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DISCLAIMER

Attached please find an electronic copy of the Offering Circular dated September 22, 2006 (the "Offering Circular") relating to the offering by Commodore CDO V, Ltd. and Commodore CDO V, Inc. of the Offered Securities (the "Offering").

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

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

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

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

THE ATTACHED OFFERING CIRCULAR CONTAINS CHANGES TO THE TERMS AND CONDITIONS OF THE OFFERING OF THE SECURITIES BEING ISSUED BY COMMODORE CDO V, LTD. AND COMMODORE CDO V, INC. AS COMPARED WITH THE TERMS AND CONDITIONS OF THE OFFERING SET FORTH IN THE PRELIMINARY OFFERING CIRCULAR DATED AUGUST 16 , 2006. THOSE DIFFERENCES ARE IDENTIFIED IN THE MARKED VERSION ALSO ATTACHED. PLEASE REVIEW THOSE CHANGES CAREFULLY AND DISCUSS THEM WITH YOUR ADVISORS. IF YOU WISH TO PURCHASE THE SECURITIES BEING OFFERED ON THE TERMS AND CONDITIONS IN THE ATTACHED OFFERING CIRCULAR, PLEASE NOTIFY US (ORALLY, BY EMAIL OR IN WRITING) ON OR PRIOR TO THE CLOSING DATE (AS DEFINED IN THE OFFERING CIRCULAR). BASED ON SUCH REVISIONS, YOU HAVE NO OBLIGATION TO PURCHASE ANY OF THE SECURITIES BEING OFFERED ON THE TERMS AND CONDITIONS SET FORTH IN THE ATTACHED OFFERING CIRCULAR, AND IF YOU ELECT NOT TO PURCHASE SUCH SECURITIES, YOU WILL NOT BE LIABLE FOR ANY DAMAGES (AND YOU WILL HAVE NO DAMAGES AGAINST ANY OTHER PARTY). YOUR FAILURE TO PROVIDE NOTICE TO US OF YOUR DESIRE TO PURCHASE THE SECURITIES BEING OFFERED BY THE ATTACHED OFFERING CIRCULAR SHALL BE DEEMED TO BE YOUR DECISION THAT YOU ARE NOT PURCHASING YOUR SECURITIES ON THE TERMS AND CONDITIONS SET FORTH IN THE ATTACHED OFFERING CIRCULAR.

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

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, EFFECTIVE FROM THE DATE OF COMMENCEMENT OF DISCUSSIONS, RECIPIENTS OF THIS OFFERING CIRCULAR AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF ANY SUCH RECIPIENT MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE 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 OR ANY OTHER PARTY TO THE TRANSACTION, THIS OFFERING OR THE PRICING (EXCEPT TO THE EXTENT PRICING IS RELEVANT TO THE TAX STRUCTURE OR TAX TREATMENT) OF THIS OFFERING.

OFFERING CIRCULAR

U.S.$75,000,000 Class A-1A First Priority Senior Secured Floating Rate Delayed Draw Notes Due 2047
U.S.$225,000,000 Class A-1B Second Priority Senior Secured Floating Rate Notes Due 2047
U.S.$50,000,000 Class A-2 Third Priority Senior Secured Floating Rate Notes Due 2047
U.S.$25,000,000 Class A-3 Fourth Priority Senior Secured Floating Rate Notes Due 2047
U.S.$70,000,000 Class B Fifth Priority Senior Secured Floating Rate Notes Due 2047
U.S.$13,250,000 Class C Sixth Priority Mezzanine Secured Deferrable Floating Rate Notes Due 2047
U.S.$24,000,000 Class D Seventh Priority Mezzanine Secured Deferrable Floating Rate Notes Due 2047
U.S.$8,500,000 Class E Eighth Priority Mezzanine Secured Deferrable Floating Rate Notes Due 2047
U.S.$20,000,000 Class P Principal Protected Notes Due 2047
15,420 Preference Shares (having an Aggregate Liquidation Preference of U.S.$15,420,000)

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

Commodore CDO V, Ltd.
Commodore CDO V, Inc.

Commodore CDO V, Ltd., an exempted company incorporated under the laws of the Cayman Islands (the "Issuer"), and Commodore CDO V, Inc., a Delaware corporation (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers") will issue U.S.$75,000,000 Class A-1A First Priority Senior Secured Floating Rate Delayed Draw Notes due 2047 (the "Class A-1A Notes"), U.S.$225,000,000 Class A-1B Second Priority Senior Secured Floating Rate Notes due 2047 (the "Class A-1B Notes" and, together with the Class A-1A Notes, the "Class A-1 Notes"), U.S.$50,000,000 Class A-2 Third Priority Senior Secured Floating Rate Notes due 2047 (the "Class A-2 Notes"), U.S.$25,000,000 Class A-3 Fourth Priority Senior Secured Floating Rate Notes due 2047 (the "Class A-3 Notes" and, together with the Class A-1 Notes and the Class A-2 Notes, the "Class A Notes"), U.S.$70,000,000 Class B Fifth Priority Senior Secured Floating Rate Notes due 2047 (the "Class B Notes"), U.S.$13,250,000 Class C Sixth Priority Mezzanine Secured Deferrable Floating Rate Notes due 2047 (the "Class C Notes") and U.S.$24,000,000 Class D Seventh Priority Mezzanine Secured Deferrable Floating Rate Notes due 2047 (the "Class D Notes" and, together with the Class A Notes, the Class B Notes and the Class C Notes, the "Co-Issued Notes"). The Issuer will also issue U.S.$8,500,000 Class E Eighth Priority Mezzanine Secured Deferrable Floating Rate Notes due 2047 (the "Class E Notes" and, together with the Co-Issued Notes, the "Secured Notes") and U.S.$20,000,000 Class P Principal Protected Notes due 2047 (the "Class P Notes" and, together with the Secured Notes, the "Notes").

(*continued on next page*)

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

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

The Offered Securities are offered by Merrill Lynch, Pierce, Fenner & Smith Incorporated 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 September 25, 2006, in the case of the Regulation S Global Secured Notes, the Restricted Global Secured Notes, the Regulation S Global Class P Notes and the Regulation S Global Preference Shares, through the facilities of The Depository Trust Company ("DTC"), and in the case of the Restricted Definitive Class P Notes and Definitive Preference Shares, in the offices of Merrill Lynch, Pierce, Fenner & Smith Incorporated, against payment therefor in immediately available funds. The collateral securing the Secured Notes will be managed by Fischer Francis Trees & Watts, Inc. (the "Collateral Manager"), a New York corporation. It is a condition to the issuance of the Offered Securities that all Offered Securities be issued concurrently. Application will be made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for this Offering Circular to be approved. Application will be made to the Irish Stock Exchange for the Secured Notes to be admitted to the Official List and traded on its regulated market. Approval of the Financial Regulator (IFSRA) relates only to the Secured Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purpose of Directive 93/22/EC or which are to be offered to the public in any Member State of the European Economic Area. Application will be made to list the Preference Shares on the Channel Islands Stock Exchange. The Class P Notes will not be listed on any stock exchange. There can be no assurance that listing on the Irish Stock Exchange with respect to the Secured Notes, or on the Channel Islands Stock Exchange with respect to the Preference Shares, will be granted. Each of the Co-Issuers has been established as a special purpose vehicle or entity for the purpose of, among other things, issuing asset backed securities.

Merrill Lynch & Co.
Sole Manager

The date of this Offering Circular is September 22, 2006.

The Secured Notes will be issued and secured pursuant to an Indenture dated as of September 25, 2006 (the "Indenture") among the Issuer, the Co-Issuer and Investors Bank & Trust Company, as trustee (the "Trustee"). The Class P Notes will also be issued pursuant to the Indenture, but will not be secured by the Collateral. The Class P Notes are comprised of a Class P Strip and the Class P Preference Shares, as provided herein. The aggregate principal amount of the Class P Notes equals the face amount of the Class P Strip represented by such Class P Notes. The number of Preference Shares included in the Class P Preference Shares is included in, and is not in addition to, the number of Preference Shares issued by the Issuer. Concurrently with the issuance of the Notes, the Preference Shares (including the Class P Preference Shares represented by the Class P Notes), with an aggregate liquidation preference of U.S.$15,420,000 (as more fully described herein, the "Preference Shares"), are being issued by the Issuer pursuant to the Memorandum and Articles of Association of the Issuer (the "Issuer Charter") and in accordance with a Preference Share Paying Agency Agreement dated as of September 25, 2006 among the Issuer, Walkers SPV Limited, as preference share registrar, and Investors Bank & Trust Company, as preference share paying agent. The 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 (i) the Class A-1A Notes be rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's" and, together with Moody's, the "Rating Agencies"), (ii) the Class A-1B Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, (iii) the Class A-2 Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, (iv) the Class A-3 Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, (v) the Class B Notes be rated at least "Aa2" by Moody's and at least "AA" by Standard & Poor's, (vi) the Class C Notes be rated at least "A2" by Moody's and at least "A" by Standard & Poor's, (vii) the Class D Notes be rated at least "Baa2" by Moody's and at least "BBB" by Standard & Poor's, (viii) the Class E Notes be rated at least "Ba1" by Moody's and at least "BB+" by Standard & Poor's and (ix) the Class P Notes be rated "Aaa" by Moody's. The Preference Shares will not be rated.

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

NO PERSON IS AUTHORIZED IN CONNECTION WITH ANY OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED HEREIN AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE ISSUER, THE CO-ISSUER, THE INITIAL PURCHASER, THE COLLATERAL MANAGER, ANY HEDGE COUNTERPARTY OR ANY OF THEIR RESPECTIVE AFFILIATES. THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, (A) ANY SECURITIES OTHER THAN THE OFFERED SECURITIES OR (B) ANY OFFERED SECURITIES IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFER OR SOLICITATION. THE DISTRIBUTION OF THIS OFFERING CIRCULAR AND THE OFFERING OF THE OFFERED SECURITIES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. PERSONS INTO WHOSE POSSESSION THIS OFFERING CIRCULAR COMES ARE REQUIRED BY THE CO-ISSUERS AND THE INITIAL PURCHASER TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS. IN PARTICULAR, THERE ARE RESTRICTIONS ON THE DISTRIBUTION OF THIS OFFERING CIRCULAR, AND THE OFFER AND SALE OF OFFERED SECURITIES, IN THE UNITED STATES OF AMERICA, THE UNITED KINGDOM AND THE CAYMAN ISLANDS. SEE "PLAN OF DISTRIBUTION". THE DELIVERY OF THIS OFFERING CIRCULAR SHALL NOT UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CO-ISSUERS OR THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE OF THIS OFFERING CIRCULAR. THE CO-ISSUERS AND THE INITIAL PURCHASER RESERVE THE RIGHT, FOR ANY REASON, TO REJECT ANY OFFER TO PURCHASE IN WHOLE OR IN PART, TO ALLOT TO ANY OFFEREE LESS THAN THE FULL AMOUNT OF OFFERED SECURITIES SOUGHT BY SUCH OFFEREE OR TO SELL LESS THAN THE MINIMUM DENOMINATION OF ANY CLASS OF SECURED NOTES OR CLASS P NOTES OR THE MINIMUM NUMBER OF PREFERENCE SHARES.

THE CO-ISSUED NOTES ARE LIMITED RECOURSE OBLIGATIONS OF THE CO-ISSUERS. THE CLASS E NOTES, CLASS P NOTES AND THE PREFERENCE SHARES ARE LIMITED RECOURSE OBLIGATIONS OF THE ISSUER. THE NOTES ARE PAYABLE SOLELY FROM THE COLLATERAL DEBT SECURITIES AND OTHER COLLATERAL PLEDGED BY THE ISSUER TO SECURE THE SECURED NOTES. CONSEQUENTLY, THE SECURED NOTEHOLDERS MUST RELY SOLELY ON AMOUNTS RECEIVED IN RESPECT OF THE COLLATERAL DEBT SECURITIES AND OTHER COLLATERAL PLEDGED TO SECURE THE SECURED NOTES FOR THE PAYMENT OF PRINCIPAL THEREOF AND INTEREST THEREON.

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, EFFECTIVE FROM THE DATE OF COMMENCEMENT OF DISCUSSIONS, RECIPIENTS OF THIS OFFERING CIRCULAR AND EACH

EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF ANY SUCH RECIPIENT MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE 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, ANY HEDGE COUNTERPARTY OR ANY OTHER PARTY TO THE TRANSACTION, THIS OFFERING OR THE PRICING (EXCEPT TO THE EXTENT SUCH INFORMATION IS RELEVANT TO TAX STRUCTURE OR TAX TREATMENT) OF THIS OFFERING.

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

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 CIRCULAR ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN ATTORNEY, BUSINESS ADVISOR AND TAX ADVISOR AS TO LEGAL, BUSINESS AND TAX ADVICE. IT IS EXPECTED THAT PROSPECTIVE INVESTORS INTERESTED IN PARTICIPATING IN THIS OFFERING ARE WILLING AND ABLE TO CONDUCT AN INDEPENDENT INVESTIGATION OF THE RISKS POSED BY AN INVESTMENT IN THE OFFERED SECURITIES. THE CO-ISSUERS ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE CO-ISSUERS THE INFORMATION CONTAINED IN THIS DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

THIS DOCUMENT WILL COMPRISE LISTING PARTICULARS FOR THE PURPOSE OF THE LISTING OF THE SECURED NOTES ON THE IRISH STOCK EXCHANGE. A COPY OF THESE LISTING PARTICULARS WILL BE FILED WITH THE IRISH STOCK EXCHANGE AND WILL BE ON DISPLAY

AT THE OFFICES OF THE IRISH PAYING AGENT AND THE IRISH STOCK EXCHANGE FOR A PERIOD OF 14 DAYS FROM THE DATE OF LISTING. COPIES OF THESE LISTING PARTICULARS ARE AVAILABLE FREE OF CHARGE FROM THE IRISH STOCK EXCHANGE AND THE IRISH PAYING AGENT.

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

THIS DOCUMENT IS BEING APPROVED BY THE IFSRA FOR PURPOSES OF THE SECURED NOTES ONLY. THE IFSRA MAKES NO REPRESENTATION REGARDING THIS DOCUMENT FOR THE PURPOSE OF THE LISTING OF THE PREFERENCE SHARES ON THE CHANNEL ISLANDS STOCK EXCHANGE.

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 HAVE CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

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

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

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

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

NONE OF THE CO-ISSUERS, THE INITIAL PURCHASER, THE COLLATERAL MANAGER, ANY HEDGE 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.

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".

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

NOTICE TO FLORIDA RESIDENTS

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

NOTICE TO CONNECTICUT RESIDENTS

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

NOTICE TO GEORGIA RESIDENTS

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

NOTICE TO RESIDENTS OF 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 CIRCULAR OR ANY OTHER PROSPECTUS, DISCLOSURE DOCUMENT, OFFERING MATERIAL OR ADVERTISEMENT RELATING TO THE SECURITIES IN AUSTRALIA, UNLESS (I) THE MINIMUM AGGREGATE CONSIDERATION PAYABLE BY EACH OFFEREE IS THE U.S. DOLLAR EQUIVALENT OF AT LEAST A$500,000 (DISREGARDING MONEYS LENT BY THE OFFEROR OR ITS ASSOCIATES) OR THE OFFER OTHERWISE DOES NOT REQUIRE DISCLOSURE TO INVESTORS IN ACCORDANCE WITH PART 6D.2 OF THE CORPORATIONS ACT 2001 (CWLTH) OF AUSTRALIA, AND (II) SUCH ACTION COMPLIES WITH ALL APPLICABLE LAWS AND REGULATIONS.

NOTICE TO RESIDENTS OF 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 COLLATERAL 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 CIRCULAR MAY NOT BE ISSUED, PASSED TO, OR MADE AVAILABLE TO MEMBERS OF THE PUBLIC IN BAHRAIN GENERALLY.

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 DOCUMENT 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. 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 DOCUMENT 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.

NOTICE TO MEMBERS OF THE PUBLIC IN THE CAYMAN ISLANDS

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

NOTICE TO RESIDENTS OF DENMARK

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. THIS OFFERING CIRCULAR WILL ONLY BE DIRECTED TO PERSONS IN DENMARK WHO ARE REGARDED AS 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.

NOTICE TO RESIDENTS OF 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 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 NOTES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE AT ANY TIME:

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

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

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

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN "OFFER OF NOTES 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 FOR 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 CIRCULAR MAY NOT BE DISTRIBUTED, DIRECTLY OR INDIRECTLY, TO ANY RESIDENT OF THE REPUBLIC OF FINLAND OR IN THE REPUBLIC OF FINLAND, EXCEPT PURSUANT TO APPLICABLE FINNISH LAWS AND REGULATIONS. SPECIFICALLY, THE OFFERED 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 CIRCULAR MAY NOT BE DISTRIBUTED, DIRECTLY OR INDIRECTLY, TO THE PUBLIC

IN THE REPUBLIC OF FINLAND AS DEFINED UNDER THE FINNISH SECURITIES MARKET ACT OF 1989.

NOTICE TO RESIDENTS OF FRANCE

EACH OF THE CO-ISSUERS AND THE INITIAL PURCHASER HAS REPRESENTED AND AGREED THAT IT HAS NOT OFFERED, SOLD OR OTHERWISE TRANSFERRED AND WILL NOT OFFER, SELL OR OTHERWISE TRANSFER, DIRECTLY OR INDIRECTLY, THE OFFERED 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 CIRCULAR HAS NOT BEEN AND WILL NOT BE SUBJECT TO ANY APPROVAL BY OR REGISTRATION (*VISA*) WITH THE FRENCH *AUTORITÉ DES MARCHÉS FINANCIERS*.

IN ADDITION, EACH OF THE CO-ISSUERS AND THE INITIAL PURCHASER HAS REPRESENTED AND AGREED THAT IT HAS NOT DISTRIBUTED NOR CAUSED TO BE DISTRIBUTED AND WILL NOT DISTRIBUTE NOR CAUSE TO BE DISTRIBUTED IN THE REPUBLIC OF FRANCE THIS OFFERING CIRCULAR 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 CIRCULAR 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*.

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 CIRCULAR 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 CIRCULAR 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.

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.

NOTICE TO RESIDENTS OF IRELAND

EACH OF THE CO-ISSUERS 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 CO-ISSUERS 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 THE ITALIAN *COMMISSIONE NAZIONALE PER LA SOCIETÀ E LA BORSA* ("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 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.

NOTICE TO RESIDENTS OF JAPAN

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

NOTICE TO RESIDENTS OF KOREA

NONE OF THE ISSUER, THE CO-ISSUER AND THE INITIAL PURCHASER IS MAKING ANY REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO THE QUALIFICATION OF THE RECIPIENTS OF THIS OFFERING CIRCULAR FOR THE PURPOSE OF INVESTING IN THE OFFERED 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.

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 CIRCULAR HAS BEEN APPROVED AND REGISTERED BY THE NORWEGIAN STOCK EXCHANGE OR REGISTERED WITH THE NORWEGIAN REGISTER OF BUSINESS ENTERPRISES.

NOTICE TO RESIDENTS OF SINGAPORE

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

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 CIRCULAR HAVE BEEN VERIFIED OR REGISTERED IN THE ADMINISTRATIVE REGISTRIES OF THE *COMISIÓN NACIONAL DE MERCADO DE VALORES* OF SPAIN.

NOTICE TO RESIDENTS OF SWITZERLAND

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

NOTICE TO RESIDENTS OF 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.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

THE INITIAL PURCHASER HAS AGREED THAT (A) IT HAS ONLY COMMUNICATED OR CAUSED TO BE COMMUNICATED, AND WILL ONLY COMMUNICATE OR CAUSE TO BE COMMUNICATED, AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE "FSMA"), RECEIVED BY IT IN CONNECTION WITH THE ISSUE OR SALE OF ANY OFFERED SECURITIES IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO THE ISSUER; AND (B) IT HAS COMPLIED AND WILL COMPLY WITH ALL APPLICABLE PROVISIONS OF THE FSMA WITH RESPECT TO ANYTHING DONE BY IT IN RELATION TO THE OFFERED SECURITIES IN, FROM OR OTHERWISE INVOLVING THE UNITED KINGDOM.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with the sale of the Offered Securities, each of the Co-Issuers (or the Issuer, in the case of the Class E Notes, Class P Notes and the Preference Shares) will be required to furnish, upon request of a holder of an Offered Security, to such holder and a prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request such Co-Issuer is not a reporting company under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. Such information may be obtained from (a) in the case of the Notes, the Trustee or, if and for so long as any Notes are listed on the Irish Stock Exchange, the Irish Paying Agent located in Ireland or (b) in the case of the Preference Shares, the Preference Share Paying Agent. It is not contemplated that either of the Co-Issuers will be such a reporting company or so exempt.

FORWARD LOOKING STATEMENTS

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

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

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

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SUMMARY

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

CERTAIN GENERAL TERMS

Issuer:	Commodore CDO V, Ltd.
Co-Issuer (with respect to the Co-Issued Notes only):	Commodore CDO V, Inc.
Collateral Manager:	Fischer Francis Trees & Watts, Inc. or any successor Collateral Manager appointed in accordance with the Indenture and the Collateral Management Agreement.
Initial Purchaser:	Merrill Lynch, Pierce, Fenner & Smith Incorporated acting in its individual capacity and through its affiliates. Sales of the Offered Securities to purchasers in the United States will be made through Merrill Lynch, Pierce, Fenner & Smith Incorporated.
Trustee/Custodian/Preference Share Paying Agent/Collateral Administrator:	Investors Bank & Trust Company
Closing Date:	September 25, 2006
Ramp-Up Completion Date:	The date that is the earlier of (a) December 22, 2006 and (b) the first date on which the aggregate Principal Balance of the Pledged Collateral Debt Securities (including Collateral Debt Securities not yet purchased, but as to which the Issuer has entered into binding purchase agreements for regular settlement) plus the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account plus the aggregate amount of all Principal Proceeds distributed on any prior Distribution Date is at least equal to U.S.$500,000,000 (such date, the "Ramp-Up Completion Date").
Distribution Dates:	The 5th day of each calendar month (adjusted as described herein in the case of non-Business Days), commencing on January 5, 2007.
Expected Proceeds:	The gross proceeds from the issuance of the Offered Securities will be approximately U.S.$500,000,000 (after giving effect to and assuming the making of all Borrowings under the Class A-1A Notes after the Closing Date). The net proceeds from the issuance of the Offered Securities, together with any up-front payments received from the Interest Rate Hedge Counterparty on the Closing Date in connection with the initial Hedge Agreement, are expected to be approximately U.S.$496,600,000 (after giving effect to and assuming the making of all Borrowings under the Class A-1A Notes after the Closing Date) after payment of organizational and structuring fees and expenses of the Co-Issuers, including, without limitation (i) the legal fees and expenses of counsel to

	the Co-Issuers, the Initial Purchaser and the Collateral Manager, (ii) the expenses, fees and commissions incurred in connection with the acquisition by the Issuer of the Collateral Debt Securities acquired on the Closing Date, (iii) the expenses of offering the Offered Securities (including placement agency fees, structuring fees and certain marketing costs) and (iv) the initial deposits into the Expense Account and the Interest Reserve Account.
Use of Proceeds:	Net proceeds will be used by the Issuer to purchase during the period from and including the Closing Date to the Ramp-Up Completion Date a portfolio of Asset Backed Securities and Synthetic Securities the Reference Obligations of which may be Asset Backed Securities (including, without limitation Other ABS) that, in each case, satisfy the investment criteria set forth in the Indenture and described herein.

