Synthetic Securities (but the Rating Condition must be satisfied for any forms of Pay As You Go Confirmations published by ISDA or such other forms of Form-Approved Synthetic Securities other than any forms set forth as exhibits to the Indenture or as have been previously approved).

### **Settlement**

Credit Events under the Synthetic Securities will be physically settled except as described above. Accordingly, it is expected that, upon settlement of a Synthetic Security, the buyer of protection will deliver to the seller of protection the deliverable obligations specified in the notice of physical settlement, and the seller of protection will pay to the buyer of protection the agreed Physical Settlement Amount that corresponds to the deliverable obligations that the buyer of protection has delivered. Each Synthetic Security will provide that the buyer of protection, when providing a notice of physical settlement, may specify an amount (the “**Exercise Amount**”) that is less than the Notional Amount as of the date on which such notice of physical settlement is delivered (calculated as though physical settlement in respect of all previously delivered Notices of Physical Settlement has occurred in full), in which case the rights and obligations of the parties under the Synthetic Security

will continue and the buyer of protection may deliver additional Notices of Physical Settlement with respect to the initial Credit Event or with respect to any additional Credit Event at any time thereafter.

In addition, each Synthetic Security will provide that only Reference Obligations may constitute deliverable obligations. Accordingly, upon receipt of Delivered Obligations, the Issuer may hold Delivered Obligations as Collateral, and such Delivered Obligations shall be subject to the provisions relating to the Disposition of Collateral Debt Securities set forth herein. See “Security for the Notes—Dispositions of Collateral Debt Securities”.

If the buyer of protection delivers deliverable obligations in an amount greater than the deliverable obligations specified in the notice of physical settlement, the seller of protection will not be required to pay more than the Physical Settlement Amount that corresponds to the deliverable obligations specified in the notice of physical settlement. The CDS Counterparty may seek to eliminate its credit exposure to the Reference Obligations by entering into back-to-back hedging transactions.

Where the buyer of protection has delivered a notice of physical settlement but does not deliver in full the deliverable obligations (including, without limitation, as a result of the illegality or impossibility of physical settlement) on or prior to the physical settlement date, then such notice of physical settlement shall be deemed not to have been delivered. In no event will full or partial cash settlement apply.

### **Conditions to Settlement**

In order for a Physical Settlement Amount to be due from the seller of protection to the buyer of protection in respect of a Synthetic Security, the Conditions to Settlement must be satisfied in relation to the relevant Reference Obligation. The “Conditions to Settlement” in relation to a Reference Obligation are that:

- (i) a Credit Event has occurred with respect to that Reference Obligation during the period from (and including) the effective date of the Synthetic Security to (and including) the applicable scheduled termination date of such Synthetic Security;
- (ii) the protection buyer has delivered a Credit Event Notice to the protection seller that is effective during the period from (and including) the effective date to (and including) the date that is 14 calendar days after the scheduled termination date or any later date permitted under the terms of the Synthetic Security (the “**Notice Delivery Period**”);
- (iii) the protection buyer has delivered the Notice of Publicly Available Information to the protection seller that is effective during the Notice Delivery Period; and
- (iv) the protection buyer has delivered a notice of physical settlement to the protection seller that is effective no later than thirty calendar days after the first date on which both the Credit Event Notice and the Notice of Publicly Available Information are effective.

Only the protection buyer has a right (but not an obligation) to deliver a Credit Event Notice and a Notice of Publicly Available Information with respect to any Reference Obligation for which a Credit Event has occurred.

### **Ratings Provisions**

The CDS Counterparty will be required to post collateral pursuant to, and in an amount described in, the Credit Default Swap Agreement (including the Credit Support Annex); provided that if the CDS Counterparty has not (A) provided such collateral, (B) obtained a full and unconditional guarantee of all of its obligations under the Credit Default Swap Agreement pursuant to a form of guarantee that satisfies the then current guarantee criteria publicly available from Standard & Poor’s from a guarantor that satisfies the Credit Default Base Counterparty Ratings Requirement, (C) assigned all of its obligations under the Credit Default Swap Agreement to an assignee that satisfies the Credit Default Base Counterparty Ratings Requirement, and the transfer to which will not result in a “termination event” or “event of default” (each as defined in the Credit Default Swap Agreement) under the Credit

Default Swap Agreement) or (D) taken such other action as will satisfy the Rating Condition, a “**Credit Default Swap Ratings Event**” will be deemed to have occurred.

It shall also be a “Credit Default Swap Ratings Event” if the Credit Default Swap Rating Determining Party fails to satisfy the Replacement Ratings Requirement. “**Replacement Ratings Requirement**” means a requirement which will be satisfied if Credit Default Swap Rating Determining Party has (i) a short-term debt rating of at least “A-2” by Standard & Poor’s and a long-term debt rating of at least “BBB+” by Standard & Poor’s, (ii) a short-term debt rating of “P-2” by Moody’s or a long-term debt rating of at least “A3” by Moody’s and (iii) a short-term debt rating of “F2” by Fitch and a long-term debt rating of at least “BBB+” by Fitch.

If a Credit Default Swap Ratings Event occurs with respect to any Credit Default Swap Rating Determining Party, the CDS Counterparty, at its sole expense, will be required, within 30 days, to (x) seek actively to obtain a substitute counterparty that (i) satisfies the Rating Condition, (ii) either (A) satisfies the Credit Default Base Counterparty Ratings Requirement or (B)(1) does not satisfy the Credit Default Base Counterparty Ratings Requirement but has complied with the collateral delivery obligations set forth in the Credit Default Swap Agreement and (2) satisfies the Replacement Ratings Requirement and (iii) will not, as a result of such transfer, be required to withhold or deduct on account of tax under the Credit Default Swap Agreement, and the transfer to which will not result in a “termination event” or “event of default” (each as defined in the Credit Default Swap Agreement) under the Credit Default Swap Agreement or (y) take such other action that will satisfy the Rating Condition.

#### **Amendment of the Credit Default Swap Agreement**

On or after the Closing Date the Issuer may modify all or a portion of the Credit Default Swap Agreement in accordance with the terms thereof and subject to compliance with the requirements of the Indenture and satisfaction of the Rating Condition. The Issuer shall not enter into any amendment, modification or waiver in respect of the Credit Default Swap Agreement if such amendment would materially and adversely affect any Class of Notes unless (A) notice of such amendment has been delivered by the Issuer (or the Trustee on behalf of the Issuer) to the Noteholders of each such Class, in each case, if materially and adversely affected thereby and (B) a Majority of the Noteholders of each such affected Class has not, within 10 Business Days after receipt of such notice, informed the Issuer that such Class objects to such amendment. The foregoing shall not, however, limit the authority of the Issuer (or the Collateral Manager on behalf of the Issuer) to amend, modify, waive or terminate any individual Synthetic Security or any provision thereof or of the Confirmation with respect thereto.

#### **Termination of the Credit Default Swap Agreement**

The Credit Default Swap Agreement will be subject to termination by the Issuer or the CDS Counterparty, whether or not the Notes have been paid in full prior to such termination, upon the occurrence of (i) certain events of bankruptcy, insolvency, conservatorship, receivership or reorganization of the Issuer or the CDS Counterparty, (ii) a Credit Support Default (as defined in the Credit Default Swap Agreement) in respect of the CDS Counterparty, (iii) a failure on the part of the Issuer or the CDS Counterparty to make any payment under the Credit Default Swap Agreement within the applicable grace period or (iv) a Termination Event thereunder.

“Termination Events” under (and as defined in) the Credit Default Swap Agreement will include:

- (i) certain tax events or a change in tax law affecting the Issuer or the CDS Counterparty;
- (ii) a Credit Default Swap Ratings Event;
- (iii) any completed Auction Call Redemption, Optional Redemption or Tax Redemption;
- (iv) a change in law making it illegal for either the Issuer or the CDS Counterparty to be a party to, or perform an obligation under, the Credit Default Swap Agreement; and
- (v) an Event of Default under the Indenture followed by the liquidation in full of the Collateral.

Amounts payable upon any early termination of the Credit Default Swap Agreement will be based substantially upon general replacement transaction valuation methodology. If any net termination payment is payable by the Issuer to the CDS Counterparty in connection with the occurrence of any such early termination or Notional Amount reduction, such amount (excluding any Defaulted Swap Termination Payment), together with interest on such amount for the period from and including the date of termination to but excluding the date of payment, shall be payable without regard to the Priority of Payments.

### **Defeased Synthetic Securities**

If the Issuer enters into a Defeased Synthetic Security with a Synthetic Security Counterparty, the terms and provisions applicable thereto may be substantially similar to those described with respect to the Synthetic Securities entered into with the CDS Counterparty above in this section, but may also substantially differ. To the extent that the terms of any Defeased Synthetic Security require the Issuer to secure its obligations with respect to such Synthetic Security, funds and other property used to secure such obligations will be deposited into a Third Party Collateral Account. In accordance with the terms of the applicable Defeased Synthetic Securities, these funds will be invested in Eligible Investments or as otherwise specified by the terms of such Defeased Synthetic Securities, and the income therefrom will be for the account of, and payable to, the Issuer, as and to the extent specified by the terms of such Defeased Synthetic Securities. After payment of all amounts owing by the Issuer to the applicable Synthetic Security Counterparty, and as and when otherwise specified by the terms of such Defeased Synthetic Securities, funds and other property standing to the credit of the related Third Party Collateral Account will be withdrawn from the Third Party Collateral Account and credited to the Synthetic Security Collateral Account. The Issuer will be required to satisfy the Rating Condition with respect to each Defeased Synthetic Security (other than a Form-Approved Synthetic Security) entered into with a Synthetic Security Counterparty; however, no other approval (including any consent of any Class of the Offered Securities) will be required in connection therewith.

### **THE CDS COUNTERPARTY AND THE CDS GUARANTOR**

*The information appearing in this section has been prepared by the CDS Counterparty and has not been independently verified by the Co-Issuers, the Collateral Manager, the Trustee or the Initial Purchaser. Accordingly, notwithstanding anything to the contrary herein, none of the Co-Issuers, the Collateral Manager, the Trustee, or the Initial Purchaser assume any responsibility for the accuracy, completeness or applicability of such information. The CDS Counterparty accepts responsibility only for the information contained in the following three paragraphs.*

The CDS Counterparty will be Merrill Lynch International, which is incorporated under the laws of England with its registered address at Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ, United Kingdom. It is a wholly owned indirect subsidiary of Merrill Lynch & Co. (“**ML&Co.**”). MLI does not publish financial statements. The payment obligations of MLI under the Credit Default Swap Agreement will be guaranteed by ML&Co.

ML&Co. is incorporated under the laws of the State of Delaware and has its principal executive office at 4 World Financial Center, New York, New York, 10281, (212) 449-1000. Its registered office in the State of Delaware is c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801.

ML&Co. files reports, proxy statements and other information with the SEC. The SEC filings are also available over the Internet at the SEC’s website at <http://www.sec.gov>. Investors may also read and copy any document filed at the SEC’s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information on the public reference rooms and their copy charges. Investors may also inspect the SEC reports and other information at the New York Stock Exchange, 20 Broad Street, New York, New York 10005. ML&Co. will provide without charge to each person to whom this Offering Circular is delivered, on written request of such person, a copy (without exhibits) of any or all such documents so filed since January 1, 2000. Requests for such copies should be directed to the Corporate Secretary, Merrill Lynch & Co., Inc., 222 Broadway, New York, NY 10038, telephone (212) 670-0432.

## THE HEDGE COUNTERPARTY

*The information in the following two paragraphs has been prepared by the Hedge Counterparty and has not been independently verified by the Co-Issuers, the Initial Purchaser, the Trustee or any other person. The Hedge Counterparty has assumed the responsibility for the accuracy of this information.*

The Hedge Counterparty, AIG Financial Products Corp. (“**AIG-FP**”), commenced its operations in 1987. AIG-FP and its subsidiaries conduct, primarily as a principal, a financial derivative products business covering the fixed income, foreign exchange, credit, equity, energy 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-FP, with respect to the Hedge Agreement entered into between AIG-FP and the Issuer. 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. Reports, proxy statements and other information filed by AIG with the Securities and Exchange Commission (the “**SEC**”) pursuant to the informational requirements of the Exchange Act can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of such materials can be obtained from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. The SEC also maintains a web site at <http://www.sec.gov> which contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

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 Memorandum as a whole.

## THE COLLATERAL MANAGER

*The information appearing in this section has been prepared by GSCP (NJ) L.P., a Delaware limited partnership, (together with its affiliates, referred to herein as “**GSC Partners**”), which will act as collateral manager (the “**Collateral Manager**”) and has not been independently verified by the Issuer, the Co-Issuer or the Initial Purchaser or any of their respective affiliates. Neither the Issuer, the Co-Issuer or the Initial Purchaser nor any of their respective affiliates assumes any responsibility for the accuracy, completeness or applicability of such information. The Collateral Manager accepts responsibility for the information contained in this section and to the best of its knowledge the information is accurate and does not omit anything likely to affect the import of such information.*

### General

The Collateral Manager is GSCP (NJ), L.P., which together with certain affiliates does business as GSC Partners. GSC Partners is an SEC-registered investment adviser with approximately \$10.7 billion of assets under management as of March 31, 2006. GSC Partners specializes in credit-based alternative investment strategies, including corporate credit, European mezzanine lending, control distressed debt investing and structured finance investing. GSC Partners is privately owned and has over 140 employees with headquarters in New Jersey, and offices in New York, London and Los Angeles. GSC Partners was founded in 1999 by Alfred C. Eckert III, its Chairman and Chief Executive Officer.

## **GSC Partners—Key Personnel**

The Collateral Manager will direct the management of the Issuer's portfolio of Collateral pursuant to the Management Agreement and in accordance with the terms of the Indenture governing sale and reinvestment of the Collateral and other obligations contained therein. In performing its obligations pursuant to the Management Agreement, the Collateral Manager will use the services and/or leverage the expertise and experience of the people set forth below, although it may not necessarily continue to use their services during the entire term of the Management Agreement.

*Alfred C. Eckert III, Chairman and Chief Executive Officer.* Mr. Eckert founded GSC Partners in 1999. Prior to that, Mr. Eckert was Chairman and Chief Executive Officer of Greenwich Street Capital Partners which he co-founded in 1994. Mr. Eckert was previously with Goldman, Sachs & Co. from 1973 to 1991, where he was elected as a Partner in 1984. Mr. Eckert founded the firm's Leveraged Buyout Department in 1983 and had senior management responsibility for it until 1991. Mr. Eckert was Chairman of the Commitments and Credit Committees from 1990 to 1991 and co-head of the Merchant Bank from 1989 to 1991. Mr. Eckert was also the Co-Chairman of the Firm's Investment Committee from its inception in 1986 until 1991. Mr. Eckert is a director of the New York City Opera, The Willow School, and is Vice Chairman of the Kennedy Center Corporate Fund Board. Mr. Eckert graduated from Northwestern University with a B.S. degree in Engineering and graduated with highest distinction as a Baker Scholar from the Harvard Graduate School of Business Administration with a M.B.A. degree.

*Richard M. Hayden, Vice Chairman, GSC Partners and Chairman, GSC Europe Ltd.* Mr. Hayden joined GSC Partners in 2000. Mr. Hayden was previously with Goldman, Sachs & Co. from 1969 until 1999 and was elected a Partner in 1980. Mr. Hayden transferred to London in 1992, where he was a Managing Director and the Deputy Chairman of Goldman, Sachs & Co. International Ltd., responsible for all European investment banking activities. He was also Chairman of the Credit Committee from 1991 to 1996, a member of the firm's Commitment Committee from 1990 to 1995, a member of the firm's Partnership Committee from 1997 to 1998 and a member of the Goldman, Sachs & Co. International Executive Committee from 1995 to 1998. In 1998, Mr. Hayden retired from Goldman, Sachs & Co. and was retained as an Advisory Director to consult in the Principal Investment Area. Mr. Hayden is an advisory director of Perry Capital, a non-executive director of COFRA Holdings, AG and a non-executive director of Deutsche Boerse. He is also a member of The Wharton Business School International Advisory Board. Mr. Hayden graduated Magna Cum Laude and Phi Beta Kappa from Georgetown University with a B.A. degree in Economics, and graduated from The Wharton School with a M.B.A. degree.

*Robert F. Cummings, Jr., Senior Managing Director, Chairman of the Risk & Conflicts and Valuation Committees.* Mr. Cummings joined GSC Partners in 2002. Mr. Cummings is a former member of the GSC Advisory Board. For the prior 28 years, Mr. Cummings was with Goldman, Sachs & Co., where he was a member of the Corporate Finance Department, advising corporate clients on financing, mergers and acquisitions, and strategic financial issues. Mr. Cummings was named a Partner of Goldman, Sachs & Co. in 1986. Mr. Cummings retired in 1998 and was retained as an Advisory Director by Goldman, Sachs & Co. to work with certain clients on a variety of banking matters. Mr. Cummings is a director of ATSI Holdings, GSC Capital Corp., Precision Partners Inc., RR Donnelley and Sons Co., Viasystems Group Inc., and a member of the Board of Trustees of Union College. Mr. Cummings graduated from Union College with a B.A. degree and from the University of Chicago with a M.B.A. degree.

*David L. Goret, Managing Director, General Counsel and Chief Compliance Officer.* Mr. Goret joined GSC Partners in 2004 and manages legal, human resources and certain administrative functions at the firm. Mr. Goret has served as General Counsel for several private and public companies over the last 16 years, and has significant expertise in a wide range of legal matters. Mr. Goret graduated magna cum laude from Duke University, with a B.A. degree in Religion and Political Science, and graduated from the University of Michigan with a J.D. degree.

*Robert A. Hamwee, Senior Managing Director, Control Distressed Debt.* Mr. Hamwee joined GSC Partners at its inception in 1999. Mr. Hamwee currently manages the day-to-day activities of the control distressed debt group and is a member of the firm's Management Committee. Mr. Hamwee was a Managing Director at Greenwich Street Capital Partners from 1994 to 1998. Prior to that, Mr. Hamwee was with The Blackstone Group from 1992 to 1994, where he worked on a wide range of assignments in the Restructuring and Merchant Banking

Departments. Mr. Hamwee is Chairman of the Board of APW Ltd. and ATSI Holdings, and a director of International Wire Group, Inc., Precision Partners, and Viasystems Group, Inc. He graduated Phi Beta Kappa from the University of Michigan with a B.B.A. degree in Finance and Accounting.

*Frederick H. Horton, Senior Managing Director, Structured Finance.* Mr. Horton joined GSC Partners in 2005 to head the structured finance business. Prior to GSC, Mr. Horton was at TCW and in 1997 started their asset-backed and mortgage-backed securities structured credit product business. He was involved in creating, marketing and closing 24 CDO funds. Mr. Horton has also held various portfolio management roles in fixed income, primarily involving mortgage products. Prior to joining TCW in 1993, Mr. Horton has also held senior portfolio management positions at Dewey Square Investors and the Putnam Companies in Boston, and headed the mortgage portfolio strategies research group at Drexel Burnham Lambert in New York. Mr. Horton has also held positions at State Street Bank and Chase Investors. Mr. Horton is Chief Executive Officer and a director of GSC Capital Corp. Mr. Horton graduated from Brown University with a B.A. degree in Environmental Studies and from Boston University with a M.B.A. degree in finance.

*Thomas V. Inglesby, Senior Managing Director, Corporate Credit.* Mr. Inglesby joined GSC Partners at its inception in 1999. Mr. Inglesby has senior responsibility for the GSC Corporate Credit business and joint responsibility for European structured products business. From 1997 to 1999, Mr. Inglesby was a Managing Director at Greenwich Street Capital Partners. Prior to that, Mr. Inglesby was a Managing Director with Harbour Group in St. Louis, Missouri, an investment firm specializing in the acquisition of manufacturing companies in fragmented industries. In 1986, Mr. Inglesby joined PaineWebber and was a Vice President in the Merchant Banking department from 1989 to 1990. Mr. Inglesby graduated with honors from the University of Maryland with a B.S. degree in Accounting, from the University of Virginia School of Law with a J.D. degree and from the Darden Graduate School of Business Administration with a M.B.A. degree.

*Matthew C. Kaufman, Senior Managing Director, Equity Portfolio.* Mr. Kaufman joined GSC Partners at its inception in 1999. Mr. Kaufman currently has day-to-day responsibility for the management of GSC's portfolio of controlled companies and selected equity investments. Additionally, Mr. Kaufman structures and oversees the provision of cross portfolio initiatives and services. Prior to that, Mr. Kaufman was a Managing Director at Greenwich Street Capital Partners from 1997 to 1999. Mr. Kaufman was previously Director of Corporate Finance with NextWave Telecom, Inc. From 1994 to 1996, Mr. Kaufman was with The Blackstone Group, in the Merchant Banking and Mergers and Acquisitions Departments, and from 1993 to 1994 was with Bear, Stearns & Co. Inc. working primarily in the Mergers & Acquisitions department. Mr. Kaufman is Chairman of the Board of Pacific Aerospace & Electronics, Inc. and a director of Atlantic Express Transportation Group, Burke Industries, Inc., Day International Group, Inc., Dukes Place Holdings Limited, Safety-Kleen Corp., and Worldtex, Inc. Mr. Kaufman graduated from the University of Michigan with a B.B.A. degree and a M.A.C.C. degree.

*Thomas J. Libassi, Senior Managing Director, Control Distressed Debt.* Mr. Libassi joined GSC Partners in 2000. Mr. Libassi specializes in the sourcing, evaluating and execution of distressed debt transactions. Prior to that, Mr. Libassi was Senior Vice President and Portfolio Manager at Mitchell Hutchins, a subsidiary of PaineWebber Inc. where he was responsible for managing approximately \$1.2 billion of high-yield assets for the Paine Webber Mutual Funds. In 1998, Mr. Libassi developed and launched the approximate \$550 million Managed High Yield Plus Fund, a leveraged closed-end fund that was ranked number one by Lipper in its category in 1999. From 1986 to 1994, Mr. Libassi was a Vice President and Portfolio Manager at Keystone Custodian Funds, Inc., with portfolio management responsibilities for three diverse institutional high-yield accounts with \$250 million in assets. Mr. Libassi is a director of DTN Holding Company, LLC, Outsourcing Services Group and Scovill Fasteners, Inc. Mr. Libassi graduated from Connecticut College, with a B.A. degree in Economics and Government, and from The Wharton School with a M.B.A. degree.

*Christine K. Vanden Beukel, Senior Managing Director, European Structured Products.* Ms. Vanden Beukel joined GSC Partners at its inception in 1999. Ms. Vanden Beukel manages the day-to-day operations of GSC's European investment activities. Prior to that, Ms. Vanden Beukel was a Managing Director with Greenwich Street Capital Partners from 1994 to 1999. Ms. Vanden Beukel was with Smith Barney Inc. from 1992 to 1994 as an Analyst in the Restructuring and Mergers and Acquisitions Groups, where she worked on a variety of advisory and financing transactions. Ms. Vanden Beukel graduated cum laude from Dartmouth College with an A.B. degree in Government and Economics.



*Andrew J. Wagner, Senior Managing Director and Chief Financial Officer.* Mr. Wagner joined GSC Partners in 2000 and oversees the Finance and Administration departments and is a member of the firm's Management Committee. From 1995 to 2000, Mr. Wagner was a General Partner and Chief Financial Officer of RFE Investment Partners, a private equity investment firm located in Connecticut. In addition to being responsible for the financial reporting of the RFE funds, Mr. Wagner was a Director of several RFE portfolio companies. Before joining RFE, Mr. Wagner was the Partner in charge of the Arthur Andersen LLP tax practice in Stamford, Connecticut. Mr. Wagner graduated from the University of Connecticut with a B.S. degree in Accounting.

*Daniel I. Castro, Jr., Managing Director, Structured Finance.* Mr. Castro joined GSC Partners in 2005. Mr. Castro has over 23 years experience in Structured Finance Products. From 1991 to 2004, Mr. Castro was employed by Merrill Lynch in various capacities, most recently as Managing Director of Structured Finance Research. Prior to Merrill Lynch, he was a Senior Analyst, Structured Transactions at Moody's Investor's Service. Mr. Castro also spent four years with Citigroup in various capacities. Mr. Castro was a member every year, since its inception in 1992 until he left Merrill Lynch in 2004, of the Institutional Investor All-American Fixed Income Research Team. Mr. Castro also ranked on the first team for ABS Strategy twice. Mr. Castro graduated from University of Notre Dame with a B.A. degree in Government/International Relations and from Washington University with a M.B.A. degree.

*Edward S. Steffelin, Managing Director, Structured Finance.* Mr. Steffelin joined GSC Partners in 2005. He was previously with the Trust Company of the West creating and managing CDO equity funds as a Senior Vice President. From 2001 to 2004, he was a principal at Allianz Risk Transfer, Inc. (New York), a wholly owned subsidiary of Allianz AG. Mr. Steffelin has also held positions at XL Financial Solutions, CGA Investment Management, and CapMAC. Mr. Steffelin graduated Phi Beta Kappa and with Honors from Occidental College with a B.A. degree in Economics and graduated from Dartmouth College with a M.B.A. degree.

*Wenbo Zhu, Managing Director, Structured Finance.* Ms. Zhu joined GSC Partners in 2005. She has twelve years experience as Senior Quantitative Analyst for a broad range of MBS and ABS securities. From 1998 to 2005, Ms. Zhu worked at Merrill Lynch, Global Securities Research and Economics. She was a Director responsible for research and publications focused on ABS, MBS, synthetic CDOs and cash CDO backed by ABS, leveraged loans, and trust preferred assets. Prior to this, Ms. Zhu worked at Paine Webber, Inc. in various capacities. Ms. Zhu graduated from Shanghai Institute of Science and Technology with a B.S. degree in Physics, from Rensselaer Polytechnic Institute with both a M.S. degree and a Ph.D. in Mechanical Engineering.

*Thomas E. Dial, Vice President, Structured Finance.* Mr. Dial joined GSC Partners in 2006. He was previously with Natexis Banques Populaires. He has 13 years of experience in the financial arena as a sell side structurer, whole loan trader and on the buy side as a member of a team managing Investment Grade & Mezzanine CDO's. His asset experience includes whole loans, Home Equities, Asset Backs, Corporate CDO's and CDO's of ABS. Mr. Dial graduated from the New Jersey Institute of Technology with a B.S. degree in Mechanical Engineering and from Rutgers Graduate School of Business Management with an M.B.A. degree.

*Joshua S. Bissu, Associate, Structured Finance.* Mr. Bissu joined GSC Partners in 2005. Prior to that, he was at Financial Security Assurance, Inc. in their Structured Credit/CDO group. Mr. Bissu was primarily responsible for structuring and modeling cash flows and yield tables for cash and synthetic CDOs/CLOs. In 2004, Mr. Bissu managed and closed transactions totaling \$11 billion gross par exposure. Mr. Bissu graduated Magna Cum Laude from Duke University, with a B.A. degree in Economics.

*Emily Chiang, Analyst, Structured Finance.* Ms. Chiang joined GSC Partners in 2005. Emily Chiang joined GSC Partners in 2005. Ms. Chiang was previously with JP Morgan and Credit Suisse First Boston reviewing and analyzing CDOs and structured credit trades. Ms. Chiang graduated from Cornell University with a B.S. degree in Operations Research and from the Walter A. Haas School of Business at University of California Berkeley with a M.S. degree in Financial Engineering.

*Anik K. Mukheja, Associate, Structured Finance.* Mr. Mukheja joined GSC Partners in 2005. Previously, he was employed at Lazard LLC for six years, where he worked as a Portfolio Manager and helped manage over \$4 billion of global fixed income accounts. He was also responsible for international structured products and corporate credits. He is a CFA charterholder and a member of the CFA Institute and NY Society of Securities Analysts. Mr.

Mukheja graduated from the University of Chicago with a B.A. degree in Economics and Environmental Studies, and from The Wharton School with a M.B.A. degree in Finance.

*Raj A. Savai, Analyst, Structured Finance.* Mr. Savai joined GSC Partners in 2005. He was previously with the Florida State Board of Administration where he worked as a Research Analyst-Intern. Prior to that, Mr. Savai worked as a Trader/Portfolio Manager in Bombay, India. Mr. Savai graduated from Ramrao Adik Institute of Technology, Mumbai University with a B.E. degree in Electronic Engineering and from Florida State University with a M.S. degree in Financial Mathematics.

*William Shieh, Analyst, Structured Finance.* Mr. Shieh joined GSC Partners in 2005. He was previously with DRW Trading Group where he worked as a proprietary trader. Mr. Shieh graduated from the University of Pennsylvania with a B.S. degree in Economics and a concentration in Accounting and Finance.

### **Investment Advisers Act**

GSC Partners has informed the Co-Issuers that it is registered as an investment adviser under the Advisers Act. Additional information with respect to GSC Partners can be obtained from GSC Partners' Form ADV on file with the SEC. A current copy of Part II of GSC Partners' Form ADV is attached hereto as Annex A. After the Closing Date, a copy of the current Part II of GSC Partners' Form ADV may be obtained from the Collateral Manager upon request.

### **THE MANAGEMENT AGREEMENT**

As compensation for the performance of its obligations as Collateral Manager under the Management Agreement, the Collateral Manager will receive a fee (the "**Collateral Management Fee**"), to the extent of the funds available for such purpose in accordance with the Priority of Payments or to the extent certain conditions are met. The Collateral Management Fee will consist of the Senior Collateral Management Fee, the Subordinated Collateral Management Fee and the Incentive Management Fee. On the Closing Date, the Issuer shall pay the Collateral Manager the Portfolio Accumulation Fee.

To the extent not paid on any Distribution Date when due, any accrued Senior Collateral Management Fee will be deferred and will be payable on subsequent Distribution Dates in accordance with the Priority of Payments. To the extent not paid on any Distribution Date when due, any accrued Subordinated Collateral Management Fee will be deferred and will be payable on subsequent Distribution Dates in accordance with the Priority of Payments. Any accrued and unpaid Senior Collateral Management Fee that is deferred due to the operation of the Priority of Payments will not accrue interest. Any accrued and unpaid Subordinated Collateral Management Fee that is deferred due to the operation of the Priority of Payments shall accrue interest for each Interest Period at a rate per annum equal to LIBOR as in effect for such Interest Period. Any accrued and unpaid Subordinated Collateral Management Fee, together with any interest thereon, that is deferred due to the operation of the Priority of Payments shall be payable upon the occurrence of a Redemption Date. Any Collateral Management Fee accrued but not paid prior to the resignation or removal of a Collateral Manager shall continue to be payable to such Collateral Manager on the Distribution Date immediately following the effectiveness of such resignation or removal and on each Distribution Date thereafter until paid in full.

*Standard of Care.* The Collateral Manager is required under the Management Agreement, subject to the terms and conditions of the Management Agreement and of the Indenture, to perform its obligations under the Management Agreement and under the Indenture with reasonable care and in good faith using commercially reasonable efforts and commercially reasonable judgment, and 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 for others in a manner reasonably consistent with its understanding of accepted asset management practices and procedures followed by reasonable and prudent institutional managers of national standing managing assets of the nature and character of the Collateral. The Management Agreement provides that, to the extent not inconsistent with the foregoing, the Collateral Manager will follow its customary standards, policies and procedures in performing its duties under the Management Agreement and under the Indenture.

*Indemnification and Exculpation of Collateral Manager.* The Collateral Manager, its directors, officers, partners, employees, affiliates and agents will not be liable to the Co-Issuers, the Trustee, the Collateral Administrator, the Preference Share Paying Agent, the Noteholders or any other person for any expenses, losses, damages, demands, charges, judgments, assessments, costs or other liabilities or claims (including reasonable attorneys' and accountants' fees and expenses) (collectively, "**Liabilities**") of any nature whatsoever incurred by the Co-Issuers, the Trustee, the Preference Share Paying Agent, the Noteholders or any other person that arise out of or in connection with the performance by the Collateral Manager of its duties under the Management Agreement, the Collateral Administration Agreement or the Indenture or for any acts or omissions by the Collateral Manager or any affiliate under or in connection with the Management Agreement, the Indenture, the Preference Share Paying Agency Agreement, the Collateral Administration Agreement and the Notes applicable to it, except (i) by reason of acts or omissions of the Collateral Manager constituting criminal conduct, fraud, bad faith, willful misconduct or gross negligence in the performance, or reckless disregard, of the obligations of the Collateral Manager under the terms of the Management Agreement and the Indenture applicable to the Collateral Manager; (ii) with respect to any representations or warranties made by the Collateral Manager under the terms of the Management Agreement or in any certificate or document furnished pursuant thereto that proves to be incorrect in any material respect when made; or (iii) with respect to the information, concerning the Collateral Manager set forth under the heading "The Collateral Manager" in the Offering Memorandum (other than information set forth under the subheading "General" contained therein), such information containing any untrue statement of 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 (each occurrence of an event described in the immediately preceding clauses (i), (ii) and (iii), a "**Collateral Manager Breach**"). Notwithstanding the foregoing, in no event shall the Collateral Manager or any other affiliates of the Collateral Manager be liable for consequential, special, exemplary or punitive damages. For the avoidance of doubt, the Collateral Manager will not be liable for trade errors that may result from ordinary negligence, such as errors in the trade process (including, but not limited to, a buy order being entered instead of a sell order, or the wrong security being purchased or sold (including synthetically), or a security being purchased or sold (including synthetically) in an amount or at a price (or notional amount) other than the correct amount or price (or notional amount)), except to the extent that any such errors are due to a Collateral Manager Breach. Any stated limitations on liability shall not relieve the Collateral Manager from any responsibility it has under any state or federal statutes. As more specifically set forth in the Management Agreement, the Collateral Manager and its affiliates and their respective members, principals, partners, managers, directors, officers, stockholders, employees and agents (each, an "**Indemnified Person**") will be entitled to indemnification by the Issuer, payable in accordance with the Priority of Payments, in respect of any Liabilities, and each Indemnified Person will be reimbursed for all reasonable fees and expenses (including reasonable fees and expenses of counsel) as such fees and expenses are incurred in investigating, preparing, pursuing or defending any claim, action, proceeding or investigation with respect to any pending or threatened litigation, caused by, or arising out of or in connection with, (i) the issuance of the Offered Securities or the transactions contemplated by this Offering Memorandum, the Indenture, the Management Agreement or other transaction documents, and/or (ii) any action taken by, or any failure to act by, the Collateral Manager or any other Indemnified Person, in either case to the extent not constituting a Collateral Manager Breach. Any amounts paid by the Issuer in respect of indemnification of an Indemnified Person will be subject to the Collateral Manager's obligation to repay such amounts to the Issuer to the extent the Liabilities in respect of which such Indemnified Person was indemnified by the Issuer are found by a court of competent jurisdiction in a judgment which has become final (whether or not subject to appeal) to have resulted from a Collateral Manager Breach.

Subject to the following sentence, the Issuer will be entitled to indemnification by the Collateral Manager in respect of any Liabilities incurred by the Issuer, and will be reimbursed for all reasonable fees and expenses (including reasonable fees and expenses of counsel) incurred in investigating, preparing, pursuing or defending any claim, action, proceeding or investigation with respect to any pending or threatened litigation, in each case, to the extent and only to the extent that such Liabilities, fees, expenses and other amounts result from a Collateral Manager Breach. Any Liabilities, fees, expenses and other amounts to be paid by the Collateral Manager in respect of its indemnification of the Issuer will be payable only upon and to the extent that a court of competent jurisdiction has found in a judgment which has become final (whether or not subject to appeal) that such Liabilities, fees, expenses and other amounts resulted from a Collateral Manager Breach.

The provisions of the Management Agreement may not be amended or waived other than (i) by an agreement in writing executed by the parties to the Management Agreement, (ii) with the consent of the Noteholders

and/or Preference Shareholders, or without such consent, in each case, in a manner that would be sufficient to meet the consent requirements (if any) for such a modification or amendment if it were made to the Indenture and (iii) upon the satisfaction of the Rating Condition (or waiver thereof by any affected Classes) with respect to such modification or amendment.

The Indenture places significant restrictions on the Collateral Manager's ability to direct the Issuer to enter into and Dispose of the Collateral Debt Securities representing Collateral for the Notes and the Collateral Manager is required to comply with these restrictions contained in the Indenture. Accordingly, during certain periods or in certain specified circumstances, the Collateral Manager may be unable to enter into or purchase Collateral Debt Securities or to take other actions which it might consider in the best interests of the Issuer and the Noteholders, as a result of such restrictions set forth in the Indenture.

In its capacity as investment adviser and manager, the Collateral Manager may engage in other businesses and furnish services of any kind (including investment management and advisory services) to other clients whose investment policies may be similar to or may differ from those followed by the Collateral Manager on behalf of the Issuer with respect to the Collateral Debt Securities or the Eligible Investments. The Collateral Manager and its affiliates (on their own behalf or on behalf of their respective clients, including other managed funds) may make recommendations or effect transactions on behalf of themselves or for others which may be similar to or differ from those made or effected with respect to the Collateral.

The Collateral Manager shall not knowingly direct the Trustee to purchase any security to be included in the Collateral from the Collateral Manager or any of its affiliates as principal or to sell any security to the Collateral Manager or any of its affiliates as principal unless (a) such purchase or sale is not in violation of the Advisers Act, (b) the Board of Directors of the Issuer shall have received from the Collateral Manager such information relating to such acquisition or disposition as it shall reasonably require, (c) the Board of Directors of the Issuer shall have been informed of and approved such purchase or sale and (d) such purchase or sale is effected in a transaction that would be representative of a transaction entered into on an arm's-length basis. The Collateral Manager shall not knowingly direct the Trustee to purchase any security or loan for inclusion in the Collateral from any account or portfolio for which the Collateral Manager or any of its affiliates serve as investment adviser or direct the Trustee to sell any security or loan to any account or portfolio for which the Collateral Manager or any of its affiliates serve as investment adviser unless (a) such purchase or sale is not in violation of the Advisers Act and (b) such purchase or sale is effected in a transaction that is on an arm's-length terms. For the foregoing purposes, no person or entity shall be deemed an affiliate of the Collateral Manager by reason of the Collateral Manager or an affiliate of the Collateral Manager acting as an investment adviser, asset manager or collateral manager (or acting in a similar capacity, however denominated) with respect to such person or entity.

In addition, the Collateral Manager may, from time to time, cause or direct Related Entities to buy or sell, or may recommend to Related Entities the buying and selling of (including synthetically), securities of the same or of a different kind or class of the same issuer as Cash Securities acquired by the Issuer or the Reference Obligations in respect of the Synthetic Securities which the Collateral Manager directs the Issuer to enter. Situations may occur where the Issuer could be disadvantaged because of the investment activities conducted by the Collateral Manager for the Related Entities.

The Collateral Manager may be removed without cause upon 90 days' (or such shorter notice as is acceptable to the Collateral Manager) prior written notice to the Collateral Manager (with a copy to each Rating Agency) by the Issuer, with the consent of (i) the Noteholders owning at least 66 2/3% in aggregate outstanding principal amount of each Class of Notes voting separately and (ii) the Preference Shareholders owning at least 66 2/3% of the outstanding Preference Shares; *provided*, however, that such termination or removal shall not be effective until the date as of which a successor Collateral Manager has been appointed in accordance with the Management Agreement and has accepted the duties of the successor Collateral Manager thereunder. In determining whether the requisite Noteholders have given any such direction, notice or consent, Collateral Manager Securities will be disregarded and deemed not to be outstanding. The Issuer will use its best efforts to appoint a successor Collateral Manager to assume such duties and obligations.

The Collateral Manager also may be removed for cause upon ten Business Days' prior written notice by the Issuer, at the direction of a Majority of the Noteholders and Preference Shareholders. In determining whether the

requisite Noteholders and Preference Shareholders have given the foregoing direction, notice or consent, Collateral Manager Securities will be disregarded and deemed not to be outstanding. The term “Collateral Manager” for purposes of this paragraph includes any successor or successors to GSC.

For purposes of the Management Agreement, “**cause**” will mean (a) the Collateral Manager willfully violates any provision of the Management Agreement or the Indenture applicable to it; (b) the Collateral Manager breaches in any material respect any provision of the Management Agreement or any term of the Indenture applicable to it or any representation, certificate or other statement made or given in writing by the Collateral Manager (or any of its directors or officers) pursuant to the Management Agreement or the Indenture (in each case, other than the failure to satisfy any of the Class A Sequential Payment Test, Collateral Quality Tests, Standard & Poor’s Par for Par Criteria, Eligibility Criteria or Overcollateralization Tests) shall prove to have been incorrect in any material respect when made or given, which breach or materially incorrect representation, certificate or statement (i) has a material adverse effect on the rights of any Class of Offered Securities and (ii) if such breach or such materially incorrect representation, certificate or statement is capable of being cured, the Collateral Manager fails (within 30 days of its becoming aware or receiving notice from the Trustee) to cure such breach, or to take such action so that the facts (after giving effect to such actions) conform in all material respects to such representation, certificate or statement; (c) certain events of bankruptcy or insolvency in respect of the Collateral Manager; (d) the occurrence of an Event of Default, other than certain events of bankruptcy or insolvency of the Co-Issuers, that primarily results from any breach by the Collateral Manager of its duties under the Indenture or Management Agreement; or (e) the occurrence of an act by the Collateral Manager which constitutes fraud or criminal activity in the performance of the Collateral Manager’s obligations under the Management Agreement or the Indenture or the indictment of the Collateral Manager or any of its affiliates or any senior officer of the Collateral Manager having direct responsibility over the Issuer’s investment activities for a criminal offense materially related to its business of providing investment advisory services.

The Collateral Manager may not assign its rights or obligations under the Management Agreement without the prior written consent of the Issuer and the Noteholders owning a majority in outstanding principal amount of each Class of Notes (voting separately) and the Preference Shareholders owning a majority of the outstanding number of Preference Shares (excluding, in each case, Collateral Manager Securities), and without satisfying the Rating Condition; *provided, however*, that the Collateral Manager may assign its obligations under the Management Agreement to an affiliate of the Collateral Manager without obtaining the consent of the Issuer or any Noteholder, so long as such assignment does not constitute an “assignment” under the Investment Advisers Act. Subject to the following paragraph, the Collateral Manager may resign upon 90 days’ (or such shorter notice as is acceptable to the Issuer) written notice to the Issuer, the Trustee and the Rating Agencies.

No removal, termination or resignation will be effective unless a successor Collateral Manager has been appointed and approved pursuant to the Management Agreement and has agreed in writing to assume all of the Collateral Manager’s duties and obligations pursuant to the Management Agreement. Any successor Collateral Manager must be appointed by the Issuer, subject to the requirements of the following paragraph, and not rejected by the Noteholders owning more than 33 1/3%, in outstanding principal amount, of any Class of Notes voting separately, or the Noteholders owning more than 33 1/3%, in outstanding principal amount, of the outstanding Preference Shares, within 20 days after the issuance of a notice of a vote regarding the successor Collateral Manager to the Noteholders; *provided* that, such rejection will not be unreasonable. In determining whether the requisite Noteholders have given such rejection, Collateral Manager Securities will not be disregarded and will be deemed to be outstanding.

Upon any resignation or removal of the Collateral Manager while any of the Offered Securities are outstanding, the Issuer (in consultation with the Holders of the Offered Securities then outstanding) will appoint as successor Collateral Manager an institution which (i) has demonstrated an ability to professionally and competently perform duties similar to those imposed upon the Collateral Manager (or that has been approved in writing by a Majority of the Controlling Class), (ii) is legally qualified and has the capacity to act as successor Collateral Manager, (iii) shall not cause the Issuer or the Co-Issuer or the pool of Collateral to become required to register under the provisions of the Investment Company Act and (iv) with respect to which the Rating Condition is satisfied. No compensation payable to a successor Collateral Manager from payments on the Collateral will be greater than that paid to the Collateral Manager without the prior written consent of (i) a Majority of the Notes and (ii) a Majority of the Preference Shares (excluding, at the time of such vote, Collateral Manager Securities) and

without the Rating Condition being satisfied with respect thereto. Upon the later of (1) expiration of the applicable notice period with respect to termination specified in the Management Agreement and (2) the time that the successor Collateral Manager has otherwise been appointed and has agreed in writing to assume the rights and obligations of the Collateral Manager under the Management Agreement, all authority and power of the Collateral Manager under the Management Agreement, whether with respect to the Collateral Debt Securities or otherwise, will automatically and without further action by any person or entity pass to and be vested in such successor Collateral Manager.

In the event of a removal of the Collateral Manager, if no successor Collateral Manager has been appointed or an instrument of acceptance by a successor Collateral Manager has not been delivered to the Collateral Manager (a) within 20 days after approval of a successor Collateral Manager by the Issuer, and the issuance of notice of a vote regarding such successor Collateral Manager to the Noteholders of each Class of Notes and the Preference Shareholders or (b) within 90 days after the date of notice of removal of the Collateral Manager, the removed Collateral Manager may petition any court of competent jurisdiction for the appointment of a successor Collateral Manager without the approval of any Noteholders or Preference Shareholders.

In the event of a resignation by the Collateral Manager, if no successor Collateral Manager will have been appointed or an instrument of acceptance by a successor Collateral Manager has not been delivered to the Collateral Manager within 120 days after the date of notice of resignation by the Collateral Manager, the resigned Collateral Manager may petition any court of competent jurisdiction for the appointment of a successor Collateral Manager without the approval of the Noteholders.

Copies of the Management Agreement will be available for inspection while any Offered Securities remain outstanding at the office of the Trustee.

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

#### **COLLATERAL ADMINISTRATION AGREEMENT**

Pursuant to the terms of the Collateral Administration Agreement (the “**Collateral Administration Agreement**”) among the Issuer, the Collateral Manager and LaSalle Bank National Association, a national banking association, as Collateral Administrator (the “**Collateral Administrator**”), the Issuer will retain the Collateral Administrator to prepare certain reports with respect to the Collateral Debt Securities. The compensation paid to the Collateral Administrator by the Issuer for such services will be in addition to any fees paid to the Collateral Manager and to LaSalle Bank National Association, in its capacity as Trustee, and will be treated as an expense of the Issuer under the Indenture and will be subject to the priorities set forth under “Description of the Notes—Priority of Payments”.

#### **INCOME TAX CONSIDERATIONS**

The following is a summary, based on present law, of certain Cayman Islands and U.S. Federal income tax considerations for prospective purchasers of the Notes, the Class P Notes or the Preference Shares. The discussion is a general summary. It is not a substitute for tax advice. It addresses only purchasers that buy Offered Securities in the original offering at the original offering price, hold the Offered Securities as capital assets and use the U.S. dollar as their functional currency. It does not address purchasers that buy Offered Securities after the Closing Date. The discussion does not consider the circumstances of particular purchasers, some of which (such as banks, insurance companies, securities traders and dealers, tax-exempt organizations or persons holding the Offered Securities as part of a hedge, straddle, conversion, integrated or constructive sale transaction) are subject to special tax regimes, and does not address the Class A-1A Swap Availability Fee or the Class A-1B Commitment Fee.

**Each prospective purchaser should seek advice from an independent tax advisor about the tax consequences under its own particular circumstances of investing in Offered Securities under the laws of the**

**Cayman Islands, the United States and its constituent jurisdictions and any other jurisdiction where the purchaser may be subject to taxation.**

**To ensure compliance with requirements imposed by the IRS in Circular 230, you are hereby informed that (i) any tax advice contained herein is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code, (ii) the advice is written to support the promotion or marketing of the transactions or matters addressed herein, and (iii) each investor and potential investor should seek advice based on its particular circumstances from an independent tax advisor.**

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

### **Taxation of the Issuer**

#### Cayman Islands Taxation

The Issuer will not be subject to income, capital, transfer, sales or corporation tax in the Cayman Islands. The Issuer has been incorporated under the laws of the Cayman Islands as an exempt company and, as such, has applied for, from the Governor in Cabinet of the Cayman Islands, an Undertaking as to Tax Concessions pursuant to Section 6 of the Tax Concessions Law (1999 Revision) providing that, for a period of 20 years from the date of such Undertaking, no law subsequently enacted in the Cayman Islands imposing any tax or withholding tax on profits, income, gains or appreciations will apply to the Issuer or its operations.

#### U.S. Taxation

The Issuer will be treated as a corporation for United States Federal income tax purposes. Generally, a non-United States corporation is not subject to United States Federal income tax on a net income basis unless it is engaged in a trade or business in the United States.

Proposed United States Treasury regulations provide that a non-United States corporation will not be treated as engaged in a trade or business in the United States solely by reason of effecting transactions in derivatives for the taxpayer’s own account, so long as the non-United States corporation is not a dealer in stocks, securities, commodities or derivative instruments. The term “derivative” includes, for this purpose, evidence of an interest, or derivative financial instruments, in any stock, note, bond, debenture or other evidence of indebtedness or notional principal contract. Although these proposed regulations are proposed to be effective for taxable years beginning 30 days after the date that final regulations are published in the Federal Register, the preamble to the proposed regulations states that taxpayers may elect to apply the provisions of the related final regulations to taxable years beginning before the date which is 30 days after such regulations are published as final in the Federal Register. Moreover, the preamble states that, for periods prior to the effective date, taxpayers engaged in derivative transactions may take any reasonable position with regard to the application to such derivative transactions of the statutory exemption from being engaged in a trade or business relating to a taxpayer’s trading in stocks or securities for its own account (the “**Trading Exception**”) and that the IRS will view positions consistent with the proposed regulations, discussed above, as reasonable under the Trading Exception.

The Issuer expects to satisfy the requirements necessary to qualify for the Trading Exception (including the proposed regulations described above), and will receive an opinion from Stroock & Stroock & Lavan LLP, special U.S. Federal income tax counsel to the Issuer, that under current law it will not be engaged in a trade or business within the United States and accordingly its net income will not be subject to U.S. Federal income tax except to the extent it holds equity securities issued by non-corporate entities that are so engaged.

Under current U.S. Federal income tax law, the treatment of Synthetic Securities in the form of credit default swaps (including those with “pay-as-you-go” features) is unclear. The IRS has asked for comments on the proper treatment for Federal income tax purposes of credit default swaps. Certain possible tax characterizations of a credit default swap, if adopted by the U.S. Internal Revenue Service and if applied to Synthetic Securities to which the Issuer is a party, could subject payments received by the Issuer under such Synthetic Securities or the Issuer itself to U.S. tax.

Subject to the foregoing paragraph, the Issuer expects that payments received on the Collateral Debt Securities and Eligible Investments generally will not be subject to withholding taxes imposed by the United States or other countries from which such payments are sourced. Income from equity securities of U.S. issuers is likely to be subject to U.S. withholding tax. 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. 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 make payments on the Offered Securities.

### **Taxation of the Holders**

#### Cayman Islands Taxation

No Cayman Islands withholding tax applies to payments on the Offered Securities. 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 Securities (except that (a) each Class of Offered Securities will be subject to a fixed stamp duty of CI\$500 and (b) an instrument transferring title to a Note, if brought to or executed in the Cayman Islands, will be subject to nominal Cayman Islands stamp duty).

#### U.S. Taxation of Notes

Stroock & Stroock & Lavan LLP, special U.S. Federal income tax counsel to the Issuer (“Tax Counsel”) will deliver an opinion to the Issuer that the Class A-2, Class B, Class C, Class D and Class E Notes will be treated as debt of the Issuer for U.S. Federal income tax purposes. Because the Class F and Class G Notes are not expected to be rated investment grade, Tax Counsel will not be delivering an opinion as to whether the Class F and Class G Notes would be treated as debt for U.S. Federal income tax purposes. Tax Counsel will deliver an opinion that if, through the date of the final draw, there are no material changes in the law or facts and the rating of the Class A-1A Notes or the Class A-1B Notes, as applicable, is not lowered, the Class A-1A Notes and the Class A-1B Notes, as the case may be, will be debt for U.S. Federal income tax purposes. The Issuer intends to treat all the Notes as debt of the Issuer for such purposes, and the following discussion assumes that each Class of the Notes will be debt of the Issuer.

#### U.S. Holders.

*Class A-1 Notes, Class A-2 Notes, Class B Notes and Class C Notes.* Interest paid on a Class A-1 Notes, Class A-2 Notes, Class B Notes and Class C Notes generally will be includible in the gross income of a U.S. Holder in accordance with its regular method of tax accounting. U.S. Holders therefore generally will recognize income for each period equal to the amount due or paid during that period.

*Class D Notes, Class E Notes, Class F Notes and Class G Notes.* The timing of income from the Class D Notes, Class E Notes, Class F Notes and Class G Notes (the “Deferrable Interest Notes”) depends on whether they are considered to have been issued with original issue discount (“OID”). If a debt instrument has OID, its holder must accrue that OID into income on a constant yield basis without regard to the receipt of cash payments. Generally, a debt instrument has OID if its stated redemption price at maturity exceeds its issue price by more than a specified de minimis amount. The issue price of a debt instrument is the initial offering price at which a substantial amount is sold (excluding sales to brokers or similar persons). Stated redemption price at maturity is the total of all payments due on the debt instrument other than payments of qualified stated interest.



Because interest on the Deferrable Interest Notes may be deferred, stated interest on those Notes will not be treated as qualified stated interest and therefore will be treated as OID unless the likelihood of deferral is remote. The Issuer has not been able to determine that the likelihood of deferral is remote. Therefore, the Issuer will treat the Deferrable Interest Notes as issued with OID that includes all stated interest as well as any excess of their par amount over issue price (since any such excess will, together with stated interest, exceed the de minimis amount). Because interest on a Deferrable Interest Note is determined at a floating rate, accrual of OID is determined as though stated interest accrued at a hypothetical fixed rate equal to the value of the floating rate on the issue date, and OID for each accrual period were determined on such hypothetical fixed rate debt instrument. A U.S. Holder of a Deferrable Interest Note then makes adjustments to the OID recognized each accrual period if the interest actually payable for the period differs from the interest payable at the hypothetical rate.

Assuming the Issuer is not engaged in a U.S. trade or business, interest and OID on all the Notes will be generally from sources outside the United States.

The timing of accrual of OID could be affected by special rules applicable to debt instruments that are subject to principal acceleration due to prepayments on debt obligations that secure them. U.S. Holders should consult their tax advisors about the proper manner of accruing any OID on the Notes.

A U.S. Holder generally will recognize gain or loss on the redemption or disposition of a Note in an amount equal to the difference between the amount realized (excluding, in the case of the Class A-1 Notes, Class A-2 Notes, Class B Notes and Class C Notes, accrued but unpaid interest – which will be taxable as ordinary interest income) and the U.S. Holder's adjusted tax basis in the Note. Adjusted basis will be increased by any OID accrued into income and generally will be reduced by any payments other than of qualified stated interest. The gain or loss generally will be capital gain or loss from sources within the United States.

*Non-U.S. Holders.* Interest paid to a Non-U.S. Holder will not be subject to U.S. withholding tax as long as the Issuer is not engaged in a U.S. trade or business. Even if the Issuer were engaged in a U.S. trade or business, interest paid to many Non-U.S. Holders would qualify for an exemption from withholding tax if the Holders certify their foreign status. Interest paid to a Non-U.S. Holder also will not be subject to U.S. net income tax unless 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 a 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, (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, or (iii) the Holder is a former U.S. citizen or long-term resident subject to special rules that apply to expatriates.

*Alternative Treatment.* It is possible that the U.S. Internal Revenue Service may challenge the treatment of the Notes as debt of the Issuer. If the challenge were to succeed, the affected Notes would be treated as equity interests in the Issuer and the U.S. Federal income tax consequences of investing in those Notes would generally be the same as those of investing in the Preference Shares without having elected to treat the Issuer as a qualified electing fund.

#### U.S. Taxation of Preference Shares

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

below, gain or loss on the sale or other disposition of the Preference Shares will be capital gain or loss. Gain and loss realized by a U.S. Holder generally will be U.S. source income.

The Issuer will be a passive foreign investment company (a “**PFIC**”), and therefore, except as described below, a U.S. Holder of the Preference Shares will be subject to additional tax on excess distributions received on the Preference Shares or gains realized on the disposition of the Preference Shares. A U.S. Holder will have an excess distribution if distributions received on the Preference Shares during any tax year exceed 125% of the average amount received during the three preceding tax years (or, if shorter, the U.S. Holder’s holding period). A U.S. Holder may realize gain for this purpose not only through a sale or other disposition, but also by pledging the Preference Shares as security for a loan or entering into certain constructive disposition transactions. To compute the tax on an excess distribution or any gain, (i) the excess distribution or gain is allocated ratably over the U.S. Holder’s holding period, (ii) the amount allocated to the current tax year is taxed as ordinary income and (iii) the amount allocated to each previous tax year is taxed at the highest applicable marginal rate for that year and an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax. These rules, in addition to the interest charge, effectively prevent a U.S. Holder from treating gain on the Preference Shares as capital gain. A U.S. Holder of Preference Shares may wish to avoid the tax consequences just described by electing to treat the Issuer as a qualified electing fund (“**QEF**”). If the U.S. Holder makes a QEF election, the U.S. Holder will be required to include in gross income each year, whether or not the Issuer makes distributions, its *pro rata* share of the Issuer’s net earnings. That income will be long-term capital gain to the extent of the U.S. Holder’s *pro rata* share of the Issuer’s net capital gains; the remainder, if any, will be ordinary income. Net capital gains generally means net long-term capital gains reduced by net short-term capital losses. Amounts recognized by a U.S. Holder making a QEF election generally are treated as income from sources outside the United States. If U.S. Holders together hold at least half (by vote or value) of the Preference Shares and other interests treated as equity in the Issuer, however, a percentage of those amounts equal to the proportion of the Issuer’s income that comes from U.S. sources will be treated as income from sources within the United States. Because the U.S. Holder has already paid tax on them, the amounts previously included in income will not be subject to tax when they are distributed to the U.S. Holder. An electing U.S. Holder’s basis in the Preference Shares will increase by any amounts the Holder includes in income currently and decrease by any amounts not subject to tax when distributed. The Issuer will provide Holders of the Preference Shares with the information needed to make a QEF election.

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

The Issuer also may be a controlled foreign corporation (a “**CFC**”) if U.S. Holders that each own (directly, indirectly or by attribution) at least 10% of the Preference Shares and any other interest treated as voting equity in the Issuer (each such U.S. Holder, a “**10% U.S. Shareholder**”) together own more than 50% (by vote or value) of the Preference Shares and any other interests treated as equity in the Issuer. If the Issuer is a CFC, a 10% U.S. Shareholder will be subject to the CFC rules rather than the PFIC rules for the portion of such U.S. Holder’s holding period that is a 10% U.S. shareholder. A U.S. Holder that is a 10% U.S. Shareholder on the last day of the Issuer’s taxable year must recognize ordinary income equal to its *pro rata* share of the Issuer’s net earnings (including both ordinary earnings and capital gains) for the tax year whether or not the Issuer makes a distribution. The income will be treated as income from sources within the United States to the extent it is derived by the Issuer from U.S. sources for purposes of applying foreign tax credit limitations. Earnings on which a U.S. Holder pays tax currently will not be taxed again when they are distributed to the U.S. Holder. A U.S. Holder’s basis in its interest in the Issuer will increase by any amounts the Holder includes in income currently and decrease by any amounts not subject to tax when distributed. If the Issuer is a CFC, (i) the Issuer would incur U.S. withholding tax on interest received from a related U.S. person, (ii) special reporting rules will apply to directors of the Issuer and certain other persons and (iii) certain other restrictions may apply. Subject to a special limitation for individual U.S. Holders that have held the Preference Shares for more than one year, gain from disposition of Preference Shares recognized by a U.S. Holder that is or recently has been a 10% U.S. Shareholder will be treated as dividend income to the extent earnings

attributed to the Preference Shares accumulated while the U.S. Holder held the Preference Shares and the Issuer was a CFC.

U.S. Holders generally must report on IRS Form 926, with their tax return for the tax year that includes the Closing Date, certain information relating to their purchase of the Preference Shares. When a U.S. Holder holds 10% of the shares in a CFC or QEF, the Holder also must disclose to the IRS certain Issuer transactions. A significant penalty will be imposed on taxpayers who fail to make a required disclosure. U.S. Holders are urged to consult their tax advisors about these and all other specific reporting requirements.

*Non-U.S. Holders.* Payments to a Non-U.S. Holder of Preference Shares will not be subject to U.S. tax unless the income is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States or, under certain conditions, the Issuer is treated as engaged in a U.S. trade or business. Gain realized by a Non-U.S. Holder on the sale or other disposition of the Preference Shares will not be subject to U.S. tax unless (i) the gain is effectively connected with the Non-U.S. Holder's conduct of a U.S. trade or business, (ii) the Non-U.S. 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, or (iii) the Non-U.S. Holder is a former U.S. citizen or long-term resident subject to special rules that apply to expatriates.

#### U.S. Taxation of Class P Notes

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

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

#### U.S. Taxation of Class P Treasury Strip

The Class P Treasury Strip will be treated as having been issued with OID for U.S. Federal income tax purposes and a U.S. Holder will be required to include annually in its gross income as interest such amounts of OID that accrue on a constant yield to maturity basis on the Class P Treasury Strip. The amount of OID on a Class P Treasury Strip will equal the excess of the amount payable on its maturity over the allocable portion of the purchase price of the related Class P Note. The accrual of OID will apply regardless of the U.S. Holder's regular method of tax accounting and without regard to the timing of actual payments on the Class P Treasury Strip. Under these rules, a U.S. Holder will be required to include OID in gross income in advance of the receipt of the cash payments attributable to such income. The income will be ordinary income from sources within the United States.

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

loss recognized on the sale, redemption or other taxable disposition of the Class P Treasury Strip generally will be capital gain or loss from sources within the United States.

#### U.S. Information Reporting and Backup Withholding

Payments on the Offered Securities and proceeds from the disposition of the Offered Securities paid to a non-corporate Holder generally will be subject to U.S. information reporting. Backup withholding tax may apply to reportable payments unless the Holder provides a correct taxpayer identification number or otherwise establishes an exemption by providing a properly completed and executed IRS Form W-9. 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.

Non-U.S. Holders that provide certification of foreign status pursuant to the appropriate IRS Form W-8 or appropriate substitute form generally are exempt from information reporting and thus from back-up withholding. Even if such a form is not provided, proceeds of the disposition of Offered Securities by Non-U.S. Holders through a non-U.S. broker's non-U.S. office will not be subject to back-up withholding or information reporting unless the non-U.S. broker is a U.S. Related Person. Proceeds of the disposition of Offered Securities by Non-U.S. Holders to or through a U.S. broker's non-U.S. office or a U.S. Related Person generally will not be subject to back-up withholding but may be subject to information reporting. "U.S. Related Persons" include (i) CFCs, (ii) certain foreign persons who derive most of their gross income from activities effectively connected with the conduct of a U.S. trade or business, (iii) foreign partnerships that at any time during the tax year (x) have one or more U.S. partners who, in the aggregate, hold more than 50% of the income or capital interest of the partnership or (y) engaged in a U.S. trade or business or (iv) certain U.S. branches of foreign banks or foreign insurance companies.

#### Tax Shelter Reporting Requirements

Pursuant to Treasury Regulations directed at tax shelter activity, taxpayers are required to disclose to the IRS certain information on IRS Form 8886 if they participate in a "reportable transaction". A transaction may be a "reportable transaction" based upon any of several indicia with respect to a holder, including the existence of the recognition of a loss. A significant penalty will be imposed on taxpayers who participate in a "reportable transaction" and fail to make the required disclosure in tax returns and statements due after October 22, 2004. The payment is generally \$10,000 for natural persons and \$50,000 for other persons (increased to \$100,000 and \$200,000, respectively, if the reportable transaction is a "listed" transaction). Investors should consult their own tax advisors concerning any possible disclosure obligation with respect to their investment in the Issuer and the penalty discussed above.

**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 NOTES OR THE PREFERENCE SHARES 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 which are not subject to ERISA.

**The statements about U.S. Federal tax issues are made to support marketing of the Offered Securities. 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 Offered Securities under the laws of the Cayman Islands, the United States and its constituent jurisdictions and any other jurisdiction where the purchaser may be subject to taxation.**

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

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

Each of the Issuer, the Co-Issuer, Merrill Lynch & Co. 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 Offered Securities are acquired by a Plan with respect to which any of the Issuer, the Co-Issuer, Merrill Lynch & Co., the Collateral Manager, the obligors on the Collateral Debt Securities or any of their respective affiliates is a Party-In-Interest or Disqualified Person. In addition, if a Party-In-Interest or Disqualified Person with respect to a Plan owns or acquires a beneficial interest in the Issuer or the Co-Issuer, the acquisition or holding of Offered Securities by or on behalf of the Plan could be considered to constitute an indirect prohibited transaction. Moreover, the acquisition or holding of Notes or Class P Notes or other indebtedness issued by the Issuer or the Co-Issuer by or on behalf of a Party-In-Interest or Disqualified Person with respect to a Plan that owns or acquires a beneficial interest in the Issuer or the Co-Issuer, as the case may be, also could give rise to an indirect prohibited transaction. Certain exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are PTE 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 or holding of Offered Securities 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 interests in the entity, 25% or more of the value of any class of equity interests in the entity (excluding the value of any interests held by certain persons, other than Benefit Plan Investors, exercising control over the assets of the entity or providing investment advice with respect to such assets for a fee, direct or indirect (such as the Collateral Manager), or any affiliates (within the meaning of the Plan Asset Regulation) of such persons (any such person, a “**Controlling Person**”)) is held by Benefit Plan Investors (the “**25% Threshold**”).

There is little pertinent authority in this area. However, it is not anticipated that the Class A-1 Notes, the Class A-2 Notes, the Class B Notes or the Class C Notes will constitute “equity interests” in the Co-Issuers. Based primarily on the investment-grade rating of the Class D Notes and Class E Notes, the unconditional obligation of the Co-Issuers to pay interest and to repay principal by a fixed maturity date and the creditors’ remedies available to holders of the Class D Notes and Class E Notes, it is anticipated that the Class D Notes and Class E Notes will not constitute “equity interests” in the Co-Issuers, despite the potential for the deferral of interest and their subordinated position in the capital structure of the Co-Issuers. No measures (such as those described below with respect to the Class F Notes, the Class G Notes, the Class P Notes and the Preference Shares) will be taken to restrict investment in the Class D Notes or Class E Notes by “Benefit Plan Investors”.

It is intended that the ownership interests in the Class F Notes and Class G Notes (“**ERISA Restricted Notes**”) will be restricted so that, on the Closing Date and based on representations by the persons acquiring the ERISA Restricted Notes, less than 25% of each Class of ERISA Restricted Notes will be held by Benefit Plan Investors (disregarding Notes of the applicable Class of ERISA Restricted Notes held by Controlling Persons), and after the Closing Date, no ERISA Restricted Notes may be directly or indirectly acquired by Benefit Plan Investors or Controlling Persons. Any transferee that acquires ERISA Restricted Notes will be required to represent that it is not a Benefit Plan Investor in the transfer certificate delivered to the Trustee in connection with such transfer.

Other than at the Closing, no Preference Shares may be transferred to a transferee unless such transferee (a) is neither a Benefit Plan Investor nor a Controlling Person and (b) executes and delivers to the Issuer and the Preference Share Registrar a certificate in the form attached as an exhibit to the Preference Share Paying Agency Agreement, to the effect that such owner will not transfer such interest except in compliance with the transfer restrictions set forth in the Preference Share Paying Agency Agreement (including the requirement that any subsequent transferee execute and deliver such certificate as a condition to any subsequent transfer). The Preference Share Registrar will not effect any such transfer if it has reason to believe that the transferee is a Benefit Plan Investor or a Controlling Person.

Other than at the Closing, no ERISA Restricted Notes may be transferred to a transferee unless such transferee (a) is neither a Benefit Plan Investor nor a Controlling Person and (b) executes and delivers to the Issuer and the Trustee a certificate in the form attached as an exhibit to the Indenture, to the effect that such owner will not transfer such interest except in compliance with the transfer restrictions set forth in the Indenture (including the requirement that any subsequent transferee execute and deliver such certificate as a condition to any subsequent transfer). The Trustee will not effect any such transfer if it has reason to believe that the transferee is a Benefit Plan Investor or a Controlling Person.

No Class P Notes may be transferred to a transferee unless such transferee (a) is neither a Benefit Plan Investor nor a Controlling Person and (b) executes and delivers to the Issuer and the Trustee a certificate in the form attached as an exhibit to the Indenture, to the effect that such owner will not transfer such interest except in compliance with the transfer restrictions set forth in the Indenture (including the requirement that any subsequent transferee execute and deliver such certificate as a condition to any subsequent transfer). The Trustee will not effect any such transfer if it has reason to believe that the transferee is a Benefit Plan Investor or a Controlling Person.

There can be no assurance, however, that the foregoing restrictions will be effective to prevent ownership of the Preference Shares, Class P Notes or the ERISA Restricted Notes by additional Benefit Plan Investors or Controlling Persons. Although each such owner and/or fiduciary will be required to indemnify the Issuer for the consequences of any breach of such obligations, there is no assurance that an owner or fiduciary will not breach such obligations or that, if such breach occurs, such owner or fiduciary will have the financial capacity and willingness to indemnify the Issuer for any losses that the Issuer may suffer.

If the Issuer determines that any transferee of a Class P Note, Preference Share, an ERISA Restricted Note or an interest therein (after the initial placement of the Preference Shares and the ERISA Restricted Notes on the Closing Date) is a Benefit Plan Investor or a Controlling Person, the Issuer may require, by notice to such holder that such holder sell all of its right, title and interest to such Class P Note, ERISA Restricted Note or Preference Share (or interest therein) to a person that is not a Benefit Plan Investor or a Controlling Person, and otherwise satisfies the applicable requirements for holding such Class P Note, ERISA Restricted Note or Preference Share with such sale to be effected within 30 days after notice of such sale requirement is given. If such holder fails to effect the transfer required within such 30-day period, (x) upon written direction from the Collateral Manager or the Issuer, the Preference Share Paying Agent or the Trustee shall, and is hereby irrevocably authorized by such holder to, cause such holder's interest in the applicable security to be transferred in a commercially reasonable sale arranged by the Collateral Manager (conducted by the Preference Share Paying Agent or the Trustee in accordance with section 9-610 of the UCC as in effect in the state of New York as applied to securities that are sold on a recognized market or that are the subject of widely distributed standard price quotations) to a person that certifies to the Preference Share Paying Agent or the Trustee, as applicable, the Issuer and the Collateral Manager, in connection with such transfer, that such person is not a Benefit Plan Investor or a Controlling Person and otherwise meets the requirements for holding such Preference Share, Class P Note, Class F Note or Class G Note, and (y) pending such transfer, no further payments will be made in respect of the interest in such Preference Share, Class P Note, Class F Note or Class G Note held by such holder, and the interest in such Class P Note, Class F Note, Class G Note or Preference Share shall not be deemed to be outstanding for the purpose of any vote or consent of the holders of the Class P Notes, Class F Notes, Class G Notes or Preference Shares.

Preference Shares and ERISA Restricted Notes, in the initial placement thereof on the Closing Date, may be acquired by Benefit Plan Investors and Controlling Persons, provided that, based on representations by the persons acquiring Preference Shares and the ERISA Restricted Notes, less than 25% of the Preference Shares and less than 25% of each Class of ERISA Restricted Notes will be held by Benefit Plan Investors, disregarding the Preference Shares and ERISA Restricted Notes held by Controlling Persons and the Preference Shares constituting the Class P Preference Share Component.

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

indicia of ownership of assets of plans subject to Title I of ERISA outside the jurisdiction of the district courts of the United States, would be satisfied in all instances.

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

EACH HOLDER OF A NOTE OTHER THAN AN ERISA RESTRICTED NOTE OR AN INTEREST THEREIN WILL BE DEEMED TO REPRESENT AND WARRANT THAT (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS A NOTE OR AN INTEREST THEREIN WILL NOT BE) AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE OR AN INTEREST THEREIN WILL NOT BE ACTING ON BEHALF OF) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") 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 PURCHASE AND OWNERSHIP OF SUCH NOTE WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR (OR, IN THE CASE OF A GOVERNMENT OR CHURCH PLAN, WILL NOT RESULT IN A VIOLATION OF ANY SUCH SIMILAR LAW). EACH HOLDER OF AN ERISA RESTRICTED NOTE OR AN INTEREST THEREIN AND EACH TRANSFEREE OF AN ERISA RESTRICTED NOTE WILL BE DEEMED TO REPRESENT AND WARRANT THAT (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS A NOTE OR AN INTEREST THEREIN WILL NOT BE) AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS A NOTE OR AN INTEREST THEREIN WILL NOT BE ACTING ON BEHALF OF) A BENEFIT PLAN INVESTOR (B) IT WILL NOT TRANSFER THE NOTE TO A BENEFIT PLAN INVESTOR AND (C) IT, AND ANY FIDUCIARY OF IT CAUSING IT TO ACQUIRE SUCH NOTE AGREES TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE COLLATERAL MANAGER, THE TRUSTEE, THE SHARES PAYING AGENT, THE INITIAL PURCHASER AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF IT BEING OR BEING DEEMED TO BE A BENEFIT PLAN INVESTOR; EXCEPT THAT WITH RESPECT TO PURCHASES OF ERISA RESTRICTED NOTES ON THE CLOSING DATE ONLY, AN INITIAL PURCHASER THEREOF MAY BE A BENEFIT PLAN INVESTOR WHOSE INVESTMENT IN ERISA RESTRICTED NOTES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A FOREIGN, GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A NON-EXEMPT VIOLATION OF ANY SUBSTANTIALLY SIMILAR FOREIGN, FEDERAL, STATE OR LOCAL LAW) BUT ONLY IF, AFTER GIVING EFFECT TO SUCH PURCHASE, LESS THAN 25% OF THE PRINCIPAL OF SUCH CLASS OF ERISA RESTRICTED NOTES (AS DETERMINED UNDER THE PLAN ASSET REGULATIONS AND EXCLUDING ERISA RESTRICTED NOTES HELD BY ANY CONTROLLING PERSON) WOULD BE HELD BY BENEFIT PLAN INVESTORS (EITHER DIRECTLY OR THROUGH AN INSURANCE COMPANY GENERAL ACCOUNT), INCLUDING ANY INDIRECT INVESTMENT IN THE ERISA RESTRICTED NOTES. ANY PURPORTED SALE OR TRANSFER OF ERISA RESTRICTED NOTES TO A PURCHASER OR TO A TRANSFEREE THAT DOES NOT COMPLY WITH THE FOREGOING WILL BE NULL AND VOID AB INITIO.

EACH INITIAL PURCHASER OF PREFERENCE SHARES OR ANY BENEFICIAL INTEREST THEREIN WILL BE REQUIRED TO REPRESENT AND WARRANT, AND EACH TRANSFEREE OF PREFERENCE SHARES OR ANY BENEFICIAL INTEREST THEREIN WILL BE REQUIRED TO REPRESENT AND WARRANT IN A TRANSFER CERTIFICATE, THAT (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS PREFERENCE SHARES OR ANY INTEREST THEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS PREFERENCE SHARES OR ANY INTEREST THEREIN WILL NOT BE ACTING ON BEHALF OF), A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON, (B) IT WILL NOT TRANSFER PREFERENCE SHARES TO A BENEFIT PLAN INVESTOR OR A



CONTROLLING PERSON AND (C) IT, AND ANY FIDUCIARY OF IT CAUSING IT TO ACQUIRE SUCH PREFERENCE SHARES AGREES TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE COLLATERAL MANAGER, THE TRUSTEE, THE SHARES PAYING AGENT, THE INITIAL PURCHASER AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF IT BEING OR BEING DEEMED TO BE A BENEFIT PLAN INVESTOR; EXCEPT THAT WITH RESPECT TO PURCHASES OF CERTIFICATED PREFERENCE SHARES ON THE CLOSING DATE ONLY, AN INITIAL PURCHASER THEREOF MAY BE A BENEFIT PLAN INVESTOR WHOSE INVESTMENT IN CERTIFICATED PREFERENCE SHARES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A FOREIGN, GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A NON-EXEMPT VIOLATION OF ANY SUBSTANTIALLY SIMILAR FOREIGN, FEDERAL, STATE OR LOCAL LAW) BUT ONLY IF, AFTER GIVING EFFECT TO SUCH PURCHASE, LESS THAN 25% OF THE PREFERENCE SHARES (AS DETERMINED UNDER THE PLAN ASSET REGULATIONS AND EXCLUDING PREFERENCE SHARES HELD BY ANY CONTROLLING PERSON AND EXCLUDING PREFERENCE SHARES ISSUED AS A PART OF THE CLASS P PREFERENCE SHARE COMPONENT) WOULD BE HELD BY BENEFIT PLAN INVESTORS (EITHER DIRECTLY OR THROUGH AN INSURANCE COMPANY GENERAL ACCOUNT), INCLUDING ANY INDIRECT INVESTMENT IN THE PREFERENCE SHARES. ANY PURPORTED SALE OR TRANSFER OF PREFERENCE SHARES TO A PURCHASER OR TO A TRANSFEREE THAT DOES NOT COMPLY WITH THE FOREGOING WILL BE NULL AND VOID AB INITIO.

EACH INITIAL PURCHASER OF CLASS P NOTES OR ANY BENEFICIAL INTEREST THEREIN WILL BE REQUIRED TO REPRESENT AND WARRANT, AND EACH TRANSFEREE OF CLASS P NOTES OR ANY BENEFICIAL INTEREST THEREIN WILL BE REQUIRED TO REPRESENT AND WARRANT IN A TRANSFER CERTIFICATE, THAT (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS CLASS P NOTES OR ANY INTEREST THEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS PREFERENCE SHARES OR ANY INTEREST THEREIN WILL NOT BE ACTING ON BEHALF OF), A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON, (B) IT WILL NOT TRANSFER CLASS P NOTES TO A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND (C) IT, AND ANY FIDUCIARY OF IT CAUSING IT TO ACQUIRE SUCH CLASS P NOTES AGREES TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE COLLATERAL MANAGER, THE TRUSTEE, THE SHARES PAYING AGENT, THE INITIAL PURCHASER AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF IT BEING OR BEING DEEMED TO BE A BENEFIT PLAN INVESTOR OR CONTROLLING PERSON.