GENERAL TERMS OF THE SECURED NOTES

Security	Principal Amount	Stated Maturity Date	Interest Rate[1]	Ratings (Moody's/Standard & Poor's)
Class A-1A First Priority Senior Secured Floating Rate Delayed Draw Notes[2]	U.S.$75,000,000	January 5, 2047	LIBOR + 0.13%	"Aaa"/"AAA"
Class A-1B Second Priority Senior Secured Floating Rate Notes	U.S.$225,000,000	January 5, 2047	LIBOR + 0.33%	"Aaa"/"AAA"
Class A-2 Third Priority Senior Secured Floating Rate Notes	U.S.$50,000,000	January 5, 2047	LIBOR + 0.35%	"Aaa"/"AAA"
Class A-3 Fourth Priority Senior Secured Floating Rate Notes	U.S.$25,000,000	January 5, 2047	LIBOR + 0.40%	"Aaa"/"AAA"
Class B Fifth Priority Senior Secured Floating Rate Notes	U.S.$70,000,000	January 5, 2047	LIBOR + 0.50%	"Aa2"/"AA"
Class C Sixth Priority Mezzanine Secured Deferrable Floating Rate Notes	U.S.$13,250,000	January 5, 2047	LIBOR + 1.25%[3]	"A2"/"A"

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[1] LIBOR is one-month LIBOR calculated as described herein and computed on the basis of a year of 360 days and actual number of days elapsed.

[2] All Class A-1A Notes will be issued on the Closing Date. U.S.$35,000,000 of the principal amount of the Class A-1A Notes will be advanced on the Closing Date and further advances may be made under the Class A-1A Notes after the Closing Date as provided in the Class A-1A Note Funding Agreement.

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

Security	Principal Amount	Stated Maturity Date	Interest Rate[1]	Ratings (Moody's/Standard & Poor's)
Class D Seventh Priority Mezzanine Secured Deferrable Floating Rate Notes	U.S.$24,000,000	January 5, 2047	LIBOR + 3.25%[4]	"Baa2"/"BBB"
Class E Eighth Priority Mezzanine Secured Deferrable Floating Rate Notes	U.S.$8,500,000	January 5, 2047	LIBOR + 6.25%[5]	"Ba1"/"BB+"

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

Drawdown of the Class A-1A Notes: Pursuant to a Class A-1A Note Funding Agreement to be dated September 25, 2006 (the "Class A-1A Note Funding Agreement") 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-1A Notes, the holders of the Class A-1A Notes (or the Liquidity Provider(s) with respect to any such holder) will commit to make monthly advances under the Class A-1A Notes, on and subject to the terms and conditions specified therein, *provided* that the aggregate principal amount advanced under the Class A-1A Notes will not exceed U.S.$75,000,000. Subject to compliance with certain borrowing conditions specified in the Class A-1A Note Funding Agreement and described herein under "Description of the Secured Notes—Drawdown—Class A-1A Notes", the Co-Issuers may borrow amounts under the Class A-1A Notes during the Commitment Period (as defined herein). The aggregate principal amount that may be borrowed on any Borrowing Date (other than any borrowing of the entire unused amount of the Commitments under the Class A-1A Note Funding Agreement) will be an integral multiple of U.S.$1,000 and at least U.S.$25,000,000. See "Description of the Secured Notes—Drawdown—Class A-1A Notes".

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

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

Prior to the Commitment Period Termination Date, each holder of Class A-1A Notes will be required to satisfy the Class A-1A Note Rating Criteria. If any holder of Class A-1A Notes fails at any time prior to the Commitment Period Termination Date to comply with the Class A-1A Note Rating Criteria, the Issuer will have the right (under the Class A-1A Note Funding Agreement) and the obligation (under the Indenture) to either (i) replace such holder with another entity that meets such Class A-1A Note Rating Criteria (by requiring the non-complying holder to transfer all of its rights and obligations in respect of the Class A-1A Notes to such other entity or (ii) require such holder to cause an account to be established (each such account, a "Class A-1A Noteholder Prepayment Account"), credit to such Class A-1A Noteholder Prepayment Account cash or Eligible Prepayment Account Investments, the aggregate outstanding principal amount of which is equal to such holder's Unfunded Commitment at such time and enter into a Noteholder Prepayment Account Control Agreement in relation to such account; *provided* that if such holder of a Class A-1A Note elects to transfer all of its rights and obligations pursuant to clause (i) above and such transfer has not been effected within 30 days after the date on which such holder of a Class A-1A Note (or, if such holder is then entitled to the benefit of a liquidity facility, any of such holder's liquidity provider) first obtains knowledge that such holder does not satisfy the Class A-1A Note Rating Criteria, such holder of a Class A-1A Note will cause a Class A-1A Noteholder Prepayment Account to be established and funded pursuant to clause (ii) above). See "Description of the Secured Notes—Drawdown—Class A-1A Notes".

Seniority:

The seniority of and the relative payment priorities with respect to the Secured Notes and the Preference Shares are set forth in "Description of the Secured Notes—Priority of Payments".

Security for the Secured Notes:

The Co-Issued Notes will be limited recourse debt obligations of the Co-Issuers and the Class E Notes will be limited-recourse debt obligations of the Issuer, secured solely by a pledge of the Collateral by the Issuer to the Trustee for the benefit of the holders from time to time of the Secured Notes, the holders of the Class P Notes (to the extent of the Class P Beneficial Assets), the Collateral Manager, the Trustee, any Hedge Counterparty, the Collateral Administrator and the Preference Share Paying Agent (to the extent of Administrative Expenses owing to it) (collectively, the "Secured Parties") pursuant to the Indenture.

Interest Payments:

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

Principal Repayment:

During the Reinvestment Period, except as described in the second succeeding paragraph and in the last paragraph of "Mandatory Redemption" below, Principal Proceeds will only be used to pay principal of the Secured Notes if an Overcollateralization Test is not satisfied, if a Rating Confirmation Failure has occurred or if the Collateral Manager so elects.

After the last day of the Reinvestment Period, Principal Proceeds will be applied on each Distribution Date to pay principal of each Class of Secured Notes in accordance with the Priority of Payments.

During the Fixed Rate Reinvestment Period, so long as no Event of Default has occurred and is continuing, Principal Proceeds resulting from the amortization of Collateral Debt Securities that bear interest at a fixed rate or from the sale of Credit Risk Securities that bear interest at a fixed rate (collectively, "Unscheduled Principal Proceeds") may be used by the Collateral Manager on behalf of the Issuer to purchase certain additional Collateral Debt Securities. All other Principal Proceeds will be applied on each Distribution Date to pay principal of each Class of Secured Notes in accordance with the Priority of Payments. Any such payments will be applied in accordance with the Priority of Payments.

On each Distribution Date, 5% of Interest Proceeds remaining (if any) after payment of interest on the Secured Notes and certain other expenses will be applied to the payment of principal of the Class E Notes. See "Description of the Secured Notes—Priority of Payments—Interest Proceeds".

Mandatory Redemption:

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

If the Class A/B Overcollateralization Test is not satisfied on the Determination Date related to any Distribution Date, as described under "Description of the Secured Notes—Mandatory Redemption", Interest Proceeds will be used to pay principal of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes and *fourth*, the Class B Notes, to the extent necessary to cause such Class A/B Overcollateralization Test to be satisfied. To the extent any Overcollateralization Test remains unsatisfied following such application of Interest Proceeds, Principal Proceeds will be used to pay principal of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes and *fourth*, the Class B Notes, to the extent necessary to cause such Overcollateralization Test to be satisfied. See "Description of the Secured Notes—Priority of Payments".

If the Class C Overcollateralization Test is not satisfied on the Determination Date related to any Distribution Date, as described under "Description of the Secured Notes—Mandatory Redemption", Interest Proceeds will be used to pay principal of, *first*, the Class C Notes, *second*, the Class B Notes, *third*, the Class A-3 Notes, *fourth*, the Class A-2 Notes and *fifth*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), to the extent necessary to cause such Class C Overcollateralization Test to be satisfied. To the extent the Class C Overcollateralization Test remains unsatisfied following such application of Interest Proceeds, Principal Proceeds will be used to pay principal of *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes and *fifth*, the Class C Notes to the extent necessary to cause such Overcollateralization Test to be satisfied. See "Description of the Secured Notes—Priority of Payments".

If the Class D Overcollateralization Test is not satisfied on the Determination Date related to any Distribution Date, as described under "Description of the Secured Notes—Mandatory Redemption", Interest Proceeds will be used to pay principal of, *first*, the Class D Notes, *second*, the Class C Notes, *third*, the Class B Notes, *fourth*, the Class A-3 Notes, *fifth*, the Class A-2 Notes, *sixth*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), to the extent necessary to cause such Class D Overcollateralization Test to be satisfied. To the extent the Class D Overcollateralization Test remains unsatisfied following such application of Interest Proceeds, Principal Proceeds will be used to pay principal of *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes, *fifth*, the Class C Notes and *sixth*, the Class D Notes to the extent necessary to cause the Class D Overcollateralization Test to be satisfied. See "Description of the Secured Notes—Priority of Payments".

If the Class E Interest Diversion Test is not satisfied on the Determination Date related to any Distribution Date, as described under "Description of the Secured Notes—Mandatory Redemption", Interest Proceeds will be used to pay principal of the Class E Notes in accordance with the Priority of Payments to the extent necessary to cause such Class E Interest Diversion Test to be satisfied.

If there is a Rating Confirmation Failure, as described under "Description of the Secured Notes—Mandatory Redemption", the Issuer will be required, commencing on the first Distribution Date following such Rating Confirmation Failure, to apply Uninvested Proceeds, Interest Proceeds and Principal Proceeds to the repayment of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes, *fifth*, the Class C Notes (including any Class C Deferred Interest), *sixth*, the Class D Notes (including any Class D Deferred Interest) and *seventh*, the Class E Notes (including any Class E Deferred Interest) in accordance with the Priority of Payments as and to the extent necessary for each Rating Agency to confirm the rating (including any private or confidential rating) assigned by it on the Closing Date to the Secured Notes.

On any Distribution Date occurring on or before the last day of the Reinvestment Period, the Collateral Manager, so long as the Standard & Poor's CDO Monitor Test is satisfied on the related Determination Date may, in its sole discretion, direct the Issuer to apply Principal Proceeds (a) if such Distribution Date occurs during a Pro Rata Pay Period, to the payment of principal (*pro rata* in accordance with the aggregate outstanding principal amounts thereof immediately prior to such payment and treating the Class A-1A Notes and Class A-1B Notes as one Class for this purpose) of the Class A-1 Notes (with payments of principal made among the Class A-1 Notes in accordance with the Class A-1 Note Payment Sequence), the Class A-2 Notes, the Class A-3 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes or (b) if such Distribution Date occurs during a Sequential Pay Period, to the payment of principal of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second* the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B

	Notes, *fifth*, the Class C Notes, *sixth*, the Class D Notes and, *seventh*, the Class E Notes. To the extent the Issuer receives any Sale Proceeds in respect of a Defaulted Security on a date when the Class A/B Overcollateralization Test is not satisfied, the Issuer will be required to apply such Sale Proceeds to the payment of principal of the Secured Notes in accordance with the Priority of Payments.
Early Redemption	The Secured Notes will be subject to early redemption in connection with an Optional Redemption, Tax Redemption or Auction Call Redemption, each as described under "Description of the Secured Notes—Optional Redemption and Tax Redemption" and "—Auction Call Redemption" in accordance with the procedures, and subject to the satisfaction of the conditions, described under "Description of the Secured Notes—Redemption Procedures".
Listing:	Application will be made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for this Offering Circular to be approved by it. Application will be made to the Irish Stock Exchange for the Secured Notes to be admitted to the Official List and trading on its regulated market. The issuance and settlement of the Offered Securities on the Closing Date are not conditioned on the listing of the Secured Notes on the Irish Stock Exchange, and there can be no guarantee that such application will be granted.
Irish Listing Agent:	NCB Stockbrokers Limited

DESCRIPTION OF THE CLASS P NOTES

General:	The U.S.$20,000,000 Class P Notes issued by the Issuer pursuant to the Indenture will consist of (1) that portion of a stripped treasury bond that evidences debt obligations of the government of the United States of America backed by its full faith and credit, entitling the bearer to principal only of U.S.$20,000,000 upon maturity of the bond on August 15, 2021 and bearing CUSIP number 912803AX1 (the "Class P Strip") and (2) 10,256 Preference Shares with an aggregate liquidation preference of U.S.$10,256,000 (the "Class P Preference Shares" and, together with the Class P Strip, the "Class P Beneficial Assets"). The aggregate initial principal amount of the Class P Notes equals the face amount of the Class P Strip represented by such Class P Note. The number of Preference Shares included in the Class P Preference Shares is included in, and is not in addition to, the number of Preference Shares issued by the Issuer. See "Description of the Class P Notes—Overview".
Class P Preference Shares:	All information in this Offering Circular pertaining to the Preference Shares shall equally apply to any Preference Shares comprising the Class P Preference Shares with respect to the Class P Notes. Each Class P Noteholder shall have the right to receive distributions on the Preference Shares as provided herein and to vote on any matter and to consent to or waive any provision that the Preference Shareholders have the right to vote on, consent to or waive.
Minimum Denominations:	U.S.$250,000 and integral multiples of U.S.$1,000 in excess thereof.

Rating:	It is a condition to the issuance of the Offered Securities that the Class P Notes be rated "Aaa" by Moody's. The rating assigned to the Class P Notes (a) addresses only the ultimate receipt of the initial Class P Note Rated Balance (as defined herein), (b) will not at any time address the timely receipt of any payments, including payments on redemption or repurchase of the Class P Notes or any other distributions thereon and (c) will be monitored by Moody's on an ongoing basis. The rating assigned to the Class P Notes by Moody's will be withdrawn after the Class P Note Rated Balance is reduced to zero.

DESCRIPTION OF THE PREFERENCE SHARES

General:	The 15,420 Preference Shares will be issued pursuant to the Memorandum and Articles of Association of the Issuer (the "Issuer Charter") and in accordance with a Preference Share Paying Agency Agreement (the "Preference Share Paying Agency Agreement") between Investors Bank & Trust Company, as Preference Share paying agent (in such capacity, the "Preference Share Paying Agent"), Walkers SPV Limited, as Preference Share registrar (in such capacity, the "Preference Share Registrar"). The Preference Shares are participating shares in the capital of the Issuer and will rank *pari passu* with respect to distributions.
Distributions:	On each Distribution Date, to the extent funds are available therefor, Interest Proceeds will be released from the lien of the Indenture for payment to the Preference Share Paying Agent only after the payment of interest on the Secured Notes and, in certain circumstances, principal due in respect of the Secured Notes and the payment of certain other amounts in accordance with the Priority of Payments. Any Interest Proceeds permitted to be released from the lien of the Indenture and paid to the Preference Share Paying Agent will be distributed to the Preference Shareholders on each Distribution Date. Until the Secured Notes and certain other amounts have been paid in full, Principal Proceeds are not permitted to be released from the lien of the Indenture and will not be available to make distributions in respect of the Preference Shares. See "Description of the Secured Notes—Interest Proceeds", "—Principal Proceeds" and "Security for the Secured Notes". Subject to provisions of The Companies Law (2004 Revision) of the Cayman Islands governing the declaration and payment of dividends, after the Secured Notes and certain other amounts have been paid in full, Interest Proceeds and Principal Proceeds will be released from the lien of the Indenture in accordance with the Priority of Payments and paid to the Preference Share Paying Agent on each Distribution Date for distribution to the Preference Shareholders on such Distribution Date. Cayman Islands law provides that dividends may only be paid by the Issuer if the Issuer has funds lawfully available for such purpose. Dividends may be paid out of profit and out of the Issuer's share premium account (which includes subscription monies in excess of the par value of each share less any subscription, placement or underwriting fees), *provided* that the Issuer will be solvent immediately following the date of such payment.

Rating:	The Preference Shares will not be rated.
Listing:	Application will be made to list the Preference Shares on the Channel Islands Stock Exchange. The issuance and settlement of the Offered Securities on the Closing Date are not conditioned on the listing of the Preference Shares on the Channel Islands Stock Exchange, and there can be no guarantee that such application will be granted.

DESCRIPTION OF THE COLLATERAL

General:	The Secured Notes (together with the Issuer's obligations to the Secured Parties other than the Secured Noteholders) will be secured by (i) all of the Collateral Debt Securities, U.S. Agency Securities and Equity Securities standing to the credit of the Custodial Account, (ii) the Custodial Account, the Interest Collection Account, the Uninvested Proceeds Account, the Principal Collection Account, the Payment Account, the Expense Account, the Short Reimbursement Account, the Reinvestment Account, the Interest Reserve Account, the Interest Equalization Account, each Hedge Counterparty Collateral Account, each Class A-1A Noteholder Prepayment Account, each Synthetic Security Counterparty Account, each Synthetic Security Issuer Account, all funds and other property standing to the credit of each such account, Eligible Investments (and, in the case of the Uninvested Proceeds Account, U.S. Agency Securities) purchased with funds standing to the credit of each such account and all income from the investment of funds therein, (iii) the rights of the Issuer under each Hedge Agreement, (iv) the rights of the Issuer under the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement, the Investor Application Forms and the Class A-1A Note Funding Agreement (v) all cash delivered to the Trustee and (vi) all proceeds, accessions, profits, income benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses (collectively, the "Collateral"). The security interest granted under the Indenture in each Synthetic Security Counterparty Account is subject to and subordinate to the security interest and rights of the relevant Synthetic Security Counterparty in and to such Synthetic Security Counterparty Account. The security interest granted under the Indenture in (a) each Synthetic Security Issuer Account is subject to the rights of the relevant Synthetic Security Counterparty in and to property credited to such Synthetic Security Issuer Account as provided in the account control agreement with respect to the Synthetic Security Issuer Account, as applicable and (b) the Class P Reserve Account is for the benefit and security of the Class P Noteholders only.

Acquisition and Disposition of Collateral Debt Securities:	It is anticipated that, on the Closing Date, the Issuer will have purchased (or entered into agreements to purchase for settlement following the Closing Date) Collateral Debt Securities having an aggregate Principal Balance of not less than U.S.$430,000,000. It is anticipated that, no later than the Ramp-Up Completion Date, the Issuer will have purchased additional Collateral Debt Securities (including Collateral Debt Securities not yet purchased, but as to which the Issuer has entered into binding purchase agreements for regular settlement) having an aggregate Principal Balance of not less than U.S.$500,000,000. All Collateral Debt Securities purchased by the Issuer will, on the date of purchase, be required to satisfy the criteria set forth in the Indenture and described herein under "Security for the Secured Notes—Collateral Debt Securities" and "Security for the Secured Notes—Eligibility Criteria". No investments will be made in Collateral Debt Securities after the last day of the Reinvestment Period except for (a) Collateral Debt Securities with respect to which the Issuer enters into a binding commitment on or prior to the last day of the Reinvestment Period and (b) Collateral Debt Securities bearing interest at a fixed rate purchased using Unscheduled Principal Proceeds. After the last day of the Reinvestment Period, the Collateral Manager will not be entitled to direct the Trustee to sell Collateral Debt Securities, except in the limited circumstances described in the Indenture and herein under "Security for the Secured Notes—Acquisition and Disposition of Collateral Debt Securities".

RISK FACTORS

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

RISK FACTORS RELATING TO THE TERMS OF THE OFFERED SECURITIES

Investor Suitability. An investment in the Offered Securities will not be appropriate for all investors. Structured investment products like the Offered Securities are complex instruments, and typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. Any investor interested in purchasing Offered Securities should conduct its own investigation and analysis of the product and consult its own professional advisors as to the risks involved in making such a purchase.

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

Limited-Recourse Obligations. The Co-Issued Notes are limited-recourse obligations of the Co-Issuers and the Class E Notes are limited-recourse obligations of the Issuer. The Notes are payable solely from the Collateral Debt Securities and other Collateral pledged to the Trustee to secure the Secured Notes. None of the security holders, members, officers, directors, managers or incorporators of the Issuer, the Co-Issuer, the Trustee, any Hedge Counterparty or any of their respective guarantors, the Administrator, any Rating Agency, the Share Trustee, the Collateral Manager, the Initial Purchaser, any of their respective affiliates and any other person or entity will be obligated to make payments on the Secured Notes. Consequently, the Secured Noteholders must rely solely on amounts received in respect of the Collateral Debt Securities and other Collateral pledged to secure the Secured Notes for the payment of principal thereof and interest and (solely with respect to the Class A-1A Notes) Commitment Fee thereon. There can be no assurance that the distributions on the Collateral Debt Securities and other Collateral pledged to the Trustee to secure the Secured Notes will be sufficient to make payments on any Class of Secured Notes, in particular after making payments on more Senior Classes of Secured Notes and certain other required amounts ranking Senior to such Class. The Issuer's ability to make payments in respect of any Class of Secured Notes will be constrained by the terms of the Secured Notes of Classes more Senior to such Class and the Indenture. If distributions on the Collateral are insufficient to make payments on the Secured Notes, no other assets will be available for payment of the deficiency and, following liquidation of all the Collateral, the obligations of the Co-Issuers (or in the case of the Class E Notes, the Issuer) to pay such deficiencies will be extinguished and will not thereafter revive. The Class P Notes (except to the extent of the Class P Preference Shares which are not secured) are secured only by the Class P Strip and will have no recourse to the Collateral pledged to the Issuer to secure the Secured Notes. The Class P Notes will be limited recourse debt obligations of the Issuer, except to the extent of the Class P Preference Shares, which constitute equity interests in the Issuer. The Class P Notes will be secured solely by the pledge of the Class P Strip to the Trustee for the benefit of the Class P Noteholders. The Preference Shares will be part of the issued share capital of the Issuer and will not be secured pursuant to the lien of the Indenture.

In certain scenarios, the Offered Securities may not be paid in full and certain classes of the Offered Securities, in particular the Preference Shares, may be subject to up to 100% loss of invested capital.