“BENEFIT PLAN INVESTOR” HAS THE MEANING SPECIFIED IN THE PLAN ASSET REGULATIONS ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, AT 29 CFR SECTION 2510.3-101(f). A “CONTROLLING PERSON” IS ANY PERSON, OTHER THAN A BENEFIT PLAN INVESTOR, THAT HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ENTITY OR ANY PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO SUCH ASSETS (OR ANY AFFILIATE OF SUCH PERSON). “PLAN ASSET REGULATIONS” MEANS THE PLAN ASSET REGULATIONS ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR AT 29 CFR SECTION 2510.3-101.

It should be noted that an insurance company’s general account may be deemed to include assets of ERISA Plans under certain circumstances, e.g., where an ERISA Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court in *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993). An insurance company considering the purchase of Offered Securities with assets of its general account should consider such purchase and the insurance company’s ability to make the representations described above in light of *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, Section 401(c) of ERISA and 29 C.F.R. §2550.401c-1.

The discussion of ERISA and Section 4975 of the Code contained in this Offering Memorandum 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 Offered Securities are being offered by Merrill Lynch & Co. (the “**Initial Purchaser**”) to prospective purchasers from time to time in individually negotiated transactions at varying prices to be determined in each case at the time of sale, (i) within the United States to qualified institutional buyers (as defined in Rule 144A) (or, solely in the case of the Preference Shares, to a limited number of “accredited investors” within the meaning of Rule 501(a) under the Securities Act) that are, in each case, also qualified purchasers (for purposes of Section 3(c)(7) of the Investment Company Act) in reliance on Rule 144A and (ii) outside the United States in reliance on Regulation S.

The purchase agreement to be entered into between the Co-Issuers and the Initial Purchaser with respect to the Offered Securities offered by the Initial Purchaser (the “**Securities Purchase Agreement**”) will provide that the obligations of each Initial Purchaser to purchase the Offered Securities are subject to approval of legal matters by counsel and to other conditions. The Offered Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See “Transfer Restrictions”.

### United States

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

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

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

(a) except (1) inside the United States through a U.S. broker dealer that is registered under the Exchange Act to investors each of which the Initial Purchaser reasonably believes is a Qualified Institutional Buyer (or an accredited investor, in the case of the Certificated Preference Shares only) that has such knowledge and experience in financial and business matters that it is capable of evaluating and bearing the risks of investing in the Offered Securities or is represented by a fiduciary or agent with sole investment discretion having such knowledge and experience) that is also a Qualified Purchaser and (2) otherwise in accordance with the restrictions on transfer set forth in such Offered Securities, the Securities Purchase Agreement and the Offering Memorandum; 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 Securities in registered form bearing a restrictive legend thereon, the Initial Purchaser shall have provided each offeree that is a U.S. Person with a copy of the Offering Memorandum 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.

(3) In the Securities Purchase Agreement, the Initial Purchaser will represent and agree that in connection with each sale to an Accredited Investor it has taken or will take reasonable steps to ensure that the purchaser is aware that the Offered Securities have not been and will not be registered under the Securities Act and that transfers of Offered Securities are restricted as set forth herein.

### **United Kingdom**

The Initial Purchaser will also represent and agree as follows:

(1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Offered Securities in circumstances in which Section 21(1) of said Act would not, if each of the Co-Issuers were not an authorized person, apply to the Co-Issuers; and

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

### **Cayman Islands**

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

### **Hong Kong**

The Initial Purchaser will also represent and agree as follows:

(1) that it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, the Notes other than to persons whose ordinary business it is to buy or sell shares of debentures (whether as principal or agent) or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32) of Hong Kong (the “**Companies Ordinance**”); and

(2) unless it is a person permitted to do so under the securities laws of Hong Kong, it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purpose of issue, in Hong Kong, any advertisement, invitation or document relating to the Notes, other than with respect to Notes intended to be disposed of to persons outside Hong Kong or to be disposed of in Hong Kong only to persons whose business involves the acquisition, disposal, or holdings of securities, whether as principal or agent.

### **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 Securities to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Offered 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 Offered 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 Offered Securities to the public” in relation to any Offered Securities 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 Securities to be offered so as to enable an investor to decide to purchase or subscribe the Offered 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

### **Japan**

The Securities have not been and will not be registered under the Offered Securities 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 Securities. Neither the Offered Securities 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 Memorandum 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 Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Offered Securities may not be circulated or distributed, nor may Offered 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: (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 Securities or the possession, circulation or distribution of this Offering Memorandum, or any other material relating to the Issuer or the Offered Securities in any country or jurisdiction where action for that purpose is required. Accordingly, the Offered Securities may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Offered Securities may be distributed or published, in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

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

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

## SETTLEMENT AND CLEARING

### 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 which 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 which are Participants in such system.

So long as the depository for a Global Security, or its nominee, 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 Global Security, the Indenture or the Preference Share Paying Agency Agreement. Owners of beneficial interests in a Global Security will not be considered to be the owners or holders of the related Note, any Note under the Indenture or any Preference Share under the Preference Share Paying Agency Agreement. 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 or the Preference Share Paying Agency Agreement (as the case may be)), in each case, to the extent applicable (the "**Applicable Procedures**").

### Payments or Distributions on a Global Security

Payments or distributions on an individual Global Security 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 Note Registrar, the Preference Share Paying Agent and any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

With respect to the Global Securities, the Issuer expects that the 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 or (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. Because DTC can only act on behalf of Participants, which in turn act on behalf of Indirect Participants and certain banks, the ability of a person having a beneficial interest in a Global Security to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may require that such interest in a Global Security be exchanged for a Definitive Security.

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

### **Cross-Border Transfers and Exchanges**

Subject to compliance with the transfer restrictions applicable to the Offered Securities described under “Transfer Restrictions”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream Participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective 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 Co-Issuers that it will take any action permitted to be taken by a holder of the relevant Offered Security (including, without limitation, the presentation of such Offered Security 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 numbers of Preference Shares (as the case may be) as to which such Participant or Participants has or have given such direction.

### **DTC, Euroclear and Clearstream**

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

The information herein concerning DTC, Clearstream and Euroclear and their book-entry systems has been obtained from sources believed to be reliable, but none of the Co-Issuers or the Initial Purchaser have independently verified such information or 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, the Co-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.

### **Class A-1B Notes**

In addition to the other transfer restrictions set forth herein, transferees of a beneficial interest in any Class A-1B Note prior to the Commitment Termination Date will be required to meet the Rating Criteria and deliver a duly executed joinder agreement (in the form attached to the Class A-1B Note Purchase Agreement, a “**Joinder Agreement**”) to the Issuer.

## **TRANSFER RESTRICTIONS**

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

### Representations by Original Purchasers

Each Original Purchaser of a Note (or any beneficial interest therein) will be deemed to acknowledge, represent and warrant to and agree with the Co-Issuers (or, in the case of the Class F Notes and the Class G Notes, the Issuer) and the Initial Purchaser, and each purchaser of a Preference Share (purchasers of Class P Notes will be required to make the acknowledgments, representations and warranties below as if the Class P Notes were treated as Preference Shares), 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 none of the Offered Securities have 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 Memorandum. The purchaser further understands that any representation to the contrary is a criminal offense.

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

(3) *Minimum Denomination or Number.* The purchaser agrees that no Offered Security (or any interest therein) may be sold, pledged or otherwise transferred in a denomination of less than the applicable minimum denomination set forth herein (in the case of the Notes) or in a number less than the applicable minimum trading lot set forth herein (in the case of the Preference Shares).

(4) *Securities Law Limitations on Resale.* The purchaser understands that the Offered Securities have not been registered under the Securities Act and, therefore, cannot be offered or sold in the United States or to U.S. Persons unless they are registered under the Securities Act or unless an exemption from registration is available and that the certificates representing the Offered Securities will bear a legend setting forth such restriction. The purchaser understands that neither the Issuer nor (in the case of the Co-Issued Notes) the Co-Issuer has any obligation to register the Offered Securities under the Securities Act and no representation is made as to the availability of any exemption under the Securities Act or the permissibility of resale or other transfer under the laws of any jurisdiction.

(5) *Status; Investment Intent.* In the case of a purchaser of a Restricted Global Note (or any interest therein) or a Restricted Preference Share, it is a Qualified Institutional Buyer (or, in the case of certain purchasers of Restricted Preference Shares directly from the Issuer or the Initial Purchaser, an Accredited Investor), that in each case is a Qualified Purchaser and it is acquiring such Restricted Security (or any interest therein) 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 beneficial interest in a Regulation S Security (or 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.

(6) *Purchaser Sophistication; Non-Reliance; Suitability; Access to Information.* The purchaser (a) has such knowledge and experience in financial and business matters that the purchaser is capable of evaluating the merits and risks (including for tax, legal, regulatory, accounting and other financial purposes) of its prospective investment in Offered Securities, (b) is financially able to bear such risk, (c) in making such investment, is not relying on the advice or recommendations of the Initial Purchaser, the Issuer, the Co-Issuer, the Collateral Manager or any of their respective affiliates (or any representative of any of the foregoing) and (d) has determined that an investment in Offered Securities is suitable and appropriate for it. The purchaser has received, and has reviewed the contents of, this Offering Memorandum. The purchaser (if an Original Purchaser) has had access to such financial and other information concerning the Issuer and the Offered Securities as it has deemed necessary to make its own independent decision to purchase Offered Securities, including the opportunity, at a reasonable time prior to its purchase of Offered Securities, to ask questions and receive answers concerning the Issuer, the Co-Issuer and the terms and conditions of the offering of the Offered Securities.

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

- (a) in the United States or to a U.S. Person, except to a transferee (i)(A) that the seller reasonably believes is a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or (B) solely in the case of a Restricted Preference Share, who is entitled to take delivery of such Preference Share in accordance with another exemption from, or in a transaction not subject to, 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 or any Definitive Note or Definitive Preference Share issued in respect thereof (any such Security a “**Regulation S Security**”) except to a transferee that is not a U.S. Person and is acquiring such interest in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 903 or Rule 904 of Regulation S;
- (c) solely in the case of Preference Shares and the ERISA Restricted Notes (after the initial placement, in the case of the Preference Shares and the ERISA Restricted 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 Preference Share Documents, the Issuer’s Memorandum and Articles of Association, the Notes or Preference Shares (as applicable).

In addition, each transfer of an Offered Securities must be made in compliance with the other requirements set forth in the Indenture, the Issuer’s Memorandum and Articles of Association and, as applicable, the Preference Share Paying Agency Agreement and in accordance with any other applicable securities laws of any relevant jurisdiction.



(8) *Limited Liquidity.* The purchaser understands that there is no market for the Offered Securities and that there can be no assurance that a secondary market for any of the Offered Securities will develop, or if a secondary market does develop, that it will provide the holders of such Offered Securities with liquidity of investment or that it will continue for the life of the Offered Securities. It further understands that, although the Initial Purchaser and its respective affiliates may from time to time make a market in one or more Classes of Offered Securities, none of the Initial Purchaser and its respective affiliates is under any 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 Securities for an indefinite period of time or until the applicable Stated Maturity (or in the case of the Preference Shares, the winding-up of the Issuer).

(9) *Investment Company Act.* The purchaser either (a) is not a U.S. Person or (b) is a Qualified Purchaser. The purchaser agrees that no sale, pledge or other transfer of an Offered Security (or any interest therein) may be made (i) to a transferee acquiring a Restricted Security (or any interest therein) except to a transferee that is a Qualified Purchaser, (ii) to a transferee acquiring a Regulation S Security (or any interest therein) except to a transferee that is not a U.S. Person or (iii) if such transfer would have the effect of requiring either of the Co-Issuers or the Collateral to be registered as an investment company under the Investment Company Act. If the purchaser is a U.S. Person that is an entity that would be an investment company but for the exception provided for in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act (any such entity, an “excepted investment company”) (a) all of the beneficial owners of outstanding securities (other than short-term paper) of such entity (such beneficial owners determined in accordance with Section 3(c)(1)(A) of the Investment Company Act) that acquired such securities on or before April 30, 1996 (“pre-amendment beneficial owners”) and (b) all pre-amendment beneficial owners of the outstanding securities (other than short-term paper) of any excepted investment company that, directly or indirectly, owns any outstanding securities of such entity, have consented to such entity’s treatment as a Qualified Purchaser in accordance with the Investment Company Act.

(10) *ERISA.* Either (a) it is not (and for so long as it holds any Note or any interest therein will not be) acting on behalf of an Employee Benefit Plan 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 purchase and ownership of a Note will be covered by a prohibited transaction class exemption issued by the United States Department of Labor (or, in the case of a governmental or church plan, will not result in a violation of any Similar Law).

Each transferee of an ERISA Restricted Note or a Preference Share will be required to represent and warrant that it is not a Benefit Plan Investor (including, for this purpose the general account of an insurance company any of the underlying assets of which constitute “plan assets” under Section 401(c) of ERISA) or Controlling Person. No Preference Share or ERISA Restricted Note may be transferred to a transferee unless (a) such transferee is not a Benefit Plan Investor (including, for this purpose the general account of an insurance company any of the underlying assets of which constitute “plan assets” under Section 401(c) of ERISA) or Controlling Person, and (b) such transferee executes a letter so representing.

Each purchaser of an ERISA Restricted Note or a Preference Share understands that if the Issuer determines that any transferee of a Preference Share or an ERISA Restricted Note after the initial placement of the Preference Shares and the ERISA Restricted Notes on the Closing Date is a Benefit Plan Investor or a Controlling Person, the Issuer may require, by notice to such holder require such holder to sell all of its right, title and interest to such Preference Share or ERISA Restricted Note (or interest therein) to a person that is not a Benefit Plan Investor or a Controlling Person and otherwise satisfies the applicable requirements for holding such ERISA Restricted Note or Preference Share, with such sale to be effected within 30 days after notice of such sale requirement is given. If such holder fails to effect the transfer required within such 30-day period, (x) upon written direction from the Collateral Manager or the Issuer, the Preference Share Paying Agent or the Trustee shall, and is hereby irrevocably authorized by such holder to, cause such holder’s interest in this such ERISA Restricted Note or Preference Share to be transferred in a commercially reasonable sale arranged by the Collateral Manager (conducted by the Preference Share Paying Agent or the Trustee in accordance with section 9-610 of the UCC as in effect in the state of New York as applied to securities that are sold on a recognized market or that are the subject of widely distributed standard price quotations) to a person that certifies to the Preference Share Paying Agent or the Trustee, as applicable, the Issuer and the Collateral Manager, in connection with such transfer, that such person is not a Benefit

Plan Investor or a Controlling Person and otherwise meets the requirements for holding such ERISA Restricted Note or Preference Share and (y) pending such transfer, no further payments will be made in respect of the interest in such ERISA Restricted Note or Preference Share held by such holder, and the interest in such Preference Share or ERISA Restricted Note shall not be deemed to be outstanding for the purpose of any vote or consent of the holders of the ERISA Restricted Note or Preference Shares.

If the purchaser of Notes 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 in Notes was made with appropriate consideration of relevant investment factors with regard to such Plan or such employee benefit plan, as the case may be, and is consistent with the duties and responsibilities imposed upon fiduciaries with regard to their investment decisions under Title I of ERISA or such Similar Law.

(11) *Limitations on Flow-Through Status.* It is (a) either not a Flow-Through Investment Vehicle or it is a Flow-Through Investment Vehicle that is a Qualifying Investment Vehicle and (b) if it is a Qualifying Investment Vehicle, (x) it has only one class of securities outstanding (other than any nominal share capital the distributions in respect of which are not correlated to or dependent upon distributions on, or the performance of, the Offered Securities) and (y) either (1) none of the beneficial owners of its securities is a U.S. Person or (2) some or all of the beneficial owners of its securities are U.S. Persons and each such beneficial owner has certified to the purchaser that such owner is a Qualified Purchaser. A purchaser is a "**Flow-Through Investment Vehicle**" if: (i) in the case of a purchaser that would be an investment company but for the exception in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, the amount of the purchaser's investment in the Offered Securities exceeds 40% of the total assets (determined on a consolidated basis with its subsidiaries) of the purchaser, (ii) any person owning any equity or similar interest in the purchaser has the ability to control an investment decision of the purchaser (other than a general partner or similar entity) or to determine on an investment-by-investment basis, the amount of such person's contribution to any investment made by the purchaser, (iii) the purchaser was organized or reorganized for the specific purpose of acquiring any Offered Securities or (iv) additional capital or similar contributions were specifically solicited from any person owning an equity or similar interest in the purchaser for the purpose of enabling the purchaser to purchase Offered Securities. A "**Qualifying Investment Vehicle**" means an entity as to which all of the beneficial owners of any securities issued by such entity have made, and as to which (in accordance with the document pursuant to which such entity was organized or the agreement or other document governing such securities) each such beneficial owner must require any transferee of any such security to make each of the representations set forth in this Offering Memorandum and (where applicable) an Investor Applicable Form and/or the transfer certificate pursuant to which such Offered Securities were transferred to such entity (in each case, with appropriate modifications to reflect the indirect nature of the interests of such beneficial owners in the Offered Securities).

(12) *Certain Transfers Void.* The purchaser agrees that (a) any sale, pledge or other transfer of an Offered Security (or any interest therein) made in violation of the transfer restrictions contained in this Offering Memorandum and the Indenture or the Preference Share Paying Agency Agreement and the Issuer's Memorandum and Articles of Association, as applicable, or made based upon any false or inaccurate representation made by the purchaser or a transferee to the Issuer, will be void and of no force or effect and (b) none of the Issuer, the Co-Issuer, the Trustee, the Note Registrar (in the case of the Notes) and none of the Issuer, the Preference Share Paying Agent or the Preference Share Registrar (in the case of the Preference Shares) has any obligation to recognize any sale, pledge or other transfer of an Offered Security (or any interest therein) made in violation of any such transfer restriction or made based upon any such false or inaccurate representation.

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

(14) *Legends for Notes.* 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 OTHER RELEVANT JURISDICTION. NEITHER OF THE CO-ISSUERS NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "*INVESTMENT COMPANY ACT*"). NO TRANSFER OF A NOTE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE TRUSTEE NOR THE NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO 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 CO-ISSUERS OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER WOULD BE MADE TO A U.S. PERSON THAT IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE INDENTURE) 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 PERSON WHO IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE (IF ANY) ATTACHED AS AN EXHIBIT TO THE INDENTURE REFERRED TO BELOW. THIS NOTE AND ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN 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.

In addition, the legend on any Class A Note, Class B Note, Class C Note, Class D Note or Class E Note will have the following:

EACH HOLDER OF THIS NOTE OR AN INTEREST THEREIN IS DEEMED TO REPRESENT AND WARRANT THAT (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST THEREIN WILL NOT BE) AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST THEREIN WILL NOT BE ACTING ON BEHALF OF) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") 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) IT PURCHASE AND OWNERSHIP OF THIS NOTE WILL BE COVERED BY A PROHIBITED TRANSACTION CLASS EXEMPTION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR (OR, IN THE CASE OF A GOVERNMENT OR CHURCH PLAN, WILL NOT RESULT IN A VIOLATION OF ANY SUCH SIMILAR LAW).

In addition, the legend on any Class F Note or Class G Note will have the following:

OTHER THAN IN CONNECTION WITH THE INITIAL PLACEMENT OF THIS NOTE, EACH TRANSFEREE HEREOF OR AN INTEREST THEREIN WILL BE DEEMED TO REPRESENT AND WARRANT THAT (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST THEREIN WILL NOT BE) AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST THEREIN WILL NOT BE ACTING ON BEHALF OF) A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. A BENEFIT PLAN INVESTOR INCLUDES (1) ANY EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), WHETHER OR NOT SUBJECT TO TITLE I OF ERISA (INCLUDING, WITHOUT LIMITATION, GOVERNMENT PLANS, CHURCH PLANS AND NON-U.S. PLANS)), (2) ANY PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (INCLUDING, WITHOUT LIMITATION, INDIVIDUAL RETIREMENT ACCOUNTS AND KEOGH PLANS), AND (3) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY PURSUANT TO THE PLAN ASSET REGULATION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3-101 (INCLUDING, FOR THIS PURPOSES, THE GENERAL ACCOUNT OF AN INSURANCE COMPANY ANY OF THE UNDERLYING ASSETS OF WHICH CONSTITUTE “PLAN ASSETS” UNDER SECTION 401(c) OF ERISA OR A WHOLLY-OWNED SUBSIDIARY THEREOF). “CONTROLLING PERSONS” INCLUDE PERSONS, OTHER THAN BENEFIT PLAN INVESTORS, HAVING DISCRETIONARY AUTHORITY OR CONTROL OVER THE ASSETS OF THE ISSUER OR PROVIDING INVESTMENT ADVICE WITH RESPECT TO THE ASSETS OF THE ISSUER FOR A FEE, DIRECT OR INDIRECT, OR ANY AFFILIATES OF SUCH PERSONS. IF THE ISSUER DETERMINES THAT ANY TRANSFEREE OF THIS NOTE OR AN INTEREST THEREIN IS A BENEFIT PLAN INVESTOR OR CONTROLLING PERSON, THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO SUCH NOTE (OR INTEREST THEREIN) TO A PERSON THAT IS NOT A BENEFIT PLAN INVESTOR OR CONTROLLING PERSON, AND OTHERWISE SATISFIES THE APPLICABLE REQUIREMENTS FOR HOLDING SUCH NOTE WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE COLLATERAL MANAGER OR THE ISSUER, THE TRUSTEE SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO, CAUSE SUCH HOLDER’S INTEREST IN THIS SECURITY TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE ARRANGED BY THE COLLATERAL MANAGER (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610 OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT ARE THE SUBJECT OF WIDELY DISTRIBUTED STANDARD PRICE QUOTATIONS) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS NOT A BENEFIT PLAN INVESTOR OR CONTROLLING PERSON AND OTHERWISE MEETS THE REQUIREMENTS FOR HOLDING SUCH NOTE AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN SUCH NOTE HELD BY SUCH HOLDER, AND THE INTEREST IN SUCH NOTE SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE SAME CLASS OF NOTES.

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

IF, NOTWITHSTANDING THE RESTRICTIONS ON TRANSFER CONTAINED IN THE INDENTURE, THE ISSUER DETERMINES THAT ANY BENEFICIAL OWNER OF A RESTRICTED GLOBAL NOTE (OR ANY INTEREST THEREIN) (A) IS A U.S. PERSON (WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT) AND (B) IS NOT BOTH (I) A QUALIFIED INSTITUTIONAL BUYER AND (II) A QUALIFIED PURCHASER, THEN THE ISSUER MAY REQUIRE, BY NOTICE TO SUCH HOLDER, THAT SUCH HOLDER SELL ALL OF ITS RIGHT,

TITLE AND INTEREST TO SUCH RESTRICTED GLOBAL NOTE (OR INTEREST THEREIN) TO A PERSON THAT IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH BENEFICIAL OWNER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (1) UPON DIRECTION FROM THE ISSUER, THE TRUSTEE (ON BEHALF OF AND AT THE EXPENSE OF THE ISSUER) SHALL CAUSE SUCH BENEFICIAL OWNER'S INTEREST IN SUCH NOTE TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610 OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE CO-ISSUERS AND THE COLLATERAL MANAGER, IN 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 ISSUER 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 Restricted Global Note and Regulation S 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, each Class A-1B Note shall bear the following legend:

IN ADDITION TO THE OTHER TRANSFER RESTRICTIONS SET FORTH HEREIN, TRANSFEREES OF A BENEFICIAL INTEREST IN ANY CLASS A-1B NOTE PRIOR TO THE COMMITMENT TERMINATION DATE WILL BE REQUIRED TO MEET THE RATING CRITERIA SET FORTH IN THE CLASS A-1B NOTE FUNDING AGREEMENT AND DELIVER A DULY EXECUTED JOINDER AGREEMENT (IN THE FORM ATTACHED TO THE CLASS A-1B NOTE FUNDING AGREEMENT, A "JOINDER AGREEMENT") TO THE ISSUER. ANY HOLDER HEREOF FAILING TO SATISFY THE RATING CRITERIA OR FAILING TO FUND ITS OBLIGATIONS IN RESPECT OF BORROWINGS WILL BE SUBJECT TO THE REMEDIES SET FORTH IN THE CLASS A-1B NOTE FUNDING AGREEMENT.

In addition, each Class D Note, Class E Note, Class F Note and Class G Note shall bear the following legend:

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.

(15) *Legend for Preference Shares.* The purchaser understands and agrees that a legend in substantially the following form will be placed on each certificate representing any Preference Shares (and *mutatis mutandis*, the Class P Notes):

THE PREFERENCE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” (A “QUALIFIED INSTITUTIONAL BUYER”) WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”), PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER 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 (“REGULATION S”) OR (3) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (SUBJECT TO THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE ISSUERS MEMORANDUM AND ARTICLES OF ASSOCIATION AND THE PREFERENCE SHARE PAYING AGENCY AGREEMENT REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY OTHER RELEVANT JURISDICTION. NEITHER THE ISSUER NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “INVESTMENT COMPANY ACT”). NO TRANSFER OF A PREFERENCE SHARE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE ISSUER NOR THE PREFERENCE SHARE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE WHO 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, (II) A COMPANY EACH OF WHOSE BENEFICIAL OWNERS IS A QUALIFIED PURCHASER, (III) A “KNOWLEDGEABLE EMPLOYEE” WITH RESPECT TO THE ISSUER AS SPECIFIED IN RULE 3C-5 PROMULGATED UNDER THE INVESTMENT COMPANY ACT OR (IV) A COMPANY OWNED EXCLUSIVELY BY KNOWLEDGEABLE EMPLOYEES (ANY PERSON DESCRIBED IN CLAUSES (I) THROUGH (IV), 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 PREFERENCE SHARES, TO A BENEFIT PLAN INVESTOR, AS DEFINED IN THE PLAN ASSET REGULATION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3-101, (INCLUDING, FOR THIS PURPOSE THE GENERAL ACCOUNT OF AN INSURANCE COMPANY ANY OF THE UNDERLYING ASSETS OF WHICH CONSTITUTE “PLAN ASSETS” UNDER SECTION 401(c) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”)) OR A CONTROLLING PERSON, EACH AS DEFINED BELOW, (D) SUCH TRANSFER WOULD BE

MADE TO A TRANSFEREE THAT IS A U.S. PERSON WHICH IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE TRANSFER CERTIFICATE ATTACHED TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT), (E) SUCH TRANSFER WOULD BE MADE TO A PERSON WHO IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED OR DEEMED TO BE MADE PURSUANT TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT REFERRED TO HEREIN OR (F) IN THE CASE OF A TRANSFEREE WHO ACQUIRES AN INTEREST IN A REGULATION S GLOBAL PREFERENCE SHARE, UNLESS THE TRANSFEREE EXECUTES AND DELIVERS TO THE PREFERENCE SHARE PAYING AGENT, THE ISSUER AND THE COLLATERAL MANAGER A LETTER IN THE FORM ATTACHED AS A SEPARATE EXHIBIT TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT. AN INTEREST IN A REGULATION S GLOBAL PREFERENCE SHARE MAY BE HELD ONLY THROUGH EUROCLEAR OR CLEARSTREAM. BENEFIT PLAN INVESTORS INCLUDE (1) ANY EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), WHETHER OR NOT SUBJECT TO TITLE I OF ERISA (INCLUDING, WITHOUT LIMITATION, GOVERNMENT PLANS, CHURCH PLANS AND NON-U.S. PLANS)), (2) ANY PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (INCLUDING, WITHOUT LIMITATION, INDIVIDUAL RETIREMENT ACCOUNTS AND KEOGH PLANS), AND (3) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY PURSUANT TO THE PLAN ASSET REGULATION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3-101 (INCLUDING, FOR THIS PURPOSES, THE GENERAL ACCOUNT OF AN INSURANCE COMPANY ANY OF THE UNDERLYING ASSETS OF WHICH CONSTITUTE “PLAN ASSETS” UNDER SECTION 401(c) OF ERISA OR A WHOLLY-OWNED SUBSIDIARY THEREOF). “CONTROLLING PERSONS” INCLUDE PERSONS, OTHER THAN BENEFIT PLAN INVESTORS, HAVING DISCRETIONARY AUTHORITY OR CONTROL OVER THE ASSETS OF THE ISSUER OR PROVIDING INVESTMENT ADVICE WITH RESPECT TO THE ASSETS OF THE ISSUER FOR A FEE, DIRECT OR INDIRECT, OR ANY AFFILIATES OF SUCH PERSONS. ACCORDINGLY, AN INVESTOR IN THE PREFERENCE SHARES MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE PREFERENCE SHARES REPRESENTED HEREBY OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED IN THE UNITED STATES OR TO U.S. PERSONS ONLY IF THE PURCHASER IS ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT, AND IN AN AMOUNT NOT LESS THAN THE MINIMUM AMOUNT SPECIFIED IN THE PREFERENCE SHARE PAYING AGENCY AGREEMENT. THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED TO A PERSON WHO ACQUIRES A BENEFICIAL INTEREST IN A REGULATION S PREFERENCE SHARE CERTIFICATE UPON RECEIPT BY THE PREFERENCE SHARE PAYING AGENT OF (1) A TRANSFER CERTIFICATE FROM THE TRANSFEROR SUBSTANTIALLY IN THE FORM SPECIFIED IN THE PREFERENCE SHARE PAYING AGENCY AGREEMENT AND (2) A LETTER IN THE FORM ATTACHED AS AN EXHIBIT TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT TO THE EFFECT THAT SUCH TRANSFEREE WILL NOT TRANSFER SUCH INTEREST EXCEPT IN COMPLIANCE WITH THE TRANSFER RESTRICTIONS SET FORTH IN THE PREFERENCE SHARE PAYING AGENCY AGREEMENT (INCLUDING THE REQUIREMENT THAT ANY SUBSEQUENT TRANSFEREE OF AN INTEREST IN REGULATION S PREFERENCE SHARES EXECUTE AND DELIVER SUCH LETTER AS A CONDITION TO ANY SUBSEQUENT TRANSFER). IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE PREFERENCE SHARE PAYING AGENCY AGREEMENT, THE ISSUER DETERMINES THAT ANY HOLDER OF THIS SECURITY OR AN INTEREST HEREIN (X) IS A BENEFIT PLAN INVESTOR OR CONTROLLING PERSON OTHER THAN A BENEFIT PLAN INVESTOR OR CONTROLLING PERSON THAT ACQUIRED THIS SECURITY IN THE INITIAL PLACEMENT OF THE PREFERENCE SHARES, OR (Y) (I) IS A U.S. PERSON AND (II) IS NOT BOTH (A) A QUALIFIED INSTITUTIONAL BUYER OR AN “ACCREDITED INVESTOR” (AN “ACCREDITED INVESTOR”) 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 (1) A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR, (2) A QUALIFIED PURCHASER AND (3) IS NOT A BENEFIT PLAN INVESTOR OR CONTROLLING PERSON WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE COLLATERAL MANAGER OR THE ISSUER, THE PREFERENCE SHARE PAYING AGENT SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO, CAUSE SUCH HOLDER'S INTEREST IN THIS SECURITY TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE ARRANGED BY THE COLLATERAL MANAGER (CONDUCTED BY THE PREFERENCE SHARE PAYING AGENT IN ACCORDANCE WITH SECTION 9-610 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 STANDARD PRICE QUOTATIONS) TO A PERSON THAT CERTIFIES TO THE PREFERENCE SHARE PAYING AGENT, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (1) A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR AND (2) A QUALIFIED PURCHASER AND IS NOT A BENEFIT PLAN INVESTOR (INCLUDING, FOR THIS PURPOSE THE GENERAL ACCOUNT OF AN INSURANCE COMPANY ANY OF THE UNDERLYING ASSETS OF WHICH CONSTITUTE "PLAN ASSETS" UNDER SECTION 401(c) OF ERISA) OR CONTROLLING PERSON, AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURITY HELD BY SUCH HOLDER, AND THE INTEREST IN THIS SECURITY SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE PREFERENCE SHARES.

The following shall be inserted in the case of Regulation S Global Preference Shares:

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

THIS PREFERENCE SHARE CERTIFICATE REPRESENTS REGULATION S GLOBAL PREFERENCE SHARES 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 PREFERENCE SHARES AND BY ACCEPTANCE THEREOF EACH HOLDER AGREES TO BE SUBJECT TO AND BOUND BY THE TERMS AND PROVISIONS SET FORTH IN SUCH LEGEND.

UPON ANY SUCH EXCHANGE OR TRANSFER OF A BENEFICIAL INTEREST IN THIS PREFERENCE SHARE CERTIFICATE FOR A DEFINITIVE PREFERENCE SHARE CERTIFICATE OR FOR A RESTRICTED PREFERENCE SHARE CERTIFICATE OR UPON ANY EXCHANGE OR TRANSFER OF A DEFINITIVE PREFERENCE SHARE CERTIFICATE OR A RESTRICTED PREFERENCE SHARE CERTIFICATE FOR AN INTEREST IN THIS PREFERENCE SHARE CERTIFICATE IN ACCORDANCE WITH THE PREFERENCE SHARE PAYING AGENCY



AGREEMENT, THIS REGULATION S GLOBAL CERTIFICATE SHALL BE ENDORSED TO REFLECT THE CHANGE OF THE PRINCIPAL AMOUNT EVIDENCED HEREBY.

(16) The purchaser acknowledges that it is its intent and that it understands it is the intent of the Issuer that for U.S. Federal, state and local income and franchise tax purposes, the Issuer will be treated as a corporation, the Notes will be treated as debt of the Issuer only and not of the Co-Issuer and the Preference Shares will be treated as equity in the Issuer; it agrees to such treatment, to report all income (or loss) in accordance with such treatment and to take no action inconsistent with such treatment unless otherwise required by any taxing authority under applicable law.

(17) The beneficial owner, if it is not a “United States person” as defined in Section 7701(a)(30) of the Code, is not acquiring any Note as part of a plan to reduce, avoid or evade U.S. Federal income taxes owned, owing or potentially owed or owing.

(18) Each purchaser of a Note or a Regulation S Global Preference Share understands that the Issuer may receive a list of participants holding positions in such Offered Securities from one or more book-entry depositories including DTC, Euroclear and Clearstream.

(19) *Reliance on Representations, etc.* The purchaser acknowledges that the Issuer, the Co-Issuer, the Trustee, the Preference Shares Paying Agent and the Initial Purchaser 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 be made by it in connection with its purchase of the Offered Securities are no longer accurate, the purchaser will promptly notify the Issuer and the Initial Purchaser.

#### Investor Representations on Resale

Except as provided below, each transferor and transferee of an Offered Security will be required to deliver a duly executed certificate in the form of the relevant exhibit attached to the Indenture or the Preference Share Paying Agency Agreement, as the case may be, and such other certificates and other information as the Issuer, the Co-Issuer, the Trustee or the Preference Share Paying Agent may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in this Offering Memorandum and the Indenture or the Preference Share Paying Agency Agreement, 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 and Restricted Global Note. An owner of a beneficial interest in a Regulation S Global Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Note without the provision of written certification.

An owner of a beneficial interest in a Regulation S Global Preference Share may transfer such interest in the form of a beneficial interest in such Regulation S Global Preference Share without the provision of written certification, *provided* that the transferee acquiring an interest in such Regulation S Global Preference Share executes and delivers to the Preference Share Paying Agent, a letter in the form attached as an exhibit to the Preference Share Paying Agency Agreement, containing various representations and warranties, including statements to the effect that such transferee will not transfer such interest except in compliance with the transfer restrictions set forth in the Preference Share Paying Agency Agreement (including the requirement that any subsequent transferee execute and deliver such letter as a condition to any subsequent transfer).

Each transferee of a beneficial interest in an Offered Security will be deemed to make the applicable representations and warranties described herein.

Each transferee of an Offered Security that is required to deliver a transfer certificate will be required, pursuant to such transferee certificate, and each transferee that is not required to deliver a certificate will be deemed (a) to acknowledge, represent and warrant to and agree with the Co-Issuers (or in the case of the Class F Note or Class G Note, the Issuer) and the Trustee (in the case of a Note) or the Issuer and the Preference Share Paying Agent (in the case of a Preference Share) as to the matters set forth in each of paragraphs (1) through (19) above as if each

reference therein to “the purchaser” were instead a reference to the transferee and (b) to further represent and warrant to and agree with the Co-Issuers (or in the case of the Class F Note or Class G Note, the Issuer) and the Trustee (in the case of a Note) or to the Issuer and the Preference Share Paying Agent (in the case of a Preference Share) as follows:

(1) In the case of a transferee who takes delivery of a Restricted Security (or a beneficial interest therein), it is a Qualified Institutional Buyer and also a Qualified Purchaser and is acquiring such Restricted Security (or beneficial interest therein) for its own account and is aware that such transfer is being made to it in reliance on Rule 144A (or, solely in the case of a Restricted Preference Share, 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 (i) is acquiring such Regulation S Security (or beneficial interest therein) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (ii) is acquiring such Regulation S Security for its own account and not for the account or benefit of a U.S. Person, (iii) is not acquiring, and has not entered into any discussions regarding its acquisition of, such Regulation S Security while it is in the United States or any of its territories or possessions, (iv) understands that such Regulation S Security is being sold without registration under the Securities Act by reason of an exemption that depends, in part, on the accuracy of these representations and (v) understands that such Regulation S Security may not, absent an applicable exemption, be transferred without registration and/or qualification under the Securities Act and applicable state securities laws and the laws of any other applicable jurisdiction.

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

(4) In the case of a transfer (in each case, after the initial placement thereof on the Closing Date) of a Preference Share or an ERISA Restricted Note, it is not a Benefit Plan Investor or a Controlling Person.

## LISTING AND GENERAL INFORMATION

1. Application will be made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for a prospectus (the “Prospectus”) to be approved. Application will be made to the Irish Stock Exchange for the Notes and the Class P Notes to be admitted to the Official List and trading on its regulated market. There is no assurance that such listing will be granted. The total expenses related to the admission of the Notes to trading on the Irish Stock Exchange are estimated to be \$40,000.

2. Application will be made to admit the Preference Shares to the Official List of the Channel Islands Stock Exchange (“CISX”). If the Preference Shares are listed on the CISX, the Issuer may at any time terminate the listing of the Preference Shares if the Issuer determines that, as a result of a change in the requirements of the CISX, the maintenance of such listing would impose any material obligation or expense on the Issuer (in excess of the amount anticipated on the Closing Date). No application will be made to list the Preference Shares on any other stock exchange.
3. Neither the admission of the Preference Shares to the Official List of the CISX nor the approval of the Offering Memorandum pursuant to the listing requirements of the CISX will constitute a warranty or representation of the CISX as to the competence of the service providers to or any other party connected with the Issuer, the adequacy and accuracy of information contained in the Offering Memorandum or the suitability of the Issuer for investment or any other purpose.
4. For the life of the Prospectus, copies of the Issuer’s Memorandum and Articles of Association, the Certificate of Incorporation and By-laws of the Co-Issuer will be available for inspection and the transfer certificates will be available for inspection at the offices of the Issuer, where copies thereof may be obtained, in physical and electronic form, upon request. The Issuer is not required by Cayman Islands law and the Issuer does not intend, to publish annual reports and accounts. The Co-Issuer is not required by Delaware state law, and the Co-Issuer does not intend, to publish annual reports and accounts. The Indenture, however, requires the Issuer to provide the Trustee with a written certificate, on an annual basis, that to the best of its knowledge following review of the activities of the prior year, no Event of Default has occurred or if there has been an Event of Default, the certificate shall set forth the nature and status thereof, including actions undertaken to remedy the same.
5. Copies of the Issuer’s Memorandum and Articles of Association, the Certificate of Incorporation and By-laws of the Co-Issuer, the Administration Agreement, the resolutions of the Board of Directors of the Issuer authorizing the issuance of the Notes and Preference Shares and the execution of the Indenture, the Credit Default Swap Agreement, the Preference Share Paying Agency Agreement, the Class A-1A Swap Agreement, the Collateral Administration Agreement and the Management Agreement and the resolutions of the Board of Directors of the Co-Issuer authorizing the issuance of the Notes and the Indenture will be available for inspection during the term of the Notes in Chicago, Illinois at the office of the Trustee.
6. 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.
7. The Co-Issuers are not, and have not since incorporation been, involved in any governmental, litigation or arbitration proceedings relating to claims in amounts which may have or have had a material adverse effect on the Co-Issuers in the context of the issue of the Offered Securities, nor, so far as either of the Co-Issuers is aware, is any such governmental, litigation or arbitration proceedings involving either of them pending or threatened.
8. The issuance of the Offered Securities was authorized by the Board of Directors of the Issuer on or about the Closing Date. The issuance of the Notes was authorized by the Board of Directors of the Co-Issuer on or about the Closing Date.
9. In accordance with the guidelines of the Irish Stock Exchange, the Notes and the Class P Notes shall be freely transferable.
10. Offered Securities 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 the Offered Securities.

| <u>Security</u> | Regulation S | Regulation S | Common Code | Restricted | Restricted |
|-----------------|--------------|--------------|-------------|------------|------------|
|-----------------|--------------|--------------|-------------|------------|------------|

|                      | <u>Global<br/>CUSIP Numbers</u> | <u>International<br/>Securities<br/>Identification<br/>Numbers</u> | <u>Numbers</u> | <u>CUSIP Numbers</u> | <u>International<br/>Securities<br/>Identification<br/>Numbers</u> |
|----------------------|---------------------------------|--|----------------|----------------------|--|
| Class A-1A<br>Notes  | G4162FAA3                       | USG4162FAA33   |                | 3622X4AA1            | US3622X4AA17   |
| Class A-1B<br>Notes  | G4162FAC9                       | USG4162FAC98   |                | 3622X4AC7            | US3622X4AC72   |
| Class A-2 Notes      | G4162FAE5                       | USG4162FAE54   |                | 3622X4AE3            | US3622X4AE39   |
| Class B Notes        | G4162FAF2                       | USG4162FAF20   |                | 3622X4AF0            | US3622X4AF04   |
| Class C Notes        | G4162FAG0                       | USG4162FAG03   |                | 3622X4AG8            | US3622X4AG86   |
| Class D Notes        | G4162FAH8                       | USG4162FAH85   |                | 3622X4AH6            | US3622X4AH69   |
| Class E Notes        | G4162FAJ4                       | USG4162FAJ42   |                | 3622X4AJ2            | US3622X4AJ26   |
| Class F Notes        | G4162CAA0                       | USG4162CAA02   |                | 3622X3AA3            | US3622X3AA34   |
| Class G Notes        | G4162CAB8                       | USG4162CAB84   |                | 3622X3AB1            | US3622X3AB17   |
| Preference<br>Shares | G4162C201                       | KYG4162C2014   |                | 3622X3204            | US3622X32042   |

11. Except as otherwise described herein, there are no restrictions on the Initial Purchaser, the Collateral Manager or any of their affiliates, among others, acquiring the Offered Securities and/or providing investment advice and/or financing to or for third parties. Consequently conflicts of interest may exist or arise as a result of such entities having different roles in this transaction and/or carrying out transactions for third parties.

## LEGAL MATTERS

Certain legal matters with respect to the Offered Securities will be passed upon for the Issuer by Stroock & Stroock & Lavan 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 Maples and Calder. Certain legal matters with respect to the Collateral Manager will be passed upon by Stroock & Stroock & Lavan LLP, New York, New York. Certain legal matters with respect to the Initial Purchaser and the CDS Counterparty will be passed upon by Freshfields Bruckhaus Deringer LLP, New York, New York.

**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 |     |     |     |     |     |
|---|----------------|-----|-----|-----|-----|-----|
|   | Aaa            | Aa  | A   | Baa | Ba  | B   |
| Greater than 70%                                | 85%            | 80% | 70% | 60% | 50% | 40% |
| Less than or equal to 70%, but greater than 10% | 75%            | 70% | 60% | 50% | 40% | 30% |
| Less than or equal to 10%                       | 70%            | 65% | 55% | 45% | 35% | 25% |

**B. ABS Type Residential Securities**

| Percentage of Total Capitalization              | Moody's Rating |     |     |     |     |     |
|---|----------------|-----|-----|-----|-----|-----|
|   | Aaa            | Aa  | A   | Baa | Ba  | B   |
| Greater than 70%                                | 85%            | 80% | 65% | 55% | 45% | 30% |
| Less than or equal to 70%, but greater than 10% | 75%            | 70% | 55% | 45% | 35% | 25% |
| Less than or equal to 10%, but greater than 5%  | 65%            | 55% | 45% | 40% | 30% | 20% |
| Less than or equal to 5%, but greater than 2%   | 55%            | 45% | 40% | 35% | 25% | 15% |
| Less than or equal to 2%                        | 45%            | 35% | 30% | 25% | 15% | 10% |

**C. ABS Type Undiversified Securities**

| Percentage of Total Capitalization              | Moody's Rating |     |     |     |     |     |
|---|----------------|-----|-----|-----|-----|-----|
|   | Aaa            | Aa  | A   | Baa | Ba  | B   |
| Greater than 70%                                | 85%            | 80% | 65% | 55% | 45% | 30% |
| Less than or equal to 70%, but greater than 10% | 75%            | 70% | 55% | 45% | 35% | 25% |
| Less than or equal to 10%, but greater than 5%  | 65%            | 55% | 45% | 35% | 25% | 15% |
| Less than or equal to 5%, but greater than 2%   | 55%            | 45% | 35% | 30% | 20% | 10% |
| Less than or equal to 2%                        | 45%            | 35% | 25% | 20% | 10% | 05% |

**D. Low-Diversity CDO Securities and CDO Securities with an Asset Correlation of 15% or more**

| Percentage of Total Capitalization              | Moody's Rating |     |     |     |     |     |
|---|----------------|-----|-----|-----|-----|-----|
|   | Aaa            | Aa  | A   | Baa | Ba  | B   |
| Greater than 70%                                | 80%            | 75% | 60% | 50% | 45% | 30% |
| Less than or equal to 70%, but greater than 10% | 70%            | 60% | 55% | 45% | 35% | 25% |
| Less than or equal to 10%, but greater than 5%  | 60%            | 50% | 45% | 35% | 25% | 15% |
| Less than or equal to 5%, but greater than 2%   | 50%            | 40% | 35% | 30% | 20% | 10% |
| Less than or equal to 2%                        | 30%            | 25% | 20% | 15% | 07% | 04% |

**E. High-Diversity CDO Securities and CDO Securities with an Asset Correlation of less than 15%**

| Percentage of Total Capitalization              | Moody's Rating |     |     |     |     |     |
|---|----------------|-----|-----|-----|-----|-----|
|   | Aaa            | Aa  | A   | Baa | Ba  | B   |
| Greater than 70%                                | 85%            | 80% | 65% | 55% | 45% | 30% |
| Less than or equal to 70%, but greater than 10% | 75%            | 70% | 60% | 50% | 40% | 25% |
| Less than or equal to 10%, but greater than 5%  | 65%            | 55% | 50% | 40% | 30% | 20% |
| Less than or equal to 5%, but greater than 2%   | 55%            | 45% | 40% | 35% | 25% | 10% |
| Less than or equal to 2%                        | 45%            | 35% | 30% | 25% | 10% | 5%  |

**F. If the Collateral Debt Security is a Synthetic Security (other than a Synthetic Security structured as a credit default swap that is entered into pursuant to a Form-Approved Synthetic Security), the recovery rate thereof will be assigned by Moody's upon the acquisition of such Synthetic Security by the Issuer.**

**G. If the Collateral Debt Security is a Synthetic Security structured as a credit default swap that is entered into pursuant to a Form-Approved Synthetic Security, the recovery rate thereof will be the same as the Moody's recovery rate of the underlying Reference Obligation.**



**Part II**

**Standard & Poor's Recovery Rate Matrix**

- A. If the Collateral Debt Security (other than a CMBS Security, REIT Debt Security, Mortgage Finance Company Security, Excepted Security or REIT Debt Security guaranteed by a corporate guarantor) is the senior-most tranche of securities issued by the issuer of such Collateral Debt Security or is a U.S. Agency Guaranteed Security, the recovery rate is as follows, *provided* that for purposes of the Standard & Poor's recovery rate matrix, the applicable rating shall be the Standard & Poor's Rating of the Collateral Debt Security at the time of issuance:**

| Standard & Poor's Rating | Recovery Rate Liabilities |       |       |       |       |       |       |
|--------------------------|---------------------------|-------|-------|-------|-------|-------|-------|
|                          | AAA                       | AA    | A     | BBB   | BB    | B     | CCC   |
| Assets                   |                           |       |       |       |       |       |       |
| "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 CMBS Security, REIT Debt Security, Mortgage Finance Company Security, Excepted Security or REIT Debt Security guaranteed by a corporate guarantor) (1) is not the senior-most tranche of securities issued by the issuer of such Collateral Debt Security or (2) is the senior-most tranche of securities issued by the issuer of such Collateral Debt Security and such Collateral Debt Security has a Standard & Poor's Rating of "BBB-" or below, the recovery rate is as follows, *provided* that for purposes of the Standard & Poor's recovery rate matrix, the applicable rating shall be the Standard & Poor's Rating of the Collateral Debt Security at the time of issuance:**

| Standard & Poor's Rating | Recovery Rate Liabilities |       |       |       |       |       |       |
|--------------------------|---------------------------|-------|-------|-------|-------|-------|-------|
|                          | AAA                       | AA    | A     | BBB   | BB    | B     | CCC   |
| Assets                   |                           |       |       |       |       |       |       |
| "AAA"                    | 65.0%                     | 70.0% | 80.0% | 85.0% | 85.0% | 85.0% | 85.0% |
| "AA-, "AA" or "AA+"      | 55.0%                     | 65.0% | 75.0% | 80.0% | 80.0% | 80.0% | 80.0% |
| "A-, "A" or "A+"         | 40.0%                     | 45.0% | 55.0% | 65.0% | 80.0% | 80.0% | 80.0% |
| "BBB-, "BBB" or "BBB+"   | 30.0%                     | 35.0% | 40.0% | 45.0% | 50.0% | 60.0% | 70.0% |
| "BB-, "BB" or "BB+"      | 10.0%                     | 10.0% | 10.0% | 25.0% | 35.0% | 40.0% | 50.0% |
| "B-, "B" or "B+"         | 2.5%                      | 5.0%  | 5.0%  | 10.0% | 10.0% | 20.0% | 25.0% |
| "CCC+" and below         | 0.0%                      | 0.0%  | 0.0%  | 0.0%  | 2.5%  | 5.0%  | 5.0%  |

- C. If the Collateral Debt Security is a CMBS Security and (1) is not the senior-most tranche of securities issued by the issuer of such Collateral Debt Security or (2) is the senior-most tranche of securities issued by the issuer of such Collateral Debt Security and such Collateral Debt Security has a Standard & Poor's Rating of "BBB-" or below, the recovery rate is as follows, *provided* that for purposes of the Standard & Poor's recovery rate matrix, the applicable rating shall be the Standard & Poor's Rating of the Collateral Debt Security at the time of issuance:

| Standard & Poor's Rating | Recovery Rate Liabilities |     |     |     |     |     |     |
|--------------------------|---------------------------|-----|-----|-----|-----|-----|-----|
|                          | AAA                       | AA  | A   | BBB | BB  | B   | CCC |
| Assets                   |                           |     |     |     |     |     |     |
| "AAA"                    | 80%                       | 85% | 90% | 90% | 90% | 90% | 90% |
| "AA-, "AA" or "AA+"      | 70%                       | 75% | 85% | 90% | 90% | 90% | 90% |
| "A-, "A" or "A+"         | 60%                       | 65% | 75% | 85% | 90% | 90% | 90% |
| "BBB-, "BBB" or "BBB+"   | 45%                       | 50% | 55% | 60% | 65% | 70% | 75% |
| "BB-, "BB" or "BB+"      | 35%                       | 40% | 45% | 45% | 50% | 50% | 50% |
| "B-, "B" or "B+"         | 20%                       | 25% | 30% | 35% | 35% | 40% | 40% |
| "CCC"                    | 5%                        | 5%  | 5%  | 5%  | 5%  | 5%  | 5%  |
| Below "CCC" or not rated | 0%                        | 0%  | 0%  | 0%  | 0%  | 0%  | 0%  |

- D. If such Collateral Debt Security is a Mortgage Finance Company Security, the recovery rate will be as specified below:

| Mortgage Finance Company Security | Recovery Rate |
|-----------------------------------|---------------|
| Senior Secured                    | 40%           |
| Senior Unsecured                  | 25%           |
| Subordinated                      | 15%           |

- E. If the Collateral Debt Security is a Synthetic Security (other than a Synthetic Security structured as a credit default swap that is entered into pursuant to a Form-Approved Synthetic Security) or an Excepted Security, the recovery rate thereof will be assigned by Standard & Poor's upon the acquisition of such Synthetic Security by the Issuer.
- F. If the Collateral Debt Security is a Synthetic Security structured as a credit default swap that is entered into pursuant to a Form-Approved Synthetic Security, the recovery rate thereof will be the same as the Standard & Poor's recovery rate of the underlying Reference Obligation.
- G. If the Collateral Debt Security is a REIT Debt Security, the recovery rate will be 40%.
- H. If the Collateral Debt Security (other than a Synthetic Security, REIT Debt Security, Mortgage Finance Company Security, Excepted Security or REIT Debt Security guaranteed by a corporate guarantor) is guaranteed by (1) an insurance company that has been assigned an Insurer Financial Enhancement Rating (FER) by Standard & Poor's (including Collateral Debt Securities guaranteed

by a monoline financial insurance company that has been assigned a FER), the recovery rate will be 50% and (2) a company that has not been assigned an Insurer FER by Standard & Poor's the recovery rate will be 40%.

Part III

Fitch Recovery Rate Matrix

| Table A Structured Finance Securities |            |                          |                   | Rating of liability |     |     |     |     |     |
|---------------------------------------|------------|--------------------------|-------------------|---------------------|-----|-----|-----|-----|-----|
| Domicile                              | Seniority  | Asset Rating at Issuance | Tranche Thickness | AAA                 | AA  | A   | BBB | BB  | B   |
|                                       | Senior     | AAA                      |                   | 80%                 | 83% | 86% | 89% | 92% | 95% |
|                                       | Non Senior | AAA                      |                   | 65%                 | 70% | 75% | 80% | 85% | 90% |
|                                       | Senior     | AA                       |                   | 65%                 | 69% | 73% | 77% | 81% | 85% |
|                                       | Non Senior | AA                       | (>10%)            | 50%                 | 56% | 62% | 68% | 74% | 80% |
|                                       | Non Senior | AA                       | (5-10%)           | 45%                 | 51% | 57% | 63% | 69% | 75% |
|                                       | Non Senior | AA                       | (< 5%)            | 40%                 | 46% | 52% | 58% | 64% | 70% |
|                                       | Senior     | A                        |                   | 60%                 | 64% | 68% | 72% | 76% | 80% |
|                                       | Non Senior | A                        | (>10%)            | 40%                 | 47% | 54% | 61% | 68% | 75% |
|                                       | Non Senior | A                        | (5-10%)           | 35%                 | 42% | 48% | 55% | 61% | 68% |
|                                       | Non Senior | A                        | (< 5%)            | 30%                 | 36% | 42% | 48% | 54% | 60% |
|                                       | Senior     | BBB                      |                   | 55%                 | 59% | 63% | 67% | 71% | 75% |
|                                       | Non Senior | BBB                      | (>10%)            | 30%                 | 38% | 46% | 54% | 62% | 70% |
|                                       | Non Senior | BBB                      | (5-10%)           | 25%                 | 33% | 41% | 48% | 56% | 63% |
|                                       | Non Senior | BBB                      | (< 5%)            | 20%                 | 27% | 35% | 42% | 50% | 55% |
|                                       | Senior     | BB                       |                   | 50%                 | 54% | 58% | 62% | 66% | 70% |
|                                       | Non Senior | BB                       | (>10%)            | 15%                 | 19% | 23% | 27% | 32% | 35% |
|                                       | Non Senior | BB                       | (5-10%)           | 10%                 | 14% | 18% | 22% | 27% | 30% |
|                                       | Non Senior | BB                       | (< 5%)            | 5%                  | 9%  | 13% | 17% | 21% | 25% |
|                                       | Non Senior | B                        | (>10%)            | 12%                 | 16% | 20% | 24% | 28% | 32% |
|                                       | Non Senior | B                        | (5-10%)           | 8%                  | 11% | 15% | 19% | 23% | 27% |
|                                       | Non Senior | B                        | (< 5%)            | 3%                  | 7%  | 11% | 14% | 18% | 22% |
|                                       | Below      | B                        |                   | 0%                  | 4%  | 8%  | 12% | 16% | 20% |

| <b>Table B Corporate and Other Securities</b> |                           | <b>Rating of liability</b> |     |     |     |     |     |
|---|---------------------------|----------------------------|-----|-----|-----|-----|-----|
| Domicile                                      | Industry Classification   | AAA                        | AA  | A   | BBB | BB  | B   |
| 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

### 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  
Student Loan Securities

2. Commercial ABS

Cargo Securities  
Equipment Leasing Securities  
Aircraft Leasing Securities  
Small Business Loan Securities  
Restaurant and Food Services Securities  
Tobacco Bonds

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. CDO 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

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

7. 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 C

### 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 Part II of Schedule D 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 "Standard & Poor's Rating" in this Offering Memorandum. 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 other than Form-Approved Synthetic Securities
10. Synthetic CBOs
11. Combination Notes
12. RE-REMICS
13. Market value CDOs
14. Net Interest Margin Securities (NIMs)
15. Any asset class not listed in Part II of Schedule D
16. Interest Only Securities



**SCHEDULE D**

**PART I**

**MOODY'S NOTCHING OF ASSET BACKED SECURITIES**

The following notching conventions are appropriate for Standard & Poor's-only rated tranches. The figures represent the number of notches to be subtracted from the Standard & Poor's rating. (For example, a "1" applied to a Standard & Poor's rating of "BBB" implies a Moody's rating of "Baa3".)

| <b>ASSET CLASS</b>  | <b>"AAA" to "AA-"</b> | <b>"A+" to "BBB-"</b> | <b>Below "BBB-"</b> |
|---|-----------------------|-----------------------|---------------------|
| <b>Asset Backed</b>   |                       |                       |                     |
| Agricultural and Industrial Equipment loans                   | 1                     | 2                     | 3                   |
| Aircraft and Auto leases and Car Rental Receivable Securities | 2                     | 3                     | 4                   |
| Arena and Stadium Financing                                   | 1                     | 2                     | 3                   |
| Financing Auto loan   | 1                     | 2                     | 3                   |
| Boat, Motorcycle, RV, Truck                                   | 1                     | 2                     | 3                   |
| Computer, Equipment and Small-ticket item leases              | 1                     | 2                     | 3                   |
| Consumer Loans  | 1                     | 3                     | 4                   |
| Credit Card   | 1                     | 2                     | 3                   |
| Cross-border transactions                                     | 1                     | 2                     | 3                   |
| Entertainment Royalties                                       | 1                     | 2                     | 3                   |
| Floorplan   | 1                     | 2                     | 3                   |
| Franchise Loans   | 1                     | 2                     | 4                   |
| Future Receivables  | 1                     | 1                     | 2                   |
| Health Care Receivables                                       | 1                     | 2                     | 3                   |
| Manufactured Housing  | 1                     | 2                     | 3                   |
| Mutual Fund Fees  | 1                     | 2                     | 4                   |
| Small Business Loans  | 1                     | 2                     | 3                   |
| Stranded Utilities  | 1                     | 2                     | 3                   |
| Structured Settlements  | 1                     | 2                     | 3                   |

|                       |   |   |   |
|-----------------------|---|---|---|
| Student Loan          | 1 | 2 | 3 |
| Tax Liens             | 1 | 2 | 3 |
| Time Share Securities | 1 | 2 | 3 |
| Trade Receivables     | 2 | 3 | 4 |

## PART II

### STANDARD & POOR'S NOTCHING OF ASSET-BACKED SECURITIES

The Standard & Poor's Rating of a Reference Obligation that is not of a type specified on Schedule C and that has not been assigned a rating by Standard & Poor's may be determined as set forth below.

- A. If such Reference Obligation is rated by Moody's and Fitch, the Standard & Poor's Rating of such Reference Obligation 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 Reference Obligation is rated by Moody's or Fitch (but not both), the Standard & Poor's Rating of such Reference Obligation 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 |
| <b>1. Consumer ABS</b><br>Automobile Loan Receivable Securities<br>Automobile Lease Receivable Securities<br>Car Rental Receivables Securities<br>Credit Card Securities<br>Healthcare Securities<br>Student Loan Securities                                      | -1   | -2                             | -2  | -3                             |
| <b>2. Commercial ABS</b><br>Cargo Securities<br>Equipment Leasing Securities<br>Aircraft Leasing Securities<br>Small Business Loan Securities<br>Restaurant and Food Services Securities<br>Tobacco Bonds   | -1   | -2                             | -2  | -3                             |
| <b>3. Non-Re-REMIC RMBS</b><br>Manufactured Housing Loan Securities   | -1   | -2                             | -2  | -3                             |
| <b>4. Non-Re-REMIC CMBS</b><br>CMBS – Conduit<br>CMBS - Credit Tenant Lease<br>CMBS – Large Loan<br>CMBS – Single Borrower<br>CMBS – Single Property  | -1   | -2                             | -2  | -3                             |
| <b>5. CDO Cashflow Securities</b><br>Cash Flow CBO – at least 80% High Yield Corporate<br>Cash Flow CBO – at least 80% Investment Grade Corporate<br>Cash Flow CLO – at least 80% High Yield Corporate<br>Cash Flow CLO – at least 80% Investment Grade Corporate | -1   | -2                             | -2  | -3                             |

|  |    |    |    |    |
|--|----|----|----|----|
| <b>6. REITs</b><br>REIT – Multifamily & Mobile<br>Home Park<br>REIT – Retail<br>REIT – Hospitality<br>REIT – Office<br>REIT – Industrial<br>REIT – Healthcare<br>REIT – Warehouse<br>REIT – Self Storage<br>REIT – Mixed Use | -1 | -2 | -2 | -3 |
| <b>7. Specialty Structured</b><br>Stadium Financings<br>Project Finance<br>Future flows  | -3 | -4 | -3 | -4 |
| <b>8. Residential Mortgages</b><br>Residential “A”<br>Residential “B/C”<br>Home equity loans   | -1 | -2 | -2 | -3 |
| <b>9. Real Estate Operating Companies</b>  | -1 | -2 | -2 | -3 |

## SCHEDULE E

### RATINGS DEFINITIONS

The “**Moody’s Rating**” of any Reference Obligation or Cash Security will be determined as follows:

(i) (x) if such security is publicly rated by Moody’s with respect to interest and principal, the Moody’s Rating shall be such rating, or (y) if such security is not so publicly rated by Moody’s, but the Issuer or the Collateral Manager on behalf of the Issuer has requested that Moody’s assign a rating to such security, the Moody’s Rating shall be the rating so assigned by Moody’s;

(ii) with respect to an Asset-Backed Security or REIT Debt Security, if such Asset-Backed Security or REIT Debt Security is not publicly rated by Moody’s, then the Moody’s Rating of such Asset-Backed Security or REIT Debt Security may be determined using any one of the methods below:

(A) with respect to any ABS Type Residential Security not publicly rated by Moody’s, if such ABS Type Residential Security is publicly rated by Standard & Poor’s, then the Moody’s Rating thereof will be (i) one subcategory below the Moody’s equivalent rating assigned by Standard & Poor’s if the rating assigned by Standard & Poor’s is “AAA”; (ii) two rating subcategories (or, in the case of Alt-A or mixed pool RMBS Securities, three rating subcategories) below the Moody’s equivalent rating assigned by Standard & Poor’s if the rating assigned by Standard & Poor’s is below “AAA” but above “BB+”; and (iii) three rating subcategories (or, in the case of Alt-A or mixed pool RMBS Securities, 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-”;

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

(C) with respect to notched ratings on any other type of Asset-Backed Securities, the Moody’s Rating shall be determined in conjunction with the notching conventions set forth in Part I of Schedule D; and

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

(iii) with respect to any Mortgage Finance Company Security or corporate guarantees on Asset-Backed Securities or REIT Debt Securities, if such Mortgage Finance Company Securities or corporate guarantees are not publicly rated by Moody’s but another security or obligation of the issuer or guarantor thereof (an “**other security**”) is publicly rated by Moody’s, and no rating has been assigned in accordance with clause (i) above, the Moody’s Rating of such Mortgage Finance Company Security or corporate guarantee shall be determined as follows:

- (A) if the Mortgage Finance Company Security or corporate guarantee is a senior secured obligation of the issuer, guarantor or obligor and the other security is also a senior secured obligation, the Moody's Rating of such Mortgage Finance Company Security or corporate guarantee shall be the rating of the other security;
- (B) if the Mortgage Finance Company Security or corporate guarantee is a senior unsecured obligation of the issuer, guarantor or obligor and the other security is a senior secured obligation, the Moody's Rating of such Mortgage Finance Company Security or corporate guarantee shall be one rating subcategory below the rating of the other security;
- (C) if the Mortgage Finance Company Security or corporate guarantee is a subordinated obligation of the issuer, 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 Mortgage Finance Company Security or corporate guarantee shall be three rating subcategories below the rating of the other security; or
  - (2) rated "B1" or lower by Moody's, the Moody's Rating of such Mortgage Finance Company Security or corporate guarantee shall be two rating subcategories below the rating of the other security;
- (D) if the Mortgage Finance Company Security or corporate guarantee is a senior secured obligation of the issuer, 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 Mortgage Finance Company Security or corporate guarantee shall be the rating of the other security; or
  - (2) rated "Ba1" or lower by Moody's, the Moody's Rating of such Mortgage Finance Company Security or corporate guarantee shall be one rating subcategory above the rating of the other security;
- (E) if the Mortgage Finance Company Security or corporate guarantee is a senior unsecured obligation of the issuer, guarantor or obligor and the other security is also a senior unsecured obligation, the Moody's Rating of such Mortgage Finance Company Security or corporate guarantee shall be the rating of the other security;
- (F) if the Mortgage Finance Company Security or corporate guarantee is a subordinated obligation of the issuer, 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 Mortgage Finance Company Security or corporate guarantee shall be two rating subcategories below the rating of the other security; or
  - (2) rated "B2" or lower by Moody's, the Moody's Rating of such Mortgage Finance Company Security or corporate guarantee shall be one rating subcategory below the rating of the other security;
- (G) if the Mortgage Finance Company Security or corporate guarantee is a senior secured obligation of the issuer, 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 Mortgage Finance Company Security or corporate guarantee shall be one rating subcategory above the rating of the other security;
  - (2) rated below “Baa3” but not rated “B3” by Moody’s, the Moody’s Rating of such Mortgage Finance Company Security or corporate guarantee shall be two rating subcategories above the rating of the other security; or
  - (3) rated “B3” by Moody’s, the Moody’s Rating of such Mortgage Finance Company Security or corporate guarantee shall be “B2”;
- (H) if a corporate guarantee is a senior unsecured obligation of the issuer, 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 Mortgage Finance Company Security or corporate guarantee shall be one rating subcategory above the rating of the other security; or
  - (2) rated “Ba1” or lower by Moody’s, the Moody’s Rating of such Mortgage Finance Company Security or corporate guarantee shall also be one rating subcategory above the rating of the other security; and
- (I) if the Mortgage Finance Company Security or corporate guarantee is a subordinated obligation of the issuer, guarantor or obligor and the other security is also a subordinated obligation, the Moody’s Rating of such Mortgage Finance Company Security or corporate guarantee shall be the rating of the other security;
- (iv) with respect to Mortgage Finance Company Securities or corporate guarantees issued by U.S., U.K. or Canadian issuers or guarantors or by any other Qualifying Foreign Obligor, if such Mortgage Finance Company Security or corporate guarantee does not have a Moody’s Rating, and no other security or obligation of the issuer or guarantor thereof is rated by Moody’s, then the Moody’s Rating of such Mortgage Finance Company Security or corporate guarantee may be determined using any one of the methods below:

- (A) (1) if such Mortgage Finance Company Security or corporate guarantee is publicly rated by Standard & Poor’s, then the Moody’s Rating of such Mortgage Finance Company Security or corporate guarantee shall 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 Mortgage Finance Company Security or corporate guarantee is not publicly rated by Standard & Poor’s but another security or obligation of the issuer is publicly rated by Standard & Poor’s (a “**parallel security**”), then the Moody’s equivalent of the rating of such parallel security will be determined in accordance with the methodology set forth in subclause (1) above, and the Moody’s Rating of such Mortgage Finance Company Security or corporate guarantee will be determined in accordance with the methodology set forth in clause (iii) 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 Mortgage Finance Company Security or corporate guarantee does not have a Moody’s Rating and is not publicly rated by Standard & Poor’s, and no other security or



obligation of the guarantor has a Moody's Rating or is publicly rated by Standard & Poor's, then the Issuer or the Collateral Manager on behalf of the Issuer, may present such Mortgage Finance Company Security or corporate guarantee to Moody's for an estimate of the rating factor for such Mortgage Finance Company Security or corporate guarantee, from which its corresponding Moody's rating may be determined, which shall be its Moody's Rating;

- (C) with respect to a Mortgage Finance Company Security or corporate guarantee issued by a U.S. corporation, if (1) neither the issuer nor any of its affiliates is subject to reorganization or bankruptcy proceedings, (2) no debt securities or obligations of the issuer are in default, (3) none of the issuer, guarantor or any of their affiliates have defaulted on any debt during the past two years, (4) the issuer or guarantor has been in existence for the past five years, (5) the issuer or guarantor is current on any cumulative dividends, (6) the fixed-charge ratio for the issuer or guarantor exceeds 125% for each of the past two fiscal years and for the most recent quarter, (7) the issuer or 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 issuer or guarantor are unqualified and certified by a firm of independent accountants of national reputation, and quarterly statements are unaudited but signed by a corporate officer, the Moody's Rating of such Mortgage Finance Company Security or corporate guarantee will be "B3";
- (D) with respect to a Mortgage Finance Company Security or corporate guarantee issued by a non-U.S. issuer, if (1) none of the issuer, guarantor or any of their affiliates is subject to reorganization or bankruptcy proceedings and (2) no debt security or obligation of the issuer or guarantor has been in default during the past two years, the Moody's Rating of such Mortgage Finance Company Security or corporate guarantee will be "Caa2"; and
- (E) if a debt security or obligation of the issuer or guarantor has been in default during the past two years, the Moody's Rating of such Mortgage Finance Company Security or corporate guarantee will be "Ca";

*provided* that (I) in respect of any U.S. Agency Guaranteed Security or FHLMC/FNMA Guaranteed Security, if such U.S. Agency Guaranteed Security or FHLMC/FNMA Guaranteed Security is not assigned a Moody's Rating pursuant to clause (i) above, the Moody's Rating will be the rating assigned to the relevant guarantor of such U.S. Agency Guaranteed Security or FHLMC/FNMA Guaranteed Security by Moody's, (II) the Moody's Rating of any Moody's Notching Approved Security shall be one rating subcategory below the Moody's Rating that would be applicable to such security if determined in accordance with the foregoing, (III) the ratings of no more than 10% of the Aggregate Notional Balance of all Collateral Debt Securities that are not Moody's Notching Approved Securities may be assigned rating factors derived via notching from single-rated instruments, (IV) with respect to any one Rating Agency, the single-rated notched bucket for Collateral Debt Securities that are not Moody's Notching Approved Securities may be no larger than 7.5% of the Aggregate Notional Balance of all Collateral Debt Securities, (V) the Aggregate Notional Balance of Collateral Debt Securities the Moody's Rating of which is based on a Standard & Poor's or Fitch rating may not exceed (1) with respect to Collateral Debt Securities that are not Moody's Notching Approved Securities, 20% of the Aggregate Notional Balance of all Collateral Debt Securities and (2) with respect to Collateral Debt Securities that are Moody's Notching Approved Securities, 20% of the Aggregate Notional Balance of all Collateral Debt Securities, and the balance of the Collateral Debt Securities must be rated by Moody's or assigned Moody's rating estimates, (VI) other than for the purposes of paragraphs (5) and (21) of the Eligibility Criteria, if a security (A) is placed on a watch list for possible upgrade by Moody's, the Moody's Rating applicable to such security shall be one rating subcategory above the Moody's Rating applicable to such security immediately prior to such security being placed on such watch list and (B) if a security is placed on a watch list for possible downgrade by Moody's, the Moody's Rating applicable to such security shall be one rating subcategory (or, in the case of a security (other than any Bank Guaranteed Security, Insurance Company Guaranteed Security or Mortgage Finance Company Security) that would otherwise have a Moody's Rating below "Aaa", two rating subcategories) below the Moody's Rating applicable to such security immediately prior to such security being placed on such watch list and (VII) the Moody's Rating of any Form-Approved Synthetic Security shall be the Moody's Rating that would be applicable to the related Reference Obligation if determined in accordance with the

foregoing. Additional criteria with respect to the determination of the Moody's Rating will be set forth in the Indenture.

The "Standard & Poor's Rating" of:

(a) any Asset-Backed Security or REIT Debt Security will be determined as follows:

(i) if Standard & Poor's has assigned a rating to such security either publicly or privately (*provided* that with respect to a private or confidential rating, consent of the party that obtained such rating shall be provided to Standard & Poor's), the Standard & Poor's Rating shall be the rating assigned thereto by Standard & Poor's (or, in the case of a REIT Debt Security, the issuer credit rating assigned by Standard & Poor's);

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

(iii) if such security is a security that has not been assigned a rating by Standard & Poor's pursuant to clause (i) or (ii) above, but is guaranteed by a corporate guarantee (which meets the then current guarantee criteria of Standard & Poor's), the issuer of which is rated by Standard & Poor's, the Standard & Poor's Rating shall be the rating so assigned to such guarantor; and

(iv) if such security is a security that has not been assigned a rating by Standard & Poor's pursuant to clause (i), (ii) or (iii) above, and is not of a type listed on Schedule C, the Standard & Poor's Rating of such security shall be the rating determined in accordance with Part II of Schedule D; *provided* that if any security shall, at the time of its purchase by the Issuer, be on watch for a possible upgrade or downgrade by Moody's, the Standard & Poor's Rating of such security shall be one subcategory above or below, respectively, the rating otherwise assigned to such security in accordance with Part II of Schedule D; or

(b) any Mortgage Finance Company Security will be determined as follows:

(i) if there is an issuer credit rating of the issuer of such Mortgage Finance Company Security, or a guarantor that unconditionally and irrevocably guarantees the full payment of principal and interest on such security (with such form of guarantee meeting Standard & Poor's then-current criteria for guarantees), then the Standard & Poor's Rating of such Mortgage Finance Company Security shall be the issuer 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 Mortgage Finance Company Security held by the Issuer) (*provided* that with respect to a private or confidential rating, consent of the party that obtained such rating shall be provided to Standard & Poor's);

(ii) if the criteria set forth in clause (i) above does not apply, 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 Mortgage Finance Company Security; *provided* that such credit estimate shall expire on each one year anniversary of the delivery of such credit estimate unless confirmed by annual review of Standard & Poor's or unless Standard & Poor's specifies in writing a later expiration date therefor; *provided* further that pending receipt from Standard & Poor's of such estimate, such security shall have a Standard &

Poor's Rating of "CCC-" if the Collateral Manager believes that such estimate will be at least "CCC-";

- (iii) with respect to any Synthetic Security the Reference Obligation of which is a Mortgage Finance Company 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 request of the Issuer or the Collateral Manager;
- (iv) if such Mortgage Finance Company Security is not rated by Standard & Poor's, but another security or obligation of the issuer is rated by Standard & Poor's and neither the Issuer nor the Collateral Manager obtains a Standard & Poor's Rating for such Mortgage Finance Company Security pursuant to clause (ii) above, then the Standard & Poor's Rating of such Mortgage Finance Company Security shall be determined as follows: (A) 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 Mortgage Finance Company Security shall be one subcategory below such rating; (B) 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 Mortgage Finance Company Security shall equal such rating; and (C) if there is a rating on a subordinated obligation of the issuer by Standard & Poor's, then the Standard & Poor's Rating of such Mortgage Finance Company Security shall be one subcategory above such rating if such rating is higher than "BB+", and shall be two subcategories above such rating if such rating is "BB+" or lower;
- (v) if a debt security or obligation of the issuer of such Mortgage Finance Company Security has been in default during the past two years, the Standard & Poor's Rating of such Mortgage Finance Company Security will be "D"; or
- (vi) if there is no issuer credit rating published by Standard & Poor's and such Mortgage Finance Company 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 Mortgage Finance Company Security pursuant to subclause (ii) above, then the Standard & Poor's Rating of such Mortgage Finance Company Security may be determined using any one of the methods provided below:
  - (A) if such Mortgage Finance Company Security is publicly rated by Moody's, then the Standard & Poor's Rating of such Mortgage Finance Company Security will be (1) one subcategory below the Standard & Poor's equivalent of the public rating assigned by Moody's if such Mortgage Finance Company Security is rated "Baa3" or higher by Moody's and (2) two subcategories below the Standard & Poor's equivalent of the public rating assigned by Moody's if such Mortgage Finance Company Security is rated "Ba1" or lower by Moody's;
  - (B) if such Mortgage Finance Company Security is not publicly rated by Moody's but a security with the same ranking is publicly rated by Moody's, then the Standard & Poor's Rating of such parallel security will be determined in accordance with the methodology set forth in subclause (A) above, and the Standard & Poor's Rating of such Mortgage Finance Company Security will be determined in accordance with the methodology set forth in clause (iv) above (for such purposes treating the parallel security as if it were rated by Standard & Poor's at the rating determined pursuant to this subclause (B)); or
- (c) any Form-Approved Synthetic Security will be determined based upon the Standard & Poor's Rating of the related Reference Obligation as determined in accordance with sub-clauses (a) and (b) above;

*provided that*, in regard to sub-clauses (i) and (ii) of Section (a) above and clauses (i) through (vi) of Section (b) above and, to the extent any of such sub-clauses apply to the Reference Obligation of a Form-Approved Synthetic Security, sub-clause (c) above, (1) if a security (or, in the case of a Form-Approved Synthetic Security, the related

Reference Obligation) (x) is placed on a watch list for possible upgrade by Standard & Poor's, the Standard & Poor's Rating applicable to such security shall be one rating subcategory above the Standard & Poor's Rating applicable to such security (or, in the case of a Form-Approved Synthetic Security, the related Reference Obligation) immediately prior to such security (or, in the case of a Form-Approved Synthetic Security, the related Reference Obligation) being placed on such watch list or (y) is placed on a watch list for possible downgrade by Standard & Poor's, the Standard & Poor's Rating applicable to such security shall be one rating subcategory below the Standard & Poor's Rating applicable to such security (or, in the case of a Form-Approved Synthetic Security, the related Reference Obligation) immediately prior to such security or Reference Obligation (as applicable) being placed on such watch list. (2) the Rating of not more than 20% of the Aggregate Notional Balance of all Collateral Debt Securities may be determined pursuant to clause (iv) of Section (a) or clause (vi) of Section (b) above and *provided* further that, in respect of any U.S. Agency Guaranteed Security or FHLMC/FNMA Guaranteed Security, the Standard & Poor's Rating will be the rating assigned to the relevant guarantor of such security by Standard & Poor's if such U.S. Agency Guaranteed Security or FHLMC/FNMA Guaranteed Security is not assigned a Standard & Poor's Rating pursuant to clause (i) of Section (a) above and such security is not rated by Moody's or Fitch.