Subordination of Each Class of Subordinate Notes. Except as otherwise described in the Priority of Payments (including, without limitation, application of Interest Proceeds to pay principal on the Class E Notes and application of Principal Proceeds in respect of the Class A-1A Notes and the Class A-1B Notes), the relative order of seniority of payment of each Class of Secured Notes on each Distribution Date is as follows: *first*, Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, Class A-2 Notes, *third,* Class A-3 Notes, *fourth*, Class B Notes, *fifth,* Class C Notes, *sixth*, Class D Notes and *seventh*, Class E Notes with (a) each Class of Secured Notes (other than the Class E Notes) in such list being "Senior" to each other Class of Secured Notes that follows such Class of Secured Notes in such list and (b) each Class of Secured Notes in such list being "Subordinate" to each other Class of Secured Notes that precedes such Class of Secured Notes in such list (and, as among the Class A-1 Notes, with the Class A-1B Notes being Subordinate to the Class A-1A Notes). Notwithstanding the foregoing general description of the relative seniority of the Secured Notes, the Priority of Payments provides that (a) if any Overcollateralization Test is not satisfied on the Determination Date related to any Distribution Date, certain Interest Proceeds and, if the amount of such Interest Proceeds is not sufficient, certain Principal Proceeds will be used to pay principal of the Secured Notes in accordance with the Priority of Payments and to the extent necessary to cause such Overcollateralization Test to be satisfied; (b) on the first Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Written Confirmation after the application of Uninvested Proceeds (if any) to pay principal of the Secured Notes, certain Interest Proceeds that would otherwise be distributed to the holders of the Preference Shares will be used to pay principal of *first,* the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes, *fifth*, the Class C Notes, *sixth*, the Class D Notes and *seventh*, the Class E Notes to the extent necessary to obtain a Written Confirmation from each Rating Agency; (c) certain Interest Proceeds that would otherwise be distributed to the holders of the Preference Shares will be used, prior to the payment of the principal in full of all outstanding Senior Classes of Secured Notes, to pay Class C Deferred Interest, Class D Deferred Interest and Class E Deferred Interest; (d) if the Class E Interest Diversion Test is not satisfied on the Determination Date related to any Distribution Date, certain Interest Proceeds that would otherwise be distributed to the holders of the Preference Shares will be used, prior to the payment of the principal in full of all outstanding Senior Classes of Secured Notes, to pay principal of the Class E Notes in accordance with the Priority of Payments to the extent necessary to cause the Class E Interest Diversion Test to be satisfied; (e) on any Distribution Date occurring during a Pro Rata Pay Period, certain Principal Proceeds will be applied to the payment of the Secured Notes other than in accordance with their relative Seniority; and (f) on each Distribution Date 5% of Interest Proceeds remaining (if any) after payment interest on the Secured Notes and certain other expenses will be applied, prior to the payment of the principal in full of all outstanding Senior Classes of Secured Notes, to the payment of principal of the Class E Notes. See "Description of the Secured Notes—Priority of Payments".

Except as otherwise described above, no payment of principal of any Class of Secured Notes will be made until all principal of, and all accrued and unpaid interest and (solely with respect to the Class A-1A Notes) Commitment Fee on, each Class of Secured Notes that is Senior to such Class and that remain outstanding have been paid in full. See "Description of the Secured Notes—Priority of Payments".

If an Event of Default occurs, so long as any Secured Notes are outstanding, the holders of the most Senior Class of Secured Notes then outstanding will be entitled to determine the remedies to be exercised under the Indenture.

So long as any Class A Notes or Class B Notes are outstanding, (a) the failure on any Distribution Date to make payment in respect of interest on the Class C Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture and, (b) any interest on the Class C Notes that is not paid when due by operation of the Priority of Payments will be deferred and capitalized. So long as any Class A Notes, Class B Notes or Class C Notes are outstanding, (a) the failure on any Distribution Date to make payment in respect of interest on the Class D Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture and, (b) any interest on the Class D Notes that is not paid when due by operation of the Priority of Payments will be deferred and capitalized. So long as any Class A

Notes, Class B Notes, Class C Notes or Class D Notes are outstanding, (a) the failure on any Distribution Date to make payment in respect of interest on the Class E Notes by reason of the operation of the Priority of Payments will not constitute an Event of Default under the Indenture and, (b) any interest on the Class E Notes that is not paid when due by operation of the Priority of Payments will be deferred and capitalized. In the event of any realization on the Collateral, proceeds will be allocated to the Secured Notes and other amounts in accordance with the Priority of Payments prior to any distribution to the Preference Shareholders. See "Description of the Secured Notes—The Indenture" and "—Priority of Payments". Remedies pursued by the holders of the Class or Classes of Secured Notes entitled to determine the exercise of such remedies could be adverse to the interest of the holders of the other Classes of Secured Notes. To the extent that any losses are suffered by any of the holders of any Offered Securities, such losses will be borne, *first*, by the holders of the Preference Shares (including the Class P Preference Shares), *second*, by the holders of the Class E Notes, *third*, by the holders of the Class D Notes, *fourth*, by the holders of the Class C Notes, *fifth*, by the holders of the Class B Notes, *sixth*, by the holders of the Class A-3 Notes, *seventh*, by the holders of the Class A-2 Notes and *eighth*, by the holders of the Class A-1 Notes (with losses borne among the Class A-1 Notes, *first*, by the holders of the Class A-1B Notes and *second*, by the holders of the Class A-1A Notes).

On any Distribution Date following the occurrence of an Event of Default and the acceleration of the maturity of the Secured Notes (each such Distribution Date, unless such Event of Default is no longer continuing or such acceleration of the Secured Notes has been rescinded, a "Post-Acceleration Distribution Date"), the Trustee will continue to make payments of interest and principal on the Secured Notes in accordance with the same Priority of Payments as was applicable prior to such acceleration, and as a result a Subordinate Class of Secured Notes may continue to receive payments of interest (and in limited circumstances payments of principal from Interest Proceeds) prior to the date on which the entire principal amount of the Senior Classes of Secured Notes has been paid in full. The Collateral will not be liquidated unless one of the two conditions described under "Description of the Secured Notes—The Indenture—Events of Default" is satisfied. If any such condition is satisfied and the Collateral is liquidated, the proceeds of the Collateral will be applied to pay interest and principal on the Secured Notes in accordance with the Priority of Payments. However, there can be no assurance that the conditions to liquidation of the Collateral will be satisfied, and in any event the Trustee may not direct the liquidation of the Collateral unless (i) the Trustee has determined that the proceeds of such liquidation would be sufficient to pay amounts owed to the holders of the Secured Notes, and to pay certain due and unpaid Administrative Expenses, all amounts due to the Hedge Counterparties and amounts owed to the Collateral Manager in respect of the Senior Management Fee or (ii) the Trustee receives a direction to liquidate the Collateral from holders of at least 66⅔% of the aggregate outstanding amount of each Class of Secured Notes, voting as a separate Class, and each Hedge Counterparty (except under certain circumstances), any of which may determine not to direct such liquidation. There can be no assurance that the conditions to liquidation of the Collateral will be satisfied. See "Description of the Secured Notes—The Indenture—Events of Default."

The Secured Notes will Continue to be Paid in Accordance with the Priority of Payments Following an Event of Default. On a Post-Acceleration Distribution Date, payments of interest on the Secured Notes shall continue to be made in accordance with the Priority of Payments. As a result, interest on Subordinate Classes of Secured Notes (as well as other amounts set forth in the Priority of Payments) will continue to be paid prior to the payment in full of the principal amount of Senior Classes of Secured Notes.

Payments in Respect of the Preference Shares. The Issuer, pursuant to the Indenture, has pledged substantially all of its assets to secure the Secured Notes and certain other obligations of the Issuer. The proceeds of such assets will only be available to make payments in respect of the Preference Shares (including the Class P Preference Shares) as and when such proceeds are released from the lien of the Indenture in accordance with the Priority of Payments. There can be no assurance that, after payment of principal of and interest and (solely with respect to the Class A-1A Notes) Commitment Fee on the Secured Notes and other fees and expenses of the Co-Issuers in accordance with the Priority of Payments, the Issuer will have funds remaining to make distributions in respect of the Preference Shares. See "Description of the Secured Notes—Priority of Payments". If an Event of Default occurs, as long as any Secured Notes are outstanding, the holders of the most Senior Class of Secured Notes, as the case may be, will be entitled to determine the remedies to be exercised under the Indenture, including in certain circumstances, the right to declare an acceleration of the Secured Notes and, with the consent of the Hedge Counterparties, to initiate the liquidation and sale of all of the

Collateral, without obtaining the consent of the holders of the Preference Shares. Subsequent to an acceleration of the maturity of the Secured Notes after an Event of Default, distributions will not be made on the Preference Shares until the entire principal amount of and interest on the Secured Notes has been paid in full. To the extent that any losses are suffered by any of the holders of any Offered Securities, such losses will be borne in the first instance by the holders of the Preference Shares.

Cayman Islands law provides that dividends may only be paid by the Issuer if the Issuer has funds lawfully available for such purpose. Dividends may be paid out of profit and out of the Issuer's share premium account (which includes subscription monies in excess of the par value of each share less any subscription, placement or underwriting fees) *provided* that the Issuer will be solvent immediately following the date of such payment.

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

Pro Rata Payment of Secured Notes. On any Distribution Date that occurs during a Pro Rata Pay Period, Principal Proceeds will be applied to pay principal of the Secured Notes *pro rata*, and not sequentially, as described under "Description of the Secured Notes—Priority of Payments." This will have the effect of Subordinate Classes of Secured Notes being paid principal prior to the payment in whole of more Senior Classes of Secured Notes.

Yield Considerations. The yield to each holder of the Preference Shares (including the Preference Shares related to the Class P Notes) will be a function of the purchase price paid by such holder for the Preference Shares and the timing and amount of dividends and other distributions made in respect of the Preference Shares during the term of the transaction. Each prospective purchaser of the Preference Shares (including the Preference Shares related to the Class P Notes) should make its own evaluation of the yield that it expects to receive on the Preference Shares. Prospective investors should be aware that the timing and amount of dividends and other distributions will be affected by, among other things, the performance of the Collateral Debt Securities purchased by the Issuer. Each prospective investor should consider the risk that an Event of Default will result in a lower yield on the Preference Shares than that anticipated by the investor. In addition, if the Issuer fails any of the Overcollateralization Tests or the Class E Interest Diversion Test, amounts that would otherwise be distributed as dividends to the holders of the Preference Shares on any Distribution Date may be paid to other investors in accordance with the Priority of Payments. Each prospective investor should consider the risk that an Event of Default will result in a lower yield on the Preference Shares than that anticipated by the investor. Each prospective purchaser should consider that any such adverse developments could result in its failure to recover fully its initial investment in the Preference Shares.

Volatility of the Preference Shares. The Preference Shares (including the Preference Shares related to the Class P Notes) 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 underlying Collateral Debt Securities, which themselves are subject to credit, liquidity, interest rate and other risks. Utilization of leverage is a speculative investment technique and involves certain risks to investors. The

indebtedness of the Issuer under the Secured Notes will result in interest expense and other costs incurred in connection with such indebtedness that may not be covered by proceeds received from the Collateral. The use of leverage generally magnifies the Issuer's opportunities for gain and risk of loss.

Default and Recovery Rates on Collateral Debt Securities. Reliable sources of statistical information with respect to the default and recovery rates for the type of securities represented by the Collateral Debt Securities do not exist. The historical performance of a market is not necessarily indicative of its future performance. Should increases in default rates or decreases in recovery rates occur with respect to the type of assets underlying the Collateral Debt Securities, the actual default or recovery rates of the Collateral Debt Securities may exceed (and may significantly exceed) or may be significantly less than, the hypothetical default rates and recovery rates, respectively, set forth herein. Prospective purchasers of the Offered Securities should consider and determine for themselves the likely level of defaults and the level of recoveries on the Collateral Debt Securities during the term of the transaction.

Ongoing Commitments—Class A-1A Notes. All of the Class A-1A Notes will be issued on the Closing Date, but only U.S.$35,000,000 of the principal amount of the Class A-1A Notes will be advanced on the Closing Date. Committed Class A-1A Noteholders will be obligated during the Commitment Period, subject to compliance by the Issuer with certain Borrowing conditions specified in the Class A-1A Note Funding Agreement, to advance funds to the Issuer until the aggregate principal amount advanced under the Class A-1A Notes equals the aggregate amount of Commitments to make advances under the Class A-1A Note Funding Agreement; *provided* that (i) the aggregate amount advanced under the Class A-1A Notes may not in any event exceed U.S.$75,000,000 and (ii) at the time of and immediately after giving effect to such Borrowing, no Event of Default or Default has occurred and is continuing or would result from such Borrowing. See "Description of the Secured Notes—Drawdown—Class A-1A Notes".

In the event that the Issuer fails to satisfy the conditions to borrowing under the applicable Class A-1A Note Funding Agreement or the Committed Class A-1A Noteholders fail to fund Borrowings for any other reason, the Issuer will not be able to complete the acquisition of the initial portfolio of Collateral Debt Securities and is not likely to have sufficient Interest Proceeds to make distributions on the Preference Shares or to pay interest on all Classes of Secured Notes.

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

Optional Redemption. Subject to satisfaction of certain conditions, a Majority-in-Interest of Preference Shareholders may require that the Secured Notes be redeemed in whole and not in part as described under "Description of the Secured Notes—Optional Redemption and Tax Redemption", *provided* that no such optional redemption may occur prior to the Distribution Date occurring in January 2011. Each Hedge Agreement will terminate upon an Optional Redemption. In addition, in order to effect an Optional Redemption the Issuer will be required to terminate each Synthetic Security, which may result in it being required to make termination payments to each Synthetic Security Counterparty (including MLI). Any requirement of the Issuer to make termination payments under a Synthetic Security or Hedge Agreement may prevent the Issuer from satisfying the conditions for an Optional Redemption.

An Optional Redemption may require the Collateral Manager to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the Collateral Debt Securities sold. Moreover, the Collateral Manager may be required in an Optional Redemption to aggregate Collateral Debt Securities to be sold together in one block transaction, thereby possibly resulting in a lower realized value for the Collateral Debt Securities sold.

Tax Redemption. Subject to satisfaction of certain conditions, upon the occurrence of a Tax Event, the Issuer may redeem the Secured Notes (such redemption, a "Tax Redemption") on any Distribution Date, in whole but not in part, at the applicable Redemption Price therefor (i) at the direction of the holders of a majority in aggregate outstanding principal amount of any Class of Secured Notes that, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and the then current interest payable to such Class on any Distribution Date (each such Class, an "Affected Class") or (ii) at the direction of a Majority-in-Interest of Preference Shareholders. No Tax Redemption may be effected, however, unless the Tax Materiality Condition is satisfied. See "Description of the Secured Notes—Optional Redemption and Tax Redemption". Each Hedge Agreement will terminate upon any Tax Redemption. In addition, in order to effect a Tax Redemption the Issuer will be required to terminate each Synthetic Security, which may result in it being required to make termination payments to each Synthetic Security Counterparty (including MLI). Any requirement of the Issuer to make termination payments under a Synthetic Security or Hedge Agreement may prevent the Issuer from satisfying the conditions for a Tax Redemption.

Mandatory Redemption of the Secured Notes. If one or more of the Overcollateralization Tests or the Class E Interest Diversion Test are not met, Interest Proceeds and (except with respect to the Class E Interest Diversion Test) Principal Proceeds will be used to the extent that funds are available in accordance with the Priority of Payments and to the extent necessary to restore the relevant Overcollateralization Test(s) or the Class E Interest Diversion Test to certain minimum required levels, to repay principal of one or more Classes of Secured Notes. See "Description of the Secured Notes—Mandatory Redemption".

The Issuer will notify the Trustee, each Rating Agency and each Hedge Counterparty in writing within seven Business Days after the Ramp-Up Completion Date (such notification, a "Ramp-Up Notice"). The Issuer will request that Standard & Poor's (or, if a Deemed Confirmation has not occurred, each Rating Agency) confirm in writing to the Issuer that it has not reduced or withdrawn the rating (including private or confidential ratings, if any) assigned by it on the Closing Date to any Class of Secured Notes (such confirmation a "Written Confirmation" and, together with any Deemed Confirmation, a "Rating Confirmation"). If the Issuer is unable to obtain a Rating Confirmation from each Rating Agency by 30 Business Days following the Ramp-Up Completion Date (a "Rating Confirmation Failure"), on the first Distribution Date following the occurrence of such Rating Confirmation Failure, the Issuer will be required to apply Uninvested Proceeds and, to the extent that Uninvested Proceeds are insufficient to redeem the Secured Notes in full, Interest Proceeds and, to the extent that Interest Proceeds are insufficient to redeem the Secured Notes in full, Principal Proceeds, in each case in accordance with the Priority of Payments, to the repayment of principal of, *first,* the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence, *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes, *fifth*, the Class C Notes , including any Class C Deferred Interest, *sixth*, the Class D Notes, including any Class D Deferred Interest and, *seventh*, the Class E Notes, including any Class E Deferred Interest, to the extent necessary to obtain a Written Confirmation from each Rating Agency. The notional amount of the interest rate swap transaction under the Interest Rate Hedge Agreement will be reduced in connection with a redemption of Secured Notes on any Distribution Date by reason of any Rating Confirmation Failure by an amount proportionate to the principal amount of Secured Notes so redeemed.

In addition, on any Distribution Date occurring on or before the last day of the Reinvestment Period, the Collateral Manager, so long as the Standard & Poor's CDO Monitor Test is satisfied on the related Determination Date may, in its sole discretion, direct the Issuer to apply Principal Proceeds (a) if such Distribution Date occurs during a Pro Rata Pay Period, to the payment of principal (pro rata in accordance with the aggregate outstanding principal amounts thereof immediately prior to such payment and treating the Class A-1A Notes and Class A-1B Notes as one Class for this purpose) of the Class A-1 Notes (with payments of principal being made among the Class A-1 Notes in accordance with the Class A-1 Note Payment Sequence), Class A-2 Notes, Class A-3 Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes or (b) if such Distribution Date occurs during a Sequential Pay Period, to the payment of principal of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second* the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes, *fifth*, the Class C Notes, *sixth*, the Class D Notes and, *seventh*, the Class E Notes. To the extent the Issuer receives any Sale Proceeds in respect of a Defaulted Security on a date when the Class A/B Overcollateralization Test is not satisfied, the Issuer will be required to apply such Sale

Proceeds to the payment of principal of the Secured Notes in accordance with the Priority of Payments. See "Description of the Secured Notes—Mandatory Redemption" and "—Priority of Payments".

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

Modification of the Indenture. Pursuant to the terms of the Indenture, the Trustee and the Co-Issuers may, from time to time, execute one or more supplemental indentures that add to, change, modify or eliminate provisions of the Indenture or modify the rights of holders of the Offered Securities. Approval for entering into such supplemental indentures does not in all cases require the consent of all of the holders of the outstanding Notes and Preference Shares. Accordingly, supplemental indentures that result in material and adverse changes to the interests of Noteholders, and in some cases Preference Shareholders, may be approved without the consent of all of the Noteholders and Preference Shareholders adversely affected. See " Description of the Secured Notes—The Indenture—Modification of the Indenture."

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

The average life of each Class of Secured Notes will be affected by the financial condition of the obligors on or issuers of the Collateral Debt Securities included in the Collateral and the characteristics of such Collateral Debt Securities, including the existence and frequency of exercise of any prepayment, optional redemption or sinking fund features, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level of recoveries on any Defaulted Securities, the frequency of tender or exchange offers for such Collateral Debt Securities and any sales of such Collateral Debt Securities and any dividends or other distributions received in respect of Equity Securities, as well as the risks unique to investments in obligations of foreign issuers described below. During the Reinvestment Period, Principal Proceeds received by the Issuer will only be used to pay principal of the Secured Notes if an Overcollateralization Test is not satisfied, in the event of a Rating Confirmation Failure or as the Collateral Manager so elects, in each case in accordance with the Priority of Payments. In addition, during the Fixed Rate Reinvestment Period, Unscheduled Principal Proceeds may be reinvested in substitute Collateral Debt Securities bearing interest at a fixed rate instead of being used to pay principal of the Secured Notes in accordance with the Priority of Payments. Accordingly, the average lives of the Secured Notes may be affected by (a) the rate of principal payments on the underlying Collateral Debt Securities and (b) during the Fixed Rate Reinvestment Period, by the receipt by the Issuer of Unscheduled Principal Proceeds that are applied to reinvestment in substitute Collateral Debt Securities bearing interest at a fixed rate. See "Maturity, Prepayment and Yield Considerations" and "Security for the Secured Notes".

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

Significant Fees Reduce Proceeds Available for Purchase of Collateral Debt Securities. On the Closing Date, the Co-Issuers will use a portion of the gross proceeds from the offering to pay various fees and

expenses, including expenses, fees and commissions incurred in connection with the acquisition of the Collateral, structuring and placement agency fees payable to the Initial Purchaser and legal, accounting, rating agency and other fees. Closing fees and expenses reduce the amount of the gross proceeds of the offering available to purchase Collateral and, therefore, the return to purchasers of the Offered Securities. Rating agencies will consider the amount of net proceeds available to purchase Collateral in determining any ratings assigned by them to the Offered Securities.

RISK FACTORS RELATING TO THE COLLATERAL DEBT SECURITIES

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

The market value of the Collateral Debt Securities included in the Collateral generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of such Collateral Debt Securities or, with respect to Synthetic Securities included in the Collateral, of the obligors on or issuers of the Reference Obligations, the remaining term thereof to maturity, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The current interest rate spreads over LIBOR (or in the case of fixed rate Asset Backed Securities, over the applicable U.S. Treasury Benchmark) on Asset Backed Securities are at very low levels (compared to levels during the past ten years); in the event that such interest rate spreads widen after the Closing Date, the market 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 required to use its best efforts to invest Uninvested Proceeds in Collateral Debt Securities after the Closing Date, the Issuer may find that, as a practical matter, these investment opportunities are not available to it for a variety of reasons, including the limitations imposed by the Eligibility Criteria and, if applicable, the Post Reinvestment Period Criteria and the requirement with respect to Synthetic Securities that, if any Synthetic Security is not a Form Approved Synthetic Security, the Issuer receive confirmation of the ratings of the Secured Notes from Standard & Poor's with respect to the entry thereinto. At any time there may be a limited universe of investments that would satisfy the Eligibility Criteria and, if applicable, the Post Reinvestment Period Criteria given the other investments in the Issuer's portfolio. As a result, the Issuer may at times find it difficult to purchase suitable investments. See "Security for the Secured Notes— Dispositions of Collateral Debt Securities" and "—Eligibility Criteria". Although the Issuer expects that, by the Ramp-Up Completion Date, it will be able to purchase sufficient Collateral Debt Securities (including Collateral Debt Securities not yet purchased, but as to which the Issuer has entered into binding purchase agreements for regular settlement) that satisfy the Eligibility Criteria, the Overcollateralization Tests, the Class E Interest Diversion Test and the Collateral Quality Tests described herein, there is no assurance that such limitations and tests will be satisfied on such date. Failure to satisfy such tests by such date may result in the repayment or redemption of a portion of the Secured Notes in accordance with the Priority of Payments. See "Description of the Secured Notes—Mandatory Redemption".

The ability of the Issuer to sell Collateral Debt Securities prior to maturity is subject to certain restrictions described under "Security for the Secured Notes—Dispositions of Collateral Debt Securities".

Asset Backed Securities. Most of the Collateral Debt Securities acquired by the Issuer will consist of Asset Backed Securities or Synthetic Securities the Reference Obligations of which are Asset Backed Securities

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

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

An Asset Backed Security is typically created by the sale of assets or collateral to a conduit, which becomes the legal issuer of the Asset Backed Securities. The securitization conduit or issuer is generally a bankruptcy-remote vehicle such as a grantor trust or other special-purpose entity. Interests in or other securities issued by the trust or special-purpose entity, which give the holder thereof the right to certain cash flows arising from the underlying assets, are then sold to investors through an investment bank or other securities underwriter. Each Asset Backed Security has a servicer (often the originator of the collateral) that is responsible for collecting the cash flows generated by the securitized assets—principal, interest and fees net of losses and any servicing costs as well as other expenses—and for passing them along to the investors in accordance with the terms of the securities. The servicer processes the payments and administers the assets in the pool. In addition, a credit-rating agency often will analyze the policies and operations of the originator and servicer, as well as the structure, underlying pool of assets, expected cash flows and other attributes of the securities. Before assigning a rating to the issue, the rating agency will also assess the extent of loss protection provided to investors by the credit enhancements associated with the issue.