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

(a) if such Collateral Debt Security (or, in the case of a Synthetic Security acquired pursuant to a Form-Approved Synthetic Security, the related Reference Obligation) is rated by Fitch, the Fitch rating thereof (or of the related Synthetic Security, as applicable) shall be such rating;

(b) if such Collateral Debt Security (or, in the case of a Synthetic Security acquired pursuant to a Form-Approved Synthetic Security, the related Reference Obligation) is not rated by Fitch and a rating is published by both Standard & Poor's and Moody's, the Fitch Rating thereof (or, in the case of a Synthetic Security, the related Reference Obligation, as applicable) shall be the lower of such ratings; and if a rating is published by only one of Standard & Poor's and Moody's, the corresponding Fitch rating thereof (or, in the case of a Synthetic Security, the related Reference Obligation, as applicable) shall be that published rating by Standard & Poor's or Moody's, as the case may be;

(c) if such Collateral Debt Security is a Synthetic Security not acquired pursuant to a Form-Approved Synthetic Security, the Fitch Rating of such Synthetic Security shall be (A) if such Synthetic Security is rated by Fitch, the rating assigned thereto by Fitch in connection with the acquisition thereof by the Issuer upon request of the Issuer or the Collateral Manager; (B) if such Synthetic Security is not rated by Fitch and a rating is published by both Standard & Poor's and Moody's, the Fitch Rating shall be the lower of such ratings; and (C) if such Synthetic Security is not rated by Fitch and a rating is published by only one of Standard & Poor's and Moody's, the Fitch Rating shall be that published rating by Standard & Poor's or Moody's, as the case may be; and

(d) in all other circumstances, the Fitch Rating shall be the private rating assigned by Fitch upon request of the Collateral Manager;

*provided* that (x) if such Collateral Debt Security (or related Reference Obligation in the case of a Synthetic Security) has been put on rating watch negative for possible downgrade by any Rating Agency, then the rating used to determine the Fitch Rating under either of clauses (a) or (b) above shall be one rating subcategory below such rating by that Rating Agency, and (y) if such Collateral Debt Security (or related Reference Obligation in the case of a Synthetic Security) has been put on rating watch positive for possible upgrade by any Rating Agency, then the rating used to determine the Fitch Rating under either of clauses (a) or (b) above shall be one rating subcategory above such rating by that Rating Agency, and (z) notwithstanding the rating definition described above, Fitch reserves the right to issue a rating estimate for any Collateral Debt Security at any time.

## GLOSSARY OF DEFINED TERMS

“**ABS Chassis Securities**” means Asset-Backed Securities (other than Aircraft Leasing Securities, Oil and Gas Securities, Project Finance Securities and Restaurant and Food Services 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 chassis (other than automobiles) to commercial and industrial customers, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the leases or subleases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, sublessee or third party of the underlying chassis; and (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the chassis for their stated residual value, subject to payments at the end of lease term for excess usage.

“**ABS Container Securities**” means Asset-Backed Securities (other than Aircraft Leasing Securities, Oil and Gas Securities, Project Finance Securities and Restaurant and Food Services 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 containers to commercial and industrial customers, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the leases or subleases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, sublessee or third party of the underlying containers; and (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the containers for their stated residual value, subject to payments at the end of lease term for excess usage.

“**ABS Natural Resource Receivable Securities**” means Asset-Backed Securities that entitle the holders thereof to receive payments that depend on the cash flow from the sale of products derived from the right to harvest, mine, extract or exploit a natural resource such as timber, oil, gas and minerals, generally having the following characteristics: (i) the contracts have standardized payment terms, (ii) the contracts are the obligations of a few consumers of natural resources and accordingly represent an undiversified pool of credit risk and (iii) the repayment stream on such contracts is primarily determined by a contractual payment schedule.

“**ABS Type Diversified Securities**” means (1) Automobile Securities; (2) Credit Card Securities; (3) Student Loan Securities; and (4) any other type of Asset-Backed Securities that becomes a Specified Type after the Closing Date as described above in “Security for the Notes—Asset-Backed Securities” and are designated as “ABS Type Diversified Securities” in connection therewith.

“**ABS Type Residential Securities**” means (1) Home Equity Loan Securities; (2) Manufactured Housing Securities; (3) Residential A Mortgage Securities; (4) Residential B/C Mortgage Securities; and (5) any other type of Asset-Backed Securities that become a Specified Type after the Closing Date as described above in “Security for the Notes—Asset-Backed Securities” and are 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 as described above in “Security for the Notes—Asset-Backed Securities” and is designated as “ABS Type Undiversified Securities” in connection therewith.

“**Actual Interest Amount**” means, with respect to any payment date under the Reference Obligation related to a Synthetic Security, payment by or on behalf of the issuer of the Reference Obligation of an amount in respect of interest due under the Reference Obligation (including, without limitation, any deferred interest, defaulted interest or prepayment penalties) other than in respect of principal (except that the Actual Interest Amount shall

include any payment of principal representing capitalized interest) paid to the holder(s) of the Reference Obligation in respect of the Reference Obligation.

**“Aggregate Attributable Amount”** means, with respect to any specified Collateral Debt Security (or Reference Obligation, in the case of a specified Synthetic Security) that is secured, entirely or in part, by collateral issued by issuers incorporated or organized under the laws of any specified jurisdiction or jurisdictions, (a) the aggregate Notional Balance of such Collateral Debt Security multiplied by (b) the aggregate par amount of collateral securing such Collateral Debt Security (or Reference Obligation, in the case of a specified Synthetic Security) issued by issuers so organized divided by (c) the aggregate par amount of all collateral securing such Collateral Debt Security (or Reference Obligation, in the case of a specified Synthetic Security). The Collateral Manager shall determine the Aggregate Attributable Amount with respect to any specified Collateral Debt Security (or Reference Obligation, in the case of a specified Synthetic Security) and issuer or issuers based upon information in the most recent servicing, trustee or other similar report delivered in accordance with the related Underlying Instruments and, if no such information is available after inquiry of the relevant issuer, Servicer, collateral manager or any other Person serving in a similar capacity, by estimating such Aggregate Attributable Amount in good faith and in the exercise of its judgment (exercised in accordance with the standard of care set forth in the Management Agreement) based upon all relevant information otherwise available to the Collateral Manager.

**“Aggregate Class A-1B Commitment Amount”** means, as of any date of determination prior to the Commitment Period Termination Date, U.S.\$125,000,000 minus the aggregate amount of all Borrowings on or prior to such date (including any Borrowings on the Closing Date).

**“Aggregate Notional Balance”** means, when used with respect to any Cash Securities, Synthetic Securities, Delivered Obligations and Eligible Investments as of any date of determination, the sum of their respective Notional Balances on such date of determination.

**“Aircraft Leasing Securities”** means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a portfolio consisting of aircraft leases and subleases, 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 lessee or sublessee may be secured not only by the leased equipment but also by other assets of the lessee or sublessee or guarantees granted by third parties. For purposes of this definition, Aircraft Leasing Securities shall include enhanced equipment trust certificates with respect to aircraft.

**“Applicable Recovery Rate”** means, with respect to any Collateral Debt Security on any Measurement Date, the lowest of (a) an amount equal to the applicable percentage set forth in the Moody’s recovery rate matrix set forth in Part I of Schedule A in (x) the table corresponding to the relevant Specified Type of Collateral Debt Security, (y) the column in such table setting forth the Moody’s Rating of such Collateral Debt Security as of the date of issuance of such Collateral Debt Security and (z) the row in such table opposite the percentage of the Issue of which such Collateral Debt Security (including, for senior bonds only, all other bonds which are *pari passu* in terms of losses), 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 such Collateral Debt Security is a U.S. Agency Guaranteed Security or FHLMC/FNMA Guaranteed Security, it shall be treated as an ABS Type Diversified Security for the purposes of applying the recovery rate in Part I of Schedule A, (2) if the timely payment of principal of and interest on such Collateral Debt Security is guaranteed (and such guarantee ranks equally and ratably with the guarantor’s senior unsecured debt) by another Person, unless such Collateral Debt Security is a U.S. Agency Guaranteed Security or FHLMC/FNMA Guaranteed Security, such amount shall be 30%, (3)(A) if such Collateral Debt Security is a REIT Debt Security other than a REIT Debt Security-Health Care or REIT Debt Security-Mortgage, such amount shall be 40% and (B) if such Collateral Debt Security is a REIT Debt Security-Health Care or REIT Debt

Security-Mortgage, such amount shall be 10%, and (4) if such Collateral Debt Security is a Reinsurance Security, such amount shall be assigned by Moody's upon the entry into each such Synthetic Security, (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 D in (x) the applicable table, (y) the row in such table opposite the Standard & Poor's Rating of such Collateral Debt Security at the time of issuance and (z) in the column in such table below the rating of the Class of outstanding Notes with the highest rating by Standard & Poor's, and (c) with respect to any Collateral Debt Security that is a Defaulted Security or a Deferred Interest PIK Bond, an amount equal to the percentage for such Collateral Debt Security set forth in the Fitch recovery rate matrix set forth in Part III of Schedule A. The "Applicable Recovery Rate" with respect to any Form-Approved Synthetic Security will be equal to the applicable rate determined in respect of the related Reference Obligation in accordance with this definition as if the Reference Obligation were the Collateral Debt Security. For purposes of the definition of "Applicable Recovery Rate", the Issuer will (to the extent not otherwise determined as described herein (including Schedule A and Schedule E hereto)) request Moody's and Standard & Poor's to assign a recovery rate to any Synthetic Security that is not a Form-Approved Synthetic Security prior to the acquisition thereof.

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

**"Automobile Securities"** means Asset-Backed Securities (other than Recreational Vehicle 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 prime 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.

**"Available Principal Excess"** means, with respect to any Determination Date, the amount, if any, by which (i) the sum of (a) the Synthetic Security Collateral Account Balance as of such date plus (b) the balance of all Eligible Investments credited to the Principal Collection Account (including any amount designated for withdrawal as Available Principal Excess, but excluding any amount designated for withdrawal as Interest Proceeds) plus the Class A-1A Notional Amount exceeds (ii) the aggregate Remaining Exposure as of such date under all Synthetic Securities as to which both the Issuer and the CDS Counterparty are counterparties.

**"Average Life"** means, on any Measurement Date with respect to any Collateral Debt Security, the quotient obtained by dividing (i) the sum of the products of (a) the number of years (rounded to the nearest one tenth thereof) from such Measurement Date to the respective dates of each successive scheduled distribution of principal of such Collateral Debt Security (or the related Reference Obligation in the case of a Synthetic 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 (or the related Reference Obligation in the case of a Synthetic Security).

**"Bank Guaranteed Securities"** means Asset-Backed Securities as to which, (a) if interest thereon is not timely paid when due, or the principal thereof is not timely paid at stated legal maturity, a national banking association organized under United States law or banking corporation organized under the laws of a state of the United States has undertaken in an irrevocable letter of credit or other similar instrument to make such payment against the presentation of documents, but only if such letter of credit or similar instrument (1) expires no earlier than such stated maturity (or contains "evergreen" provisions entitling the beneficiary thereof to draw the entire undrawn amount thereof upon the failure of the expiration date of such letter of credit or other similar instrument to

be extended beyond its then-current expiry date), (2) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset-Backed Security and (3) was issued by a bank having a credit rating assigned by each nationally recognized statistical rating organization that currently rates the relevant 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 or (b) the timely payment of interest on, or the payment of principal of at stated legal maturity is, in the judgment of the Collateral Manager (exercised in accordance with the standard of care set forth in the Management Agreement), dependent upon an irrevocable letter of credit or other similar instrument undertaken by a national banking association organized under United States law or a banking corporation organized under the laws of a state of the United States, *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.

**“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 LaSalle Bank National Association, or if such bank ceases to exist or is not quoting a base rate, prime rate reference rate or similar rate for Dollar loans, such other major money center commercial bank in New York City, as is selected by the Calculation Agent (after consultation with the Collateral Manager).

**“Below B- Amount”** means, on any Measurement Date, the Aggregate Notional Balance of all Collateral Debt Securities which have a Standard & Poor’s Rating of below “B-” on such date.

**“Bid”** means (i) when used in respect of any Synthetic Security, a bid (or offer) obtained from a Qualified Bidder for such Synthetic Security or for such other security or transaction the purchase of (or entry into) which will effect the Disposition of such Synthetic Security pursuant to the Credit Default Swap Agreement (or pursuant to the terms of the related Synthetic Security, with respect to a Credit Linked Note or Defeased Synthetic Security entered into with a Synthetic Security Counterparty) or (ii) when used in respect of any Collateral Debt Security other than a Synthetic Security, a bid for the purchase of such Collateral Debt Security from the Issuer.

**“Calculation Amount”** means, with respect to any Collateral Debt Security at any time, the lesser of (a) the Fair Market Value of such Collateral Debt Security and (b) the amount obtained by multiplying the Applicable Recovery Rate by the Notional Balance of such Collateral Debt Security; *provided* that the Calculation Amount with respect to any Collateral Debt Security that is a Defaulted Security solely by reason of its (or its Reference Obligation in the case of a Synthetic Security) being rated “CC”, “D” or “SD” by Standard & Poor’s or its (or its Reference Obligation’s) rating being withdrawn by Standard & Poor’s may be an amount proposed by the Collateral Manager that satisfies the Rating Condition with respect to Standard & Poor’s.

**“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.

**“Cash Security”** means (i) an Asset-Backed Security or a REIT Debt Security, in each case, that satisfies each of the applicable Eligibility Criteria when purchased by the Issuer or (ii) except as the context otherwise requires, a Delivered Obligation.



“**Catastrophe Bonds**” means Asset-Backed Securities that entitle the holders thereof to receive a fixed principal or similar amount and a specified return on such amount, generally having the following characteristics: (1) the issuer of such Asset-Backed Security has entered into a swap, insurance contract or similar arrangement with a counterparty pursuant to which such issuer agrees to pay amounts to the counterparty upon the occurrence of certain specified events, including but not limited to: hurricanes, earthquakes and other events; and (2) payments on such Asset-Backed Security depend primarily upon the occurrence and/or severity of such events.

“**CDO Securities**” means (i) 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 (each such portfolio, an “**Underlying Portfolio**”) consisting primarily of commercial and industrial bank loans, other asset-backed securities or corporate debt securities (including synthetic securities referencing such loans and securities) or any combination of the foregoing, generally having the following characteristics: (1) the bank loans and debt securities have varying contractual maturities; (2) 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 (3) 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, or (ii) Asset-Backed Securities the assets of which are synthetic securities that substantially replicate the kind of portfolio described in clause (i) of this definition. “CDO Securities” shall not include any combination security as to which the components thereof include an unrated tranche of debt or equity securities.

“**Class A/B/C Overcollateralization 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 the aggregate outstanding principal amount of the Class A-1A Notes (including, for these purposes, the Class A-1A Notional Amount) plus the aggregate outstanding principal amount of the Class A-1B Notes plus the aggregate outstanding principal amount of the Class A-2 Notes plus the aggregate outstanding principal amount of the Class B Notes plus the aggregate outstanding principal amount of the Class C Notes.

“**Class A/B/C Overcollateralization Test**” means, for so long as any Class A-1 Notes, Class A-2 Notes, Class B Notes or Class C Notes remain outstanding, a test satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class A/B/C Overcollateralization Ratio on such Measurement Date is equal to or greater than 108.27%.

“**Class D Overcollateralization 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 the aggregate outstanding principal amount of the Class A-1A Notes (including, for these purposes, the Class A-1A Notional Amount) plus the aggregate outstanding principal amount of the Class A-1B Notes plus the aggregate outstanding principal amount of the Class A-2 Notes plus the aggregate outstanding principal amount of the Class B Notes plus the aggregate outstanding principal amount of the Class C Notes plus the aggregate outstanding principal amount of the Class D Notes.

“**Class D Overcollateralization Test**” means, for so long as any Class D Notes remain outstanding, a test satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class D Overcollateralization Ratio on such Measurement Date is equal to or greater than 104.91%.

“**Class E Overcollateralization 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 the aggregate outstanding principal amount of the Class A-1A Notes (including, for these purposes, the Class A-1A Notional Amount) plus the aggregate outstanding principal amount of the Class A-1B Notes plus the aggregate outstanding principal amount of the Class A-2 Notes plus the aggregate outstanding principal amount of the Class B Notes plus the aggregate outstanding principal amount of the Class C Notes plus the aggregate outstanding principal amount of the Class D Notes plus the aggregate outstanding principal amount of the Class E Notes.

“**Class E Overcollateralization Test**” means, for so long as any Class E Notes remain outstanding, a test satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class E Overcollateralization Ratio on such Measurement Date is equal to or greater than 102.70%.

“**Class F Overcollateralization 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 the aggregate outstanding principal amount of the Class A-1A Notes (including, for these purposes, the Class A-1A Notional Amount) plus the aggregate outstanding principal amount of the Class A-1B Notes plus the aggregate outstanding principal amount of the Class A-2 Notes plus the aggregate outstanding principal amount of the Class B Notes plus the aggregate outstanding principal amount of the Class C Notes plus the aggregate outstanding principal amount of the Class D Notes plus the aggregate outstanding principal amount of the Class E Notes plus the aggregate outstanding principal amount of the Class F Notes.

“**Class F Overcollateralization Test**” means, for so long as any Class F Notes remain outstanding, a test satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class F Overcollateralization Ratio on such Measurement Date is equal to or greater than 101.77%.

“**Class G Interest Diversion Test**” means, for so long as any Class G Notes remain outstanding, a test satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class G Overcollateralization Ratio on such Measurement Date is equal to or greater than 101.21%.

“**Class G Overcollateralization 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 the aggregate outstanding principal amount of the Class A-1A Notes (including, for these purposes, the Class A-1A Notional Amount) plus the aggregate outstanding principal amount of the Class A-1B Notes plus the aggregate outstanding principal amount of the Class A-2 Notes plus the aggregate outstanding principal amount of the Class B Notes plus the aggregate outstanding principal amount of the Class C Notes plus the aggregate outstanding principal amount of the Class D Notes plus the aggregate outstanding principal amount of the Class E Notes plus the aggregate outstanding principal amount of the Class F Notes plus the aggregate outstanding principal amount of the Class G Notes.

“**Class Scenario Loss Rate**” means, with respect to any Class of Notes rated by Standard & Poor’s, 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 such Class of Notes on the Closing Date, determined by application of the Standard & Poor’s CDO Monitor at such time.

“**CMBS Conduit Securities**” means Asset-Backed Securities (i) (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 10 commercial mortgage loans account for more than 75% of the aggregate principal balance of the entire pool of commercial mortgage loans supporting payments on such securities and such pool contains at least 50 such loans; 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 or (ii) backed by a pool of securities where at least 80% of the aggregate principal balance of the underlying pool consists of securities described in (i) above.

**“CMBS Credit Tenant Lease Securities”** means Asset-Backed Securities (other than CMBS Large Loan Securities, CMBS Single Property 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, CMBS Credit Tenant Lease Securities and CMBS Single Property 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.

**“CMBS Single Property 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 one or more commercial mortgage loans made to finance the acquisition, construction and improvement of a single property. 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 or leases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; and (4) 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.

**“Collateral Debt Security”** means (i) a Synthetic Security that is in effect, and as to which the Issuer remains a party, on the applicable date of determination and (ii) any Cash Security.

**“Commitment Fee”** means with respect to any Distribution Date, the fee payable to the Holders of the Class A-1B Notes on such Distribution Date in an aggregate amount equal to the sum of (i) the product of (x) the daily average of the Aggregate Class A-1B Commitment Amount during the Interest Period ending immediately prior to such Distribution Date, (y) the Commitment Fee Rate and (z) the number of days in the Interest Period ending immediately prior to such Distribution Date divided by 360, plus (ii) any unpaid amounts calculated pursuant

to clause (i) with respect to prior Distribution Dates and accrued and unpaid interest thereon at the interest rate applicable to the Class A-1B Notes to but excluding such Distribution Date.

**“Commitment Fee Rate”** means a rate per annum equal to 0.05%.

**“Confirmation”** means, with respect to any Synthetic Security, the confirmation relating to such Synthetic Security (which forms a part of the Credit Default Swap Agreement, in the case of a Synthetic Security with the CDS Counterparty).

**“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 prime 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 Default Base Counterparty Ratings Requirement”** means a requirement which will be satisfied if (i) the Credit Default Swap Rating Determining Party has both a short-term debt rating of “A-1+” by Standard and Poor’s and a long term debt rating of at least “AA-” by Standard & Poor’s, (ii) the Credit Default Swap Rating Determining Party has both a short-term debt rating of “P-1” by Moody’s (which is not on credit watch for downgrade) and a long-term debt rating of “A1” by Moody’s (which is not on credit watch for downgrade) and (iii) the Credit Default Swap Rating Determining Party has both a short-term debt rating of “F1” by Fitch and a long-term debt rating of at least “A” by Fitch.

**“Credit Default Swap Rating Determining Party”** means (a) unless clause (b) below applies, the CDS Counterparty or any transferee thereof or (b) any affiliates of the CDS Counterparty or any transferee thereof that unconditionally and absolutely guarantees the obligations of the CDS Counterparty or such transferee, as the case may be, under the Credit Default Swap Agreement pursuant to a form of guarantee that satisfies the then current guarantee criteria publicly available from Standard & Poor’s and Moody’s. For the purpose of this definition, no direct or indirect recourse against one or more shareholders of the CDS 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 CDS Counterparty or any such transferee.

**“Credit Event”** means, with respect to any Synthetic Security, any event identified in the related Confirmation as a “credit event” for purposes of such Synthetic Security.

**“Credit Event Notice”** means an irrevocable written notice from the protection buyer to the protection seller that describes a Credit Event that occurred during the Notice Delivery Period. A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is effective.

**“Credit Improved Security”** means any Collateral Debt Security included in the Collateral that (i) so long as no Downgrade Event has occurred and is continuing (a) the Collateral Manager believes (based on its judgment exercised in accordance with the standard of care set forth in the Management Agreement) has significantly improved in credit quality since the date on which such Collateral Debt Security was acquired or entered into by the Issuer, (b) that has been upgraded or put on a watch list for possible upgrade by one or more rating subcategories by one or more Rating Agencies since the date on which such Collateral Debt Security was acquired or entered into by the Issuer or (c) that may be Disposed of for a net payment to the Issuer of at least 2% of its Notional Amount (in the case of a Synthetic Security other than a Credit Linked Note) or that has increased in price to 102% or more of its original purchase price exclusive of purchased accrued interest or premium (in the case of a Cash Security or Credit Linked Note), since the date on which such Collateral Debt Security was acquired or entered into by the Issuer, or (ii) if a Downgrade Event has occurred and is continuing, (x) which has been upgraded by Moody’s at least one

subcategory or placed by Moody's on a watchlist for possible upgrade, in each case, since the date on which such Collateral Debt Security was acquired or entered into by the Issuer or (y) such Collateral Debt Security (or the related Reference Obligation in the case of a Synthetic Security) has experienced a decrease in credit spread of 10% or more compared to the credit spread at which such Collateral Debt Security was acquired or entered into or purchased by the Issuer, determined by reference to an applicable index selected by the Collateral Manager (subject to the satisfaction of the Rating Condition).

**“Credit Linked Note”** means a Synthetic Security in respect of which the Remaining Exposure of the Issuer to the issuer thereof is zero upon the date of the Issuer's entry into or acquisition of such Synthetic Security. For the avoidance of doubt, the phrase “entry into a Synthetic Security” or words of similar effect herein, shall be deemed to include the purchase of a Credit Linked Note.

**“Credit Risk Security”** means any Collateral Debt Security included in the Collateral that (i) so long as no Downgrade Event has occurred and is continuing, the Collateral Manager believes (based on its judgment exercised in accordance with the standard of care set forth in the Management Agreement) has a significant risk of declining in credit quality and, with lapse of time, becoming a Defaulted Security or (ii) if a Downgrade Event has occurred and is continuing, (a) which has been downgraded by Moody's at least one subcategory or placed by Moody's on a watchlist with negative implications, in each case, since the date on which such Collateral Debt Security was acquired or entered into by the Issuer or (b) such Collateral Debt Security (or the related Reference Obligation in the case of a Synthetic Security) has experienced an increase in credit spread of 10% or more compared to the credit spread at which such Collateral Debt Security was acquired or entered into by the Issuer, determined by reference to an applicable index selected by the Collateral Manager (subject to the satisfaction of the Rating Condition).

**“Current Portfolio”** means the portfolio (measured by Notional Balance) of (a) Collateral Debt Securities and (b) Available Principal Excess existing immediately prior to the Disposition or maturity of a Collateral Debt Security or immediately prior to the proposed investment in a Collateral Debt Security, as the case may be.

**“Defaulted Interest”** means with respect to any Note or Notes, any interest due and payable in respect of such Note(s) which is not punctually paid or duly provided for on the applicable Distribution Date or at Stated Maturity and which remains unpaid; *provided* that in no event shall interest which is deferred as Deferred Interest in accordance with the Indenture constitute Defaulted Interest.

**“Defaulted Security”** means, with respect to Synthetic Securities, any Defaulted Synthetic Security and, with respect to any other Collateral Debt Security or other security included in the Collateral:

(1) with respect to which there has occurred and is continuing a payment default thereunder (without giving effect to any applicable grace period or waiver); *provided*, however, that a payment default of up to five days with respect to which the Collateral Manager certifies in writing to the Trustee, in its judgment (exercised in accordance with the standard of care set forth in the Management Agreement) is due to non-credit and non-fraud related reasons shall not cause a security to be classified as a Defaulted Security;

(2) with respect to which there has occurred a default (other than any payment default) which entitles the holders thereof, with the giving of notice or passage of time or both, to accelerate the maturity of all or a portion of the principal amount of such security, and the holders thereof have accelerated the maturity of all or a portion of the principal amount of such security;

(3) as to which a bankruptcy, insolvency, or receivership proceeding has been initiated with respect to the issuer of such security, as applicable, or there has been proposed or effected any distressed exchange or other debt restructuring where the issuer of such security has offered the holders thereof a new security or package of securities that, in the judgment of the Collateral Manager (exercised in accordance with the standard of care set forth in the Management Agreement), either (a) amounts to a diminished financial obligation or (b) has the purpose of helping the borrower to avoid default, *provided* that a security that was acquired in exchange for a security in connection with a distressed exchange or other debt restructuring shall not constitute a “Defaulted Security” if it satisfies the applicable Eligibility Criteria, other than the Eligibility Criteria specified in clauses (18), (20)(B) and (21) through (32) and (solely with respect to the requirement that such security not be a Credit Risk Security) clause

(11) of the definition of “Eligibility Criteria”, and is currently paying scheduled interest and principal (to the extent scheduled principal payments are due and payable);

(4) as to which the Collateral Manager has actual knowledge that the issuer thereof is in default (without giving effect to any applicable grace period or waiver) as to payment of principal and/or interest on another obligation (and such default has not been cured or waived) which is senior to or *pari passu* in right of payment to, and (in the case of Asset-Backed Securities only) is secured by the same collateral as, such security, except that a security shall not constitute a “Defaulted Security” under this clause (4) if the Collateral Manager, in its judgment (exercised in accordance with the standard of care set forth in the Management Agreement), determines that on the next scheduled payment distribution date of such security such issuer will make payments required to be made on such security on such date and the Rating Condition with respect to Standard & Poor’s is satisfied in respect of such determination, *provided* that this exception shall not apply where the issuer of such security is reasonably expected by the Collateral Manager to be in default on the next scheduled distribution date as to payment of principal and/or interest of another obligation that is senior to or *pari passu* in right of payment to such security;

(5) that is received upon acceptance of an Offer for another security which Offer expressly stated that failure to accept such Offer might result in a default under the related Underlying Instruments and with respect to which no payment of interest or principal has yet been received;

(6) that (x) has a Moody’s Rating of “Ca” or “C”, (y) is rated “CC”, “D” or “SD” by Standard & Poor’s or was rated “CC”, “D” or “SD” by Standard & Poor’s prior to having its rating withdrawn or (z) has a Fitch Rating of “CC” or below as determined by reference to a public rating in accordance with the rules set forth in the definition of “Fitch Rating” or, after having been assigned a public rating by Fitch, Fitch withdraws its rating with respect to such security; or

(7) that is a Delivered Obligation that does not meet the requirements of the Eligibility Criteria (applied as if the Issuer were entering a Synthetic Security referencing such Delivered Obligation at the time it is acquired), other than the Eligibility Criteria specified in clauses (18), (20)(B) and (21) through (32) and (solely with respect to the requirement that such security not be a Credit Risk Security) clause (11) of the definition of “Eligibility Criteria”, and is not currently paying scheduled interest and principal (to the extent scheduled principal payments are due and payable);

*provided that*, in respect of any security that constitutes a Defaulted Security pursuant to clause (6) above only, such security shall not be treated as a Defaulted Security other than for purposes of calculating the Net Outstanding Portfolio Collateral Balance so long as (i) such security is not a PIK Bond with respect to which any interest has been deferred and capitalized, (ii) interest in respect of such security was paid in full on the immediately preceding payment date for such security and (iii) the Collateral Manager believes in the exercise of its judgment (exercised in accordance with the standard of care set forth in the Management Agreement) that the interest in respect of such security will be paid in full on the next payment date for such security.

“**Defaulted Swap Termination Payment**” means any termination payment payable by the Issuer pursuant to (i) the Credit Default Swap Agreement (and calculated pursuant to such agreement) as a result of an “event of default” or “termination event” as to which the CDS Counterparty is the sole “Defaulting Party” or the sole “Affected Party” (each as defined in the Credit Default Swap Agreement) or (ii) the Hedge Agreement (and calculated pursuant to such agreement) as a result of an “event of default” or “termination event” as to which the Hedge Counterparty is the sole “Defaulting Party” or the sole “Affected Party” (each as defined in the Hedge Agreement).

“**Defaulted Synthetic Security**” means a Synthetic Security (i) referencing a Reference Obligation that would constitute a Defaulted Security under paragraphs (1), (2), (3), (4) or (6) of the definition of “Defaulted Security,” (ii) as to which an “event of default” (as defined under such Synthetic Security) has occurred with respect to the CDS Counterparty or related Synthetic Security Counterparty or (iii) with respect only to a Synthetic Security entered into with a Synthetic Security Counterparty other than the CDS Counterparty, such Synthetic Security Counterparty is rated “D” or “SD” by Standard & Poor’s.

**“Defeased Synthetic Security”** means any Synthetic Security (or portion thereof) to the extent that, on the date of the Issuer’s entry into such Synthetic Security (i) with respect to a Synthetic Security entered into by the Issuer and the CDS Counterparty, the Issuer has deposited (or irrevocably designated for deposit) amounts to the Synthetic Security Collateral Account (including the proceeds of any Borrowing or by way of transfer from the Principal Collection Account) in respect of a Notional Amount Shortfall that otherwise would have existed as a result of such entry or (ii) with respect to a Synthetic Security entered into by the Issuer and a Synthetic Security Counterparty other than the CDS Counterparty, as to which the Issuer has deposited an amount to a Third Party Collateral Account equal to 100% of the Remaining Exposure of such Synthetic Security and the terms of which Synthetic Security limit such Synthetic Security Counterparty’s recourse to the funds so deposited.

**“Deferred Interest PIK Bond”** means a PIK Bond with respect to which payment of interest either in whole or in part has been deferred and capitalized in an amount equal to the amount of interest payable in respect of the lesser of (a) one payment period and (b) a period of six months (in each case, calculated based upon the interest payable in the most recent interest period), but only until such time as payment of interest on such PIK Bond has resumed and all capitalized and deferred interest has been paid in accordance with the terms of the Underlying Instruments. For the purposes of the Overcollateralization Tests and the Class A Sequential Payment Test only, a PIK Bond with a Moody’s Rating of at least “Baa3” (and if rated “Baa3”, such PIK Bond has not been placed on a watch list for possible downgrade) will not be a Deferred Interest PIK Bond unless interest either in whole or in part has been deferred and capitalized in an amount equal to the amount of interest payable in respect of the lesser of (x) three payment periods (in the case of a security that pays monthly) or two payment periods (in the case of a security that pays quarterly) and (y) a period of one year (in each case, calculated based upon the interest payable in the most recent interest period).

**“Delivered Obligation”** means a debt obligation that is delivered to the Issuer by the CDS Counterparty (or a Synthetic Security Counterparty) after the occurrence of a “Credit Event” under a Synthetic Security and that is held by the Issuer (or by or on behalf of the Trustee) on the applicable date of determination.

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

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

**“Discount Security”** means, as of a date of determination, a Collateral Debt Security (or a Reference Obligation with respect to a Synthetic Security) which could be purchased on such date at a cost to the Issuer (exclusive of accrued interest) of less than 75% of the principal amount thereof (after being adjusted by the Collateral Manager to take into account the duration of such Collateral Debt Security and changes in interest rates between the date such Collateral Debt Security was issued and such date of determination).

**“Disposition”** means, with respect to a Collateral Debt Security, Eligible Investment or any other asset or security included in the Collateral, any termination, assignment, sale, liquidation, transfer, exchange, participation or other disposition thereof; provided that “Disposition” of a Synthetic Security will include any manner of disposition that results in the termination of such Synthetic Security under the terms of the Credit Default Swap Agreement or the related Confirmation in respect of a Synthetic Security entered into with a Synthetic Security Counterparty. The Issuer’s entry into any Short Synthetic Security shall be deemed a Disposition of an existing Unhedged Synthetic Security to the extent that such Unhedged Synthetic Security (or any portion thereof) becomes a Hedged Synthetic Security as a result of such entry. The termination or assignment of a Short Synthetic Security shall be deemed not to be a “Disposition” of such Synthetic Security, but shall instead be deemed to be an entry into the Synthetic Security (or portion thereof) that becomes an Unhedged Synthetic Security as a result of such termination or assignment. With respect to a Synthetic Security, a Disposition shall be deemed to have occurred on the earlier to occur of (i) the date of the termination of such Synthetic Security, and (ii) with respect to any “assignment” of such Synthetic Security, the trade date for either (a) the assignment or novation of a related market transaction or (b) a related transaction entered into in connection with such Disposition as applicable. The terms **“Dispose of”**, **“Disposes of”**, **“Disposed of”** and **“Disposing of”** shall have correlative meanings.

“**Disposition Proceeds**” means all proceeds received as a result of a Disposition of a Collateral Debt Security or other Collateral, in each case, net of any reasonable out-of-pocket expenses of the Collateral Manager or the Trustee in connection with any such Disposition.

“**Distribution Date**” means June 8, September 8, December 8, and March 8 of each year, commencing in September 2006; *provided* that (i) the final Distribution Date shall be June 8, 2045 and (ii) if a Distribution Date would otherwise fall on a day that is not a Business Day, the relevant Distribution Date will be the first following day that is a Business Day.

“**Downgrade Event**” means, as of any date of determination, that Moody’s has (A) withdrawn its rating on any Class of the Notes (unless such rating has been subsequently restored); (B) reduced its rating on the Class A-1A Notes, the Class A-1B Notes, the Class A-2 Notes, Class B Notes or Class C Notes at least one subcategory below the initial rating as in effect on the Closing Date (unless such rating has been subsequently upgraded back to such initial rating); or (C) reduced its rating on the Class D Notes, Class E Notes, Class F Notes or Class G Notes at least two subcategories below the initial rating as in effect on the Closing Date (unless such rating has been subsequently upgraded to a level that is no more than one subcategory below such initial rating); *provided*, that the Holders of 60% of the aggregate outstanding amount of all of the Notes (voting as a single class) have not voted to suspend the application of the Downgrade Event (during which suspension no Downgrade Event shall be deemed to have occurred), which vote must be repeated if the rating of any such Class of Notes is subsequently further reduced or withdrawn by Moody’s.

“**Due Period**” means, with respect to any Distribution Date, the period commencing on the day immediately following the seventh Business Day prior to the immediately preceding Distribution Date (or on the Closing Date, in the case of the Due Period relating to the first Distribution Date) and ending on (and including) the seventh Business Day prior to such current Distribution Date (without giving effect to any Business Day adjustment thereto), except that, in the case of the Due Period that is applicable to the Distribution Date relating to the Stated Maturity of the Notes, such Due Period shall end on the day preceding the Stated Maturity.

“**EETC Security**” means an enhanced equipment trust certificate.

“**Effective Maturity Date**” means (i) with respect to any Synthetic Security documented using a Pay As You Go Confirmation, the earlier of the legal final maturity date of the related Reference Obligation and the first to occur of (a) the date on which the Notional Amount of such Synthetic Security is reduced to zero and (b) the date on which the assets securing such Reference Obligation or designated to fund amounts due in respect of the Reference Obligation are liquidated, distributed or otherwise disposed of in full and the proceeds thereof are distributed or otherwise disposed of in full, in each case as defined in further detail (and as such definition is revised from time to time) in the applicable Confirmation and (ii) with respect to any other Synthetic Security, the “Effective Maturity Date” (if defined therein) or the effective termination date of such Synthetic Security, as applicable.

“**Eligible Investments**” means 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 “AA+” by Standard & Poor’s and 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 in the case of long-term debt obligations, or “P1” by Moody’s (and such rating is not on watch for possible downgrade by Moody’s), “A-1+” by Standard & Poor’s (or “A-1” with respect to overnight time deposits offered by LaSalle Bank National Association, so long as it is the Trustee under the Indenture) and “F1+” by Fitch in the case of commercial paper and short-term debt obligations; *provided* that in the case of commercial paper and short-term debt obligations with a maturity of 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 (if treated as debt for tax purposes by the issuer thereof or obligor thereon) with respect to (i) any security described in clause (b) above or (ii) any other Registered security issued or guaranteed by an agency or instrumentality of the United States (in each case without regard to the stated maturity of such security), in either case entered into with a U.S. Federal or state depository institution or trust company (acting as principal) described in clause (c) above or entered into with a corporation (acting as principal) whose long-term rating is not less than “Aa2” by Moody’s (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 “P1” by Moody’s (and such rating is not on watch for possible downgrade by Moody’s), “A-1+” by Standard & Poor’s (or “A-1” with respect to overnight time deposits offered by LaSalle Bank National Association, so long as it is the Trustee under the Indenture) 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 had, at issuance thereof, a maturity of more than 183 days from the date of such issuance and 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 “P1” 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 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, not less than “AA+” by Fitch and 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);

(g) Reinvestment Agreements issued by any bank (if treated as a deposit by such bank), or a Registered Reinvestment Agreement issued by any insurance company or other corporation or entity organized under the laws of the United States or any state thereof (if treated as debt for tax purposes by such corporation or entity), in each case, that has a credit rating of “P1” 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 (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) investments in any money market fund or similar investment vehicle having at the time of investment therein the highest applicable credit rating assigned by each of the Rating Agencies;

and, in each case (other than clause (a)), with a stated maturity (giving effect to any applicable grace period) or right of withdrawal no later than the Business Day immediately preceding the Distribution Date next following the Due Period in which the date of investment occurs; *provided* that Eligible Investments may not include (i) any security purchased at a price in excess of 100% of the par value thereof (including any Interest Only

Security), (ii) any investment the income from which is or will be subject to deduction or withholding for or on account of any withholding or similar tax, unless the issuer or payor is required to make “gross up” payments that indemnify the Issuer for the full amount of such withholding or similar tax on an after tax basis, or the acquisition (including the manner of acquisition), ownership, enforcement or disposition of which will subject the Issuer to net income tax in any jurisdiction outside the Issuer’s jurisdiction of incorporation, (iii) any security whose repayment is subject to substantial non-credit related risk as determined in the judgment of the Collateral Manager (exercised in accordance with the standard of care set forth in the Management Agreement), (iv) any security the rating of which by Standard & Poor’s includes the subscript “p”, “pi”, “q”, “r” or “t”, (v) any Asset-Backed Security, (vi) any floating rate security or obligation whose interest rate is inversely or otherwise not proportionately related to an interest rate index or is calculated as other than the sum of an interest rate index plus a spread or (vii) any security that is the subject of an Offer.

“**Equipment Leasing Securities**” means Asset-Backed Securities (other than Aircraft Leasing Securities, Healthcare Securities, Oil and Gas Securities and Restaurant and Food Services Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from leases and subleases of equipment (other than automobiles) to commercial and industrial customers, 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.

“**Excepted Securities**” means, for purposes of Part II of Schedule A hereto, (a) cash flow structured finance obligations not rated by Standard & Poor’s the cash flow of which is primarily from non-U.S. sources, (b) collateralized debt obligations the underlying collateral of which consists primarily of real estate obligations and structured finance obligations, (c) collateralized debt obligations the underlying collateral of which consists primarily of Asset-Backed Securities, (d) collateralized bond obligations the underlying collateral of which consists primarily of collateralized debt obligations, (e) collateralized bond obligations the underlying collateral of which is distressed debt, (f) obligations secured by contingent deferred sales charges, asset-based sales charges, shareholder servicing fees and other similar fees associated with the marketing and distribution of interests in, and management and servicing of, mutual funds registered under the Investment Company Act, (g) Catastrophe Bonds, (h) the first loss tranche of any securitization, (i) synthetic obligations, (j) synthetic collateralized debt obligations, (k) combination securities, (l) Re-REMICs, (m) market value collateralized debt obligations, (n) net interest margin securities, (o) Project Finance Securities, (p) Principal Only Securities, (q) Interest Only Securities or (r) Structured Settlement Securities.

“**Excess BB- Amount**” means the amount by which, if any, (i) the Aggregate Notional Balance of all Collateral Debt Securities (other than Defaulted Securities or Deferred Interest PIK Bonds) publicly rated below “BB-” by Standard & Poor’s is greater than (ii) the Below B- Amount.

“**Excess BBB- Amount**” means the amount by which, if any, (i) the Aggregate Notional Balance of all Collateral Debt Securities (other than Defaulted Securities or Deferred Interest PIK Bonds) publicly rated below “BBB-” by Standard & Poor’s is greater than (ii)(a) the Excess BB- Amount plus (b) the Below B- Amount plus (c) 10% of the sum of the Aggregate Notional Balance of all Collateral Debt Securities (other than Defaulted Securities or Deferred Interest PIK Bonds) and Available Principal Excess.

“**Expected Interest Amount**” means, with respect to any payment date under the Reference Obligation related to a Synthetic Security, the amount of current interest that would accrue during the related calculation period on a principal balance of the Reference Obligation equal to (a) the outstanding principal amount of the Reference Obligation taking into account any writedowns, applied losses, forgiven amounts or other reductions due to a principal deficiency balance or realized loss amount that are attributable to the Reference Obligation minus (b) the aggregate Implied Writedown Amounts (if any) and that will be payable on the related payment date assuming for

this purpose that sufficient funds are available therefor in accordance with the Underlying Instruments relating to the Reference Obligation.

“**Fair Market Value**” means, in respect of any Collateral Debt Security at any time, either (i) an amount equal to (x) the median 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 may include the CDS Counterparty) chosen by the Collateral Manager, which dealers are independent from one another and from the Collateral Manager, (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 (which may include the CDS Counterparty) chosen by the Collateral Manager, which dealers are independent from each other and the Collateral Manager or (z) if the Collateral Manager is in good faith unable to obtain Bids from two such dealers and such Collateral Debt Security is a Synthetic Security, the termination payment quoted to the Collateral Manager by the CDS Counterparty pursuant to the Credit Default Swap Agreement, or (ii) 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 (which pricing services shall include the following: Merrill Lynch Securities Pricing Services, Bridge Information Systems Inc. (a division of the Reuters Group), Interactive Data Services Markit and/or LPC and any other pricing service as to which the Rating Condition is met in respect of Standard & Poor’s), provided that if the Collateral Manager is in good faith unable to obtain sufficient Bids or pricing service prices to establish a “Fair Market Value” for a Collateral Debt Security under clauses (i) or (ii) 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 and in the exercise of its judgment (exercised in accordance with the standard of care set forth in the Management Agreement), 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 proviso; provided that (x) any “Fair Market Value” determined pursuant to preceding proviso shall only apply for 30 consecutive days whereupon such “Fair Market Value” shall either be determined based upon bona fide Bids or pricing service prices in accordance with clauses (i) or (ii) of this definition or be deemed to be zero, until the requisite bona fide Bids or pricing service prices can be obtained. With respect to any Synthetic Security, the “Fair Market Value” will be the Remaining Exposure of such Synthetic Security plus the “Fair Market Value” (which represents a trading termination payment or up-front payment in respect of a potential Disposition of such Synthetic Security and which amount, if payable by the Issuer in respect of the potential Disposition of such Synthetic Security, will be a negative number) of such Synthetic Security otherwise determined pursuant to this definition.

“**FHLMC/FNMA 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 fully and unconditionally guaranteed by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association but only if such guarantee (x) expires no earlier than such stated maturity and (y) is independent of the performance by the obligor on the relevant Asset-Backed Security; *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other type of Asset-Backed Security.

“**Fitch**” means Fitch, Inc. and any successor or successors thereto.

“**Fitch Rating**” has the meaning set forth in Schedule E.

“**Fitch Rating Factor**” means, as of any Measurement Date, for purposes of computing the Fitch Weighted Average Rating Factor with respect to any Collateral Debt Security, the number set forth below opposite the Fitch Rating of such Collateral Debt Security.

| Fitch Rating | Fitch Rating<br>Factor | Fitch Rating | Fitch Rating<br>Factor |
|--------------|------------------------|--------------|------------------------|
| AAA          | 0.19                   | BB           | 13.53                  |
| AA+          | 0.57                   | BB-          | 18.46                  |
| AA           | 0.89                   | B+           | 22.84                  |
| AA-          | 1.15                   | B            | 27.67                  |
| A+           | 1.65                   | B-           | 34.98                  |

|      |       |       |        |
|------|-------|-------|--------|
| A    | 1.85  | CCC+  | 43.36  |
| A-   | 2.44  | CCC   | 48.52  |
| BBB+ | 3.13  | CC    | 77.00  |
| BBB  | 3.74  | C     | 95.00  |
| BBB- | 7.26  | DDD-D | 100.00 |
| BB+  | 10.18 |       |        |

“**Fitch Recovery Rate**” means, with respect to any Defaulted Security or Deferred Interest PIK Bond on any Measurement Date, an amount equal to the percentage corresponding to the domicile, original rating, seniority and “tranche thickness” (which is the percentage of the Issue of which such Collateral Debt Security (including, for senior bonds only, all other bonds which are *pari passu* in terms of losses) 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 if such Collateral Debt Security is a U.S. Agency Guaranteed Security or FHLMC/FNMA Guaranteed Security, it shall be treated as a senior security) of such Defaulted Security or Deferred Interest PIK Bond, as applicable, as set forth in the Fitch Recovery Rate Matrix attached as Part III of Schedule D to the Indenture; *provided* that, the applicable percentage shall be the percentage corresponding to the most senior Outstanding Class of Notes then rated by Fitch.

“**Fitch Weighted Average Rating Factor**” means, as of any Measurement Date, the number obtained by dividing (i) the sum of the series of products obtained (a) for each Collateral Debt Security that is not a Defaulted Security or Deferred Interest PIK Bond, by multiplying (1) the Notional Balance on such Measurement Date of each such Collateral Debt Security by (2) its respective Fitch Rating Factor on such Measurement Date and (b) for each Deferred Interest PIK Bond, by multiplying (1) the Applicable Recovery Rate (determined for purposes of this definition pursuant to clause (c) of the definition of “Applicable Recovery Rate”) for such Deferred Interest PIK Bond by (2) the Notional Balance on such Measurement Date of each such Deferred Interest PIK Bond but not including any deferred interest by (3) its respective Fitch Rating Factor on such Measurement Date by (ii) the sum of (a) the Aggregate Notional Balance on such Measurement Date of all Collateral Debt Securities that are not Defaulted Securities or Deferred Interest PIK Bonds plus (b) the sum of the 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 Deferred Interest PIK Bond by (2) the Notional Balance on such Measurement Date of such Deferred Interest PIK Bond but not including any deferred interest, and rounding the result up to the nearest hundredth decimal.

“**Fitch Weighted Average Rating Factor Test**” means a test that will be satisfied on any Measurement Date if the Fitch Weighted Average Rating Factor of the Collateral Debt Securities does not exceed 6.4.

“**Floating Amount Event**” means a Failure to Pay Principal, Writedown or Interest Shortfall.

“**Floating Rate Security**” means (a) any Collateral Debt Security (other than a Synthetic Security or a Defaulted Security) which is expressly stated to bear interest based upon the London interbank offered rate or another floating rate index and (b) any Synthetic Security.

“**Floorplan 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) upon assets that will consist of a revolving pool of receivables arising from the purchase and financing by domestic retail motor vehicle dealers for their new and used automobile and light-duty truck inventory. The receivables are comprised of principal receivables and interest receivables. In addition to receivables arising in connection with designated accounts, the trust assets may include interests in other floorplan assets, such as: (1) participation interests in pools of assets existing outside the trust and consisting primarily of receivables arising in connection with dealer floorplan financing arrangements originated by a manufacturer or one of its affiliates; (2) participation interests in receivables arising under dealer floorplan financing arrangements originated by a third party and participated to a manufacturer; (3) receivables originated by a manufacturer under syndicated floorplan financing arrangements between a motor vehicle dealer and a group of lenders; or (4) receivables representing dealer payment obligations arising from purchases of vehicles.

**“Form-Approved Synthetic Security”** means a Synthetic Security (a)(i) meeting all of the Eligibility Criteria without requiring satisfaction of the Rating Condition or with respect to which the Rating Condition has been satisfied or (ii) the Reference Obligation of which would satisfy all of the applicable Eligibility Criteria, at the time of entry, or commitment to enter, into such Synthetic Security, (b) entered into under the Credit Default Swap Agreement (or under another form previously approved in writing by the Rating Agencies for use by the Issuer (including as to the related counterparty)) and which conforms in all material respects (but for the name of the Reference Obligation, the Notional Amount, the effective date, the termination date and other similarly necessary changes) to a form of confirmation previously approved in writing by the Rating Agencies for use by the Issuer and (c) for which the Issuer has provided to each of the Rating Agencies notice of the Issuer’s initial entry into such form of Synthetic Security within five days after such entry requesting (to the extent not otherwise determined as described herein (including Schedule A and Schedule E hereto)) the relevant Rating Agency’s determination of the Moody’s Applicable Recovery Rate and Moody’s Rating or Standard & Poor’s Applicable Recovery Rate and Standard & Poor’s Rating, as applicable, with respect to such Synthetic Security; *provided* that either of the Rating Agencies may revoke its consent to the use of a Form-Approved Synthetic Security with respect to any prospective entry into by the Issuer of a Synthetic Security upon 30 days’ prior notice to the Issuer, the Trustee and the Collateral Manager (*provided* that such revocation shall not affect the continuing effectiveness of any Synthetic Security already entered into or committed to be entered into under such cancelled Form-Approved Synthetic Security or the determination of the Moody’s Applicable Recovery Rate, Standard & Poor’s Applicable Recovery Rate, Standard & Poor’s Rating and Moody’s Rating with respect to any such Synthetic Security).

**“Future Flow 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 trade accounts receivable, entertainment royalties, structured litigation settlements or ticket receivables.

**“Guaranteed Corporate Debt Security”** means a CDO Security guaranteed by a third party as to ultimate or timely payment of principal or interest, including a CDO Security guaranteed by a monoline financial insurance company.

**“Healthcare 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 (i) leases and subleases of equipment to hospitals, non-hospital medical facilities, physicians and physician groups for use in the provision of healthcare services or (ii) Medicare, Medicaid or any other third-party payor receivables related to medical, hospital or other health care related expenses, charges or fees.

**“Hedge Agreement”** means the interest rate swap agreement between the Issuer and AIG Financial Products Corp. dated May 31, 2006, or any replacement or successor interest rate swap agreement as to which the Rating Condition with respect to Standard & Poor’s is satisfied.

**“Hedged Synthetic Security”** means each long Synthetic Security to the extent that it has a related Short Synthetic Security; provided that if the Notional Amount of such long Synthetic Security exceeds the Notional Amount of the related Short Synthetic Security, the portion of the Notional Amount of such long Synthetic Security represented by such excess shall constitute an Unhedged Synthetic Security.

**“Hedge Counterparty”** means AIG Financial Products Corp., a corporation incorporated under the laws of the State of Delaware, in its capacity as counterparty to the Issuer under the Hedge Agreement, together with its successors and assigns in such capacity.

**“Home Equity Loan Security”** means any Asset-Backed Security that entitles the holder 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 weighted average credit score based on the credit scoring models developed by Fair, Isaac & Company with respect to the

obligors on all such underlying loans is greater than 625 and such security is ineligible to be classified as a Residential A Mortgage Security: (2) the balances have standardized payment terms and require minimum monthly payments; (3) the balances are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; (4) 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 (5) 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.

**“Implied Writedown Percentage”** means (i) the outstanding principal amount of a Reference Obligation divided by (ii) the Pari Passu Amount of such Reference Obligation.

**“Incentive Management Fee”** means an amount payable to the Collateral Manager on each Distribution Date if the Internal Rate of Return for such Distribution Date is greater than or equal to 20.1%, which amount shall equal 20% of the aggregate amounts available on such Distribution Date for application in accordance with clause (23) under “Description of the Securities—Priority of Payments—Current Income” and clause (15) under “Description of the Securities—Priority of Payments—Available Principal Excess.”

**“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 (a) 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 (i) expires no earlier than such stated maturity, (ii) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset-Backed Security and (iii) 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 or (b) in the judgment of the Collateral Manager (exercised in accordance with the standard of care set forth in the Management Agreement), dependent upon an insurance policy, guarantee or other similar instrument issued by an insurance company organized under the laws of a state of the United States, *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other type of Asset-Backed Security.

**“Interest Only Security”** means any security or obligation (other than a Synthetic Security) that does not provide for the repayment of a stated principal amount in one or more installments.

**“Interest Period”** means (i) in the case of the initial Interest Period, the period from, and including, the Closing Date to, but excluding, the first 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; *provided* that (a) in the case of the Class A-1B Notes in respect of any Borrowing, “Interest Period” shall mean (i) the period from, and including, the date of such Borrowing, as applicable, 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.

**“Interest Proceeds”** means, with respect to any Due Period, the aggregate (without duplication) of: (1) all payments of (i) income on the Synthetic Securities, including (a) payments of fixed premium amounts in respect of Synthetic Securities (or interest, in the case of Credit Linked Notes) and, with respect to Defeased Synthetic Securities, income on investments in Third Party Collateral Accounts, (b) any Interest Reimbursements received by the Issuer in respect of any Synthetic Securities and (c) the portion of any Disposition Proceeds received in respect of the Disposition of any Synthetic Security or the termination of the Credit Default Swap (including amounts retained in the Synthetic Security Collateral Account in respect of such Disposition) that is attributable to accrued but unpaid fixed premium amounts payable by the CDS Counterparty (or the related Synthetic Security Counterparty, if applicable) and (ii) interest on Cash Securities, including all interest received by the Issuer with respect to any Cash Security Disposed of by or on behalf of the Issuer, in each case (with respect to clauses (i) and (ii) above), received in cash by the Issuer during such Due Period (and in each such case excluding payments of

interest in respect of Cash Securities that are Defaulted Securities, Deferred Interest PIK Bonds and Written-Down Securities (but only so long as, as applicable (x) the aggregate amount of payments received by the Issuer in respect of any such Defaulted Security or Written-Down Security since the later of (A) the day such Cash Security was first purchased (or delivered to) the Issuer (or the Trustee or Custodian) and (B) the day such Cash Security became a Defaulted Security or Written-Down Security does not exceed the outstanding principal amount, as of such later day, of such Defaulted Security or Written-Down Security and (y) the aggregate amount of payments received by the Issuer in respect of capitalized interest on any such Deferred Interest PIK Bond does not exceed the amount of interest deferred or capitalized and unpaid with respect to such Deferred Interest PIK Bond since the day such Cash Security was first purchased (or delivered to) the Issuer (or the Trustee or Custodian)); (2) all payments of interest (including any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) on Eligible Investments in the Income Collection Account, the Principal Collection Account or the Synthetic Security Collateral 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 Income Collection Account received by the Issuer during such Due Period; (3) all amendment and waiver fees, all late payment fees, and all other fees and commissions received in cash by the Issuer during such Due Period in connection with the Synthetic Securities, Cash Securities and Eligible Investments (other than (x) fees and commissions received in respect of Cash Securities that are Defaulted Securities or Written-Down Securities (but only so long as the aggregate amount of payments received by the Issuer in respect of any such Defaulted Security or Written-Down Security since the later of (A) the day such Cash Security was first delivered to the Issuer (or the Trustee or Custodian) and (B) the day such Cash Security became a Defaulted Security or Written-Down Security) does not exceed the outstanding principal amount, as of such later day, of such Defaulted Security or Written-Down Security) and (y) yield maintenance payments received in cash by the Issuer during such Due Period); (4) all payments pursuant to the Hedge Agreement in respect of such Due Period received by the Issuer on or before the related Distribution Date (other than a payment in respect of the termination of the Hedge Agreement, except to the extent representing “unpaid amounts”); and (5) all other amounts transferred to the Income Collection Account on or prior to the related Distribution Date (and identified as Interest Proceeds in the related quarterly note valuation report) from the Expense Account, the Principal Collection Account or the Synthetic Security Collateral Account or otherwise received by the Trustee for deposit into the Income Collection Account as Interest Proceeds during such Due Period; *provided* that (A) Interest Proceeds shall in no event include the U.S.\$250 of capital contributed by the owners of the ordinary shares of the Issuer in accordance with the Issuer’s Memorandum and Articles of Association and the U.S.\$250 representing a profit fee to the owner of the Issuer’s ordinary shares and (B) if the presence of a legal or business holiday causes a scheduled distribution on any Synthetic Security or other security held as Collateral to be received in the period between the end of the Due Period in which such payment would otherwise have been received and the related Distribution Date, such payment will be deemed to have been received during such Due Period.

“**Interest Shortfall**” means, with respect to any payment date under the Reference Obligation related to a Synthetic Security, either (a) the non-payment of an Expected Interest Amount or (b) the payment of an Actual Interest Amount that is less than the Expected Interest Amount.

“**Internal Rate of Return**” means, as of any date of determination, the per annum discount rate at which the sum of (x) the initial aggregate liquidation preference of the Preference Shares (which amount will be deemed to be negative for purposes of such calculation) and (y) each distribution in respect of Preference Shares made on or prior to such determination date is equal to zero (as calculated using the “XIRR” function of Microsoft® Office Excel 2003 or equivalent software achieving the same result).

“**Issue**” means, with respect to any security, the securities or other obligations issued by the same issuer, secured by the same collateral pool having the same terms and conditions (as to, among other things, coupon, maturity, security and subordination).

“**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.

**“Lottery Receivable Security”** means an Asset-Backed Security that (a) entitles the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Asset-Backed Security) upon an arrangement that compensates a winner of a state lottery with one lump sum payment in exchange for a pledge of the lottery payments that individual would have received over a future period of time and (b) is backed by a diversified pool of payments received from various state lottery commissions in exchange for a lump sum payment to a bona fide winner of a given state lottery.

**“Majority”** means (a) with respect to any Class or Classes of Notes, the Holders of more than 50% of the aggregate outstanding principal amount of the Notes of such Class or Classes, as the case may be (for purposes of the voting of the Class A-1A Notes and the Class A-1B Notes, the Aggregate Class A-1B Commitment Amount and the Class A-1A Notional Amount, respectively, shall be deemed to be outstanding principal of each such Class of Notes), and (b) with respect to the Preference Shareholders or Preference Shares, Holders of more than 50% of the aggregate outstanding number of Preference Shares held by all Preference Shareholders at such time.

**“Managed”** means with respect to any Cash Security or Reference Obligation issued by a fund or other entity to which the Collateral Manager or any of its affiliates provides investment management or advisory services, the power to directly or indirectly cause such fund or entity to acquire or sell (directly or through synthetic exposure) any underlying collateral security after the date on which such Cash Security or Reference Obligation was issued.

**“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.

**“Measurement Date”** means any of the following: (i) the Closing Date, (ii) the Ramp-Up Completion Date, (iii) any date after the Ramp-Up Completion Date upon which the Issuer acquires, enters into or Disposes of any Collateral Debt Security, (iv) any date after the Ramp-Up Completion Date on which a Collateral Debt Security becomes a Defaulted Security, (v) each Determination Date, (vi) the seventh Business Day prior to the 8th day (or next occurring Business Day if such 8th day is not a Business Day) of any 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) and (vii) with written notice of two Business Days to the Issuer and the Trustee, any other Business Day that any Rating Agency or a Majority of any Class of Notes requests be a “Measurement Date”; *provided* that if any such date would otherwise fall on a day that is not a Business Day, the relevant Measurement Date will be the next succeeding day that is a Business Day.

**“Moody’s”** means Moody’s Investors Service, Inc. and any successor or successors thereto.

**“Moody’s Below B3 Haircut Amount”** means, as of any Measurement Date, 50% of the Aggregate Notional Balance of all Collateral Debt Securities (other than Defaulted Securities or Deferred Interest PIK Bonds) that have a Moody’s Rating of below “B3”.

**“Moody’s Below Ba3 Haircut Amount”** means, as of any Measurement Date, 20% of the Aggregate Notional Balance of all Collateral Debt Securities (other than Defaulted Securities or Deferred Interest PIK Bonds) that have a Moody’s Rating below “Ba3” but have a Moody’s Rating of at least “B3”.

**“Moody’s Below Baa3 Haircut Amount”** means, as of any Measurement Date, 10% of the excess (if any) of (a) the Aggregate Notional Balance of all Collateral Debt Securities (other than Defaulted Securities or Deferred



Interest PIK Bonds) that have a Moody's Rating of below "Baa3" but have a Moody's Rating of at least "Ba3" over (b) 10% of the sum of the Aggregate Notional Balance of all Collateral Debt Securities (other than Defaulted Securities or Deferred Interest PIK Bonds) and Available Principal Excess.

**"Moody's Haircut Amount"** means, as of any Measurement Date, the sum (without duplication) of (i) the Moody's Below Baa3 Haircut Amount plus (ii) the Moody's Below Ba3 Haircut Amount plus (iii) the Moody's Below B3 Haircut Amount; *provided* that a Collateral Debt Security shall only be included in one of clauses (i) through (iii), which shall be the applicable clause that results in the greatest Moody's Haircut Amount.

**"Moody's Notching Approved Security"** means any Collateral Debt Security that (a)(i) is identified on the Closing Date in a schedule attached to the Indenture or (ii) which Moody's confirms in writing to the Collateral Manager may constitute a "Moody's Notching Approved Security" for purposes of this definition (a copy of which confirmation the Collateral Manager shall promptly forward to the Trustee) and (b) in the case of clause (a)(ii) above, the Collateral Manager has notified the Trustee shall constitute a "Moody's Notching Approved Security" for purposes of this definition; *provided* that, with respect to any Collateral Debt Security that complies with the requirements of the foregoing clause (a), the Collateral Manager may, in its sole discretion at any time and from time to time, upon notice to the Trustee, withdraw or reinstate its designation of a Collateral Debt Security as a "Moody's Notching Approved Security" for purposes of this definition.

**"Moody's Rating"** has the meaning set forth in Schedule E.

**"Moody's Rating Factor"** means, for purposes of computing the Moody's Rating Distribution, the number assigned below to the Moody's Rating applicable to each Collateral Debt Security:

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

For purposes of the Moody's Maximum Rating Distribution Test, if a Collateral Debt Security does not have a Moody's Rating assigned to it at the date of acquisition thereof, the Moody's Rating Factor with respect to such Collateral Debt Security shall be 10,000 for a period of 90 days from the Issuer's acquiring, entering into or receipt of such Collateral Debt Security, and after such 90 day period, if such Collateral Debt Security is not rated by Moody's and no other security or obligation of the issuer thereof or obligor thereon is rated by Moody's and the Issuer or the Collateral Manager seeks to obtain an estimate of a Moody's Rating Factor, then the Moody's Rating Factor of such Collateral Debt Security will be deemed to be such estimate thereof as may be assigned by Moody's upon the request of the Issuer or the Collateral Manager.

**"Moody's Weighted Average Recovery Rate"** means, as of any Measurement Date, the number, expressed as a percentage, obtained by summing the products obtained by multiplying the Notional Balance of each Collateral Debt Security, other than a Defaulted Security or a Deferred Interest PIK Bond, by its "Applicable Recovery Rate" (determined for purposes of this definition pursuant to clause (a) of the definition of "Applicable Recovery Rate"), dividing such sum by the Aggregate Notional Balance of all such Collateral Debt Securities and rounding up the result to the first decimal place.

“**Mortgage Finance Company Security**” means a debt security (other than an Asset-Backed Security or a REIT Debt Security), which may be secured or unsecured issued by a mortgage-related finance company that, if subordinate by its terms, is subordinated only to indebtedness for borrowed money, trade claims, capitalized leases or other similar obligations.

“**Mortgage-Related Securities**” means Mortgage Finance Company Securities, CMBS Securities, ABS Type Residential Securities, REIT Debt Securities, U.S. Agency Guaranteed Securities, FHLMC/FNMA Guaranteed Securities and ABS Type Undiversified Securities that are mortgage-related.

“**Multiline Guaranteed Security**” means any Insurance Company Guaranteed Security that is guaranteed pursuant to an insurance policy, guarantee or other similar instrument issued by a Multiline Insurer.

“**Multiline Insurer**” means an insurance company that provides any line or type of insurance other than financial guaranty insurance.

“**Mutual Fund Fees 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.

“**Negative Amortization Security**” means a Cash Security that is (or Synthetic Security the Reference Obligation of which is) an RMBS Security which (a) permits the related mortgage loan or mortgage loan obligor for a specified period of time to make no repayments of principal and payments of interest in amounts that are less than the interest payments that would otherwise be payable thereon based upon the stated rate of interest thereon, (b) to the extent that interest proceeds received in respect of the related underlying collateral are insufficient to pay interest that is due and payable thereon, permits principal proceeds received in respect of the related underlying collateral to be applied to pay such interest shortfall and (c) to the extent that the aggregate amount of interest proceeds and principal proceeds received in respect of the related underlying collateral are insufficient to pay interest that is due and payable thereon, permits such unpaid interest to be capitalized as principal and itself commence accruing interest at the applicable interest rate, in each case pursuant to the related Underlying Instruments.

“**Net Outstanding Portfolio Collateral Balance**” means, on any Measurement Date, an amount equal to (a) the Aggregate Notional Balance on such Measurement Date of all Collateral Debt Securities plus (b) Available Principal Excess as of such Measurement Date minus (c) the Aggregate Notional Balance on such Measurement Date of all Collateral Debt Securities that are (i) Defaulted Securities or Deferred Interest PIK Bonds or (ii) Equity Securities plus (d) for each Defaulted Security or Deferred Interest PIK Bond, the Calculation Amount with respect to such Defaulted Security or Deferred Interest PIK Bond; *provided that*, (x) solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Standard & Poor’s Par for Par Criteria, the Overcollateralization Tests and the Class A Sequential Payment Test, the “Net Outstanding Portfolio Collateral Balance” means (A) the amount determined pursuant to the preceding clauses of this definition minus (B) the greater of (1) the Standard & Poor’s Haircut Amount and (2) the Moody’s Haircut Amount and (y) the provisions of the preceding clause (x) and the definitions used therein may be modified, by written notice to the Trustee and without the execution of a supplemental indenture, in order to comply with or conform to any amendments or modifications to the applicable Rating Agency criteria if the Rating Condition is satisfied with respect thereto.

“**NIM Security**” means a net-interest margin security.

“**Note Break-Even Loss Rate**” means, with respect to any Class of Notes rated by Standard & Poor’s, at any time, the maximum percentage of defaults (as determined by 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 such Class of Notes in full by its

Stated Maturity and (in the case of the Class A-1A Notes, Class A-1B Notes, Class A-2 Notes, Class B Notes and Class C Notes) the timely payment of interest on such Class of Notes.

“**Notes Loss Differential**” means, with respect to any Class of Notes rated by Standard & Poor’s, at any time, the rate calculated by subtracting the Class Scenario Loss Rate at such time from the Note Break-Even Loss Rate for such Class of Notes at such time. The Notes Loss Differential is based on a proprietary model developed by Standard & Poor’s, the application of which may change from time-to-time as directed by Standard & Poor’s.

“**Notice of Publicly Available Information**” means an irrevocable written notice from the protection buyer to the protection seller that, consistent with the requirements of the Credit Derivatives Definitions (as modified by the applicable Synthetic Security) cites publicly available information reasonably confirming the facts relevant to the determination that the Credit Event described in a Credit Event Notice has occurred.

“**Notional Amount**” means, with respect to any Synthetic Security as of any date of determination, the “notional amount” as defined in, and as calculated pursuant to the terms of, such Synthetic Security as of such date of determination.

“**Notional Amount Shortfall**” means, as of any date of determination, the excess (if any) of (a) the sum of the aggregate Remaining Exposure of all Synthetic Securities as to which both the Issuer and the CDS Counterparty are counterparties (excluding (for the avoidance of doubt) any Credit Linked Notes) as of such date of determination over (b) the sum of (i) the Synthetic Security Collateral Account Balance (excluding, for these purposes, any Disposition Proceeds deposited thereto with respect to a Delivered Obligation to the extent the Issuer has not paid in full any related Physical Settlement Amount as of such date of determination) plus (ii) the Class A-1A Notional Amount.

“**Notional Balance**” means, as of any date of determination, with respect to (i) any Synthetic Security (other than a Short Synthetic Security or a Credit Linked Note), the Remaining Exposure of such Synthetic Security, (ii) any Short Synthetic Security, zero, (iii) a Credit Linked Note, the then-current notional amount of such Credit Linked Note and (iv) any Cash Security or Eligible Investment, the outstanding principal amount of such security; *provided that*:

(a) the Notional Balance of a security received upon acceptance of an Offer for another security, which Offer expressly states that failure to accept such Offer may result in a default under the Underlying Instruments of such tendered security, shall be deemed to be the Calculation Amount of such received security until such time as Interest Proceeds and scheduled principal payments (to the extent scheduled principal payments are due and payable) are received when due with respect to such received security;

(b) the Notional Balance of any Equity Security, unless otherwise expressly stated herein, shall be deemed to be zero;

(c) the Notional Balance of any PIK Bond (including any Deferred Interest PIK Bond) shall be equal to the outstanding principal amount thereof (exclusive of any principal thereof representing capitalized interest);

(d) the Notional Balance of any Eligible Investment that does not pay cash interest on a current basis will be the lesser of par or the original issue price thereof;

(e) the Notional Balance of any Written-Down Security shall be reduced to reflect the percentage by which the aggregate par amount of the entire Issue of which such Written-Down Security is a part (taking into account all securities ranking senior in priority of payment thereto and secured by the same pool of collateral) exceeds the aggregate par amount (including reserved interest or other amounts available for overcollateralization) of all collateral securing such Issue (excluding defaulted collateral), as determined by the Collateral Manager using customary procedures and information available in the servicer reports relating to such Written-Down Security;

(f) the Notional Balance of a Zero Coupon 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 Zero Coupon Bond for U.S. Federal income tax purposes; and

(g) the Notional Balance of a Defaulted Security that is held by the Issuer for longer than three years shall be deemed to be zero.

“**Offer**” means, with respect to any security, (i) any offer by the issuer of such security or by any other Person made to all of the holders of such security to purchase or otherwise acquire such security (other than pursuant to any redemption in accordance with the terms of the related Underlying Instruments) or to convert or exchange such security into or for cash, securities or any other type of consideration or (ii) any solicitation by the issuer of such security or any other Person to amend, modify or waive any provision of such security or any 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 lessees or sublessees 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.

“**Outstanding CDS Issuer Payment Obligation**” means the sum of unpaid Relevant Determination Adjustment Amounts, Trading Termination Payments, Credit Protection Payments (other than in respect of interest shortfalls) and Physical Settlement Amounts due and owing from the Issuer to the CDS Counterparty. The Outstanding CDS Issuer Payment Obligation shall be reduced from time to time by the payments made by the Issuer to the CDS Counterparty in respect thereof pursuant to the Priority of Payments or otherwise (including by way of the application of payments from the Class A-1A Swap Counterparty, by operation of netting pursuant to the Credit Default Swap Agreement and/or by deposit to or retention in the CDS Counterparty Collateral Account). For the avoidance of doubt, Outstanding CDS Issuer Payment Obligation shall not include any Defaulted Swap Termination Payment.

“**Pari Passu Amount**” means, as of any date of determination, the aggregate of the outstanding principal amount of a Reference Obligation and the aggregate outstanding principal balance of all obligations of the Reference Obligor secured by the Underlying Assets and ranking *pari passu* in priority with such Reference Obligation.

“**Person**” means an individual, corporation (including a business trust), partnership, limited liability company, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated association or government or any agency or political subdivision thereof.

“**Physical Settlement Amount**” means, with respect to a notice of physical settlement of a Synthetic Security, the amount payable by the seller of protection in respect of such notice (other than any Physical Settlement Interest Amount).

**“Physical Settlement Interest Amount”** means, with respect to any Delivered Obligation delivered to the Issuer by the CDS Counterparty on any date other than a Distribution Date, an amount of interest accrued on the related Physical Settlement Amount and payable by the Issuer to the CDS Counterparty as calculated in accordance with the Credit Default Swap Agreement.

**“PIK Bond”** means a security that, pursuant to the terms of the related Underlying Instruments (i) permits the payment of interest thereon to be deferred or capitalized as additional principal thereof or that issues identical securities in place of payments of interest in cash and (ii) expressly provides that such deferral, capitalization and/or issuance does not constitute a default or event of default (however denominated) under such security or the related Underlying Instruments.

**“Portfolio Accumulation Fee”** a fee in the amount of \$300,000 payable to the Collateral Manager on the Closing Date in respect of the Collateral Manager’s services to the Issuer in the pre-Closing Date period in selection of the Issuer’s initial portfolio of Collateral Debt Securities.

**“Preference Share Required Return”** means a distribution in respect of the Preference Shares sufficient to provide the Preference Shareholders with an Internal Rate of Return of (i) on any date occurring prior to the Distribution Date in June, 2016, 5% or (ii) on any date occurring on or after the Distribution Date in June 2016, 2%.

**“Principal Only Security”** means any security (other than a Zero Coupon Bond) that does not provide for the periodic payment of interest.

**“Principal Proceeds”** means, with respect to any Due Period the aggregate (without duplication) of (1) all payments of principal on the Cash Securities and Eligible Investments (other than payments of principal of Eligible Investments acquired with Interest Proceeds) received in cash by the Issuer during such Due Period (excluding any amount representing the accreted portion of a discount from the face amount of an Eligible Investment but including (i) prepayments or mandatory sinking fund payments, (ii) payments in respect of optional redemptions, exchange offers and tender offers, (iii) recoveries on Defaulted Securities and Written-Down Securities (excluding (with respect to each of the foregoing clauses) any such payments or recoveries to the extent included in Interest Proceeds), and (iv) the Disposition Proceeds of a sale of any Equity Security and any amounts received as a result of optional redemptions, exchange offers or tender offers for any Equity Security, in each case received in cash by the Issuer during such Due Period); (2) Disposition Proceeds received by the Issuer during such Due Period (excluding those included in Interest Proceeds) in respect of Cash Securities and Eligible Investments; (3) all amendment, waiver, late payment fees and other fees and commissions, received in cash by the Issuer during the related Due Period in respect of Defaulted Securities and Written-Down Securities (excluding those included in Interest Proceeds); (4) any proceeds received by the Issuer in Cash during such Due Period resulting from the termination, liquidation or reduction of the notional amount of the Hedge Agreement or the Credit Default Swap Agreement (excluding those included in Interest Proceeds), to the extent such proceeds exceed the cost of entering into a replacement Hedge Agreement or Credit Default Swap Agreement, if any, in accordance with the requirements set forth in the Indenture; (5) all payments of interest on Cash Securities and Eligible Investments received in cash by the Issuer to the extent that they represent accrued interest purchased with Principal Proceeds; (6) all yield maintenance payments received in cash by the Issuer during such Due Period; (7) the net proceeds from the issuance of the Securities deposited to the Principal Collection Account; and (8) all other payments received by the Issuer in cash during such Due Period in connection with the Cash Securities and Eligible Investments that are not included in Interest Proceeds; *provided* that (i) in no event shall Principal Proceeds include the U.S.\$250 of capital contributed by the owners of the ordinary shares of the Issuer in accordance with the Issuer’s Memorandum and Articles of Association or U.S.\$250 representing a profit fee to the owner of the Issuer’s ordinary shares and interest thereon and (ii) if the presence of a legal or business holiday causes a scheduled distribution on any Collateral Debt Security or other security held as Collateral to be received in the period between the end of the Due Period in which such payment would otherwise have been received and the related Distribution Date, such payment will be deemed to have been received during such Due Period; *provided* further that any Trading Termination Payment, Relevant Determination Adjustment Amount or Principal Reimbursement received by the Issuer in respect of any Synthetic Security shall be deposited to the Synthetic Security Collateral Account.