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

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

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

of the vehicles). Interest is typically passed through to security holders at a fixed rate that is slightly below the weighted average coupon of the loan pool, allowing for servicing and other expenses as well as credit losses.

Unlike closed-end installment loans, revolving credit receivables involve greater uncertainty about future cash flows. Therefore, Asset Backed Securities structures using this type of collateral must be more complex to afford investors more comfort in predicting their repayment. Accounts included in the securitization pool may have balances that grow or decline over the life of the Asset Backed Securities. Accordingly, at maturity of the Asset Backed Securities, any remaining balances revert to the originator. During the term of the Asset Backed Securities, the originator may be required to sell additional accounts to the pool to maintain a minimum dollar amount of collateral if accountholders pay down their balances in advance of predetermined rates. Credit card securitizations are the most prevalent form of revolving credit Asset Backed Securities, although home equity lines of credit are a growing source of Asset Backed Securities collateral. Credit card securitizations are typically structured to incorporate two phases in the life cycle of the collateral: an initial phase during which the principal amount of the securities remains constant and an amortization phase during which investors are paid off. A specific period of time is assigned to each phase. Typically, a specific pool of accounts is identified in the securitization documents, and these specifications may include not only the initial pool of loans but a portfolio from which new accounts may be contributed. The dominant vehicle for issuing securities backed by credit cards is a master trust structure with a "spread account" that is funded up to a predetermined amount through "excess yield"—that is, interest and fee income less credit losses, servicing and other fees. With credit card receivables, the income from the pool of loans—even after credit losses—is generally much higher than the return paid to investors. After the spread account accumulates to its predetermined level, the excess yield reverts to the issuer.

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

Credit risk is an important issue in Asset Backed Securities because of the significant credit risks inherent in the underlying collateral and because issuers are primarily private entities. Credit risk arises from losses due to defaults by the borrowers in the underlying collateral or the issuer's or servicer's failure to perform. These two elements can overlap as, for example, in the case of a servicer who does not provide adequate credit-review scrutiny to the serviced portfolio, leading to higher incidence of defaults. Market risk arises from the cash-flow characteristics of the security, which for many Asset Backed Securities tend to be predictable. The greatest variability in cash flows comes from credit performance, including the presence of wind-down or acceleration features designed to protect the investor if credit losses in the portfolio rise well above expected levels. Interest-rate risk arises for the issuer from the relationship between the pricing terms on the underlying collateral and the terms of the rate paid to security holders and from the need to mark to market the excess servicing or spread account proceeds carried on the balance sheet. Liquidity risk can arise from increased perceived credit risk, such as that which occurred in 1996 and 1997 with the rise in reported delinquencies and losses on securitized pools of credit cards. Liquidity can also become a significant problem if concerns about credit quality, for example, lead investors to avoid the securities issued by the relevant special-purpose entity. Some securitization transactions may include a "liquidity facility," which requires the facility provider to advance funds to the relevant special-purpose entity should liquidity problems arise. However, where the originator is also the provider of the liquidity facility, the originator may experience similar market concerns if the assets it originates deteriorate and the ultimate practical value of the liquidity facility to the transaction may be questionable. Operations risk arises through the potential for misrepresentation of asset quality or terms by the originating institution, misrepresentation of the nature and current value of the assets by the servicer and inadequate controls over disbursements and receipts by the servicer.

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

of liquidity and credit enhancer. Issuers typically receive a fee for each element of the transaction they undertake. Institutions acquiring Asset Backed Securities should recognize that the multiplicity of roles that may be played by a single firm—within a single securitization or across a number of them—means that credit and operational risk can accumulate into significant concentrations with respect to one or a small number of firms.

Prepayment risk on Asset Backed Securities, including the Collateral Debt Securities, arises from the uncertainty of the timing of payments of principal on the underlying securitized assets. The assets underlying a particular Collateral Debt Security may be paid more quickly than anticipated, resulting in payments of principal on the related Collateral Debt Security sooner than expected. Alternatively, amortization may take place more slowly than anticipated, resulting in payments of principal on the related Collateral Debt Security later than expected. In addition, a particular Collateral Debt Security may, by its terms, be subject to redemption prior to its maturity, resulting in a full or partial payment of principal in respect of such Collateral Debt Security. Similarly, defaults on the underlying securitized assets may lead to sales or liquidations and result in a prepayment of such Collateral Debt Security.

If the Issuer purchases a Collateral Debt Security at a premium, a prepayment rate that is faster than expected may result in a lower than expected yield to maturity on such security. Alternatively, if the Issuer purchases a Collateral Debt Security at a discount, slower than expected prepayments may result in a lower than expected yield to maturity on such security.

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

Asset Backed Securities often use various forms of credit enhancements to transform the risk-return profile of the underlying collateral, including third-party credit enhancements, recourse provisions, overcollateralization and various covenants. Third-party credit enhancements include standby letters of credit, collateral or pool insurance, or surety bonds from third parties. Recourse provisions are guarantees that require the originator to cover any losses up to a contractually agreed-upon amount. One type of recourse provision, often seen in securities backed by credit card receivables, is the "spread account." This account is actually an escrow account whose funds are derived from a portion of the spread between the interest earned on the assets in the underlying pool of collateral and the lower interest paid on securities issued by the trust. The amounts that accumulate in this escrow account are used to cover credit losses in the underlying asset pool, up to several multiples of historical losses on the particular assets collateralizing the securities. Overcollateralization is another form of credit enhancement that covers a predetermined amount of potential credit losses. It occurs

when the value of the underlying assets exceeds the face value of the securities. A similar form of credit enhancement is the cash-collateral account, which is established when a third party deposits cash into a pledged account. The use of cash-collateral accounts, which are considered by enhancers to be loans, grew as the number of highly rated banks and other credit enhancers declined in the early 1990s. Cash-collateral accounts provide credit protection to investors of a securitization by eliminating "event risk," or the risk that the credit enhancer will have its credit rating downgraded or that it will not be able to fulfill its financial obligation to absorb losses.

The Synthetic Security Collateral also is expected to be Asset Backed Securities. When the Issuer enters into (or purchases) a Synthetic Security, the Eligibility Criteria will be applicable to the Asset Backed Security that is the Reference Obligation of the Synthetic Security, rather than to any Asset Backed Securities purchased as Synthetic Security Collateral.

Residential Mortgage-Backed Securities. The Collateral Debt Securities are expected to consist of residential mortgage-backed securities ("RMBS"), including Home Equity Loan Securities, Prime RMBS, Mid-Prime RMBS and Sub-Prime RMBS. In addition, all or a portion of the Reference Obligations under the Synthetic Securities may consist of RMBS.

Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent ownership or participation interests in pools of residential mortgage loans secured by one- to four-family residential properties. Such mortgage loans may be prepaid at any time. See "—Yield Considerations" above.

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 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 the Fannie Mae and Freddie Mac loan balance limitations. As a result, such portfolio of RMBS may experience increased losses.

The RMBS will be backed by non-conforming mortgage loans, which are mortgage loans that do not qualify for purchase by government-sponsored agencies such as Fannie Mae and Freddie Mac because of credit characteristics that do not satisfy Fannie Mae and Freddie Mac guidelines, including loans to mortgagors whose creditworthiness and repayment ability do not satisfy Fannie Mae and Freddie Mac underwriting guidelines and loans to mortgagors who may have a record of credit write-offs, outstanding judgments, prior bankruptcies and other negative credit items. Accordingly, non-conforming mortgage loans are likely to experience rates of delinquency, foreclosure and loss that are higher, and that may be substantially higher, than mortgage loans originated in accordance with Fannie Mae or Freddie Mac underwriting guidelines. The majority of mortgage loans made in the United States qualify for purchase by government-sponsored agencies. The principal differences between conforming mortgage loans and non-conforming mortgage loans include the applicable loan-to-value ratios, the credit and income histories of the related mortgagors, the documentation required for approval of the related mortgage loans, the types of properties securing the mortgage loans, the loan sizes and the mortgagors' occupancy status with respect to the mortgaged properties. As a result of these

and other factors, the interest rates charged on non-conforming mortgage loans are often higher than those charged for conforming mortgage loans. The combination of different underwriting criteria and higher rates of interest may also lead to higher delinquency, foreclosure and losses on non-conforming mortgage loans as compared to conforming mortgage loans.

Each underlying residential mortgage loan in an issue of RMBS may have a balloon payment due on its maturity date. Balloon 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 related issue of RMBS may experience losses.

Prepayments on the underlying residential mortgage loans in an issue of RMBS will be influenced by the prepayment provisions of the related mortgage notes and may also be affected by a variety of economic, geographic and other factors, including the difference between the interest rates on the underlying 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 mortgage loans, the rate of prepayment on the underlying mortgage loans would be expected to increase. Conversely, if prevailing interest rates rise to a level significantly above the interest rates on the related mortgages, the rate of prepayment would be expected to decrease. Prepayments could reduce the yield received on the related issue of RMBS. RMBS are particularly 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, resulting in a reduction in yield to maturity for holders of such securities.

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

In addition, structural and legal risks of RMBS 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.

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

It is expected that some of the RMBS owned by the Issuer 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, 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.

RMBS have structural characteristics that distinguish them from other Asset Backed Securities. The rate of interest payable on RMBS typically is 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 return to investors 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 impact on the yield to the Issuer on such RMBS. Federal and state law may also affect the return to investors by capping the interest rates payable by certain mortgagors (including hard caps and lifetime caps). Many of the RMBS which the Issuer may purchase are subject to such available funds caps or other caps on the interest rate payable to holders of such securities. The effect of such caps is to reduce the rate at which interest is paid to the holders of such securities (including the Issuer), which would have an adverse effect on the Issuer's ability to pay interest on the Secured Notes and to make distributions on the Preference Shares (including the Class P Preference Shares).

The Servicemembers' Civil Relief Act of 2003, as amended (the "Relief Act"), provides relief to mortgagors who enter into active military service and who were on reserve status but are called to active duty after the origination of their mortgage loans. Under the Relief Act, during the period of a mortgagor's active duty, the rate of interest that may be charged on such mortgagor's loan will be capped at a rate of 6% per annum, which may be below the interest rate that would otherwise have been applicable to such mortgage loan. In light of current United States involvement in Iraq, a number of mortgage loans in the mortgage pools underlying RMBS may become subject to the Relief Act. As a result, the weighted average interest rate on RMBS may be reduced. If such RMBS are subject to weighted average net coupon caps, investors' return on their investment in such RMBS will be similarly affected.

A large percentage of the RMBS purchased by the Issuer will be Sub-Prime RMBS, which are secured primarily by subprime mortgages. Sub-Prime RMBS are subject to a greater risk of loss in the event of foreclosures on the underlying mortgages and a greater likelihood of default on the underlying mortgage loans than Prime RMBS and Mid-Prime RMBS.

Furthermore, RMBS 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.

Violations of Consumer Protection Laws May Result in Losses on Consumer Protected Securities. Applicable state laws generally regulate interest rates and other charges require licensing of originators and 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 Home Equity Loan Securities, Prime RMBS, Mid-Prime RMBS, Sub-Prime RMBS 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, among other things, 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, among other things, 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, among other things, preempts certain state usury laws; and

(7) the Alternative Mortgage Transaction Parity Act of 1982, which preempts certain state lending laws which, among other things, regulate alternative mortgage transactions.

In addition to the laws described above, a number of legislative proposals have been introduced at both the federal, state and municipal level that is designed to discourage predatory lending practices. Some states have enacted, or may enact, laws or regulations that prohibit inclusion of some provisions in mortgage loans that have mortgage rates or origination costs in excess of prescribed levels, and require that borrowers be given certain disclosures prior to the consummation of such mortgage loans. In some cases, state law may impose requirements and restrictions greater than those in the Home Ownership and Equity Protection Act of 1994. An originator's failure to comply with these laws could subject the issuer of a Consumer Protected Security to monetary penalties and could result in the borrowers rescinding the loans underlying such Consumer Protected Security.

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.

In some cases, liability of a lender under a mortgage loan may affect subsequent assignees of such obligations, including the issuer of a Consumer Protected Security. In particular, a lender's failure to comply with the Federal 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 Consumer Protected Securities. If an issuer of a Consumer Protected Security included 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 Consumer Protected Security. In such event, the Issuer, as holder of such Consumer Protected Security, could suffer a loss.

Some of the mortgage 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 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.

Commercial Mortgage-Backed Securities. A portion of the Asset Backed Securities acquired by the Issuer will consist of CMBS. In addition, a portion of the Reference Obligations under the Synthetic Securities may consist of CMBS.

The collateral underlying CMBS generally consists of mortgage loans secured by income producing property, such as multi-family housing or commercial property. In general, incremental risks of delinquency, foreclosure and loss with respect to an underlying commercial mortgage loan pool may be greater than those associated with residential mortgage loan pools. In part, this is caused by lack of diversity.

RMBS are typically backed by mortgage loan pools consisting of hundreds of mortgage loans and related mortgaged properties. Each residential mortgage loan represents a small percentage of the entire underlying collateral pool, the borrowers and mortgaged properties of which are geographically dispersed. Risk of delinquency, foreclosure and loss with respect to a residential mortgage loan pool can be analyzed statistically. By contrast, CMBS may be backed by an underlying mortgage pool of only a few mortgage loans. As a result, each commercial mortgage loan in the underlying mortgage pool represents a large percentage of the principal amount of CMBS backed by such underlying mortgage pool. A failure in performance of any one commercial mortgage loan in the underlying mortgage pool will have a much greater impact on the performance of the related CMBS. Credit risk relating to commercial mortgage-backed transactions is, as a result, property-specific. In this respect, commercial mortgage-backed transactions resemble traditional non-recourse secured loans. The collateral must be analyzed and transaction structured to address issues specific to an individual commercial property and its business.

Performance of a commercial mortgage loan depends primarily on the net income generated by the underlying mortgaged property. The market value of a commercial property similarly depends on its income-generating ability. As a result, income generation will affect both the likelihood of default and the severity of losses with respect to a commercial mortgage loan.

Successful management and operation of the related business (including property management decisions such as pricing, maintenance and capital improvements) will have a significant impact on performance of commercial mortgage loans. Issues such as tenant mix, success of tenant business, property location and condition, competition, taxes and other operational expenses, general economic conditions, governmental rules, regulations and fiscal policies, environmental issues and insurance coverage are among the factors that may impact both performance and market value.

Property specific issues with respect to the underlying mortgaged property, such as significant government regulation of a particular industry, reliance on franchise, management or operating agreements, transferability on purchase or foreclosure of related valuable assets such as liquor and other licenses and ease of conversion of a commercial property to an alternative use will impact both risk of loss and loss severity with respect to the underlying mortgage loan pool and the CMBS.

CDO Securities. A portion of the Collateral Debt Securities acquired by the Issuer will consist of CDO Securities. In addition, all or a portion of the Reference Obligations under the Synthetic Securities may be CDO Securities. CDO Securities are issued by an entity (a "CDO") formed for the purpose of holding or investing and reinvesting, subject to specified investment and management criteria, in a pool (each such pool, an "Underlying Portfolio") of commercial and industrial bank loans, Asset Backed Securities, trust preferred securities issued by banks, insurance companies or real estate investment trusts or other debt securities (or any combination of the foregoing, including Synthetic Securities which reference such securities) and/or one or more synthetic securities or credit default swaps which reference such securities, loans or obligors thereon, subject to specified investment and management criteria (each such security, a "CDO Security").

CDO Securities generally have underlying risks similar to many of the risks set forth in these Risk Factors for the Offered Securities, 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 included in the Collateral may have Underlying Portfolios that hold or invest in some of the same assets as the Collateral pledged to secure the Secured Notes or held in the Underlying Portfolios of other CDO Securities pledged as Collateral. The concentration in any particular asset may adversely affect the Issuer's ability to make payments on the Offered Securities. In addition, the Underlying Portfolios of the CDO Securities may be actively traded. As a result, investors in the Offered Securities are exposed to the risk of loss on such Collateral Debt Securities both directly and indirectly through the CDO Securities purchased by the Issuer. If an investor in the Offered Securities is also an investor in any CDO Security which the Issuer purchases (or in other tranches of securities sold by the same CDO), the exposure of such investor to the risk of loss on such CDO Security will increase as a result of its investment in the Offered Securities.

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 Collateral could result in a reduction in the amounts available to make payments to the holders of the Secured Notes or in the deferral of interest on the Class C Notes and/or the Class D Notes. The CDO Securities that the Collateral Manager anticipates will form part of the Collateral 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 (including the Issuer).

The deferral of interest by the issuer of CDO Securities forming part of the Collateral could result in (w) a reduction in the amounts available to make payments to the holders of the Secured Notes, (x) the deferral of interest on the Class C Notes, the Class D Notes and the Class E Notes, (y) a reduction in the amounts available to make distributions on the Preference Shares (including the Class P Preference Shares) and (z) an

Event of Default if there are not sufficient funds to pay the Interest Distribution Amount on certain Classes of Secured Notes.

The risks associated with investing in CDO Securities may in addition depend on the skill and experience of the collateral manager managing the Underlying Portfolio, in particular, if the Underlying Instruments provide for active trading in securities comprising the Underlying Portfolio. This risk is greater if the Underlying Portfolio itself consists of collateralized debt obligations that rely on the skill and experience of the collateral manager.

In order to purchase and hold CDO Securities, the Issuer must satisfy at all times the investor qualifications in the indenture for each such CDO and in applicable securities laws. Generally, such indentures and applicable securities laws require that the Issuer either be a Qualified Institutional Buyer which is also a Qualified Purchaser or that it be a non-U.S. Person (as defined in Regulation S) which is also not a U.S. resident for purposes of the Investment Company Act. There can be no assurance that the Issuer will satisfy these requirements. In the event that the Issuer does not satisfy these requirements at any time, it will not be able to purchase CDO Securities, and it may be required under the indenture for the applicable CDO to sell any CDO Security which it previously purchased; any such "forced sale" by the Issuer is likely to be made at a loss.

The Synthetic Security Collateral which the Issuer will purchase may consist of CDO Securities (but may include Other ABS and Eligible Investments). When the Issuer enters into (or purchases) a Synthetic Security, the Eligibility Criteria will be applicable to the Reference Obligation, rather than to any CDO Securities purchased as Synthetic Security Collateral.

Negative Amortization Securities. A portion of the Collateral Debt Securities may consist of Negative Amortization Securities that are secured by mortgage loans with negative amortization features. Because the rate at which interest accrues may change more frequently than payment adjustments on an adjustable rate mortgage loan, and because that adjustment of monthly payments may be subject to limitations, the amount of interest accruing on the remaining principal balance of such an adjustable rate mortgage loan at the applicable mortgage rate may exceed the amount of the monthly payment. Negative amortization occurs if the resulting excess is added to the unpaid principal balance of the related adjustable rate mortgage loan. For certain mortgage loans having a negative amortization feature, the required monthly payment is increased in order to fully amortize the mortgage loan by the end of its original term. Other such mortgage loans limit the amount by which the monthly payment can be increased, which results in a larger final payment at maturity. As a result, negatively amortizing mortgage loans have performance characteristics similar to those of balloon loans. Negative amortization may result in increases in delinquencies and defaults on mortgage loans having a negative amortization feature, which may result in payment delays and losses on such Collateral Debt Securities.

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

Unspecified Use of Proceeds. On the Closing Date, proceeds from the issuance and sale of the Secured Notes will be used to purchase Collateral Debt Securities having a par amount of not less than U.S.$430,000,000. Purchasers of the Secured Notes and the Preference Shares will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by the Collateral Manager (on behalf of the Issuer) and, accordingly, will be dependent upon the judgment

and ability of the Collateral Manager in investing and managing the proceeds of the Secured Notes and in identifying investments over time. No assurance can be given that the Collateral Manager (on behalf of the Issuer) will be successful in obtaining suitable investments or that, if such investments are made, the objectives of the Issuer will be achieved.

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

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

Although the entire aggregate principal amount of the Class A-1B Notes, the Class A-2 Notes, the Class A-3 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will be advanced on the Closing Date, less than the entire aggregate principal amount of the Class A-1A Notes will be advanced on the Closing Date. During the period from, and including, the Closing Date to, and including, the Ramp-Up Completion Date (the "Ramp-Up Period"), the Issuer will borrow from the holders of the Class A-1A Notes on and subject to the terms and conditions in the Class A-1A Note Funding Agreement in order to purchase eligible Collateral Debt Securities (for inclusion in the Collateral) having an aggregate Principal Balance of not less than the aggregate Principal Balance necessary for the Issuer to comply with its obligations under the Indenture.

The Issuer will use its best efforts to purchase or enter into binding agreements to purchase on or before the Ramp-Up Completion Date Collateral Debt Securities having an aggregate Principal Balance, together with the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account plus the aggregate amount of all Principal Proceeds distributed on any prior Distribution Date, of not less than U.S.$500,000,000 (in each case, assuming for these purposes (i) settlement in accordance with customary settlement procedures in the relevant markets on the Ramp-Up Completion Date of all agreements entered into by the Issuer to acquire Collateral Debt Securities scheduled to settle on or following the Ramp-Up Completion Date and (ii) that each such Collateral Debt Security is a Collateral Debt Security pledged to the Trustee.

Reinvestment Risk. Subject to the limits described under "Security for the Secured Notes—Eligibility Criteria" and "Security for the Secured Notes—Acquisition and Disposition of Collateral Debt Securities", Principal Proceeds resulting from principal repayments and other payments in respect of Collateral Debt Securities, and from the sale of Collateral Debt Securities may be reinvested in substitute Collateral Debt Securities during the Reinvestment Period. In addition, during the Fixed Rate Reinvestment Period, Principal Proceeds resulting from the amortization of Collateral Debt Securities that bear interest at a fixed rate or from the sale of Credit Risk Securities that bear interest at a fixed rate (collectively "Unscheduled Principal Proceeds") may be used by the Issuer to purchase certain substitute Collateral Debt Securities. The impact, including any adverse impact, of such sale or reinvestment on the holders of the Offered Securities would be magnified with respect to the Class P Notes and the Preference Shares due to the leveraged nature of the Class P Notes and the Preference Shares and with respect to the respective Classes of Secured Notes due to the

leveraged nature of such respective Classes of Secured Notes. See "Description of the Secured Notes—Principal".