**“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 may have been 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).

**“Proposed Portfolio”** means the portfolio (measured by Notional Balance) of (a) the Collateral Debt Securities and (b) Available Principal Excess resulting from the Disposition or maturity of a Collateral Debt Security or a proposed acquisition of or entry into of a Collateral Debt Security, as the case may be.

**“Prospectus Directive”** means Directive 2003/71/EC of the European Parliament and of the Council of the European Union dated 4 November, 2003 regarding any prospectus published in relation to securities offered to the public or admitted to trading.

**“Qualifying Foreign Obligor”** means a corporation, partnership, trust or other entity organized in any of Australia, Austria, Belgium, Bermuda, Canada, Denmark, Finland, France, Germany, Ireland, the Isle of Man, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland or the United Kingdom, so long as the unguaranteed, unsecured and otherwise unsupported long-term U.S. Dollar sovereign debt obligations of such country are rated “Aa2” or better by Moody’s and “AA” or better by Standard & Poor’s.

**“Quarterly Asset Amount”** means, with respect to any Distribution Date, the sum of (i) the Aggregate Notional Balance of all Collateral Debt Securities and (ii) the Aggregate Notional Balance of Eligible Investments held in or credited to the Principal Collection Account and the Synthetic Security Collateral Account, in each case as of the first day of the Due Period preceding such Payment Date (or the date preceding such other relevant date).

**“Rating Agency”** means each of (i) Moody’s, for so long as any of the outstanding Notes are rated by Moody’s (including any private or confidential rating), (ii) Standard & Poor’s, for so long as any of the outstanding Notes are rated by Standard & Poor’s (including any private or confidential rating) and (iii) Fitch, for so long as any of the outstanding Notes are rated by Fitch (including any private or confidential rating) or, with respect to Collateral Debt Securities generally, if at any time Moody’s, Standard & Poor’s or Fitch ceases to provide rating services with respect to Asset-Backed Securities, REIT Debt Securities or related derivative instruments, any other nationally recognized investment rating agency selected by the Issuer and reasonably satisfactory to a Majority of each relevant Class of Notes.

**“Rating Condition”** means, with respect to any action taken or to be taken under the Indenture or the Management Agreement, as applicable, a condition that is satisfied when (a) each of Moody’s and Standard & Poor’s (or if the Indenture or the Management Agreement, as applicable, expressly so specifies in respect of such action, the specified Rating Agency) has confirmed in writing to the Issuer, the Trustee and the Collateral Manager that such action will not result in the withdrawal, reduction or other adverse action with respect to its then-current rating (including any private or confidential ratings or credit estimates) of any Class of Notes and (b) notice of such action shall have been given to Fitch within 30 days of such action being taken.

**“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 lessors and accordingly represent a very diversified pool of obligor credit risk; (3) the borrowers or lessees under the loans or leases generally do not have a poor credit rating; (4) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying recreational 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.

“**Reference Banks**” means four major banks in the London interbank market, selected by the Calculation Agent (after consultation with the Collateral Manager).

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

“**Registered**” means in registered form for U.S. Federal income tax purposes and issued after July 18, 1984, *provided*, that a certificate of interest in a trust that is treated as a grantor trust for U.S. Federal income tax purposes shall not be treated as Registered unless each of the obligations or securities held by the trust was issued after that date.

“**Reinsurance Securities**” means Asset-Backed Securities that entitle the holders thereof to receive payments that depend in part on the premiums from reinsurance policies held by a special purpose vehicle created for such purpose, generally having the following characteristics: (1) proceeds from the security are invested in a collateral account; (2) such collateral account is subject to claims from the reinsurance policies; and (3) the repayment of principal on the security is dependent on the exercise of the reinsurance policies.

“**Reinvestment Agreement**” means a guaranteed reinvestment agreement from a bank, insurance company or other corporation or entity organized under the laws of the United States or any state thereof under which no payments are subject to any withholding tax, unless such bank, insurance company or other corporation or entity is required to make “gross up” payments that indemnify the purchaser for the full amount of such withholding or similar tax on an after tax basis; *provided* that such agreement provides that it is terminable by the purchaser, without premium or penalty, in the event that the rating assigned to such agreement by any Rating Agency is at any time lower than the rating required pursuant to the terms of the Indenture to be assigned to such agreement in order to permit the purchase thereof.

“**Reinvestment Period**” means the period from the Closing Date and ending on and including the first to occur of (i) the Distribution Date immediately following the date that the Collateral Manager notifies the Trustee, each Swap Counterparty that, in light of the composition of Synthetic Securities, general market conditions and other factors (including any change in U.S. Federal tax law requiring tax to be withheld on payments to the Issuer with respect to obligations or securities held by the Issuer), the Collateral Manager (in its sole discretion) has determined that acquiring or entering into additional Collateral Debt Securities within the foreseeable future would either be impractical or not beneficial to the Issuer; (ii) the Distribution Date occurring in June 2009; and (iii) the termination of the Reinvestment Period as a result of the occurrence of an Event of Default.

“**REIT Debt Securities—Diversified**” means REIT Debt Securities whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the REIT Debt Securities) of mortgages on a portfolio of diverse real property interests, *provided* that (a) any REIT Debt Security falling within this definition shall be excluded from the definition of each other Specified Type of REIT Debt Security and (b) any REIT Debt Security falling within any other REIT Debt Security description set forth herein shall be excluded from this definition.

“**REIT Debt Securities—Health Care**” means REIT Debt Securities whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the REIT Debt Securities) of mortgages on hospitals, clinics, sport clubs, spas and other health care facilities and other similar real property interests used in one or more similar businesses, *provided* that any REIT Debt Security falling within this definition shall be excluded from the definition of each other Specified Type of REIT Debt Security.

“**REIT Debt Securities—Hotel**” means REIT Debt Securities whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the REIT Debt Securities) of hotels, motels, youth hostels, bed and breakfasts and other similar real property interests used in one or more similar businesses, including assets in the form of mortgages on any of the foregoing, *provided* that any REIT

Debt Security falling within this definition shall be excluded from the definition of each other Specified Type of REIT Debt Security.

**“REIT Debt Securities—Industrial”** means REIT Debt Securities whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the REIT Debt Securities) of factories, refinery plants, breweries and other similar real property interests used in one or more similar businesses, including assets in the form of mortgages on any of the foregoing, *provided* that any REIT Debt Security falling within this definition shall be excluded from the definition of each other Specified Type of REIT Debt Security.

**“REIT Debt Securities—Mortgage”** means REIT Debt Securities whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the REIT Debt Securities) of mortgages, commercial mortgage-backed securities, collateralized mortgage obligations and other similar mortgage-related securities (including REIT Debt Securities issued by a hybrid form of such trust that invests in both commercial real estate and commercial mortgages), *provided* that any REIT Debt Security falling within this definition shall be excluded from the definition of each other Specified Type of REIT Debt Security.

**“REIT Debt Securities—Multi-Family”** means REIT Debt Securities whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the REIT Debt Securities) of multi-family dwellings such as apartment blocks, condominiums and co-operative owned buildings, including assets in the form of mortgages on any of the foregoing, *provided* that any REIT Debt Security falling within this definition shall be excluded from the definition of each other Specified Type of REIT Debt Security.

**“REIT Debt Securities—Office”** means REIT Debt Securities whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the REIT Debt Securities) of office buildings, conference facilities and other similar real property interests used in the commercial real estate business, including assets in the form of mortgages on any of the foregoing, *provided* that any REIT Debt Security falling within this definition shall be excluded from the definition of each other Specified Type REIT Debt Security.

**“REIT Debt Securities—Residential”** means REIT Debt Securities whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the REIT Debt Securities) of residential mortgages (other than multi-family dwellings) and other similar real property interests, *provided* that any REIT Debt Security falling within this definition shall be excluded from the definition of each other Specified Type of REIT Debt Security.

**“REIT Debt Securities—Retail”** means REIT Debt Securities whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the REIT Debt Securities) of retail stores, restaurants, bookstores, clothing stores and other similar real property interests used in one or more similar businesses, including assets in the form of mortgages on any of the foregoing, *provided* that any REIT Debt Security falling within this definition shall be excluded from the definition of each other Specified Type of REIT Debt Security.

**“REIT Debt Securities—Storage”** means REIT Debt Securities whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the REIT Debt Securities) of storage facilities and other similar real property interests used in one or more similar businesses, including assets in the form of mortgages on any of the foregoing, *provided* that any REIT Debt Security falling within this definition shall be excluded from the definition of each other Specified Type of REIT Debt Security.

**“REIT Debt Security”** means a debt security issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision).

**“Relevant Determination Adjustment Amount”** means the amount of any corrections or adjustments to determinations made under a Synthetic Security by the calculation agent and defined as a “relevant determination adjustment” (or similar term) in such Synthetic Security.



**“Remaining Exposure”** means (i) with respect to any Synthetic Security (other than a Short Synthetic Security or Hedged Synthetic Security), the sum (without duplication) of (a) the maximum net aggregate Credit Protection Payments (other than interest shortfalls) and (b) the maximum net settlement amount that, in each case, the seller of protection could be required to pay or otherwise transfer to the buyer of protection thereunder, in each case to the extent such obligation to make such payment or transfer has not expired or been terminated pursuant to such Synthetic Security and (ii) with respect to any Short Synthetic Security or Hedged Synthetic Security, zero. For the avoidance of doubt, the Remaining Exposure of any Defeased Synthetic Security shall be without regard to any collateral posted to a related Third Party Collateral Account or the Synthetic Security Collateral Account.

**“REMIC”** means a real estate mortgage investment conduit within the meaning of Section 860D of the Code.

**“Re-REMIC”** means an Asset-Backed Security the issuer of which is a REMIC (within the meaning of the Code) and whose holders are entitled to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Asset-Backed Security) on the cash flow from one or more subordinated tranches of securities issued by other REMICs.

**“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; (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; and (5) where applicable, the weighted average credit score based on the credit scoring models developed by Fair, Isaac & Company with respect to the obligors on all such underlying loans is 670 or higher.

**“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 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 of interest and minimum monthly payments of principal each month; (3) the mortgage loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; (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; and (5) where applicable, the weighted average credit score based on the credit scoring models developed by Fair, Isaac & Company with respect to the obligors on all such underlying loans is 625 or lower.

**“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 lessees or

sublessees 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.

**“RMBS Securities”** means Residential A Mortgage Securities, Home Equity Loan Securities and Residential B/C Mortgage Securities.

**“Senior Collateral Management Fee”** means the fee payable to the Collateral Manager in arrears on each Distribution Date pursuant to the Management Agreement, in an amount equal to 0.20% per annum of the Quarterly Asset Amount for such Distribution Date.

**“Servicer”** means, with respect to any Reference Obligation or Cash Security, the entity that, absent any default, event of default or similar condition (however described), is primarily responsible for managing, servicing, monitoring and otherwise administering the cash flows from which payments to investors in such Reference Obligation or Cash Security are made.

**“Short Synthetic Security”** means a Synthetic Security pursuant to which the Issuer is the buyer of protection; *provided* that with respect to each such Synthetic Security the Issuer shall have previously or simultaneously entered into one or more Synthetic Securities (a) that relate to the Reference Obligation that is the subject of such Short Synthetic Security (or a Reference Obligation that forms part of the same Issue as the Reference Obligation that is the subject of such Short Synthetic Security) and (b) under which Synthetic Security the Issuer is the seller of protection; *provided* further that the Notional Amount of such Short Synthetic Security shall not exceed the Notional Amount of the related long Synthetic Security (or Synthetic Securities).

**“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 but not limited to those (a) made pursuant to Section 7(a) of the United States Small Business Act, as amended, and (b) partially guaranteed by the United States Small Business Administration. Small Business Loan Securities generally have the following characteristics: (1) the loans have payment terms that comply with any applicable requirements of the Small Business Act, as amended; (2) the loans are obligations of a relatively limited number of borrowers and accordingly represent an undiversified pool of obligor credit risk; and (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium.

**“Special Majority of Preference Shareholders”** means, at any time, Holders of more than 66-2/3% of the aggregate outstanding number of Preference Shares held by all Preference Shareholders at such time.

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

“**Specified Types**” means with respect to Asset-Backed Securities, the “Specified Types” identified above in “Security for the Notes—Asset-Backed Securities”, together with each other type of Asset-Backed Security designated as a “Specified Type” as described therein.

“**Standard & Poor’s CDO Monitor**” means the dynamic, analytical computer program provided by Standard & Poor’s to the Collateral Manager and the Trustee (along with the instrumentations and assumptions to use in connection therewith) within 30 days after the Ramp-Up Completion Date for the purpose of estimating the default risk of Collateral Debt Securities, as modified by Standard & Poor’s from time to time.

“**Standard & Poor’s CDO Monitor Notification Test**” means a test satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if after giving effect to the Disposition of a Collateral Debt Security or the purchase of a Cash Security or entry into a Synthetic Security (or both), as the case may be, on such Measurement Date the Notes Loss Differential (with respect to each Class) of the Proposed Portfolio is positive or if the Notes Loss Differential (with respect to any Class) of the Proposed Portfolio is negative prior to giving effect to such Disposition or investment in, the extent of compliance (with respect to such Class) is improved after giving effect to the Disposition of or investment in such Collateral Debt Security; *provided* that the Standard & Poor’s CDO Monitor Notification Test shall not apply to the Disposition of a Defaulted Security or a Credit Risk Security; *provided* further, that for purposes of determining the Standard & Poor’s CDO Monitor Notification Test, unless otherwise specified, a Synthetic Security shall have the characteristics of the Synthetic Security and not of the related Reference Obligation.

“**Standard & Poor’s Haircut Amount**” means the sum of (i) 50% of the Below B- Amount plus (ii) 20% of the Excess BB- Amount for purposes other than for purposes of calculating the Class A Sequential Payment Test or 30% of the Excess BB- Amount for purposes of calculating the Class A Sequential Payment Test plus (iii) 10% of the Excess BBB- Amount; *provided* that a Collateral Debt Security shall only be included in one of clauses (i) through (iii) which shall be the applicable clause that results in the greatest Standard & Poor’s Haircut Amount.

“**Standard & Poor’s Rating**” has the meaning set forth in Schedule E.

“**Standard & Poor’s Weighted Average Recovery Rate**” means, as of any Measurement Date occurring on or after the Ramp-Up Completion Date, the number obtained by summing the products obtained by multiplying the Notional Balance of each Collateral Debt Security, other than a Defaulted Security, by its “Applicable Recovery Rate” (determined for purposes of this definition pursuant to clause (b) of the definition of “Applicable Recovery Rate”), dividing such sum by the Aggregate Notional Balance of all such Collateral Debt Securities, and rounding up to the first decimal place.

“**Structured Settlement Securities**” means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from receivables representing the right of litigation claimants or their counsel to receive future scheduled payments under settlement agreements that are funded by annuity contracts, which receivables may have varying maturities.

“**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.

“**Subordinated Collateral Management Fee**” means the fee payable to the Collateral Manager in arrears on each Distribution Date, in an amount equal to 0.20% per annum of the Quarterly Asset Amount for such Distribution Date; *provided* that the Subordinated Collateral Management Fee will be payable on each Distribution Date only to the extent of funds available for such purpose in accordance with the Priority of Payments. Any unpaid

Subordinated Collateral Management Fee that is deferred due to the operation of the Priority of Payments shall accrue interest at LIBOR in effect for the current Interest Period. Any Subordinated Collateral Management Fee accrued but not paid prior to the resignation or removal of a Collateral Manager shall continue to be payable to such Collateral Manager on the Distribution Date immediately following the effectiveness of such resignation or removal and on each Distribution Date thereafter until paid in full.

“**Swap Agreement**” means, with respect to the CDS Counterparty, the Credit Default Swap Agreement, with respect to the Class A-1A Swap Counterparty, the Class A-1A Swap Agreement and, with respect to the Hedge Counterparty, the Hedge Agreement.

“**Swap Counterparty**” means each of the CDS Counterparty, the Class A-1A Swap Counterparty and the Hedge Counterparty.

“**Synthetic Security**” means (i) any “Transaction” (as defined in the Credit Default Swap Agreement) under the Credit Default Swap Agreement (other than the Class A-1A Swap Agreement), (ii) the credit derivative transaction entered into by the Issuer with any Synthetic Security Counterparty other than the CDS Counterparty or (iii) any credit derivative transaction documented in the form of a credit linked note acquired by the Issuer, in each case, that provides for payments closely correlated to the default, recovery upon default and other expected loss characteristics of a Reference Obligation (other than the risk of default of the CDS Counterparty or the related Synthetic Security Counterparty, as applicable), but that may provide for payments based on a maturity shorter than or a principal amount, interest rate, currency, premium, payment terms or other non-credit terms different from that of the related Reference Obligation; *provided that*:

(i) any “credit event” under any Synthetic Security that can result in termination and settlement of the Synthetic Security prior to its stated maturity date shall not include restructuring, repudiation, moratorium, obligation default or obligation acceleration unless such Synthetic Security may be settled only through a physical settlement of a Delivered Obligation to the Issuer, and not through cash settlement; and

(ii) if such Synthetic Security requires or permits physical settlement upon the occurrence of a Credit Event or otherwise by delivery of one or more deliverable obligations, each such deliverable obligation must itself be a Permitted Reference Obligation on the date the Issuer acquires or enters into such Synthetic Security.

“**Synthetic Security Collateral**” means (i) Eligible Investments or (ii) other investments whose deposit into the Synthetic Security Counterparty Account satisfies the Rating Condition, provided that under no circumstances may amounts be invested in any investment the income or the proceeds of the disposition of which is or will be subject to deduction or withholding for or on account of any withholding or similar tax, or the acquisition (including the manner of acquisition), ownership, enforcement or disposition of which will subject the Issuer to net income tax in any jurisdiction outside its jurisdiction of incorporation.

“**Synthetic Security Collateral Account Balance**” means the balance of the Eligible Investments standing to the credit of the Synthetic Security Collateral Account, including amounts irrevocably designated for deposit thereto but excluding any portion thereof that (i) has irrevocably been designated for removal as Available Principal Excess or (ii) represents Interest Proceeds.

“**Tax Event**” means the occurrence, whether or not as a result of any change in law or interpretations, of any of the following: (i) the Issuer or any Swap Counterparty is required to deduct or withhold from any payment under a Swap Agreement for or on account of any tax and the Issuer is obligated, or such Swap Counterparty is not obligated, to make a gross-up payment or (ii) any net-basis tax measured by or based on the income of the Issuer is imposed 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 any combination of Tax Events results, in aggregate, in a payment by, or charge or tax burden to, the Issuer during such period in excess of U.S.\$1,000,000.

“**Technology Expense Allowance**” means, with respect to each Distribution Date, an amount invoiced by the Collateral Manager to pay certain technology expenses, which will not be greater than 0.01% of the related Quarterly Asset Amount on any one Distribution Date.

“**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.

“**Tobacco Bonds**” means Structured Settlement Securities resulting from tobacco-related litigation.

“**Trading Termination Payment**” means a termination payment related to an Unhedged Synthetic Security that is not a “floating payment” or any “physical settlement amount” as defined under the related Confirmation, to terminate such Unhedged Synthetic Security prior to its scheduled termination date (other than a payment in respect of any “early termination date” under the Credit Default Swap Agreement). For the avoidance of doubt, Trading Termination Payments (including in respect of any Auction Call Redemption, Optional Redemption or Tax Redemption) shall be deemed to be Disposition Proceeds.

“**Underlying Assets**” means the assets securing the Reference Obligation for the benefit of the holders of the Reference Obligation and which are expected to generate the cashflows required for the servicing and repayment (in whole or in part) of the Reference Obligation, or the assets to which a holder of such Reference Obligation is economically exposed where such exposure is created synthetically.

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

“**Unhedged Synthetic Security**” means each Synthetic Security (other than a Short Synthetic Security), to the extent that it does not have a related Short Synthetic Security.

“**U.S. Agency Guaranteed Security**” 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 (a) (1) fully and unconditionally guaranteed by a U.S. Federal agency the obligations of which are backed by the full faith and credit of the United States, but only if such guarantee (x) expires no earlier than such stated maturity and (y) is

independent of the performance by the obligor on the relevant Asset-Backed Security or (b) in the judgment of the Collateral Manager (exercised in accordance with the standard of care set forth in the Management Agreement), dependent upon the credit of a U.S. Federal agency backed by the full faith and credit of the United States; *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other type of Asset-Backed Security.

**“Written-Down Security”** means any Collateral Debt Security other than a Defaulted 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); *provided* that the Trustee shall, upon receipt of notice of such event, notify Standard & Poor’s of any Collateral Debt Security that becomes a Written-Down Security.

**“Zero Coupon Bond”** means a security that, pursuant to the terms of its Underlying Instruments, on the date on which it is delivered to, or entered into (in the case of a related Synthetic Security) by, the Issuer, does not provide for the periodic payment of interest or provides that all payments of interest will be deferred until the final maturity thereof.

## INDEX OF DEFINED TERMS

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Uniform Application for Investment Adviser Registration

| OMB APPROVAL                                 |               |
|--|---------------|
| OMB Number:                                  | 3235-0049     |
| Expires:                                     | July 31, 2008 |
| Estimated average burden hours per response: | 9.402         |

|   |                     |           |              |                |                   |
|---|---------------------|-----------|--------------|----------------|-------------------|
| Name of Investment Adviser:<br><b>GSCP (NJ), L.P.</b> |                     |           |              |                |                   |
| Address: (Number and Street)                          | (City)              | (State)   | (Zip Code)   | Area Code:     | Telephone number: |
| <b>500 Campus Drive, Suite 220</b>                    | <b>Florham Park</b> | <b>NJ</b> | <b>07932</b> | <b>( 973 )</b> | <b>437-1000</b>   |

This part of Form ADV gives information about the investment adviser and its business for the use of clients. The information has not been approved or verified by any governmental authority.

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|                    | Balance Sheet, if required .....  | Schedule G  |

(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

1. **A. Advisory Services and Fees.** (check the applicable boxes) For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

**Applicant:**

- |                                     |   |            |   |
|-------------------------------------|---|------------|---|
| <input checked="" type="checkbox"/> | (1) Provides investment supervisory services .....  | <u>100</u> | % |
| <input type="checkbox"/>            | (2) Manages investment advisory accounts not involving investment supervisory services .....  | _____      | % |
| <input type="checkbox"/>            | (3) Furnishes investment advice through consultations not included in either service described above ....   | _____      | % |
| <input type="checkbox"/>            | (4) Issues periodicals about securities by subscription .....   | _____      | % |
| <input type="checkbox"/>            | (5) Issues special reports about securities not included in any service described above .....   | _____      | % |
| <input type="checkbox"/>            | (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities ..... | _____      | % |
| <input type="checkbox"/>            | (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities .....   | _____      | % |
| <input type="checkbox"/>            | (8) Provides a timing service .....   | _____      | % |
| <input type="checkbox"/>            | (9) Furnishes advice about securities in any manner not described above .....   | _____      | % |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term? . . . . .  Yes  No

C. Applicant offers investment advisory services for: (check all that apply)

- |                                     |  |                                     |                       |
|-------------------------------------|--|-------------------------------------|-----------------------|
| <input checked="" type="checkbox"/> | (1) A percentage of assets under management      | <input type="checkbox"/>            | (4) Subscription fees |
| <input type="checkbox"/>            | (2) Hourly charges                               | <input type="checkbox"/>            | (5) Commissions       |
| <input type="checkbox"/>            | (3) Fixed fees (not including subscription fees) | <input checked="" type="checkbox"/> | (6) Other             |

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. **Types of clients** - Applicant generally provides investment advice to: (check those that apply)

- |                          |                                     |                                     |  |
|--------------------------|-------------------------------------|-------------------------------------|--|
| <input type="checkbox"/> | A. Individuals                      | <input type="checkbox"/>            | E. Trusts, estates, or charitable organizations                    |
| <input type="checkbox"/> | B. Banks or thrift institutions     | <input checked="" type="checkbox"/> | F. Corporations or business entities other than those listed above |
| <input type="checkbox"/> | C. Investment companies             | <input checked="" type="checkbox"/> | G. Other (describe on Schedule F)                                  |
| <input type="checkbox"/> | D. Pension and profit sharing plans |                                     |  |

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

**3. Types of Investments.** Applicant offers advice on the following: (check those that apply)

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> A. Equity securities                                       | <input checked="" type="checkbox"/> H. United States government securities |
| <input checked="" type="checkbox"/> (1) exchange-listed securities                             | <input checked="" type="checkbox"/> I. Options contracts on:               |
| <input checked="" type="checkbox"/> (2) securities traded over-the-counter                     | <input checked="" type="checkbox"/> (1) securities                         |
| <input checked="" type="checkbox"/> (3) foreign issuers  | <input type="checkbox"/> (2) commodities                                   |
| <input checked="" type="checkbox"/> B. Warrants  | <input type="checkbox"/> J. Futures contracts on:                          |
| <input checked="" type="checkbox"/> C. Corporate debt securities (other than commercial paper) | <input type="checkbox"/> (1) tangibles                                     |
| <input checked="" type="checkbox"/> D. Commercial paper  | <input checked="" type="checkbox"/> (2) intangibles                        |
| <input checked="" type="checkbox"/> E. Certificates of deposit                                 | <input type="checkbox"/> K. Interests in partnerships investing in:        |
| <input type="checkbox"/> F. Municipal securities   | <input checked="" type="checkbox"/> (1) real estate                        |
| <input type="checkbox"/> G. Investment company securities:                                     | <input type="checkbox"/> (2) oil and gas interests                         |
| <input type="checkbox"/> (1) variable life insurance   | <input checked="" type="checkbox"/> (3) other (explain on Schedule F)      |
| <input type="checkbox"/> (2) variable annuities  | <input checked="" type="checkbox"/> L. Other (explain on Schedule F)       |
| <input checked="" type="checkbox"/> (3) mutual fund shares                                     |  |

**4. Methods of Analysis, Sources of Information, and Investment Strategies.**

A. Applicant's security analysis methods include: (check those that apply)

- |   |  |
|---|--|
| (1) <input type="checkbox"/> Charting               | (4) <input type="checkbox"/> Cyclical                      |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input type="checkbox"/> Other (explain on Schedule F) |
| (3) <input type="checkbox"/> Technical              |  |

B. The main sources of information applicant uses include: (check those that apply)

- |   |   |
|---|---|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines    | (5) <input type="checkbox"/> Timing services  |
| (2) <input checked="" type="checkbox"/> Inspections of corporate activities   | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input checked="" type="checkbox"/> Company press releases  |
| (4) <input checked="" type="checkbox"/> Corporate rating services             | (8) <input type="checkbox"/> Other (explain on Schedule F)  |

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- |   |  |
|---|--|
| (1) <input checked="" type="checkbox"/> Long term purchases (securities held at least a year) | (5) <input checked="" type="checkbox"/> Margin transactions  |
| (2) <input checked="" type="checkbox"/> Short term purchases (securities sold within a year)  | (6) <input checked="" type="checkbox"/> Option writing, including covered options, uncovered options or spreading strategies |
| (3) <input checked="" type="checkbox"/> Trading (securities sold within 30 days)              | (7) <input checked="" type="checkbox"/> Other (explain on Schedule F)  |
| (4) <input checked="" type="checkbox"/> Short sales   |  |

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

**5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? .....  Yes  No  
(If yes, describe these standards on Schedule F.)

**6. Education and Business Background.**

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name
- year of birth
- formal education after high school
- business background for the preceding five years

**7. Other Business Activities.** (check those that apply)

- A. Applicant is actively engaged in a business other than giving investment advice.
- B. Applicant sells products or services other than investment advice to clients.
- C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Other Financial Industry Activities or Affiliations.** (check those that apply)

- A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
  - (1) broker-dealer
  - (2) investment company
  - (3) other investment adviser
  - (4) financial planning firm
  - (5) commodity pool operator, commodity trading adviser or futures commission merchant
  - (6) banking or thrift institution
  - (7) accounting firm
  - (8) law firm
  - (9) insurance company or agency
  - (10) pension consultant
  - (11) real estate broker or dealer
  - (12) entity that creates or packages limited partnerships

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? . . .  Yes  No

(If yes, describe on Schedule F the partnerships and what they invest in.)

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

**9. Participation or Interest in Client Transactions.**

Applicant or a related person: (check those that apply)

- A. As principal, buys securities for itself from or sells securities it owns to any client.
- B. As broker or agent effects securities transactions for compensation for any client.
- C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

- |  |  |                                |
|--|--|--------------------------------|
| <b>10. Conditions for Managing Accounts.</b> Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services <i>and</i> impose a minimum dollar value of assets or other conditions for starting or maintaining an account? | Yes<br><input checked="" type="checkbox"/> | No<br><input type="checkbox"/> |
|--|--|--------------------------------|

(If yes, describe on Schedule F)

**11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

**The number of accounts with which an investment professional has involvement varies by strategy and also with the position and expertise of each investment professional. Senior investment professionals, with the assistance of other investment professionals as necessary, generally review and monitor client accounts daily or otherwise periodically as appropriate to the type of investment in the account. Market conditions and available market prices of client investments are reviewed on an ongoing basis. Investment ideas are discussed and reviewed among investment professionals both informally and at regularly scheduled meetings.**

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

**The nature and frequency of reports to investors in the limited partnerships and other pooled investment vehicles advised by GSCP (NJ), L.P. (the "Adviser") depends upon the governing documents of such investment vehicles and/or the terms of their management agreements with the Adviser. Typically, however, such governing documents provide for quarterly and annual financial statements.**

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

**12. Investment or Brokerage Discretion.**

- A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:
- |  |   |                             |
|--|---|-----------------------------|
| (1) securities to be bought or sold? .....               | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (2) amount of the securities to be bought or sold? ..... | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (3) broker or dealer to be used? .....                   | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (4) commission rates paid? .....                         | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |

- B. Does applicant or a related person suggest brokers to clients? ..... Yes  No

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for product and research services received.

**13. Additional Compensation.**

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- |   |   |  |
|---|---|--|
| A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? ..... | Yes <input type="checkbox"/>            | No <input checked="" type="checkbox"/> |
| B. directly or indirectly compensates any person for client referrals? .....  | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/>            |

(For each yes, describe the arrangements on Schedule F.)

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
  - requires prepayment of more than \$500 in fees per client and 6 or more months in advance
- Has applicant provided a Schedule G balance sheet? ..... Yes  No

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

| <b>Schedule F of Form ADV Continuation Sheet for Form ADV Part II</b>                                   | Applicant:<br>GSCP (NJ), L.P.   | SEC File Number:<br>801-60038 | Date:<br>March 31, 2006             |
|---|---|-------------------------------|-------------------------------------|
| (Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)          |   |                               |                                     |
| 1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:<br><b>GSCP (NJ), L.P.</b> |   |                               | IRS Empl. Ident. No.:<br>13-4090785 |
| Item of Form (identify)   | Answer  |                               |                                     |
| <b>ITEM 1D</b>  | <p><b>Investment supervisory services</b></p> <p>GSCP (NJ), L.P. (the "Adviser") provides investment management, advisory and/or administrative services and other related services (collectively, the "investment advisory services") to pooled investment vehicles (such as limited partnerships, corporations, limited liability companies and non-U.S. entities) that are not registered or required to be registered under the Investment Company Act of 1940, as amended (referred to herein as the "funds"), as well as a corporation that is exempt under the Investment Company Act and intends to elect to be treated as a "real estate investment trust" as defined in Section 856(a) of the Internal Revenue Code of 1986, as amended (referred to herein as the "REIT"). The funds and the REIT managed by the Adviser are sometimes referred to herein each as a "client" or collectively as "clients" of the Adviser.</p> <p>Please refer to Items 2.G, 3.K and 3.L below for a description of the investment strategies of the Adviser's clients, as well as the types of investments with respect to which the Adviser provides advice.</p> <p><b>The Funds.</b> As a provider of investment advisory services, the Adviser typically receives annual management fees from each fund or the investors therein, the amount of which depends upon the provisions of the documents governing the Adviser's agreement with each particular client to which such service is being provided, such as the limited partnership agreement and/or the management agreement (the "Governing Documents").</p> <p>The annual management fee paid by a fund or an investor therein will generally be negotiated at the inception of the fund and range between 1.0% and 1.75% of an amount based upon (a) during the investment period, the capital committed by the investors in the fund, and (b) after the expiration of the investment period, the unreturned capital contributions for such fund. In the case of funds which are collateralized debt obligations ("CDOs"), the annual management fee currently ranges generally between 0.4% and 1.0% of the par value of the underlying securities. The management fee paid by a fund or investors of a fund is, in most cases, not negotiable. Management fees are typically charged semi-annually or quarterly, in advance or in arrears. From time to time, the Adviser or an affiliate may also receive transaction fees, advisory fees, monitoring fees or other similar fees (collectively "Fee Income") in connection with the consummation, holding or disposition of an investment on behalf of a fund. In such cases, the management fee described above may be reduced by a portion of such Fee Income.</p> <p>In addition, the general partner of each fund that is a limited partnership, or corresponding entity for each fund that is not organized as a limited partnership, each of which is an affiliate of the Adviser, may receive a portion of profits based on the investment performance of the fund in accordance with the terms of the relevant Governing</p> |                               |                                     |

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

|   |  |                               |                                     |                         |
|---|--|-------------------------------|-------------------------------------|-------------------------|
| <b>Schedule F of Form ADV Continuation Sheet for Form ADV Part II</b>                                   |  | Applicant:<br>GSCP (NJ), L.P. | SEC File Number:<br>801-60038       | Date:<br>March 31, 2006 |
| (Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)          |  |                               |                                     |                         |
| I. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:<br><b>GSCP (NJ), L.P.</b> |  |                               | IRS Empl. Ident. No.:<br>13-4090785 |                         |
| Item of Form (identify)   | Answer   |                               |                                     |                         |
| <b>ITEM 2G</b>  | <p><b>Document.</b> The existence of a performance-based fee may create an incentive for the Adviser to make investments for the funds that are riskier or more speculative than investments that would be made in the absence of such a fee. Furthermore, investment periods of funds and funds themselves are generally of limited duration, subject to extensions as permitted under the funds' Governing Documents, which generally require investor approval. The prospect of continuing to earn additional fee income associated with a fund may create an incentive for the Adviser to seek to extend the investment period or the life of a fund in accordance with such fund's Governing Documents.</p> <p><b>The REIT.</b> In connection with the provision of investment advisory services to the REIT, the Adviser is entitled to receive an annual management fee as well as a quarterly incentive management fee. The Adviser also received a grant of restricted stock and stock options in connection with its advisory services.</p> <p>The annual management fee is equal to 1.75% per annum of the REIT's stockholders equity as defined in the REIT's Governing Documents. The annual management fee is payable quarterly in arrears in cash. The incentive management fee is calculated and payable each fiscal quarter in an amount equal to 25% of the amount by which the REIT's stockholders equity and the net income per share for such quarter exceeds thresholds which are set forth in the REIT's Governing Documents. The incentive management fee is payable quarterly, at least 10% of which is payable in shares of common stock and the remainder in cash, subject to certain limitations.</p> <p><b>Refund of Fees and Termination of Advisory Contract.</b> While the particular terms vary based upon the type of client and investment strategy, the investment advisory agreements typically provide that the general partner (or other managing entity, if and as applicable) of the client or the Board of Directors and stockholders in the case of the REIT, may terminate the agreement for convenience with written notice ranging from thirty (30) to one hundred eighty (180) days. The agreements generally include a right to terminate without cause (in many cases, subject to a majority or supermajority vote by investors, shareholders, and/or directors if and as applicable) and typically provide for shorter notice periods in the event the investment advisory agreement is terminated for cause. In such cases, the Adviser may be liable for the unearned portion, if any, of any management fees, previously paid to the Adviser.</p> <p><b>Types of Clients</b></p> <p>The Adviser provides investment advisory services to funds and a REIT (each as defined above). The funds primarily acquire, hold and sell liquid and illiquid securities and instruments. The services provided by the Adviser to a particular fund depend upon the investment objectives and restrictions of that fund, which are set forth in the Governing</p> |                               |                                     |                         |

**Complete amended pages in full, circle amended items and file with execution page (page 1).**



|   |   |                               |                                     |                         |
|---|---|-------------------------------|-------------------------------------|-------------------------|
| <b>Schedule F of Form ADV Continuation Sheet for Form ADV Part II</b>                                   |   | Applicant:<br>GSCP (NJ), L.P. | SEC File Number:<br>801-60038       | Date:<br>March 31, 2006 |
| (Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)          |   |                               |                                     |                         |
| 1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:<br><b>GSCP (NJ), L.P.</b> |   |                               | IRS Empl. Ident. No.:<br>13-4090785 |                         |
| Item of Form (identify)   | Answer  |                               |                                     |                         |
| <b>ITEMS 3K AND 3L</b>  | <p>Documents for each fund. The REIT that is managed by the Adviser invests primarily in (i) real estate-related securities, principally private label agency residential mortgage-backed securities, and commercial mortgage-backed securities; (ii) whole loan mortgages sourced through primary originators and in the secondary market; (iii) bank loans, including middle market senior secured loans; (iv) other asset-backed securities, including collateralized debt obligations; and (v) leveraged finance instruments, including but not limited to high yield corporate bonds, distressed debt securities, corporate mezzanine loans and private equity investments.</p> <p><b>Types of Investments</b></p> <p>The Adviser may offer advice on interests in partnerships sponsored and managed by the Adviser or its affiliates that invest in the types of securities noted in response to Part II, Item 3 and noted below.</p> <p>The Adviser may also offer advice concerning the following securities and instruments: (i) bank loans (including middle market senior secured loans) and bank participations; (ii) repurchase agreements; (iii) banker's acceptances; (iv) private placements or other securities that are not registered or are exempt from registration under the Securities Act of 1933, as amended, such as Rule 144A securities; (v) bonds and equity securities issued by foreign issuers and/or denominated in foreign currencies; (vi) foreign exchange hedging transactions that involve foreign currency forward contracts; (vii) domestic and international convertible securities, including but not limited to (a) convertible securities that are convertible or exchangeable into equity securities of publicly traded U.S. companies; (b) convertible securities, including European Depository Receipts and Eurodollar convertible securities, that are convertible or exchangeable into equity securities of non-U.S. companies listed on a non-U.S. exchange or represented by American Depository Receipts listed on a U.S. exchange; (viii) futures and forward contracts, swaps, commodities, hybrid securities, and other "synthetic" or derivative instruments; (ix) real estate-related securities, principally private label agency residential mortgage-backed securities, and commercial mortgage-backed securities; (x) whole loan mortgages sourced through primary originators; (xi) asset-backed securities, including collateralized debt obligations; (xii) leveraged equities of financially distressed companies; and (xiii) leveraged finance instruments, including but not limited high yield corporate bonds, distressed debt securities, corporate mezzanine loans and private equity investments.</p> |                               |                                     |                         |
| <b>ITEM 4C.7</b>  | <p><b>Use of Leverage</b></p> <p>In addition to engaging in margin transactions, the Adviser may also use other types of leverage. Collateralized debt obligations issue debt securities collateralized by a portfolio</p>  |                               |                                     |                         |

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

|   |  |   |  |                         |
|---|--|---|--|-------------------------|
| <b>Schedule F of Form ADV</b><br><b>Continuation Sheet for Form ADV Part II</b>                         |  | Applicant:<br>GSCP (NJ), L.P.   | SEC File Number:<br>801-60038  | Date:<br>March 31, 2006 |
| (Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)          |  |   |  |                         |
| I. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:<br><b>GSCP (NJ), L.P.</b> |  |   | IRS Empl. Ident. No.:<br>13-4090785  |                         |
| Item of Form (identify)   | Answer   |   |  |                         |
| <b>ITEM 5</b>   | of debt and loan obligations and, as a result, are highly leveraged. Other funds and the REIT may enter into warehousing, repurchase and other financing arrangements that create leverage.  |   |  |                         |
| <b>ITEM 6</b>   | <p><b>Education and Business Standards</b></p> <p>The Adviser's investment professionals typically have experience in the securities industry and in sourcing and evaluating investments for or managing private equity funds. They also have a college or post-graduate degree in business, economics or finance.</p> <p><b>Education and Business Background</b></p> <p><b>Certain Investment Professionals and Executive Officers</b></p> |   |  |                         |
| NAME  | BIRTH YEAR   | EDUCATION   | BUSINESS BACKGROUND FOR PREVIOUS 5 YEARS   |                         |
| Alfred C. Eckert III  | 1948   | B.S., Engineering, Northwestern University, 1971; and M.B.A., Harvard Business School, 1973                           | Chairman and Chief Executive Officer, GSC Partners, 1994 to Present                            |                         |
| Keith W. Abell*   | 1957   | A.B., Semiotics, Brown University, 1979; and M.B.A., Finance and International Studies, Wharton Business School, 1986 | Vice Chairman and Co-Founder, GSC Partners, 1994 to Present                                    |                         |
| Daniel I. Castro, Jr.   | 1958   | B.A., Government and International Relations, Notre Dame University, 1980; and M.B.A., Washington University 1982     | Managing Director, GSC Partners 2005 to Present; Managing Director, Merrill Lynch 1991 to 2004 |                         |

\* Mr. Abell currently serves as co-chairman of and devotes substantially all of his time to a joint venture based in China between the Adviser and an unaffiliated international real estate developer.