The earnings with respect to such substitute Collateral Debt Securities will depend, among other factors, on reinvestment rates available in the marketplace at the time and on the availability of investments satisfying the Eligibility Criteria and, if applicable, the Post Reinvestment Period Criteria and acceptable to the Collateral Manager. The need to satisfy such Eligibility Criteria and, if applicable, the Post Investment Period Criteria, and identify acceptable investments may require the purchase of substitute Collateral Debt Securities having lower yields than those initially acquired or require that Principal Proceeds be maintained temporarily in cash or Eligible Investments, which may reduce the yield on the Collateral. Further, issuers of Collateral Debt Securities may be more likely to exercise any rights they may have to redeem such obligations when interest rates or spreads are declining. Any decrease in the yield on the Collateral Debt Securities will have the effect of reducing the amounts available to make payments of principal and interest on the Secured Notes and distributions on the Preference Shares (including the Class P Preference Shares). After the last day of the Reinvestment Period, the Issuer will not be entitled to purchase any additional Collateral Debt Securities, except, during the Fixed Rate Reinvestment Period, Collateral Debt Securities bearing interest at a fixed rate purchased using Unscheduled Principal Proceeds.

Dispositions of Certain Collateral Debt Securities; Reinvestment of Sale Proceeds. The Issuer is required to sell certain types of Equity Securities within five days of receipt thereof (or within five Business Days after such later date as such Equity Security may first be sold in accordance with its terms and applicable law) and other types of Equity Securities within one year of receipt thereof (or within one year after such later date as such Equity Security may first be sold in accordance with its terms and applicable law). The Issuer may, at the direction of the Collateral Manager, sell any Credit Improved Security, Deferred Interest PIK Bond or Defaulted Security (other than a Defaulted Synthetic Security) at any time. During the Reinvestment Period, a Credit Improved Security may be sold if, in the Collateral Manager's judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), the resulting Sale Proceeds (other than accrued interest included therein) will be reinvested, no later than 180 days after such sale, in one or more substitute Collateral Debt Securities in compliance with the Eligibility Criteria. In addition, during the Reinvestment Period, following the sale of a Credit Improved Security, Deferred Interest PIK Bond or Defaulted Security (other than a Defaulted Synthetic Security), the Collateral Manager must use the Sale Proceeds from such Credit Improved Security, Deferred Interest PIK Bond or Defaulted Security and certain other Principal Proceeds to purchase, no later than 180 days after such sale, substitute Collateral Debt Securities in compliance with the Eligibility Criteria (other than the requirement of paragraph (42) thereof relating to the Standard & Poor's CDO Monitor Test); *provided* that Collateral Debt Securities purchased with Sale Proceeds from Credit Improved Securities shall have an aggregate Principal Balance equal to or greater than the Principal Balance of the Credit Improved Security being sold. The Issuer may, at the direction of the Collateral Manager, sell any Written Down Security or Credit Risk Security at any time; *provided* that, if (i) the rating of the Class A-1 Notes, Class A-2 Notes, Class A-3 Notes or Class B Notes has been withdrawn or is below the rating assigned to such Class of Secured Notes on the Closing Date by Moody's or (ii) the rating of the Class C Notes or Class D Notes has been withdrawn or reduced at least two subcategories below the rating assigned to such Class of Secured Notes on the Closing Date by Moody's and not reinstated, then a Credit Risk Security may be sold only if it has been downgraded or put on a watch list for possible downgrade by one or more Rating Agencies by one or more rating subcategories since it was acquired by the Issuer or the Rating Condition has been satisfied with respect to such sale.

During the Reinvestment Period, the Collateral Manager, on behalf of the Issuer, may sell (or in the case of any Synthetic Security, exercise its right, if any, to terminate or assign) any Collateral Debt Security that is not a Defaulted Security, Written Down Security, Deferred Interest PIK Bond, Credit Risk Security or Credit Improved Security; *provided* that (A) no Event of Default has occurred and is continuing, (B) if Sale Proceeds (other than accrued interest included therein) therefrom are reinvested in substitute Collateral Debt Securities, such reinvestment must be made in compliance with the Eligibility Criteria no later than 180 days after such sale, (C) such sale occurs or the Issuer enters into a binding commitment with respect to such sale during the Reinvestment Period, (D) the Collateral Manager determines, taking into account any factors it deems relevant, that such sale and any related purchases or substitutions will, in the Collateral Manager's judgment on the day

of such sale (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), result in one or more of the following: an improvement in one or more of the Collateral Quality Tests or the Standard & Poor's CDO Monitor Test, an improvement in the credit quality of the portfolio, a narrowing of interest rate mismatches or any other improvement which, in the Collateral Manager's judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), would result in a benefit to the Issuer and (E) the aggregate amount of all Sale Proceeds from the sale of such Collateral Debt Securities in any calendar year does not exceed 20% of the Net Outstanding Portfolio Collateral Balance as of the first day of such calendar year.

During the Reinvestment Period, the Collateral Manager must use the Sale Proceeds from the sale of any Collateral Debt Security or Equity Security and other Principal Proceeds to purchase, no later than 180 days after such sale, Collateral Debt Securities in compliance with the Eligibility Criteria and the other limitations set forth in the Indenture including the requirement that the aggregate Principal Balance of all such Collateral Debt Securities purchased in any twelve-month period does not exceed 20% of the Net Outstanding Principal Balance at the commencement of such twelve-month period; *provided*, the Collateral Manager is required to apply Sale Proceeds received in respect of a Defaulted Security on a date when the Class A/B Overcollateralization Test is not satisfied to the payment of principal of the Secured Notes in accordance with the Priority of Payments.

During the Fixed Rate Reinvestment Period, Unscheduled Principal Proceeds may be used by the Collateral Manager on behalf of the Issuer to purchase, no later than the last day of the Due Period following the Due Period during which such Unscheduled Principal Proceeds were received substitute Collateral Debt Securities that bear interest at a fixed rate in compliance with the Eligibility Criteria.

Although such procedures relating to the sale of Defaulted Securities, Credit Improved Securities, Credit Risk Securities, Deferred Interest PIK Bonds and Written Down Securities held by the Issuer are provided for in the Indenture, the Collateral Manager will not be able to exercise discretion outside of those procedures in connection with such sales, and the Issuer therefore may not be able to sell Collateral Debt Securities included in the Collateral, in response to changes in related credit or market risks. The Issuer may sell (or exercise its right to terminate) any Defaulted Synthetic Security at any time. See "Security for the Secured Notes—Acquisition and Disposition of Collateral Debt Securities".

Credit Ratings. Credit ratings of debt securities represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value, therefore, they may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of the Collateral Debt Securities will be used only as a preliminary indicator of investment quality. In addition, from time to time the rating agencies may change the criteria for their respective ratings methodologies, which may impact ratings and, if market participants consequently enter or leave the leveraged market, pricing spreads, which may impact the ability of the Collateral Manager to identify appropriately priced Collateral Debt Securities for the Issuer and expose the Holders of the Offered Securities to increased reinvestment risk.

International Investing. A limited portion of the Collateral Debt Securities included in the Collateral may consist of obligations of issuers organized in a Special Purpose Vehicle Jurisdiction. Moreover, subject to compliance with certain of the Eligibility Criteria and, if applicable, the Post Reinvestment Period Criteria described herein, collateral securing Asset Backed Securities may consist of obligations of issuers or borrowers organized under the laws of various jurisdictions other than the United States. Investing outside the United States may involve greater risks than investing in the United States. These risks may include: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; (iii) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws therein; and (iv) risk of economic dislocations in such other country. 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.

Protection of Collateral and Class P Beneficial Assets. The Issuer has agreed in the Indenture to take such actions to preserve and protect the Trustee's first priority security interest in (i) the Collateral for the benefit of the Secured Parties and (ii) the Class P Beneficial Assets for the benefit of the Class P Noteholders. Such actions include the filing of any financing statement, continuation statement or other instrument as is necessary to perfect, and maintain perfection of, such security interest in the Collateral or the Class P Beneficial Assets. The Indenture provides that the Issuer retains ultimate responsibility for maintaining the perfection of the Collateral and the Class P Beneficial Assets and any failure of the Trustee to file the necessary continuation statements to maintain such perfection will not result in any liability to the Trustee and the Trustee shall be entitled to indemnification with respect to any claim, loss, liability or expense incurred by the Trustee with respect to the filing of such continuation statements. As a result, any such failure to maintain such perfection may lead to the loss of such security interest in the Collateral or the Class P Beneficial Assets to secure the Issuer's obligations under the Indenture and the Notes.

RISK FACTORS RELATING TO THE SYNTHETIC SECURITIES

Synthetic Securities. As described above, a portion of the Collateral Debt Securities included in the Collateral may consist of Synthetic Securities the Reference Obligations of which may be CDO Securities, RMBS and CMBS Securities or a specified pool or index of financial assets, either static or revolving, that by their terms convert into cash within a finite period of time. Such Synthetic Securities may be in the form of Credit Derivative Transactions entered into by the Issuer with Synthetic Security Counterparties on or after the Closing Date or Credit Linked Securities acquired by the Issuer on or after the Closing Date.

Investments in Synthetic Securities present risks in addition to those resulting from direct purchases of the related Reference Obligations. In the case of Synthetic Securities, the Issuer will have a contractual relationship only with the Synthetic Security Counterparty or the Synthetic Security Issuer, as applicable, and not the Reference Obligor on the Reference Obligation. The Issuer generally will have no right directly to enforce compliance by the Reference Obligor with the terms of either the Reference Obligation or any rights of set-off that a holder of a Reference Obligation may have against the Reference Obligor, nor will the Issuer generally have any voting or other consensual rights of ownership with respect to the Reference Obligation. The Issuer will not directly benefit from any collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation.

In the event of the insolvency of a Synthetic Security Issuer with respect to a Credit Linked Security, the Issuer will not have any claim or title to the related Reference Obligation and, except to the extent such Credit Linked Security is collateralized, will be treated as a general creditor of such Synthetic Security Issuer. In the event of the insolvency of a Synthetic Security Counterparty with respect to a Credit Derivative Transaction or a Credit Linked Security (if the payments on such Credit Linked Security depend on payments by a Synthetic Security Counterparty to the Synthetic Security Issuer thereof), neither the Issuer nor (in the case of any such Credit Linked Security) the Synthetic Security Issuer will have any claim of title with respect to the related Reference Obligation and, except to the extent the obligations of such Synthetic Security Counterparty are collateralized, the Issuer or (in the case of any such Credit Linked Security) the Synthetic Security Issuer will be treated as a general creditor of the Synthetic Security Counterparty. Consequently, in the case of a Credit Derivative Transaction, the Issuer will be subject to the credit risk of the Synthetic Security Counterparty as well as that of the Reference Obligor. In the case of a Credit Linked Security, the Issuer will be subject to the credit risk of the Synthetic Security Issuer and, if the payments on such Credit Linked Security depend on payments by a Synthetic Security Counterparty to the Synthetic Security Issuer thereof, such Synthetic Security Counterparty, as well as that of the Reference Obligor. As a result, concentrations of Credit Derivative Transactions entered into with any one Synthetic Security Counterparty, and Credit Linked Securities the payments on which depend on payments by any one Synthetic Security Counterparty, will subject the Offered

Securities to an additional degree of risk with respect to defaults by such Synthetic Security Counterparty as well as by the related Reference Obligors.

Payments of principal or interest on Credit Linked Securities may depend on payments received by counterparties other than a Synthetic Security Counterparty, including counterparties in respect of total return swaps, assets swaps or other derivative transactions with respect to collateral held by the Synthetic Security Issuer and counterparties in respect of interest rate hedges or basis swaps. Consequently, the Issuer will be subject to the credit risk of such counterparties. In some circumstances, such counterparties may be the same entity as the Synthetic Security Counterparty. In the case of the Credit Linked Securities that are expected to be purchased by the Issuer on the Closing Date, MLI, an affiliate of the Initial Purchaser, will be the Synthetic Security Counterparty, the counterparty under an asset swap agreement with the related Synthetic Security Issuer and the counterparty in respect of a basis swap agreement with the related Synthetic Security Issuer.

The Issuer may enter into Credit Derivative Transactions that are Short Synthetic Securities under which the Issuer will buy credit protection from the related Synthetic Security Counterparty in respect of Reference Obligations the Issuer does not own or in respect of which it has not assumed credit exposure. Under each such Short Synthetic Security, the Issuer will be obligated to pay fixed amounts to the related Synthetic Security Counterparty on each Distribution Date. Such payments will be made on each Distribution Date from Interest Proceeds before any payment of interest or commitment fee is made on the Secured Notes in respect of such Distribution Date. See "Description of the Secured Notes—Priority of Payments".

Synthetic Security Counterparties. In the case of (x) any Credit Derivative Transaction and (y) any Credit Linked Security the payments on which depend on payments by a Synthetic Security Counterparty to the Synthetic Security Issuer thereof, the Issuer will be subject to the credit risk of the Synthetic Security Counterparty. In the case of Synthetic Securities that are not Short Synthetic Securities, the Synthetic Security Counterparty may be entitled to make determinations regarding the related Reference Obligations (including determinations as to whether a "credit event" or "floating amount event" has occurred with respect thereto). Under "pay as you go" credit default swaps, including the credit default swap being entered into by the related Synthetic Security Issuer in connection with the Credit Linked Security being acquired by the Issuer on the Closing Date, if there is a failure to pay principal of the related Reference Obligation or a writedown of the related Reference Obligation the Synthetic Security Counterparty has the option of electing to settle physically the transaction by delivering such Reference Obligation to the Issuer (or, in the case of a Credit Linked Security, the Synthetic Security Issuer) or demanding that the Issuer (or, in the case of a Credit Linked Security, the Synthetic Security Issuer) make a floating payment in respect thereof. In addition, the Synthetic Security Counterparty will generally act as calculation agent in respect of calculations and other determinations to be made in respect of the related credit derivative transactions. The performance by a Synthetic Swap Counterparty of its duties as calculation agent, which in the case of certain "pay as you go" credit default swaps may include a determination of whether an implied writedown has occurred, may result in potential and actual conflicts of interest between such Synthetic Security Counterparty acting as calculation agent for both parties in respect of such credit derivative transaction and its own economic interests as a party to such transaction.

A Synthetic Security Counterparty, the Collateral Manager or their respective affiliates, including BNP Paribas, if applicable, may deal in Reference Obligations, enter into other credit derivative transactions involving reference entities or reference obligations that may include the Reference Obligors or 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, Reference Obligors or other entities having obligations relating to Reference Obligors, and may act with respect to such business in the same manner as if the Synthetic Securities 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 "floating amount event") or on the position of any Synthetic Security Issuer party to such credit derivative transaction, the Issuer, the holders of the Offered Securities, or any other party to the transactions described herein or otherwise. In addition, Synthetic Security Counterparties, the Collateral Manager or their respective affiliates, including BNP Paribas, may from time to time possess interests in Reference Obligors and/or Reference Obligations allowing such Synthetic Security Counterparty, the Collateral Manager or their respective affiliates, including BNP

Paribas, 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. A Synthetic Security Counterparty, the Collateral Manager or one of their respective affiliates, including BNP Paribas, 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 Reference Obligor 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. In such circumstances, such Synthetic Security Counterparty will be under no obligation to disclose such information to the Issuer, the Trustee or the holders of the Offered Securities.

In taking any action with respect to Synthetic Securities, a Synthetic Security Counterparty will be acting in its own commercial interests and not as agent or fiduciary for, or in any other capacity on behalf of, the Issuer, the Initial Purchaser, the Collateral Manager or the holders of the Offered Securities (and, in the case of a Credit Linked Security, the Synthetic Security Issuer thereof). The interests of a Synthetic Security Counterparty will generally not be aligned with those of the holders of the Offered Securities. No Synthetic Security Counterparty will have any duty whatsoever to consider the effect of its actions or failure to take action on the holders of the Offered Securities.

It is anticipated that MLI, an affiliate of the Initial Purchaser will act as the Synthetic Security Counterparty with respect to all or a significant portion of the Synthetic Securities (which may be, except for certain Short Synthetic Securities, in the form of Credit Linked Securities) acquired by the Issuer on the Closing Date and the Initial Purchaser or one or more affiliates of the Initial Purchaser may act as Synthetic Security Counterparty with respect to Synthetic Securities acquired or entered into after the Closing Date, which relationship may create certain conflicts of interest. Furthermore, the Initial Purchaser or an affiliate of the Initial Purchaser, may in its role as Synthetic Security Counterparty with respect to all or a portion of the Synthetic Securities entered into or acquired by the Issuer, manage a pool of Reference Obligations with respect to such Synthetic Securities and make determinations regarding such Reference Obligations. See "Risk Factors Relating to Conflicts of Interest and Dependence on the Collateral Manager—Certain Potential Conflicts of Interest—Conflicts of Interest Involving the Initial Purchaser".

Interest Shortfall Provisions. It is anticipated that the credit default swaps entered into by the related Synthetic Security Issuer with respect to the Credit Linked Securities acquired by the Issuer on the Closing Date and other Credit Linked Securities or Credit Derivative Transactions acquired or entered into by the Issuer after the Closing Date will be based on "pay as you go" credit default swaps. Such credit default swaps generally provide that a shortfall in the interest paid by the Reference Obligor in respect of the related Reference Obligation will reduce dollar-for-dollar the fixed amount payable by the buyer of protection with respect to such Synthetic Security, irrespective of whether such shortfall would result in a default under the applicable Underlying Instruments. Such shortfall may be calculated without taking into account any provisions providing for the limitation on interest otherwise payable pursuant to an "available funds cap", the operation of a priority of payments, the capitalization or deferral of interest or the extinguishing or reduction of such payments or distributions.

Many RMBS are structured with a provision pursuant to which the expected interest under such securities are reduced by a weighted average coupon or weighted average rate cap that limits or decreases the interest rate or amount payable in respect of such securities. The forms of "pay as you go" credit default swaps applicable to such securities currently provide for an election as to whether such provisions are applied for purposes of determining interest shortfalls. If such provisions are applied, such credit default swaps are less likely to experience interest shortfalls. It is anticipated that such provisions will not be applied under many "pay as you go" credit default swaps with respect to Synthetic Securities acquired or entered into by the Issuer, including the Credit Linked Securities acquired by the Issuer on the Closing Date, in which case the Issuer (except in the case of Short Synthetic Securities) will bear the risk of interest shortfalls in respect of Reference Obligations under such Synthetic Securities without regard to any weighted average rate cap or similar provision.

In addition, such forms of credit default swaps may provide (particularly where the Reference Obligation is an RMBS) that the occurrence of an increase in the coupon payable on a Reference Obligation (as a result of the Reference Obligor or a third party exercising a redemption right or otherwise) will result in a corresponding increase in the fixed amount payable by the protection buyer. However, if such an increase occurs, the buyer of protection will generally have the right to terminate the related credit default swap. Accordingly, a Synthetic Security Counterparty may be entitled to terminate Synthetic Securities acquired or entered into by the Issuer as a result of such coupon increases, which could result in terminations of such Synthetic Securities in circumstances that are disadvantageous to the Issuer. See "—Illiquid Market for Credit Default Swaps".

Limited Information Regarding Reference Obligations. No information on the credit quality of the Reference Obligations is provided herein. The holders of Offered Securities will not have the right to obtain from the Issuer, the Collateral Manager, the Initial Purchaser, the Trustee, any Synthetic Security Counterparty or any Synthetic Security Issuer information on the Reference Obligations or information regarding any obligation of any Reference Obligor (other than the limited information set forth in the monthly reports delivered pursuant to the Indenture). The Synthetic Security Counterparties and Synthetic Security Issuers will have no obligation to keep the Issuer, the Trustee or the holders of Offered Securities informed as to matters arising in relation to any Reference Obligation, including whether or not circumstances exist under which there is a possibility of the occurrence of a "credit event" or a "floating amount event". None of the Issuer, the Trustee and the holders of the Offered Securities will have the right to inspect any records of a Synthetic Security Counterparty or Synthetic Security Issuer.

Illiquid Market for Credit Default Swaps. The market for credit default swaps on Asset Backed Securities has only existed for a few years and is not liquid (as compared to the market for credit default swaps on investment grade corporate reference entities). "Pay as you go" credit default swaps, on which payments under the Credit Linked Securities purchased by the Issuer on the Closing Date will be based, have only recently been introduced into the market. The current fixed rate that a buyer of protection pays under credit default swaps for Reference Obligations that are Asset Backed Securities are at very low levels (as 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, over the applicable U.S. swap rate) on Asset Backed 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 fixed rates paid by buyers of protection on credit default swaps on Asset Backed Securities increase after the Closing Date, the amount of the termination payment for which the Issuer will be exposed under a Synthetic Security could increase by a substantial amount. If the Issuer is exposed to substantial termination payments in order to liquidate or terminate Synthetic Securities, it may be difficult for the Issuer to dispose of such Synthetic Securities in connection with the Collateral Manager's management of the portfolio and it may be difficult to satisfy the conditions for a redemption of the Notes or for a liquidation of the portfolio after an Event of Default. The Issuer may make termination payments to Synthetic Security Counterparties from Interest Proceeds, which will reduce the amounts available for distributions on the Preference Shares (including the Class P Preference Shares).

Changes in the Terms and Documents for Credit Default Swaps. It is anticipated that the credit default swaps entered into by the related Synthetic Security Issuer with respect to the Credit Linked Securities expected to be acquired by the Issuer on the Closing Date and other Credit Linked Securities or Credit Derivative Transactions acquired or entered into by the Issuer after the Closing Date will be based on the applicable forms of "pay as you go" credit default swap confirmations relating to CDO Securities, RMBS and CMBS Securities, published by the International Swaps and Derivatives Association ("ISDA"), that are currently used in the market. The credit default swaps entered into with respect to the Credit Linked Securities acquired by the Issuer on the Closing Date will, and other credit default swaps entered into by the Issuer or relating to other Credit Linked Securities acquired by the Issuer may, be modified from the forms of confirmation published by ISDA in order to take into account structural considerations and Rating Agency requirements. See "Security for the Secured Notes—Synthetic Securities—Initial Synthetic Securities". However, the Issuer may acquire or enter into Synthetic Securities that are based on other forms of credit default swaps or different types of derivative transactions. In such event, the terms of the Synthetic Securities may be materially different from the terms of the Synthetic Securities entered into on the Closing Date, which terms could be less favorable to the Issuer than the form of "pay as you go" credit default swaps currently used in the market.

"Pay as you go" credit default swaps are a new type of credit default swap developed to incorporate the unique structures of certain types of Asset Backed Securities. While ISDA has published forms of confirmation for documenting "pay as you go" credit default swaps and has published and supplemented the ISDA 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 confirmations used to document credit default swaps and the ISDA 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 ISDA Credit Derivatives Definitions operate or should operate.

Future changes to the forms of "pay as you go" credit default swap confirmations and the ISDA Credit Derivatives Definitions and other terms applicable to credit derivatives generally are not predictable and may not be favorable to the Issuer. Amendments to such forms of confirmations and the ISDA Credit Derivatives Definitions that are published by ISDA will only apply to credit default swaps in respect of Synthetic Securities acquired or entered into by the Issuer to the extent the relevant parties agree to amend the credit default swaps between them to incorporate such amendments or agree that the ISDA Credit Derivative Definitions as amended apply to the transactions thereunder. As a result of the continued evolution of the form of confirmation used to document "pay as you go" credit default swaps, the confirmations used to document Synthetic Securities acquired or entered into by the Issuer may differ from any future market standard. Such a result may have a negative impact on the liquidity and market value of such Synthetic Securities.

Risks Relating to Collateral Securing Synthetic Securities. If the terms of any Credit Derivative Transaction require the related Synthetic Security Counterparty to secure its obligations to the Issuer with respect to such Synthetic Security, funds and other property used to secure such obligations will be deposited into a Synthetic Security Issuer Account. These funds may be invested, upon Issuer order, in Eligible Investments or other Synthetic Security Collateral. In the event of a termination of such Synthetic Security, the Issuer would be entitled to receive the funds and other property standing to the credit of such Synthetic Security Issuer Account (to pay amounts due to the Issuer under such Synthetic Security) and if such funds or other property have been invested in Synthetic Security Collateral, such Synthetic Security Collateral may become Pledged Collateral Debt Securities. In such event, there is no assurance that the Pledged Collateral Debt Securities (as a whole) will meet the Eligibility Criteria. See "Security for the Secured Notes—The Accounts—Synthetic Security Issuer Accounts".

If 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 Synthetic Security Counterparty Account. In accordance with the terms of the applicable Defeased Synthetic Security, such funds will be invested in Eligible Investments or other Synthetic Security Collateral. The Issuer may, with the written consent of the related Synthetic Security Counterparty, enter into total return swaps with respect to such Synthetic Security Collateral. After payment of all amounts owing by the Issuer to such Synthetic Security Counterparty or the occurrence of a default which entitles the Issuer to terminate its obligations under such Synthetic Security, all funds and other property standing to the credit of the Synthetic Security Counterparty Account related to such Defeased Synthetic Security will be credited to the Principal Collection Account (in the case of cash and Eligible Investments) or the Custodial Account (in the case of Synthetic Security Collateral other than cash and Eligible Investments). There can be no assurance that in such event the Pledged Collateral Debt Securities (as a whole) will meet the Eligibility Criteria. In addition, the Issuer will be exposed to changes in the market value of such Eligible Investments and Synthetic Security Collateral from the date on which Eligible Investments or Synthetic Security Collateral are deposited in such Synthetic Security Counterparty Account to the date such Eligible Investments are liquidated. See "Security for the Notes—The Accounts—Synthetic Security Counterparty Accounts".

In the case of many Credit Linked Securities, the proceeds from the issuance of such Credit Linked Securities will be invested in collateral that is pledged to secure the obligations of the related Synthetic Security Issuer to a Synthetic Security Counterparty and the Issuer's recourse in respect of such Credit Linked Securities will be limited to the periodic fixed payments received by such Synthetic Security Issuer from such Synthetic Security Counterparty and any collateral remaining after all amounts payable to such Synthetic Security Counterparty by such Synthetic Security Issuer have been paid. To the extent such Synthetic Security Issuer is

obligated to make payments to such Synthetic Security Counterparty, such Synthetic Security Issuer will be obligated to liquidate all or a portion of such collateral (as directed by such Synthetic Security Counterparty). In addition, such Synthetic Security Counterparty may be obligated to post collateral to secure its obligations to the Synthetic Security Issuer. Accordingly, the Issuer will be exposed to changes in the market value of such collateral pledged by the Synthetic Security Issuer (as well as any collateral pledged by the Synthetic Security Counterparty to the Synthetic Security Issuer, in the event such Synthetic Security Counterparty defaults in its obligations to the Synthetic Security Issuer) from the date on which the Credit Linked Security was issued until the date on which all amounts payable to such Synthetic Security Counterparty have been paid.

RISK FACTORS RELATING TO CONFLICTS OF INTEREST AND DEPENDENCE ON THE COLLATERAL MANAGER

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

Conflicts of Interest Involving the Collateral Manager. The size and scope of the advisory, investment and other activities of the Collateral Manager, its affiliates and their respective clients and employees may create various potential and actual conflicts of interest with the Issuer. The following summarizes some of these conflicts; it is not intended to be an exhaustive list of all such conflicts.

The Collateral Manager and its affiliates may invest for their own accounts or for the accounts of others in debt obligations, synthetic securities and other derivatives that would be appropriate investments for the Issuer. Such investments may be different from or the same as those made on behalf of the Issuer. The Collateral Manager and its affiliates may enter into, for their own account, or for other accounts of others, credit default swaps relating to entities that are issuers of Collateral Debt Securities. In addition, the Collateral Manager and its affiliates may invest for their own accounts or for the accounts of others in securities that rank *pari passu* with or are senior to or junior to the Collateral Debt Securities and/or Reference Obligations referenced in Synthetic Securities owned by the Issuer, or otherwise have interests different from or adverse to those of the Issuer. The Collateral Manager, its affiliates and their respective clients may have economic interests in or other relationships with issuers in whose securities the Issuer may invest or in Reference Obligors referenced in Synthetic Securities in which the Issuer may invest. As a result, officers, employees or affiliates of the Collateral Manager may possess information relating to the Collateral Debt Securities that is not known to the individuals at the Collateral Manager responsible for monitoring the Collateral Debt Securities and performing other obligations under the Collateral Management Agreement Furthermore, each of such ownership and other relationships may result in securities laws restrictions on transactions in such securities by the Issuer and otherwise create conflicts of interest for the Issuer. In all such instances, the Collateral Manager and its affiliates may make investment recommendations and decisions that may be the same as or different from those made with respect to the Issuer's investments and they have no duty, in making or managing such investments, to act in a way that is favorable to the Issuer, the Secured Noteholders or the Preference Shareholders.

Neither the Collateral Manager nor any of its affiliates is under any obligation to offer investment opportunities of which they become aware to the Issuer, share with the Issuer or inform the Issuer of any such transaction or share any benefit received by any of them from any such transaction or to inform the Issuer of any investments before offering any investments to other clients that the Collateral Manager and/or its affiliates manage or advise. The Collateral Manager and/or its affiliates may have, for their own accounts or for the accounts of others, portfolios with substantially the same portfolio criteria as are applicable to the Issuer. The Collateral Manager and/or its affiliates may make an investment on behalf of any client without offering the investment opportunity or making any investment on behalf of the Issuer. Furthermore, affiliates of the Collateral Manager may make an investment on their own behalf without offering the investment opportunity to, or the Collateral Manager making any investment on behalf of, the Issuer. Affirmative obligations may exist or may arise in the future, whereby affiliates of the Collateral Manager are obliged to offer certain investments to clients that such affiliates manage or advise before or without the Collateral Manager offering those investments to the Issuer. The Collateral Manager may make investments on behalf of the Issuer in securities, synthetic securities or other derivatives, that it has declined to invest in for its own account or the account of its other

clients. The Collateral Manager will endeavor to resolve conflicts arising therefrom in a manner that it deems equitable to the extent possible under the prevailing facts and circumstances and applicable law.

Although the professional staff of the Collateral Manager will devote as much time to the Issuer as the Collateral Manager deems appropriate to perform its duties in accordance with the Collateral Management Agreement and in accordance with reasonable commercial standards, the professional staff of the Collateral Manager may have conflicts in allocating its time and services among the Issuer and the Collateral Manager's other clients.

The policies of the Collateral Manager are such that certain employees of the Collateral Manager may have or obtain information that, by virtue of the Collateral Manager's internal policies relating to confidential communications, cannot or may not be used by the Collateral Manager on behalf of the Issuer. In addition, the Collateral Manager and its affiliates, in connection with their other business activities, may acquire material non-public confidential information that may restrict the Collateral Manager from purchasing securities or selling securities for itself or its clients (including the Issuer) or otherwise using such information for the benefit of its clients or itself.

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

Each of the Collateral Manager and any of its affiliates may engage in any other business and furnish investment management and advisory services to others, which include, without limitation, serving as collateral manager or investment manager for, investing in, lending to, or being affiliated with, other entities organized to issue collateralized debt obligations secured by securities, synthetic securities and derivatives such as the Collateral Debt Securities and other trusts and pooled investment vehicles that acquire interests in, provide financing to, or otherwise deal with securities, synthetic securities and derivatives that would be suitable investments for the Issuer. The Collateral Manager will be free, in its sole discretion, to make recommendations to others, or effect transactions on behalf of itself or for others, that may be the same as or different from those effected on behalf of the Issuer, and the Collateral Manager may furnish investment management and advisory services to others who may have investment policies similar to those followed by the Collateral Manager with respect to the Issuer and who may own securities of the same class, or which are the same type as, the Collateral Debt Securities. No provision in the Collateral Management Agreement will prevent the Collateral Manager or any of its affiliates from rendering services of any kind to any person or entity, including the issuer of or Reference Obligor with respect to, any security included in the Collateral, the Trustee, the holders of the Offered Securities, any Synthetic Security Counterparty, any Hedge Counterparty or any of their respective affiliates.

The Collateral Manager and/or its affiliates may from time to time simultaneously seek to purchase or dispose of investments for their own accounts, the Issuer and for their other clients. Subject to applicable law and the requirements of any governing documents applicable thereto, investment opportunities sourced by the Collateral Manager will generally be allocated to the Issuer in a manner that the Collateral Manager believes, in its judgment, to be appropriate given factors that it believes to be relevant. Such factors may include the investment objectives, liquidity, diversification, covenants and other limitations of the Issuer, the Collateral Manager, its affiliates and their respective clients, as applicable, and the amount of funds each of them has available for such investment.

Each of the Collateral Manager, its affiliates and their respective clients may from time to time on or after the Closing Date acquire Offered Securities (but has no obligation to do so). None of the Collateral Manager, its affiliates and their respective clients are required to retain any Offered Securities if so purchased and each may sell any Offered Securities held by it at any time. The Collateral Manager and/or its affiliates are entitled to vote the Offered Securities held by them or by their respective clients for whom they have discretionary authority regarding such Offered Securities with respect to all matters under the Collateral

Management Agreement or the Indenture other than the removal of the Collateral Manager or the termination of the Collateral Management Agreement (in which instance any Offered Securities owned by the Collateral Manager, any affiliate and any client for whom they have discretionary authority regarding the Offered Securities will be disregarded and deemed not to be outstanding for purposes of determining whether the holders of the requisite percentage of the Offered Securities have given consent). The ownership of Offered Securities by the Collateral Manager, its affiliates or their respective clients may give the Collateral Manager an incentive to take actions that vary from the interests of the Secured Noteholders or the Preference Shareholders.

The Collateral Manager may, to the extent permitted under and in accordance with applicable law, effect cross-client transactions where the Collateral Manager causes a transaction to be effected between the Issuer and another client advised by it or any of its affiliates, and principal transactions where the Collateral Manager causes a transaction to be effected between the Issuer and the Collateral Manager or its affiliates. In addition, with the prior authorization of the Issuer, which can be revoked at any time, the Collateral Manager may enter into agency cross-transactions where it or any of its affiliates acts as broker for the Issuer and for the other party to the transaction, to the extent permitted under and in accordance with applicable law, in which case any such affiliate will receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to the transaction.

In the selection of brokers and dealers, the Collateral Manager will seek to obtain the best prices and execution for all orders placed with respect to the Collateral, considering all circumstances that are relevant in its reasonable determination. The Collateral Manager may choose to execute transactions utilizing electronic trading platforms. Though the Issuer may incur incidental fees as a result, it is the Collateral Manager's judgment that the increased transparency and volume of quotes will assist the Collateral Manager in its duty of best execution. Subject to the objective of obtaining the best prices and execution, the Collateral Manager may take into consideration research and other brokerage services furnished to the Collateral Manager or its affiliates by brokers and dealers that are not affiliates of the Collateral Manager. Such services may be used by the Collateral Manager or its affiliates in connection with its other advisory activities or investment operations.

The Collateral Manager may aggregate sales and purchase orders of securities placed with respect to the Collateral with similar orders being made simultaneously for other clients managed by the Collateral Manager or with clients of the affiliates of the Collateral Manager if in the Collateral Manager's judgment such aggregation shall result in an overall economic benefit to the Issuer, taking into consideration the advantageous selling or purchase price, brokerage commission and other expenses. If a sale or purchase of a Collateral Debt Security occurs as part of any aggregate sale or purchase order, the objective of the Collateral Manager shall be to allocate the executions among the relevant clients in an equitable manner over time (taking into account constraints imposed by the Eligibility Criteria) and in accordance with applicable law.

BNP Paribas, a publicly owned limited liability banking corporation organized under the laws of the Republic of France ("BNP Paribas"), holds a majority financial interest and a minority voting interest in the parent company of the Collateral Manager. On August 2, 2006, legal agreements between the employee shareholders of CAC and the BNP Paribas group were executed pursuant to which FFTW's equity ownership will be restructured through the BNP Paribas group's purchase of the existing employee shareholder's ownership interests and FFTW will become a wholly owned independent operating subsidiary of BNP Paribas. See "The Collateral Manager." BNP Paribas is a bank involved in a wide range of investment banking and other activities (including asset management, corporate finance and securities, derivative and loan issuing, trading (including for customers, proprietary and hedging) and research) out of which conflicting interests or duties may arise. BNP Paribas may, in the ordinary course of business, engage in any kind of commercial or investment banking or other business with issuers of, and Reference Obligors with respect to, Collateral Debt Securities and may act with respect to such business in the same manner as if this transaction did not exist, regardless of whether any such action might have an adverse effect on the Issuer, any Secured Noteholder or any Preference Shareholder. Practices and procedures are maintained by the Collateral Manager to restrict the flow of information and thereby manage or assist in managing such potential conflicts of interests or duties as may arise with BNP Paribas. Without prior notice to the Issuer, the Collateral Manager, its affiliates and BNP Paribas and their respective officers and employees (together the "Related Parties") may act and continue to act both as investment advisors and collateral managers for others, including one another, and as investors on their own

behalf, notwithstanding that the Collateral Manager and the Related Parties have directly or indirectly material interests or relationships which may involve conflicts or potential conflicts with the Collateral Manager's duty to the Issuer. The Collateral Manager is required to treat the Issuer fairly in relation to such conflicts of interest or material interests.

Certain of the Collateral Debt Securities acquired by the Issuer may consist of obligations of issuers or obligors, or obligations sponsored or serviced by companies, for which BNP Paribas or an affiliate of BNP Paribas has acted as underwriter, agent, placement agent or dealer or for which an affiliate of BNP Paribas has acted as lender or servicer or provided other commercial or investment banking services. BNP Paribas or an affiliate of BNP Paribas may structure issuers of collateral debt securities and arrange to place such collateral debt securities with the Issuer. BNP Paribas or one or more of its affiliates may also act as counterparty with respect to Synthetic Securities to the extent permitted by and in accordance with applicable law. In its role as counterparty with respect to Synthetic Securities, BNP Paribas or one or more of its affiliates may manage or service Reference Obligors or Reference Obligations with respect to the Synthetic Securities and make determinations regarding those Reference Obligors or Reference Obligations. In addition, to the extent permitted by and in accordance with applicable law, BNP Paribas or an affiliate of BNP Paribas may act as the Hedge Counterparty under any Hedge Agreement. BNP Paribas or one or more of its affiliates may enter into derivative transactions with third parties relating to the Offered Securities or to Collateral Debt Securities acquired by the Issuer, and BNP Paribas or one or more of its affiliates may, in connection therewith, acquire (or establish long, short or derivative financial positions with respect to) Offered Securities, Collateral Debt Securities or one or more portfolios of financial assets similar to the portfolio of Collateral Debt Securities acquired by (or intended to be acquired by) the Issuer. Such activities may create certain conflicts of interest.

Conflicts of Interest Involving the Initial Purchaser. Certain of the Collateral Debt Securities acquired by the Issuer may consist of obligations of issuers or obligors, or obligations sponsored or serviced by companies, for which the Initial Purchaser or an affiliate of the Initial Purchaser has acted as underwriter, agent, placement agent or dealer or for which an affiliate of the Initial Purchaser has acted as lender or provided other commercial or investment banking services. The Initial Purchaser or an affiliate of the Initial Purchaser may structure issuers of Collateral Debt Securities and arrange to place such Collateral Debt Securities with the Issuer. The Initial Purchaser or one or more of its affiliates may also act as Synthetic Security Counterparty with respect to Credit Derivative Transactions or Credit Linked Securities the payments on which depend on payments from a Synthetic Security Counterparty. In connection with Credit Derivative Transactions or Credit Linked Securities, the Issuer (in the case of Credit Derivative Transactions) or the Synthetic Security Issuer (in the case of Credit Linked Securities) may enter into total return swaps, asset swaps, interest rate hedges, basis swaps or other derivative transactions with respect to collateral posted by the Issuer to secure its obligations to the Synthetic Security Counterparty under a Credit Derivative Transaction or collateral posted by the Synthetic Security Issuer to secure its obligations to the Synthetic Security Counterparty in connection with a Credit Linked Security; *provided* that the Issuer may not enter total return swaps, asset swaps, interest rate hedges, basis swaps or other derivative transactions with a Synthetic Security Counterparty the payments from which are subject to withholding tax or the entry into, performance, enforcement or termination of which would subject the Issuer to tax on a net income basis in any jurisdiction outside the Issuer's jurisdiction of incorporation. In its role as Synthetic Security Counterparty with respect to Credit Derivative Transactions or Credit Linked Securities, the Initial Purchaser or one or more of its affiliates may manage a pool of Reference Obligations with respect to such Synthetic Securities and make determinations regarding such Reference Obligations (including determinations as to whether a "credit event" or "floating amount event" has occurred with respect thereto). In addition, an affiliate of the Initial Purchaser may act as a Hedge Counterparty under the Hedge Agreement. The Initial Purchaser or one or more of its affiliates may enter into derivative transactions with third parties relating to the Offered Securities or to Collateral Debt Securities acquired by the Issuer, and the Initial Purchaser or one or more of its affiliates may, in connection therewith, acquire (or establish long, short or derivative financial positions with respect to) Offered 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. Such activities may create certain conflicts of interest.

Purchase of Collateral Debt Securities. All of the Collateral Debt Securities purchased by the Issuer on the Closing Date will be purchased from a portfolio of Collateral Debt Securities selected by the Collateral

Manager, and acquired and held by Merrill Lynch International ("MLI"), an affiliate of the Initial Purchaser, pursuant to the Warehouse Agreement. Under the terms of the Warehouse Agreement, MLI has the right to refuse to acquire any Collateral Debt Security selected by the Collateral Manager. 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 provisions with respect thereto contained in the Indenture and the Collateral Management Agreement and applicable law. The purchase price payable by the Issuer for such Collateral Debt Securities will be based on the purchase price paid when such Collateral Debt Securities were acquired under the Warehouse Agreement, accrued and unpaid interest on such Collateral Debt Securities as of the Closing Date and gains or losses incurred in connection with hedging arrangements entered into with respect to such Collateral Debt Securities. Accordingly, the Issuer will bear the risk of market changes subsequent to the acquisition of such Collateral Debt Securities and related hedging arrangements as if it had acquired such Collateral Debt Securities directly at the time of purchase by MLI of such Collateral Debt Securities and not the Closing Date.

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

Dependence on the Collateral Manager and Key Personnel and Prior Investment Results. The performance of the portfolio of Collateral Debt Securities depends on the skills of the Collateral Manager in analyzing and selecting the Collateral Debt Securities. As a result, the Issuer will be dependent on the financial and managerial experience of the Collateral Manager and certain of the officers and employees of the Collateral Manager to whom the task of selecting and monitoring the Collateral has been assigned or delegated. Certain employment arrangements between those officers and employees and the Collateral Manager may exist, but the Issuer is not, and will not be, a direct beneficiary of any such arrangements, which arrangements are in any event subject to change without the consent of the Issuer.

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

RISK FACTORS RELATING TO PRIOR INVESTMENT RESULTS, PROJECTIONS, FORECASTS AND ESTIMATES

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

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

included in the Collateral (particularly on or prior to the last day of the Reinvestment Period), defaults under Collateral Debt Securities included in the Collateral and the effectiveness of each Hedge Agreement, among others. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Co-Issuer, the Collateral Manager, the Trustee, the Collateral Administrator, the Preference Share Paying Agent, each Hedge Counterparty, the Initial Purchaser or any of their respective affiliates or any other person or entity of the results that will actually be achieved by the Issuer.

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

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 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 of Offered Securities is being made only pursuant to this Offering Circular. 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.

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

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

RISK FACTORS RELATING TO INTEREST RATE RISKS AND HEDGE AGREEMENTS

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

Subject to satisfaction of the Rating Condition, the Collateral Manager may cause the Issuer to terminate any Hedge Agreement. In addition, after the last day of the Reinvestment Period, the notional amount of the Interest Rate Hedge Agreement may be adjusted if the aggregate principal amount of the Secured Notes covered by the Interest Rate Hedge Agreement changes because of redemption or other principal payments made on such Secured Notes. In the event of any such reduction, the related Hedge Counterparty or the Issuer may be required to make a termination payment in respect of such reduction to the other party. See "Security for the Secured Notes—The Hedge Agreements".

Termination of Hedge Agreements Upon Redemption. Each Hedge Agreement will terminate upon an Optional Redemption, Tax Redemption or Auction Call Redemption, which may require the Issuer to make a termination payment to the applicable Hedge Counterparty. Any such termination payment would reduce the proceeds available to be distributed on the Offered Securities.

Interest Rate Hedge Counterparty. Merrill Lynch Capital Services, Inc. will be the initial Interest Rate Hedge Counterparty. Prospective purchasers of the Securities should consider and assess for themselves the likelihood of a default by the Interest Rate Hedge Counterparty, as well as the obligations of the Issuer under the Hedge Agreements, including the obligation to make termination payments to any Hedge Counterparties (and the obligations of any Hedge Counterparty to make payments to the Issuer), and the likely ability of the Issuer to terminate or reduce any Hedge Agreements or enter into additional Hedge Agreements.

Up-Front Payment. The Hedge Agreement will provide that the Interest Rate Hedge Counterparty make an up-front payment of U.S.$750,000 on the Closing Date to the Issuer. As a result of this up-front payment, the payments to be made by the Issuer to the Interest Rate Hedge Counterparty under the Hedge Agreement on each Distribution Date will be more than they would have been if the up-front payment had not been made, because such payments include the repayment by the Issuer of this up-front payment together with interest thereon. As a result of the amounts payable under the Hedge Agreement by the Issuer on each Distribution Date, the funds available to pay interest and Commitment Fee on the Secured Notes and distributions on the Preference Shares (including the Class P Preference Shares) will be less on each such Distribution Date. Moreover, in the event of an early termination of the Hedge Agreement, the Issuer may be required to make a termination payment to the Interest Rate Hedge Counterparty, and such termination payment will be larger than

if the up-front payment had not been made. However, the initial cash balance in the Uninvested Proceeds Account will be higher on the Closing Date than it would have been if an up-front payment had not been made. The Issuer's obligations to the Interest Rate Hedge Counterparty in respect of payments under the Hedge Agreement (including repayment of an up-front payment, together with interest thereon), will be secured under the Indenture and will be senior in priority to the Issuer's obligations to pay interest, Commitment Fee (solely with respect to the Class A-1A Notes) and principal on the Secured Notes.