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

|   |                               |                               |                         |
|---|-------------------------------|-------------------------------|-------------------------|
| <b>Schedule F of Form ADV<br/>Continuation Sheet for Form ADV Part II</b> | Applicant:<br>GSCP (NJ), L.P. | SEC File Number:<br>801-60038 | Date:<br>March 31, 2006 |
|---|-------------------------------|-------------------------------|-------------------------|

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

|   |                                     |
|---|-------------------------------------|
| I. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:<br><b>GSCP (NJ), L.P.</b> | IRS Empl. Ident. No.:<br>13-4090785 |
|---|-------------------------------------|

| Item of Form (identify) | Answer |   |   |
|-------------------------|--------|---|---|
| Robert F. Cummings, Jr. | 1949   | B.A., Union College, 1971; and M.B.A., University of Chicago, 1973                              | Senior Managing Director, GSC Partners, 2002 to Present; Partner, Goldman Sachs & Co., 1986 to 2002   |
| Peter R. Frank          | 1947   | B.S.E.E., University of Michigan, 1969, and M.B.A, Harvard Business School, 1971                | Senior Managing Director and Senior Operating Executive of Control Distressed Debt, GSC Partners, 2001 to Present; Ten Hoeve Bros., Inc., 1983 to 2001  |
| David L. Goret          | 1963   | B.A., Duke University, 1985; and J.D., University of Michigan, 1988                             | Managing Director, General Counsel and Chief Compliance Officer, GSC Partners, 2004 to Present; Senior Vice President and General Counsel, Mercator Software, Inc., 2002 to 2003; Managing Director and General Counsel, Hawk Holdings, LLC, 2000 to 2002 |
| Robert A. Hamwee        | 1970   | B.B.A., Accounting, University of Michigan, 1992  | Senior Managing Director and Head of Control Distressed Debt, GSC Partners, 1994 to Present   |
| Richard M. Hayden       | 1945   | B.A., Economics, Georgetown University, 1967; and M.B.A, Finance, Wharton Business School, 1969 | Vice Chairman, GSC Partners, 2000 to present; Managing Director and Deputy Chairman, Goldman Sachs & Co., 1969 to 1999  |
| Frederick H. Horton     | 1959   | B.A., Environmental Studies, Brown University 1980; and M.B.A. Finance, Boston University 1984  | Senior Managing Director and Head of Structured Finance Group, GSC Partners 2005 to Present; Senior Member of Structured Credit Product and Managing Director of the Trust Company of the West 1993 to 2005   |
| Thomas V. Inglesby      | 1957   | B.S., Accounting, Univ. of MD, 1979; and J.D. and M.B.A., University of Virginia, 1986          | Senior Managing Director and Head of Corporate Credit Group, GSC Partners, 1997 to Present  |
| Matthew C. Kaufman      | 1970   | B.B.A. and M.A.C.C., Accounting, University of Michigan, 1993                                   | Senior Managing Director, GSC Partners, 1997 to Present   |

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| <b>Schedule F of Form ADV Continuation Sheet for Form ADV Part II</b> | Applicant:<br>GSCP (NJ), L.P. | SEC File Number:<br>801-60038 | Date:<br>March 31, 2006 |
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

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| I. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:<br><b>GSCP (NJ), L.P.</b> | IRS Empl. Ident. No.:<br>13-4090785 |
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| Item of Form (identify)    | Answer |   |   |
|----------------------------|--------|---|---|
| Thomas J. Libassi          | 1958   | B.A., Economics and Government, Connecticut College, 1981; and M.B.A., Finance, Wharton Business School, 1986             | Senior Managing Director, GSC Partners, 2000 to Present; Portfolio Manager, Mitchell Hutchins, 1994 to 2000   |
| Michael R. Lynch           | 1951   | B.A., Chemical Engineering and Behavioral Science, Rice University, 1973; and M.B.A., University of Texas at Austin, 1976 | Member of Advisory Board, GSC Partners, 2005 to Present; Partner, Goldman Sachs & Co. 1986 to 2005  |
| Robert M. Paine            | 1964   | B.S., Business Administration, Boston University, 1986 and M.B.A., Boston University, 1990                                | Senior Managing Director, GSC Partners, 2006 to Present; Partner and Portfolio Manager, Stanfield Capital Partners, 2002 to 2005; Senior Vice President and Portfolio Manager, Putnam Investments, 1987 to 2002           |
| Edward S. Steffelin        | 1969   | B.A., Economics, Occidental College 1992; and M.B.A., Dartmouth College, 1996   | Managing Director, GSC Partners 2005 to Present; Senior Vice President, Trust Company of the West 2004 to 2005; Principal, Allianz Risk Transfer, Inc. 2001 to 2004; Vice President, XL Financial Solutions, 2000 to 2001 |
| Christine K. Vanden Beukel | 1970   | A.B., Government and Economics, Dartmouth College, 1992   | Senior Managing Director, GSC Partners, 1994 to Present   |
| Andrew J. Wagner           | 1956   | B.S., Accounting, University of Connecticut, 1978   | Senior Managing Director and Chief Financial Officer, GSC Partners, 2000 to Present; General Partner, RFE Investment Partners, 1995 to 2000   |
| Joseph H. Wender           | 1945   | B.A., Northwestern University, 1966; L.L.B., Yale Law School, 1969; and M.B.A., Harvard Business School, 1971             | Senior Managing Director, GSC Partners, March 2005 to present; Partner, Goldman Sachs & Co. 1971 to 2005  |

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| Alexander K. Zabik  | 1958  | B.A., Biology, Boston University, 1980; and M.B.A., Babson College, 1984   | Senior Managing Director, GSC Partners 2006 to present; Managing Director and Senior Member of the Real Estate Group, Investment Committee and Investment Strategy, BlackRock, Inc., 1998 to 2005 |                         |
| Wenbo Zhu   | 1960  | B.S., Physics, Shanghai Institute of Science and Technology, 1983, and M.S. and Ph.D. Mechanical Engineering, Rensselaer Polytechnic Institute, 1989 | Managing Director, GSC Partners, 2005 to Present, Director, Senior Qualitative Analyst, Merrill Lynch, Global Securities Research and Economics, 1998 to 2005                                     |                         |
| <b>ITEMS 8C.3 AND 8C.12</b>   | <p><b>Other Financial Industry Activities or Affiliations</b></p> <p>GSCP, Inc., located in New York, New York, is primarily responsible for providing certain support services to the Adviser through consulting arrangements with, or on behalf of, the Adviser.</p> <p>GSC Partners Europe, Limited (“GSCP Europe”) is located in London, England. GSCP Europe is primarily responsible for identifying and monitoring European investments made by clients of the Adviser.</p> <p>Each of GSCP, Inc. and GSCP Europe draws upon the Adviser and its affiliates for all aspects of its activities. The Adviser treats as “supervised persons” GSCP Europe, GSCP, Inc. and all of their respective officers, directors and employees whose functions or duties relate to the determinations and recommendations that the Adviser makes to its clients or who have access to any information concerning which securities are being recommended to such clients prior to the effective dissemination of the recommendations. The Adviser also treats as “supervised persons” all employees of GSCP, Inc. and GSCP Europe who maintain or have access to the Adviser’s records. Employees of GSCP, Inc. and GSCP Europe who deal with clients or potential clients of the Adviser do so only in their capacity as personnel of the Adviser and, in such capacity, are subject to the supervision and control of the Adviser.</p> <p>Certain affiliates of the Adviser were organized for the purpose of serving as the general partner or manager of a fund. The names of such general partners and managers are identified in Item 7A of Schedule D on Part I of the Adviser’s Form ADV (available at <a href="http://www.adviserinfo.sec.gov/">http://www.adviserinfo.sec.gov/</a>). In addition, a description of the funds and the REIT,</p> |  |   |                         |

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| <b>ITEM 9</b>           | <p>including their operations and activities, fees and expenses and structure, can be obtained from the funds' or REIT's offering documentation. Investors in one or more of these funds or investors in the REIT may be offered investments in other client entities that are advised by the Adviser.</p> <p>The Adviser has a minority interest in a joint venture with an unaffiliated, international real estate developer and provides certain services in connection with the acquisition, development and management of real estate in China.</p> <p><b>Participation or Interest in Client Transactions</b></p> <p>In limited cases, the Adviser may effect transactions between client accounts in which one client will acquire securities held by another client. These transactions are only entered into when the Adviser deems the transaction to be in the best interests of both clients and at a price that the Adviser believes to constitute best execution for both parties consistent with its practices for achieving best execution. Recommendations to effect transactions between client accounts are required to be submitted to the Adviser's Chief Compliance Officer ("CCO") in advance of such transaction. With respect to affiliate transactions (including investments by the REIT in investment vehicles managed by the Adviser), the Governing Documents typically provide for approval of such transactions and the terms thereof by a person or body such as a trustee, advisory committee comprised of limited partners of the investing fund or, in the case of the REIT, by the independent members of its board of directors. Where the transaction is an investment by a fund or the REIT in another investment vehicle managed by the Adviser, the terms of such investment may include a reduction of the management fees payable by investors in such fund or the REIT in respect of such investment.</p> <p>The Adviser may buy for clients securities of issuers in which another client has made, or is making, an investment, which may create conflicts of interest. For example, if one client is invested in debt securities of an issuer and another client is invested in equity securities of the same issuer, if the issuer experiences financial or operating challenges which impact the price of its securities, decisions relating to actions to be taken may raise conflicts of interest between these clients. The Adviser may buy for clients (the funds or the REIT) CDOs which are managed, advised or otherwise serviced by the Adviser.</p> <p>In the case of many of the funds, an "Advisory Committee" has been established pursuant to the Governing Documents. This Advisory Committee is responsible for monitoring transactions and other potential conflicts between the Adviser and its affiliates.</p> <p><u>Code of Ethics.</u> Pursuant to Rule 204A-1 under the Advisers Act, the Adviser has adopted a Code of Ethics ("Code"), which sets forth standards of business and personal</p> |

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|                         | <p>conduct for GSC Personnel (defined below) and any other person who provides investment advisory services on behalf of the Adviser and who is subject to the supervision and control of the Adviser (together with GSC Personnel, "supervised persons"). The Code also addresses conflicts that arise from personal trading by supervised persons. The Code is predicated on the principle that the Adviser owes a fiduciary duty to its clients. Accordingly, supervised persons of the Adviser must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of the Adviser's clients. Supervised persons must: place client interests first; engage in personal investing that is in full compliance with the Code; avoid taking advantage of investment opportunities and gifts offered due to his or her position at the Adviser; and maintain full compliance with all applicable federal securities laws.</p> <p>It is possible that the Adviser and its affiliates, as well as their respective principals, officers and employees ("GSC Personnel"), may buy or sell for their personal accounts securities or other instruments that the Adviser has recommended to clients. Personal transactions in securities by supervised persons are subject to policies and procedures that require, among other things, that supervised persons provide quarterly and annual holdings reports and duplicate confirmations and account statements to the CCO. From time to time, eligible supervised persons may also invest in investment vehicles to which the Adviser provides investment advice or of which the Adviser or a related person serves as general partner, manager or investment adviser. In addition, the Adviser or related persons have historically, and may from time to time in the future, co-invest or be offered the right to co-invest in various investment opportunities with clients of the Adviser on similar investment terms as such clients.</p> <p>Pursuant to the Code, with the permission of the CCO, supervised persons may serve as directors of and receive compensation such as shares of common stock, warrants, etc. from various issuers of securities which the Adviser may purchase or sell on behalf of clients, which also may give rise to potential conflicts.</p> <p>Service on the board or committees of outside organizations requires the prior approval of the CCO. In addition, the Adviser requires that recommendations to buy or sell securities of companies on which a supervised person serves as a board member be approved in advance by the Adviser's Risk and Conflicts Committee (the "Risk Committee"). The Risk Committee may also be convened from time to time to consider conflicts of interest and other issues.</p> <p>In connection with its activities, the Adviser may come into the possession of material, non-public information. Under the federal securities laws and the Code, the Adviser and its supervised persons are generally prohibited from improperly disclosing or using such information for their benefit or the benefit of any other person, including clients of the</p> |

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| <b>ITEM 10</b>  | <p>Adviser. In addition, the Adviser and its clients may be subject to certain trading or confidentiality restrictions in connection with the investments recommended by the Adviser. Such restrictions may impair the ability of all clients of the Adviser to dispose of such investments.</p> <p>The Adviser maintains a strict standard of business conduct requiring all supervised persons to act with integrity, competence, diligence and respect. As part of the Code, the Adviser has adopted a personal securities transaction and reporting policy, as described above. In addition, supervised persons may not directly or indirectly acquire any interest in an initial public offering or a private placement without first obtaining prior approval of the CCO. Supervised persons also are prohibited from purchasing or selling, for any personal accounts, any securities that are, at that time, listed on the Adviser's "Restricted List", which is updated to contain issuers about which the Adviser possesses material non-public information, to whom the Adviser owes a fiduciary obligation, or of which a client has or intends to purchase an interest. The Code also contains policies and procedures to prevent the misuse of material non-public information by supervised persons, including the misuse of material non-public information about the Adviser's securities recommendations and client securities and transactions.</p> <p>The Code describes what constitutes "material" and "non-public" information, and outlines the penalties that supervised persons are subject to if they trade on such information. The Adviser also has adopted a series of internal "information blocking" policies and procedures to seek to prevent the dissemination of material non-public information, which may be obtained as a result of certain supervised persons serving as board members or officers of outside organizations or on official creditor committees, or as a result of confidentiality agreements with an issuer.</p> <p>The Adviser requires supervised persons to report violations of the Code to the CCO. A compliance officer also reviews all quarterly and annual personal trading reports submitted by supervised persons. To ensure that supervised persons understand the various provisions of the Code, the Adviser provides each supervised person with a copy of the Code and any amendments thereto.</p> <p>Investors in the clients of the Adviser can obtain a copy of the Code by contacting the Adviser's CCO at (973) 437-1000.</p> <p><b>Conditions for Managing Accounts</b></p> <p>Investors in the funds managed by the Adviser may be required to commit to contribute certain minimum capital amounts in order to be permitted to invest in such vehicles, unless such minimum requirements are waived by the general partner (or corresponding</p> |                                     |                         |

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| <b>ITEM 12</b>  | <p>entity, if such vehicle is organized as other than a limited partnership) of the vehicle. Minimum capital commitments vary among the various funds and are disclosed to investors in the respective Governing Documents</p> <p><b>Investment or Brokerage Discretion</b></p> <p>The Adviser has discretionary authority to buy and sell securities and other instruments for client accounts, and to determine the amount of such securities or other instruments to be bought or sold, consistent with each client's investment objectives and restrictions as set forth in the Governing Documents for that client. In addition, the Adviser may determine, without client consultation or consent, the broker or dealer through which securities or other instruments are bought and sold, and the commission rates or dealer spreads at which transactions are effected.</p> <p>The funds and the REIT that are managed by the Adviser have pre-determined investment strategies and investment periods as detailed in each entity's Governing Documents. Generally, the Adviser will not begin the investment period for a new client entity having a substantially similar investment strategy until substantially all of the funds committed to the prior client entity have been invested or committed for investment. If two or more client entities with similar investment strategies are still in their investment periods, an available investment opportunity will be allocated based on the provisions governing allocations of investment opportunities in the relevant Governing Documents. In the absence of such provisions, the portfolio manager will typically determine the allocation by considering, among other things, the following factors and the weight that should be given with respect thereto: (1) the investment guidelines and/or restrictions set forth in the applicable organizational documents; (2) the risk and return profile of the client entity; (3) the suitability/priority of a particular investment for the client entity; (4) if applicable, the target position size of the investment for the client entity; and (5) the level of available cash for investment with respect to the particular client entity. The Adviser reserves the right to amend or revise those allocation procedures from time to time.</p> <p>If the Adviser believes that the purchase or sale of a security is in the best interests of more than one client, it may (but is not obligated to) aggregate the orders to be sold or purchased for such clients to the extent such aggregation may enable the Adviser to obtain favorable execution or lower brokerage commissions and to the extent such is permitted by applicable laws and regulations. Where trades are aggregated, the transactions, as well as the expenses incurred in the transactions, will be allocated by the Adviser, in a manner designed to ensure that such allocation is equitable and consistent with the Adviser's fiduciary duty to its clients including its duty to seek to obtain best execution of client trades.</p> |                               |                                     |                         |

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|   | <p>The Adviser does not currently maintain any formal soft dollar arrangements. However, various broker-dealers provide the Adviser with proprietary research and other products and services (<i>i.e.</i>, weekly proprietary research reports, receipt of duplicate trade confirmations and account statements, trading desk access and the ability to aggregate clients' securities transactions). The Adviser periodically reviews price and execution by the brokers it uses and believes that it would obtain this research and other products and services regardless of the amount of business that it directs to such firms throughout the year. Therefore, the Adviser does not believe that it is "paying-up" for the proprietary research and other products and services offered by the various broker-dealers utilized by the Adviser.</p> <p>The objective of the Adviser in selecting brokers and dealers and executing transactions is to seek to obtain the best combination of price and execution. The Adviser considers the full range and quality of a broker-dealer's service in selecting broker-dealers to meet best execution obligations. The determinative factor is whether the transaction represents the best overall qualitative execution for the Funds. As a starting point, the Adviser considers the trade price and imputed mark-up/mark-down. These things being equal or fairly equal among brokers, the following qualitative factors, among others, are considered when performing the Adviser's periodic and systematic evaluation of its brokerage arrangements and the execution quality of client trades by the broker-dealers: (i) order flow sent to the broker-dealers; (ii) liquidity of the securities traded and current market conditions; (iii) ability to maintain the confidentiality of trading intentions; (iv) ability to place trades in difficult market environments; (v) quality and value of the research services provided; (vi) execution facilitation services provided; (vii) timeliness of execution; (viii) timeliness and accuracy of trade confirmations; (ix) willingness to commit capital; (x) allocation of limited investment opportunities; (xi) record-keeping services provided; (xii) custody services provided; (xiii) frequency and correction of trading errors; (xiv) ability to access a variety of market venues; (xv) expertise as it relates to specific securities; (xvi) intermediary compensation (dealer spreads); (xvii) financial condition; (xviii) business reputation; (xix) fairness in resolving disputes and (xix) gross compensation paid to each broker-dealer.</p> <p>Privately-placed securities will generally be purchased directly from the issuer or its placement agent on terms negotiated by the Adviser or a related person. Terms subject to such negotiations may include but are not limited to the frequency and amount of dividends and other distributions; debt limitations; permitted investments, sales of assets, consolidations and mergers; transactions with affiliates; subordination provisions; representations and warranties; rights of inspection; and events of default. The ability of the Adviser or a related person to negotiate terms as part of a private placement may depend upon the amount of an offering to be bought or sold.</p> |                               |                                     |

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| <b>ITEM 13B</b>   | <p>Although the Adviser has established the policies, guidelines and procedures outlined above to ensure best execution, certain inherent conflicts of interest may exist with respect to the selection of brokers for client transactions. In certain cases, the Adviser may execute securities transactions with a broker that is also an investor in one of the funds or the REIT. In addition, certain broker-dealers through which client transactions may be effected from time to time own minority interests in the Adviser. The Adviser does not have a special arrangement with such brokers and follows the same process and considers the same factors as describe above when selecting them to execute a client transaction. From time to time, brokers (including prime brokers engaged to provide execution services to the funds or the REIT) or their affiliates may provide placement agent or underwriting services to the funds or the REIT. For providing such services, such brokers or their affiliates receive customary and usual placement agent and underwriting fees. The Adviser has established a Best Execution Committee that reviews the Adviser's trading practices and broker performance and execution capabilities, as well as potential conflicts of interest that may exist in the trading process.</p> <p><b>Additional Compensation</b></p> <p>Adviser or a related person may enter into agreements pursuant to which it compensates other persons for referring persons to invest in clients to which the Adviser provides investment advice. Any such arrangements will be in writing and performed in compliance with the Advisers Act and the regulations thereunder. In addition, from time to time, the Adviser may engage investment banks or other financial institutions to structure and launch investment vehicles to which the Adviser is anticipated to serve as investment manager or adviser and in which investors will invest. Such investment banks or institutions would typically receive customary and usual fees in connection their services, which may include identifying potential investors.</p> |                                     |                         |
| <b>MISCELLANEOUS</b>  | <p><b>Trade Errors</b></p> <p>The Governing Documents typically provide that, among other things, neither the Adviser nor certain related persons will be liable to the funds or the REIT, as the case may be, for any loss or damage incurred in connection with the provision of services under such agreements, except for losses or damages that result from fraud, gross negligence, willful misfeasance and reckless disregard. In addition, the Adviser and certain related persons are typically entitled to indemnification for any loss or damage that results from an act or omission by the Adviser or such related persons, except for losses or damages that result from fraud, gross negligence, willful misfeasance and reckless disregard. In addition, in certain cases, the Governing Documents may expressly provide that the Adviser will not be liable for trade errors that may result from ordinary negligence, such as errors in the investment-decision making process (e.g., a transaction was effected in violation of the</p>  |                                     |                         |

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|   | <p>Company's investment guidelines) or in the trade process (e.g., a buy order was entered instead of a sell order, or the wrong security was purchased or sold, or a security was purchased or sold in an amount or at a price other than the correct amount or price). The Adviser monitors and documents trade errors in client accounts and periodically reviews any such trade errors as part of its compliance procedures.</p> <p><b>Proxy Voting Policy and Procedures</b></p> <p>The Adviser has adopted a Proxy Voting Policy and Procedures (the "Proxy Policy") in order to comply with Rule 206(4)-6 under the Advisers Act. The Proxy Policy applies to those client accounts that contain voting securities and for which the Adviser has discretionary authority to vote proxies. The Proxy Policy will be reviewed and, as necessary, updated periodically to address new proxy voting issues.</p> <p>When voting proxies for client accounts, the Adviser's primary objective is to make voting decisions solely in the best interest of those clients. In fulfilling its obligations to clients, the Adviser will endeavor to act in a manner deemed to be prudent and diligent and which is intended to enhance the economic value of the underlying securities held by the client.</p> <p><b>Guidelines for Voting Proxies</b></p> <p>The following are general policies with respect to voting proxies on behalf of clients:</p> <p>--When a client holds a "control" position, the Adviser will generally give significant weight to the views of the company's management it has supported. In all cases, the Adviser considers the effect of management positions on the value of the relevant client's investment.</p> <p>--The Adviser evaluates proposals related to corporate governance matters, such as changes in the state or form of organization, amendment of charter documents, mergers and other corporate restructurings, and anti-takeover provisions, in light of the purpose underlying the client's investment position, including the investment horizon and the current or planned ownership position and degree of involvement in the company's management by the Adviser on behalf of the relevant client.</p> <p>--The Adviser believes that compensation of company executives and other company employees should provide proper incentives by aligning their economic interests with those of shareholders. In considering proposals related to stock option plans and other management compensation issues, the Adviser considers the company's need to recruit and retain highly qualified individuals in competitive labor markets and will consider</p> |                                     |                         |

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| I. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:<br><b>GSCP (NJ), L.P.</b> |   |                               | IRS Empl. Ident. No.:<br>13-4090785 |                         |
| Item of Form (identify)   | Answer  |                               |                                     |                         |
|   | <p>proposals related to compensation matters in relation to relevant industry standards and practices.</p> <p>--The Adviser considers proposals regarding changes in capital structure on a case-by-case basis in light of what the Adviser believes to be the purpose of the proposed change, the Adviser's estimation of the likely impact of the change on the client's investment in the company, and other relevant factors.</p> <p>--The Adviser considers the merit of proposals related to social and corporate responsibility issues and will generally defer to company management on such issues. The Adviser is skeptical of proposals by outsiders with non-economic agendas. The Adviser will not support proposals that the Adviser believes may conflict with the company's ability to maximize long-term profits or would have an adverse affect on the client's investment.</p> <p><b>Voting and Conflicts of Interest</b></p> <p>The Adviser's investment personnel will be responsible for making voting decisions with respect to all client proxies. In voting client proxies, the Adviser will seek to avoid material conflicts of interest between the interests of the Adviser on the one hand and the interests of its client on the other.</p> <p>Each client's Governing Documents include provisions for addressing conflicts of interest, typically through an Advisory Committee, which may be comprised of a number of such client's equity owners. The decision of any Advisory Committee with respect to material conflicts of interest in proxy votes is binding and may not be overridden by the Adviser.</p> <p>Proper records will be maintained in connection with this Proxy Policy. Investors in any fund or the REIT managed by the Adviser can obtain a copy of the Proxy Policy and Voting Procedures or information on how the Adviser has voted proxies by contacting the Adviser's Chief Compliance Officer at (973) 437-1000.</p> |                               |                                     |                         |

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

**Schedule G of  
Form ADV  
Balance Sheet**

|                                      |                                       |                                |
|--------------------------------------|---------------------------------------|--------------------------------|
| Applicant:<br><b>GSCP (NJ), L.P.</b> | SEC File Number:<br><b>801- 60038</b> | Date:<br><b>March 31, 2006</b> |
|--------------------------------------|---------------------------------------|--------------------------------|

(Answers in Response to Form ADV Part II Item 14.)

|   |  |
|---|--|
| 1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:<br><b>GSCP (NJ), L.P.</b>   | IRS Empl. Ident. No.:<br><b>13-4090785</b> |
| Instructions  |  |
| 1. The balance sheet must be:<br><br>A. Prepared in accordance with generally accepted accounting principles<br>B. Audited by an independent public accountant<br>C. Accompanied by a note stating the principles used to prepare it, the basis of included securities, and any other explanations required for clarity.    |  |
| 2. Securities included at cost should show their market or fair value parenthetically.  |  |
| 3. Qualifications and any accompanying independent accountant's report must conform to Article 2 of Regulation S-X (17 CFR 210.2-01 et. seq.).  |  |
| 4. Sole proprietor investment advisers:<br><br>A. Must show investment advisory business assets and liabilities separate from other business and personal assets and liabilities<br>B. May aggregate other business and personal asset and liabilities unless there is an asset deficiency in the total financial position. |  |

Complete amended pages in full, circle amended items and file with execution page (page 1).

# GSCP (NJ), Inc. and Subsidiaries

## Consolidated Balance Sheet

December 31, 2005

|  |               |
|--|---------------|
| <b>Assets</b>  |               |
| Cash and cash equivalents  | \$ 1,509,846  |
| Advisory fees and other receivables  | 15,876,715    |
| Promissory notes receivable  | 3,529,675     |
| Investments in affiliated investment funds   | 202,941,118   |
| Fixed assets and leasehold improvements, net of accumulated depreciation and amortization of \$2,979,511 | 3,418,062     |
| Prepaid expenses and other assets  | 938,932       |
| Deferred financing costs, net  | 2,003,617     |
| Due from affiliate   | 4,569,168     |
| Total assets   | \$234,787,133 |
| <br><b>Liabilities</b>   |               |
| Accounts payable and accrued expenses  | \$ 16,183,650 |
| Deferred fees  | 225,798       |
| Long-term debt   | 64,200,000    |
| Senior secured note  | —             |
| Other long-term debt   | 399,391       |
| Due to affiliate   | 5,346,082     |
| Redeemable preferred partnership interests   | 43,160,916    |
| Total liabilities  | 129,515,837   |
| <br><b>Shareholders' equity and partners' capital</b>  |               |
| Controlling interests:   |               |
| Common stock (par value \$.01 per share; 3,000 shares authorized, 400 shares issued and outstanding)     | 4             |
| Additional paid-in capital   | 396           |
| Retained earnings  | 974,415       |
| Non-controlling interests—partners' capital  | 95,882,728    |
| Accumulated other comprehensive income   | 8,413,753     |
| Total shareholders' equity and partners' capital   | 105,271,296   |
| Total liabilities and shareholders' equity and partners' capital   | \$234,787,133 |

*See accompanying notes.*

# GSCP (NJ), Inc. and Subsidiaries

## Notes to Consolidated Balance Sheet

December 31, 2005

### 1. Business and Organization

GSCP (NJ), Inc. ("NJ Inc."), a Delaware corporation, serves as the general partner of GSCP (NJ), L.P. ("NJ LP") and GSCP (NJ) Holdings, L.P. ("Holdings").

Hereafter, NJ Inc., NJ LP, and Holdings will collectively be referred to as the "Company". The purpose of the Company is to provide investment advisory, management and administrative services to affiliated investment funds. The Company also holds investments in certain affiliated investment funds.

The Company is an investment advisor to GSC Partners CDO Fund, Ltd. ("CDO I"), GSC Partners CDO Fund II, Ltd. ("CDO II"), GSC Partners CDO Fund III, Ltd. ("CDO III"), GSC Partners CDO Fund IV, Ltd. ("CDO IV"), GSC Partners CDO Fund V, Ltd. ("CDO V"), GSC Partners CDO Fund VI, Ltd. ("CDO VI"), GSC Partners Gemini Fund, Ltd. ("Gemini"), GSC European CDO I, S.A. ("Euro CDO I"), GSC European CDO II, S.A. ("Euro CDO II"), (collectively, the "CDO Funds") Greenwich Street Capital Partners, L.P., Greenwich Street Capital Partners II, L.P. ("Fund II"), GSC Recovery II, L.P., GSC Recovery IIA, L.P., GSC Recovery III, L.P. (collectively, the "Recovery Funds"), GSC European Mezzanine Fund, L.P., GSC European Mezzanine Fund II, L.P. (collectively, the "Mezzanine Funds"), GSC Capital Corp., and GSC Eliot Bridge Master Fund I, L.P. and certain other affiliated investment partnerships (collectively, the "Funds"). The Company also provides management and administrative services to the general partners of the respective Funds.

### 2. Significant Accounting Policies

#### Basis of Presentation

The consolidated financial statements of GSCP (NJ), Inc. and subsidiaries include the accounts of NJ Inc., NJ LP, and Holdings. The shareholders of NJ Inc. are also the limited partners of NJ LP and Holdings. All significant intercompany accounts have been eliminated in consolidation.

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States and all amounts are stated in United States dollars. The significant accounting policies followed in the preparation of these combining financial statements are as follows:



# GSCP (NJ), Inc. and Subsidiaries

## Notes to Consolidated Balance Sheet (continued)

December 31, 2005

### **2. Significant Accounting Policies (continued)**

#### **Cash and Cash Equivalents**

The Company considers short-term interest bearing investments with initial maturities of three months or less to be cash equivalents. Cash equivalents consist of money market investments held with one major financial institution to which the Company is exposed to credit risk. Cash equivalents are carried at cost, which approximates market value.

#### **Investments in Affiliated Investment Funds**

Investments in the Funds (other than the CDO Funds and GSC Capital Corp.) are in limited partnerships and are accounted for under the equity method of accounting, which approximates fair value. The initial investment is recorded at cost and subsequently adjusted to recognize the Company's share of the earnings or losses of the underlying Fund.

Investments in the CDO Funds are in the equity tranche of the CDO Funds for which the Company provides management services. The fair value of these investments is derived by management from a discounted cash flow analysis based on certain key assumptions regarding future cash flows. Interest rates are generally based on an assumed forward LIBOR curve. For CDO I, CDO II, and CDO III, the analysis assumes a 2% to 6% annual default rate and a 30% recovery on those defaults. For Gemini, CDO IV, and CDO V the analysis assumes a 2% to 3% annual default rate and a 70% recovery on those defaults. For Euro CDO I and Euro CDO II, the analysis assumes a 2% to 3% annual default rate with an 80% recovery on senior secured loan defaults and a 60% recovery on mezzanine loan defaults.

In the case of all of the CDO Funds, when permitted under applicable fund documents, recoveries will be reinvested at par with amortization schedules that match the maximum cumulative maturity profile of the applicable fund.

A discount rate of 15% was applied to the estimated future cash flows, which represents an estimate of the yield that an investor would require for a similar equity investment. The fair value of these investments does not necessarily represent the amount that could be obtained from a sale and changes to the underlying assumptions used could result in differences to the fair value of these investments, which could be material. A portion of the distributions received from the CDO Funds is recorded as interest income based on the estimated internal rate of return and the remainder is amortized against the cost basis of the investments.

Unrealized gains that exceed the amortized cost are included in accumulated other comprehensive income in the consolidated balance sheet.

# GSCP (NJ), Inc. and Subsidiaries

## Notes to Consolidated Balance Sheet (continued)

December 31, 2005

### **2. Significant Accounting Policies (continued)**

Investments in GSC Capital Corp. are in the form of common stock and preferred notes. The common stock investment is accounted for under the equity method of accounting, which approximates fair value. The initial investment is recorded at cost and subsequently adjusted to recognize its share of the earnings or losses of the underlying fund. The preferred notes are valued at cost, which approximates fair value.

#### **Fair Value of Financial Instruments**

The fair value of the Company's assets and liabilities, which qualify as financial instruments under Statement of Financial Accounting Standards No. 107, "*Disclosure About Fair Value of Financial Instruments*," approximates the carrying amounts presented in the consolidated balance sheet.

#### **Deferred Financing Costs**

Financing costs incurred by the Company in connection with obtaining the credit facility and senior secured notes have been deferred and are being amortized under the straight line method over the life of the respective debt instruments.

#### **Depreciation and Amortization**

All fixed assets are recorded at historical cost less accumulated depreciation. Depreciation of fixed assets (excluding aircraft) is provided for under accelerated methods of depreciation over the life of the respective asset. Aircraft is depreciated under the straight line method of depreciation over the respective life of the asset. Leasehold improvements are amortized over the lesser of the term of the lease or the useful life of the improvement.

#### **Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires the Company's management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**PRINCIPAL OFFICES OF THE CO-ISSUERS**

**GSC ABS CDO 2006-2m, Ltd.**  
c/o Maples Finance Limited  
P.O. Box 1093 GT, Queensgate House  
South Church Street  
George Town, Grand Cayman  
Cayman Islands

**GSC ABS CDO 2006-2m, Corp.**  
c/o Donald J. Puglisi  
850 Library Avenue, Suite 204  
Newark, Delaware 19711

**TRUSTEE, NOTE PAYING AGENT, NOTE REGISTRAR AND  
PREFERENCE SHARE PAYING AGENT**

**LaSalle Bank National Association**  
181 West Madison Street, 32nd Floor,  
Chicago, Illinois 60602

**PREFERENCE SHARE  
TRANSFER AGENT**

**LaSalle Bank National Association**  
181 West Madison Street, 32nd Floor,  
Chicago, Illinois 60602

**IRISH LISTING AGENT**

**Maples and Calder, Listing Services Limited**  
40 Lower Baggot Street  
Dublin 2  
Ireland

**CISX SPONSOR**

**Maples Finance Jersey Limited**  
Le Masurier House  
La Rue Le Masurier  
St Helier, Jersey JE2 4YE  
Channel Islands

**IRISH PAYING AGENT**

**Maples Finance Dublin**  
40 Lower Baggot Street  
Dublin 2, Ireland  
Ireland

**LEGAL ADVISORS**

**To the Co-Issuers**

As to U.S. Law  
**Stroock & Stroock & Lavan LLP**  
180 Maiden Lane  
New York, New York 10038

As to Cayman Islands Law  
**Maples and Calder**  
P.O. Box 309GT, Uglan House  
South Church Street  
Grand Cayman  
Cayman Islands

**To the Initial Purchaser and  
the CDS Counterparty**

**Freshfields Bruckhaus Deringer LLP**  
520 Madison Avenue  
New York, NY 10022

**To the Collateral Manager**

**Stroock & Stroock & Lavan LLP**  
180 Maiden Lane  
New York, NY 10038