RISK FACTORS RELATING TO CERTAIN REGULATIONS

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") requires financial institutions to establish and maintain anti-money laundering programs. Pursuant to this statute, on September 18, 2002, the Treasury Department published proposed regulations that will, if enacted, require all "unregistered investment companies" to establish and maintain an anti-money laundering program. The proposed regulations would require "unregistered investment companies" to: (a) establish and implement policies, procedures and internal controls reasonably designed to prevent the investment company from being used for money laundering or the financing of terrorist activities and to achieve compliance with applicable anti-money laundering regulations; (b) periodically "test" the required compliance program; (c) designate and train all responsible personnel; (d) designate an anti-money laundering compliance officer; and (e) file a written notice with the Treasury Department within 90 days of the effective date of the regulations that identifies certain information regarding the subject company, including the dollar amount of assets under company management and the number of interest holders in the subject company. As the proposed rule is currently drafted, an "unregistered investment company" includes any issuer that (i) would be an investment company but for the exclusion from registration provided for by Section 3(c)(1) or 3(c)(7) of the Investment Company Act, (ii) permits an owner to redeem his or her ownership interest within two years of the purchase of that interest, (iii) has total assets over $1,000,000 and (iv) is organized in the United States, is "organized, operated, or sponsored" by a U.S. person or sells ownership interests to a U.S. person. The Issuer will continue to monitor the developments with respect to the USA PATRIOT Act and, upon further clarification by the Treasury Department, will take all steps required to comply with the USA PATRIOT Act and regulations thereunder to the extent applicable to the Issuer. It is possible that other legislation or regulation could be promulgated which will require the Collateral Manager or other service providers to the Co-Issuers to share information with governmental authorities with respect to investors in the Offered Securities in connection with the establishment of anti-money laundering procedures or require the Issuer to implement additional restrictions on the transfer of the Offered Securities. The Issuer reserves the right to request such information as is necessary to verify the identity of the holder of an Offered Security and the source of the payment of subscription monies, or as is necessary to comply with any customer identification programs required by the Treasury Department or by any other governmental or self-regulatory agency. Legislation and/or regulations could require the Issuer to implement additional restrictions on the transfer of the Offered Securities. In the event of delay or failure by the applicant to produce any information required for verification purposes, an application for or transfer of the Offered Securities and the subscription monies relating thereto may be refused.

The Issuer and the Administrator are subject to anti-money laundering legislation in the Cayman Islands pursuant to the Proceeds of Criminal Conduct Law (2005 Revision) (the "PCCL"). Pursuant to the PCCL the Cayman Islands government enacted The Money Laundering Regulations (2006 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 (2006 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.

Investment Company Act. Neither of the Co-Issuers has been registered with the SEC as an investment company pursuant to the Investment Company Act. The Issuer has not so registered in reliance on an exception for investment companies organized under the laws of a jurisdiction other than the United States or any state thereof (a) whose investors resident in the United States are solely "qualified purchasers" (within the meaning given to such term in the Investment Company Act and the regulations of the SEC thereunder) or certain transferees thereof identified in Rule 3c-6 under the Investment Company Act and (b) which do not make a public offering of their securities in the United States. Counsel for the Co-Issuers will opine, in connection with the issuance of the Offered Securities, that neither of the Co-Issuers is on the Closing Date an investment company required to be registered under the Investment Company Act (assuming, for the purposes of such opinion, that the Offered Securities are sold in accordance with the terms of the Indenture, the Preference Share Documents, the Purchase Agreement and the Class A-1A Note Funding Agreement). No opinion or no-action position has been requested of the SEC.

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

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

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers (or in the case of the Class E Notes or the Class P Notes, the Issuer) determines that any beneficial owner of a Restricted Note (or any interest therein) (A) is a U.S. Person (within the meaning of Regulation S under the Securities Act) and (B) is not both a Qualified Institutional Buyer (unless such beneficial owner is an Accredited Investor that purchased such Restricted Note or interest therein directly from the Co-Issuers or Initial Purchaser) and also a Qualified Purchaser, then either of the Co-Issuers (or in the case of the Class E Notes, the Issuer) may require, by notice to such holder, that such holder sell all of its right, title and interest to such Restricted Note (or any interest therein) to a person that is both a Qualified Institutional Buyer and a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (a) upon direction from the Issuer, the Trustee shall cause such beneficial owner's interest in such Note to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or the subject of widely distributed price quotations) to a person that certifies to the Trustee and the Co-Issuers, in connection with such transfer, that such person is a both (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser and (b) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner. The Trustee shall have no liability to any Person for the results of any sale conducted by it in good faith and in accordance with the Indenture (including without limitation in respect of the price received).

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

The Preference Share Documents provide that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any beneficial owner of Restricted Definitive Preference Shares (A) is a U.S. Person (within the meaning of Regulation S under the Securities Act) and (B) is not both (i) a Qualified Institutional Buyer (or an Accredited Investor that purchased such Restricted Definitive Preference Share in connection with the initial distribution thereof) and (ii) a Qualified Purchaser, then the Issuer may require, by notice to such holder, that such holder sell all of its right, title and interest to such Restricted Definitive Preference Shares (or interest therein) to a person that is both a Qualified Institutional Buyer and a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner fails to effect the transfer required within such 30-day period, (a) upon direction from the Issuer, the Preference Share Paying Agent, on behalf of and at the expense of the Issuer, shall cause such beneficial owner's interest in such Preference Share to be transferred in a commercially reasonable sale (conducted by the Administrator in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or the subject of widely distributed price quotations) to a person that certifies to the Preference Share Paying Agent and the Issuer, in connection with such transfer, that such person is a both (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser and (b) pending such transfer, no further payments will be made in respect of such Preference Share held by such beneficial owner. The Preference Share Paying Agent will have no liabilities to any Person for the results of such sale conducted in good faith in accordance with the terms of the Preference Share Paying Agency Agreement (including without limitation in respect of the price advanced).

Certain Considerations Relating to the Cayman Islands. The Issuer is an exempted company incorporated with limited liability under the laws of the Cayman Islands. As a result, it may not be possible for purchasers of the Offered Securities to effect service of process upon the Issuer within the United States or to enforce against the Issuer in United States courts judgments predicated upon the civil liability provisions of the securities laws of the United States. The Issuer has been advised by Walkers, its legal advisor in the Cayman Islands, that the United States and the Cayman Islands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters and that a final judgment for the payment of money rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon United States securities laws, would, therefore, not be automatically enforceable in the Cayman Islands and there is doubt as to the enforceability in the Cayman Islands, in original actions or in actions for the enforcement of judgments of the United States courts, of liabilities predicated solely upon United States securities laws. The Issuer will appoint CT Corporation, 111 Eighth Avenue, 13th Floor, New York, New York 10011 as its agent in New York for service of process.

Certain Legal Investment Considerations. None of the Issuer, the Co-Issuer, the Collateral Manager and the Initial Purchaser make any representation as to the proper characterization of the Offered Securities for legal investment or other purposes, as to the ability of particular investors to purchase Offered Securities for legal investment or other purposes or as to the ability of particular investors to purchase Offered Securities under applicable investment restrictions. All institutions the activities of which are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult their own legal advisors in determining whether and to what extent the Offered Securities are subject to investment, capital or other restrictions. Without limiting the generality of the foregoing, none of the Issuer, the Co-Issuer, the Collateral Manager and the Initial Purchaser makes any representation as to the characterization of the Offered Securities as a U.S.-domestic or foreign (non-U.S.) investment under any state insurance code or related regulations, and they are not aware of any published precedent that addresses such characterization. Although

they are not making any such representation, the Co-Issuers understand that the New York State Insurance Department, in response to a request for guidance, has been considering the characterization (as U.S.-domestic or foreign (non-U.S.)) of certain collateralized debt obligation securities co-issued by a non-U.S. issuer and a U.S. co-issuer. There can be no assurance as to the nature of any advice or other action that may result from such consideration. The uncertainties described above (and any unfavorable future determinations concerning legal investment or financial institution regulatory characteristics of the Offered Securities) may affect the liquidity of the Offered Securities.

ERISA Considerations. See "ERISA Considerations".

Performance Through Agents; Prohibition on Transfers to Collateral Manager Connected Persons. Under the Collateral Management Agreement, the Collateral Manager is permitted to perform any and all of its duties and exercise its rights and powers by or through one or more subcontractors that are selected with reasonable care, provided that the Collateral Manager procures that such subcontractors perform such duties and exercise such powers without causing adverse tax consequences to the Issuer. Any of the aforementioned subcontractors may perform any part of its activities with respect to the Issuer from a place outside the United States, including the United Kingdom. See "The Collateral Management Agreement and the Collateral Administration Agreement—Performance Through Agents." To reduce the possibility of adverse tax consequences that may arise for the Issuer if the activities of such subcontractors are performed within the United Kingdom, the Collateral Management Agreement will include certain covenants and warranties to be made by the Collateral Manager on behalf of any United Kingdom subcontractors. Certain adverse tax consequences could arise if one or more Collateral Manager Connected Persons in the aggregate own beneficial interests in 20% or more of the outstanding principal amount of any Class of Notes or beneficial interests in 20% or more of the outstanding number of Preference Shares. The Indenture will provide that any purchaser or transferee of a Note from a person other than the Initial Purchaser on the Closing Date will represent or be deemed to represent that the beneficial owner of such Note (whether or not the purchaser or transferee) is not a Collateral Manager Connected Person. The Preference Share Documents will provide that any purchaser or transferee of a Preference Share from a person other than the Initial Purchaser on the Closing Date will represent or be deemed to represent that the beneficial owner of such Preference Share (whether or not the purchaser or transferee) is not a Collateral Manager Connected Person. For purposes of the foregoing, a "Collateral Manager Connected Person" means any person that is "connected" (within the meaning of section 839 of the Income and Corporation Taxes Act of 1988 of the United Kingdom) to the Collateral Manager.

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any beneficial owner or Holder of a Note (or any interest therein) is a Collateral Manager Connected Person, the Issuer may require that such beneficial owner or Holder sell all of its right, title and interest to such Note (or interest therein) to a person that is not a Collateral Manager Connected Person, with such sale to be effected within 30 days after notice of such sale requirement is given. If such Beneficial Owner or Holder fails to effect the transfer required within such 30-day period, (a) upon written direction from the Issuer, the Trustee shall, on behalf of and at the expense of the Issuer, and is hereby irrevocably authorized by such beneficial owner or Holder, as the case may be, to cause its interest in such Note to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or the subject of widely distributed standard price quotations) to a person that certifies to the Trustee and the Issuer, in connection with such transfer, that such person is not a Collateral Manager Connected Person (and otherwise is eligible to hold an interest in such Note in accordance with the restrictions set forth herein) and (b) pending such transfer, no further payments will be made in respect of such Note (or beneficial interest therein) held by such Holder or beneficial owner and such Note shall be deemed not to be outstanding for the purpose of any vote or consent of the Noteholders. The Trustee shall not be liable to any person for the results of any such sale concluded by it in good faith in accordance with the terms hereof (including, without limitation, with respect to the price received). The Preference Share Documents will contain forced sale provisions similar to the foregoing if any beneficial owner or Holder of a Preference Share is a Collateral Manager Connected Person.

RISK FACTORS RELATING TO TAX

Tax Considerations. See "Income Tax Considerations".

Certain matters with respect to German investors. With effect as of January 1, 2004, the German Investment Tax Act (the "InvStG") 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.

None of the Issuer and 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 none of the Issuer and the Initial Purchaser accepts any responsibility in respect of the tax treatment of the Offered Securities under German law.

RISK FACTORS RELATING TO LISTING

Listing. Application has been made to the Irish Stock Exchange for the Secured Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. Application has been made to the Channel Islands Stock Exchange for the listing of the Preference Shares. The Class P Notes will not be listed on any stock exchange. There can be no assurance that any such listing will be obtained or that, if it is obtained, that it will be maintained by the Issuer. If any Class or Classes of Secured Notes are admitted to the official list of the Irish Stock Exchange, the Issuer may at any time terminate the listing of such Secured Notes if the Issuer determines that, as a result of a change in the requirements of the Irish Stock Exchange, 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). If the Preference Shares are listed on the Channel Islands Stock Exchange, 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 Channel Islands Stock Exchange, 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). If the Issuer terminates the listing, it will make reasonable endeavors to seek a replacement listing on such other stock exchange outside the European Union that is a member of the International Federation of Stock Exchanges and that is located in a state that is a member of the Organization for Economic Cooperation and Development, unless obtaining or maintaining a listing on such stock exchange requires the Issuer to restate its accounts or is otherwise unduly burdensome, in which event the Issuer will make reasonable endeavors to obtain a replacement listing elsewhere. Notwithstanding the foregoing, the Issuer may terminate the listing of any Class of Secured Notes or Preference Shares (without the consent of any holder of Secured Notes or Preference Shares) if the Issuer determines, based on the advice of tax counsel, that the termination of the listing for such Class of Secured Notes or Preference Shares is necessary for the Issuer to avoid being treated as a domestic corporation for U.S. federal income tax purposes as described under "Income Tax Considerations—U.S. Federal Income Tax Consequences to the Issuer".

DESCRIPTION OF THE SECURED NOTES

The Secured Notes will be issued pursuant to the Indenture. The following summary describes certain provisions of the Secured Notes and the Indenture. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture. Copies of the Indenture may be obtained by prospective investors upon request to the Trustee at Investors Bank & Trust Company, 200 Clarendon Street, Mail Code: EUC108, Boston, MA 02116 or, if and for so long as any Secured Notes are listed on the Irish Stock Exchange, to the Irish Paying Agent at NCB Stockbrokers Limited, 3 George's Dock, International Financial Services Centre, Dublin 1 Ireland.

STATUS AND SECURITY

The Co-Issued Notes will be limited-recourse debt obligations of the Co-Issuers. The Class E Notes will be limited recourse debt obligations of the Issuer. 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 and all of the Class E Notes are entitled to receive payments *pari passu* among themselves. Except as otherwise described in the Priority of Payments (including, without limitation, payment of Interest Proceeds to pay principal on the Class E Notes and payments of Principal Proceeds to the Class A-1A Notes and the Class A-1B Notes), the relative order of seniority of payment of principal of each Class of Secured Notes on each Distribution Date is as follows: *first*, Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, Class A-2 Notes, *third*, Class A-3 Notes, *fourth*, Class B Notes, *fifth*, Class C Notes, *sixth*, Class D Notes and, *seventh*, Class E Notes with (a) each Class of Secured Notes (other than the Class E Notes) in such list being "Senior" to each other Class of Secured Notes that follows such Class of Secured Notes in such list and (b) each Class of Secured Notes in such list being "Subordinate" to each other Class of Secured Notes that precedes such Class of Secured Notes in such list (and, as among the Class A-1 Notes, with the Class A-1B Notes being Subordinate to the Class A-1A Notes). Notwithstanding the foregoing general description of the relative seniority of the Secured Notes, the Priority of Payments provides that (a) if any Overcollateralization Test is not satisfied on the Determination Date related to any Distribution Date, certain Interest Proceeds and, if the amount of such Interest Proceeds is not sufficient, certain Principal Proceeds will be used to pay principal of the Secured Notes in accordance with the Priority of Payments and to the extent necessary to cause such Overcollateralization Test to be satisfied; (b) on the first Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Written Confirmation after the application of Uninvested Proceeds (if any) to pay principal of the Secured Notes, certain Interest Proceeds that would otherwise be distributed to the holders of the Preference Shares (including the Class P Preference Shares) and certain Principal Proceeds will be used to pay principal of *first,* the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes, *fifth*, the Class C Notes, *sixth*, the Class D Notes and, *seventh*, the Class E Notes in accordance with the Priority of Payments as and to the extent necessary to obtain a Written Confirmation from each Rating Agency; (c) certain Interest Proceeds that would otherwise be distributed to the holders of the Preference Shares (including the Class P Preference Shares) will be used, prior to the payment of the principal in full of all outstanding Senior Classes of Secured Notes, to pay Class C Deferred Interest, Class D Deferred Interest and Class E Deferred Interest; (d) if the Class E Interest Diversion Test is not satisfied on the Determination Date related to any Distribution Date, certain Interest Proceeds that would otherwise be distributed to the holders of the Preference Shares (including the Class P Preference Shares) will be used, prior to the payment of the principal in full of all outstanding Senior Classes of Secured Notes, to pay principal of the Class E Notes in accordance with the Priority of Payments to the extent necessary to cause the Class E Interest Diversion Test to be satisfied; (e) on any Distribution Date occurring during a Pro Rata Pay Period, certain Principal Proceeds will be applied to the payment of the Secured Notes other than in accordance with their relative seniority; (f) on each Distribution Date 5% of Interest Proceeds remaining (if any) after payment interest on the Secured Notes and certain other expenses will be applied, prior to the payment of the principal in full of all outstanding Senior Classes of Secured Notes, to the payment of principal of the Class E Notes; and (g) on any Distribution Date occurring on or before the last day of the Reinvestment Period, the

Collateral Manager may, so long as the Standard & Poor's CDO Monitor Test is satisfied on the related Determination Date, in its sole discretion, direct the Issuer to apply Principal Proceeds that would otherwise be applied to reinvestment in Collateral Debt Securities (i) if such Distribution Date occurs during a Pro Rata Pay Period, to the payment of principal (pro rata in accordance with the aggregate outstanding principal amounts thereof immediately prior to such payment and treating the Class A-1A Notes and Class A-1B Notes as one Class for this purpose) of the Class A-1 Notes (with payments of principal being made among the Class A-1 Notes in accordance with the Class A-1 Note Payment Sequence), Class A-2 Notes, Class A-3 Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes or (ii) if such Distribution Date occurs during a Sequential Pay Period, to the payment of principal of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second* the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes, *fifth*, the Class C Notes, *sixth*, the Class D Notes and, *seventh*, the Class E Notes. To the extent the Issuer receives any Sale Proceeds in respect of a Defaulted Security on a date when the Class A/B Overcollateralization Test is not satisfied, the Issuer will be required to apply such Sale Proceeds to the payment of principal of the Secured Notes in accordance with the Priority of Payments. See "Description of the Secured Notes—Priority of Payments".

No payment of interest on any Class of Secured Notes will be made until all accrued and unpaid interest and commitment fee (if any) on the Secured Notes of each Class that is Senior to such Class and that remain outstanding has been paid in full, except that the Class A-1A Notes and the Class A-1B Notes will be treated as one Class of Secured Notes for this purpose. Except as described above, no payment of principal of any Class of Secured Notes will be made until all principal of, and all accrued and unpaid interest and (solely with respect to the Class A-1A Notes) Commitment Fee on, the Secured Notes of each Class that is Senior to such Class and that remain outstanding have been paid in full. See "Description of the Secured Notes—Priority of Payments".

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

Payments of principal of and interest and (solely with respect to the Class A-1A Notes) Commitment Fee on the Secured Notes will be made solely from the proceeds of the Collateral, in accordance with the priorities described under "—Priority of Payments" herein. If the amounts received in respect of the Collateral (net of certain expenses) are insufficient to make payments on the Secured Notes, no other assets will be available for payment of the deficiency and, following liquidation of all the Collateral, the obligations of the Co-Issuers (or in the case of the Class E Notes, the Issuer) to pay any such deficiency will be extinguished.

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Notes other than Class A-1A Notes

All of the Notes other than the Class A-1A Notes will be issued on the Closing Date. The entire principal amount of the Notes other than the Class A-1A Notes will be advanced on the Closing Date.

Class A-1A Notes

All of the Class A-1A Notes will be issued on the Closing Date, but only $35,000,000 of the principal amount of the Class A-1A Notes will be advanced on the Closing Date. Pursuant to the Class A-1A Note Funding Agreement dated as of September 25, 2006 between the Issuer, the Co-Issuer, the Trustee and the holders from time to time of the Class A-1A Notes, subject to compliance with the conditions set forth therein, the Co-Issuers, at the direction of the Collateral Manager, may request (and the holders of the Class A-1A Notes (or such Liquidity Provider(s) to whom such holders have delegated their obligations under the Class A-1A Note Funding Agreement) will be obligated to make pro rata in accordance with their respective Commitments) monthly advances under the Class A-1A Notes until the aggregate principal amount advanced under the Class A-1A Notes equals U.S.$75,000,000 during the period (the "Commitment Period") starting on and

including the Closing Date and ending on and excluding the date (the "Commitment Period Termination Date") that is the earliest of (i) the first Business Day after the Ramp-Up Completion Date; (ii) redemption of the Class A-1A Notes in full; (iii) the first date on which the aggregate outstanding Unfunded Commitments have been reduced to zero; (iv) the date of the occurrence of an Event of Default specified in clause (iv), (vi) or (vii) of the definition thereof; or (v) the sale, foreclosure or other disposition of all of the Collateral under the Indenture; *provided*, that if a Holder has failed as of the Commitment Period Termination Date to make any Advance required to be made by it under the Indenture, such Holder shall remain obligated to make such Advance notwithstanding that the Commitment Period Termination Date has occurred. Any reference herein to "Commitments" in respect of any Commited Class A-1A Noteholder at any time shall mean the maximum aggregate principal amount of advances (whether at the time funded or unfunded) that such Commited Class A-1A Noteholder (or such Liquidity Provider to whom such holder has delegated its obligations under the Class A-1A Note Funding Agreement) is obligated from time to time under the Class A-1A Note Funding Agreement to make to the Co-Issuers.

During the Commitment Period, the Co-Issuers (at the direction of the Collateral Manager) may borrow amounts under the Class A-1A Notes pursuant to the Class A-1A Note Funding Agreement (a "Borrowing" and the date of any such Borrowing, a "Borrowing Date"); *provided* that (i) the aggregate amount of Borrowings may not in any event exceed the aggregate amount of Commitments and (ii) at the time of and immediately after giving effect to such Borrowing, no Event of Default or Default has occurred and is continuing or would result from any Borrowing. Except as the holders of the Class A-1A Notes shall otherwise agree, Borrowings shall be made only on the 10^{th} and 25^{th} day of each month commencing with October 25, 2006 (or if such day is not a Business Day, the next succeeding Business Day); *provided*, *however*, that (i) notwithstanding the foregoing, each of the Ramp-Up Completion Date and the Closing Date may also be the date of a Borrowing and (ii) there may be no more than two Borrowings prior to and including the Ramp-Up Completion Date (excluding any Borrowings made on the Closing Date).

The aggregate principal amount of any Borrowing in respect of the Class A-1A Notes (taken as a whole) will be at least U.S.$25,000,000 and an integral multiple of U.S.$1,000. On or prior to the fifth Business Day immediately preceding each Borrowing Date (other than the Closing Date), the Collateral Manager on behalf of the Issuer will provide notice to each Class A-1A Noteholder (with a copy to the Trustee) of the Co-Issuers' intention to effect a Borrowing.

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

The Class A-1A Note Funding Agreement will provide that Class A-1A Noteholders that are not Committed Class A-1A Noteholders will not have any commitment to fund additional Borrowings after the Closing Date in which event such Class A-1A Noteholders will not receive any portion of the Commitment Fee. A "Committed Class A-1A Noteholder" means each Class A-1A Noteholder which has entered into the Class A-1A Note Funding Agreement and has a Commitment thereunder.

Prior to the Commitment Period Termination Date, each Committed Class A-1A Noteholder will be required to satisfy the Class A-1A Note Rating Criteria specified in the Class A-1A Note Funding Agreement. If any Committed Class A-1A Noteholder shall at any time prior to the Commitment Period Termination Date fail to satisfy such Class A-1A Note Rating Criteria, such holder will immediately give notice of such fact to the Issuer, the Collateral Manager and the Trustee, and the Issuer will have the right under the Class A-1A Note Funding Agreement to, and will be obligated under the Indenture to, either (i) replace such holder with another entity that meets such Class A-1A Note Rating Criteria (by requiring the non-complying holder to transfer all of its rights and obligations in respect of its Class A-1A Notes to such other entity) or (ii) require such non-complying holders to cause a Class A-1A Noteholder Prepayment Account to be established, credit to such Class A-1A Noteholder Prepayment Account cash or Eligible Prepayment Account Investments the aggregate outstanding principal amount of which is equal to such holder's Unfunded Commitment at such time and enter into a Noteholder Prepayment Account Control Agreement in relation to such account (the "Prepayment Option") *provided* that if such holder elects to transfer all of its rights and obligations pursuant to clause (i) above and such transfer has not been effected within 30 days after the date on which such holder (or, if such holder is then entitled to the benefit of a liquidity facility, any of such holder's liquidity provider) first obtains knowledge that such holder does not satisfy the Class A-1A Note Rating Criteria, such holder will cause a Class A-1A Noteholder Prepayment

Account to be established and funded pursuant to clause (ii) above. The "Class A-1A Note Rating Criteria" will be satisfied on any date with respect to any Committed Class A-1A Noteholder 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 (and not on watch for downgrade) and at least "A-1" by Standard & Poor's or the long-term debt obligations of such Committed Class A-1A Noteholder, 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 and "Aaa" by Moody's or (b) such Committed Class A-1A Noteholder is then entitled under a Liquidity Facility to borrow loans from, or sell Class A-1A Notes to, one or more financial institutions (each, a "Liquidity Provider") *provided* that the short-term debt, deposit or similar obligations of each such Liquidity Provider are rated "P-1" by Moody's and at least "A-1" by Standard & Poor's. A "Liquidity Facility" is a liquidity agreement providing for the several commitments of the Liquidity Providers party thereto to make loans to, or purchase interests in Class A-1A Notes from, such holder in an aggregate principal amount at any one time outstanding equal to or greater than the Commitment of such holder. The purchase of Class A-1A Notes (whether in connection with the initial placement or in a subsequent transfer) by any person who does not satisfy the Class A-1A Note Rating Criteria set forth in clause (a) of the definition thereof at the time of such purchase (if such purchaser will have an unfunded commitment) 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 Secured Notes. Pursuant to the Class A-1A Note Funding Agreement, any purchaser of Class A-1A Notes (if such purchaser will have an unfunded commitment) that is entitled under a Liquidity Facility to borrow loans from Liquidity Providers may delegate to such Liquidity Providers, and such Liquidity Providers may severally agree to each perform their ratable share (determined in accordance with their respective commitments under the relevant Liquidity Facility) of, all of the purchaser's obligations under the Class A-1A Note Funding Agreement in respect of the Class A-1A Notes held by such purchaser.

INTEREST

The Class A-1A Notes will bear interest at a floating rate per annum equal to LIBOR (determined as described herein) plus 0.13%. The Class A-1B Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.33%. The Class A-2 Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.35%. The Class A-3 Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.40%. The Class B Notes will bear interest at a floating rate per annum equal to LIBOR plus 0.50%. The Class C Notes will bear interest at a floating rate per annum equal to LIBOR plus 1.25%. The Class D Notes will bear interest at a floating rate per annum equal to LIBOR plus 3.25%. The Class E Notes will bear interest at a floating rate per annum equal to LIBOR plus 6.25%. Interest on the Secured Notes will be computed on the basis of a 360-day year and the actual number of days elapsed in the relevant Interest Period.

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

Payments of interest on the Secured Notes will be payable in Dollars in arrears on the 5th of each calendar month (each a "Distribution Date"), commencing on January 5, 2007, *provided* that (i) the final Distribution Date shall be January 5, 2047 and (ii) if any such date is not a Business Day, the relevant Distribution Date will be the next succeeding Business Day.

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

when due by operation of the Priority of Payments will be deferred and capitalized (such interest being referred to herein as "Class C Deferred Interest".

Any Class C Deferred Interest will be added to the aggregate outstanding principal amount of the Class C Notes and thereafter interest will accrue on the aggregate outstanding principal amount of the Class C Notes, as so increased. Unless otherwise specified herein, any reference to the principal amount of a Class C Note includes any Class C Deferred Interest added thereto. Upon the payment of Class C Deferred Interest previously capitalized as additional principal, the aggregate outstanding principal amount of the Class C Notes will be reduced by the amount of such payment.

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

Any Class D Deferred Interest will be added to the aggregate outstanding principal amount of the Class D Notes and thereafter interest will accrue on the aggregate outstanding principal amount of the Class D Notes, as so increased. Unless otherwise specified herein, any reference to the principal amount of a Class D Note includes any Class D Deferred Interest added thereto. Upon the payment of Class D Deferred Interest previously capitalized as additional principal, the aggregate outstanding principal amount of the Class D Notes will be reduced by the amount of such payment.

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

Any Class E Deferred Interest will be added to the aggregate outstanding principal amount of the Class E Notes and thereafter interest will accrue on the aggregate outstanding principal amount of the Class E Notes, as so increased. Unless otherwise specified herein, any reference to the principal amount of a Class E Note includes any Class E Deferred Interest added thereto. Upon the payment of Class E Deferred Interest previously capitalized as additional principal, the aggregate outstanding principal amount of the Class E Notes will be reduced by the amount of such payment.

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

Definitions

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

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

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

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

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

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

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

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

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

As used herein:

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

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

"Designated Maturity" means (a) with respect to the Class A-1A Notes (i) for the first Interest Period for a Borrowing made under such Class A-1A Notes, the number of calendar days from, and including, the relevant Borrowing Date to, but excluding, the Distribution Date immediately following the Interest Period in which such Borrowing is made, (ii) for each Interest Period after the first Interest Period for a Borrowing made under the Class A-1A Notes (other than the Interest Period ending January 5, 2047), one month and (iii) for the Interest Period ending January 5, 2047, the number of calendar days from, and including, the first day of such Interest Period to, but excluding, the final Distribution Date and (b), with respect to any Secured Note other than a Class A-1A Note, (i) for the first Interest Period, the number of calendar days from, and including the Closing Date to, but excluding, the first Distribution Date, (ii) for each Interest Period after the first Interest Period (other than the Interest Period ending January 5, 2047), one month and (iii) for the Interest Period ending January 5, 2047, the number of calendar days from, and including, the first day of such Interest Period to, but excluding, the final Distribution Date.

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

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

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

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

For so long as any Secured Note remains outstanding, the Co-Issuers will at all times maintain an agent appointed to calculate LIBOR in respect of each Interest Period. As soon as possible after 11:00 a.m. (London time) on each LIBOR Determination Date, but in no event later than 11:00 a.m. (New York time) on the Business Day immediately following each LIBOR Determination Date, the Calculation Agent will calculate the interest rate for the Secured Notes for the related Interest Period and the amount of interest for such Interest Period payable in respect of each U.S.$1,000 in principal amount of each Class of Secured Notes (in each case rounded to the nearest cent, with half a cent being rounded upward) on the related Distribution Date and will communicate such rates and amounts and the related Distribution Date to the Co-Issuers, the Trustee, each Hedge Counterparty, each Paying Agent (other than the Preference Share Paying Agent), DTC, Euroclear and Clearstream, Luxembourg and, for so long as any Secured Notes are listed on the Irish Stock Exchange, the Irish Paying Agent.

The Calculation Agent may be removed by the Co-Issuers at any time. If the Calculation Agent is unable or unwilling to act as such, is removed by the Co-Issuers or fails to determine the interest rate for any Class of Secured Notes or the amount of interest payable in respect of any Class of Secured Notes for any Interest Period, the Co-Issuers will promptly appoint as a replacement Calculation Agent a leading bank that is engaged in transactions in 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 affiliate thereof. The Calculation Agent may not resign its duties without a successor having been duly appointed. The determination

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

COMMITMENT FEE ON THE CLASS A-1A NOTES

With respect to the Commited Class A-1A Noteholders, a commitment fee ("Commitment Fee") will accrue on the applicable unfunded Commitments (even if amounts are deposited in any Class A-1A Noteholder Prepayment Account) for each day from and including the Closing Date to but excluding the Commitment Period Termination Date, at a rate per annum equal to 0.05%. The Commitment Fee will be payable monthly in arrears on each Distribution Date and will rank *pari passu* with the payment of interest on the Class A-1A Notes. The Commitment Fee will be computed on the basis of a 360-day year and the actual number of days elapsed. No Class of Secured Notes other than the Class A-1A Notes will be entitled to Commitment Fee.

PRINCIPAL

The Stated Maturity of the Secured Notes is January 5, 2047. Each Class of Secured Notes is scheduled to mature at the applicable Stated Maturity unless redeemed or repaid prior thereto. However, the Secured Notes may be paid in full prior to their Stated Maturity. See "Risk Factors—Average Lives, Duration and Prepayment Considerations" and "Maturity, Prepayment and Yield Considerations". During the Reinvestment Period, Principal Proceeds will not be applied to pay principal of the Secured Notes except in the limited circumstances described below. Except as described below under "Description of the Secured Notes—Fixed Rate Reinvestment Period", after the last day of the Reinvestment Period, Principal Proceeds will be applied on each Distribution Date in accordance with the Priority of Payments to pay principal of the Secured Notes. In addition, Interest Proceeds (and in some circumstances, as described below, Principal Proceeds) will be applied to pay principal of the Secured Notes in the following circumstances (subject, in each case, to the Priority of Payments): (a) on each Distribution Date 5% of Interest Proceeds remaining (if any) after payment of interest on the Secured Notes and certain other expenses will be applied, prior to the payment of the principal in full of all outstanding Senior Classes of Secured Notes, to the payment of principal of the Class E Notes; (b) if any Overcollateralization Test is not satisfied, as described below under "—The Overcollateralization Tests"; (c) if the Class E Interest Diversion Test is not satisfied on the Determination Date related to any Distribution Date, as described below under "—The Overcollateralization Tests", certain Interest Proceeds that would otherwise be distributed to the holders of the Preference Shares (including the Class P Preference Shares) will be used, prior to the payment of the principal in full of all outstanding Senior Classes of Secured Notes, to pay principal of the Class E Notes in accordance with the Priority of Payments to the extent necessary to cause the Class E Interest Diversion Test to be satisfied; (d) commencing on the first Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Written Confirmation after the application of Uninvested Proceeds to pay principal of the Secured Notes, certain Interest Proceeds and, to the extent that Interest Proceeds are insufficient to redeem the Secured Notes in full, Principal Proceeds will be used to pay principal of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes, *fifth*, the Class C Notes, *sixth*, the Class D Notes and, *seventh*, the Class E Notes to the extent specified by each relevant Rating Agency in order to obtain a Written Confirmation; (e) certain Interest Proceeds that would otherwise be distributed to the holders of the Preference Shares (including the Class P Preference Shares) will be used, prior to the payment of the principal in full of all outstanding Senior Classes of Secured Notes, to pay Deferred Interest; and (f) on any Distribution Date occurring on or before the last day of the Reinvestment Period, the Collateral Manager may, so long as the Standard & Poor's CDO Monitor Test is satisfied on the related Determination Date, in its sole discretion, direct the Issuer to apply Principal Proceeds (i) if such Distribution Date occurs during a Pro Rata Pay Period, to the payment of principal (pro rata in accordance with the aggregate outstanding principal amounts thereof immediately prior to such payment and treating the Class A-1A Notes and Class A-1B Notes as one Class for this purpose) of the Class A-1 Notes (with payments of principal being made among the Class A-1 Notes in accordance with the Class A-1 Note Payment Sequence), Class A-2 Notes, Class A-3 Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes or (ii) if such Distribution Date occurs during a Sequential Pay Period, to the payment of principal of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second,* the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes, *fifth*, the Class C Notes, *sixth*, the Class D Notes and, *seventh*, the Class E Notes. To the extent the Issuer

receives any Sale Proceeds in respect of a Defaulted Security on a date when the Class A/B Overcollateralization Test is not satisfied, the Issuer will be required to apply such Sale Proceeds to the payment of principal of the Secured Notes in accordance with the Priority of Payments. See "Description of the Secured Notes—Priority of Payments".

Any payment of principal with respect to any Class of Secured Notes (including any payment of principal made in connection with an Optional Redemption, Auction Call Redemption or Tax Redemption) will be made by the Trustee on a *pro rata* basis on each Distribution Date among the Secured Notes of such Class according to the respective unpaid principal amounts thereof outstanding immediately prior to such payment (treating the Class A-1A Notes and the Class A-1B Notes as separate Classes of Secured Notes for this purpose). The Trustee shall, so long as any Class of Secured Notes is listed on the Irish Stock Exchange, notify the Irish Stock Exchange not later than one Business Day preceding each Distribution Date of (i) the amount of principal payments to be made on the Secured Notes of each such Class on such Distribution Date, (ii) the amount of Class C Deferred Interest, if any, (iii) the amount of Class D Deferred Interest, if any, (iv) the amount of Class E Deferred Interest, if any, (v) the aggregate outstanding principal amount of the Secured Notes of each such Class and (vi) the percentage of the original aggregate outstanding principal amount of the Secured Notes of such Class after giving effect to the principal payments, if any, on such Distribution Date.

FIXED RATE REINVESTMENT PERIOD

During the Fixed Rate Reinvestment Period, Unscheduled Principal Proceeds may be used by the Collateral Manager on behalf of the Issuer to purchase, no later than the last day of the Due Period following the Due Period during which such Unscheduled Principal Proceeds were received, substitute Collateral Debt Securities that bear interest at a fixed rate in compliance with the Eligibility Criteria and the Post Reinvestment Period Criteria. All other Principal Proceeds will be applied on each Distribution Date to pay principal of the Secured Notes in accordance with the Priority of Payments.

MANDATORY REDEMPTION

If the Class A/B Overcollateralization Test is not satisfied on the Determination Date related to any Distribution Date, Interest Proceeds will be used to pay principal of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third,* the Class A-3 Notes and *fourth*, the Class B Notes, to the extent necessary to cause the Class A/B Overcollateralization Test to be satisfied. To the extent any Overcollateralization Test remains unsatisfied following such application of Interest Proceeds, Principal Proceeds will be used to pay principal of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes and *fourth*, the Class B Notes, to the extent necessary to cause such Overcollateralization Test to be satisfied. See "Description of the Secured Notes—Priority of Payments".

If the Class C Overcollateralization Test is not satisfied on the Determination Date related to any Distribution Date, Interest Proceeds will be used to pay principal of, *first*, the Class C Notes, *second*, the Class B Notes, *third,* the Class A-3 Notes, *fourth*, the Class A-2 Notes and *fifth*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), to the extent necessary to cause such Overcollateralization Test to be satisfied. To the extent the Class C Overcollateralization Test remains unsatisfied following such application of Interest Proceeds, Principal Proceeds will be used to pay principal of *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes and *fifth*, the Class C Notes to the extent necessary to cause such Overcollateralization Test to be satisfied. See "Description of the Secured Notes—Priority of Payments".

If the Class D Overcollateralization Test is not satisfied on the Determination Date related to any Distribution Date, Interest Proceeds will be used to pay principal of, *first*, the Class D Notes. *second*, the Class C Notes, *third,* the Class B Notes, *fourth*, the Class A-3 Notes, *fifth*, the Class A-2 Notes and *sixth*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), to the extent necessary to cause the Class D Overcollateralization Test to be satisfied. To the extent the Class D Overcollateralization Test remains unsatisfied following such application of Interest Proceeds, Principal Proceeds will be used to pay principal of *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2

Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes, *fifth*, the Class C Notes and *sixth*, the Class D Notes to the extent necessary to cause the Class D Overcollateralization Test to be satisfied. See "Description of the Secured Notes—Priority of Payments".

If the Class E Interest Diversion Test is not satisfied on the Determination Date related to any Distribution Date, certain Interest Proceeds that would otherwise be distributed to the holders of the Preference Shares (including the Class P Preference Shares) will be used, prior to the payment of the principal in full of all outstanding Senior Classes of Secured Notes, to pay principal of the Class E Notes in accordance with the Priority of Payments to the extent necessary to cause the Class E Interest Diversion Test to be satisfied.

On each Distribution Date 5% of Interest Proceeds remaining (if any) after payment of interest on the Secured Notes and certain other fees, expenses and indemnities will be applied to the payment of principal of the Class E Notes.

Each such redemption will be applied to each outstanding Class of Secured Notes as described below under "—Priority of Payments".

In addition, the Issuer will provide each Rating Agency with a Ramp-Up Notice within seven Business Days after the Ramp-Up Completion Date occurs. The Issuer will request that Standard & Poor's (or, if a Deemed Confirmation has not occurred, each Rating Agency) provide a Rating Confirmation. If a Rating Confirmation Failure occurs, on the first Distribution Date following such Rating Confirmation Failure the Issuer will be required to apply Uninvested Proceeds and, to the extent that Uninvested Proceeds are insufficient to redeem the Secured Notes in full, Interest Proceeds and Principal Proceeds, in each case in accordance with the Priority of Payments, to the repayment of, *first,* the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes, *fifth*, the Class C Notes (including any Class C Deferred Interest), *sixth*, the Class D Notes (including any Class D Deferred Interest) and, *seventh*, the Class E Notes (including any Class E Deferred Interest) to the extent necessary to obtain a Written Confirmation from each Rating Agency.

Further, on any Distribution Date occurring on or before the last day of the Reinvestment Period, the Collateral Manager, so long as the Standard & Poor's CDO Monitor Test is satisfied on the related Determination Date may, in its sole discretion, direct the Issuer to apply Principal Proceeds (a) if such Distribution Date occurs during a Pro Rata Pay Period, to the payment of principal (pro rata in accordance with the aggregate outstanding principal amounts thereof immediately prior to such payment and treating the Class A-1A Notes and the Class A-1B Notes as one Class for this purpose) of the Class A-1 Notes (with payments of principal being made among the Class A-1 Notes in accordance with the Class A-1 Note Payment Sequence), the Class A-2 Notes, the Class A-3 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes or (b) if such Distribution Date occurs during a Sequential Pay Period, to the payment of principal of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second* the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes, *fifth*, the Class C Notes, *sixth*, the Class D Notes and, *seventh*, the Class E Notes. To the extent the Issuer receives any Sale Proceeds in respect of a Defaulted Security on a date when the Class A/B Overcollateralization Test is not satisfied, the Issuer will be required to apply such Sale Proceeds to the payment of principal of the Secured Notes in accordance with the Priority of Payments.

AUCTION CALL REDEMPTION

In accordance with the procedures set forth in the Indenture (the "Auction Procedures"), the Trustee shall, at the expense of the Issuer and in consultation with the Collateral Manager, conduct an auction (an "Auction") of the Pledged Collateral Debt Securities if, on or prior to the Distribution Date occurring in January 2013, the Secured Notes have not been redeemed in full. The Auction shall be conducted not later than ten Business Days prior to (1) the Distribution Date occurring in January 2013 and (2) if the Secured Notes are not redeemed in full on the prior Distribution Date, each Distribution Date thereafter until the Secured Notes have been redeemed in full (each such date, an "Auction Date"). Any of the Preference Shareholders, the Class P Noteholders, the Collateral Manager, the Trustee or their respective affiliates may, but shall not be required to,

bid at the Auction. The Trustee shall sell and transfer all of the Collateral Debt Securities (which may be divided into subpools) to the highest bidder therefor (or the highest bidder for each subpool) at the Auction *provided* that:

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

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

(iii) the Trustee has determined that the highest auction price would result in Sale Proceeds from all of the Collateral Debt Securities (or the related subpools constituting all of the Collateral Debt Securities) which, together with the balance of all Eligible Investments and cash in the Accounts (other than in any Hedge Counterparty Collateral Account, any Synthetic Security Counterparty Account, any Synthetic Security Issuer Account and any Class A-1A Noteholder Prepayment Account) at least equal to the Total Senior Redemption Amount (as determined in good faith and subject to reasonable approximations and with respect to which the Independent accountants appointed by the Issuer have confirmed in writing the calculations relating thereto); and

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

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

If any of the foregoing conditions is not met with respect to any Auction or if the highest bidder (or the highest bidder for any subpool, as the case may be) fails to pay the purchase price on or before the Business Day immediately preceding the scheduled Redemption Date, (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 of the redemption notice on such Business Day to the Issuer, the Collateral Manager, each Hedge Counterparty and the holders of the Secured Notes, (c) subject to clause (d) below, the Trustee shall decline to consummate such sale and shall not solicit any further bids or otherwise negotiate any further sale of Collateral Debt

Securities in relation to such Auction and (d) unless the Secured Notes are redeemed in full prior to the next succeeding Auction Date, the Trustee shall conduct another Auction on the next succeeding Auction Date.

OPTIONAL REDEMPTION AND TAX REDEMPTION

Subject to certain conditions described herein, the Issuer may redeem the Secured Notes on any Distribution Date (such redemption, an "Optional Redemption"), in whole but not in part, at the direction of a Majority-in-Interest of Preference Shareholders at the applicable Redemption Price therefor, *provided* that no such Optional Redemption may be effected prior to the Distribution Date occurring in January 2011.

In addition, upon the occurrence of a Tax Event and so long as the Tax Materiality Condition is satisfied, the Issuer may redeem the Secured Notes on any Distribution Date (such redemption, a "Tax Redemption"), in whole but not in part, at the applicable Redemption Price therefor (i) at the direction of the holders of a majority in aggregate outstanding principal amount of an Affected Class or (ii) at the direction of a Majority-in-Interest of Preference Shareholders.

No Optional Redemption or Tax Redemption may be effected, however, unless proceeds from the sale of Pledged Collateral Debt Securities and Eligible Investments, together with all cash credited to the Interest Collection Account, the Principal Collection Account, the Interest Equalization Account, the Uninvested Proceeds Account, the Expense Account, the Short Reimbursement Account, the Reinvestment Account and the Payment Account on the relevant Distribution Date are at least equal the amount sufficient to pay (in accordance with the Priority of Payments) the Total Senior Redemption Amount.

Unless a Majority-in-Interest of Preference Shareholders have directed the Issuer to redeem the Preference Shares on such Distribution Date, the amount of Collateral sold in connection with such Optional Redemption or Tax Redemption shall not exceed (subject to minimum denomination and other requirements set forth in the Underlying Instruments and other reasonable approximations or estimates) the amount necessary for the Issuer to obtain the Total Senior Redemption Amount (as determined in good faith). In addition, no Tax Redemption may be effected unless the Tax Materiality Condition is satisfied.

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

REDEMPTION PROCEDURES

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

by the Co-Issuers or the Trustee (provided that an unsecured indemnity shall be deemed acceptable from a Qualified Institutional Buyer).

The Secured Notes may not be redeemed pursuant to an Optional Redemption or Tax Redemption unless at least six Business Days before the scheduled Redemption Date, the Issuer shall have furnished to the Trustee, the holders of the Secured Notes of the Controlling Class and each Hedge Counterparty evidence, in form satisfactory to the Trustee, that the Issuer has entered into a binding agreement or agreements with a financial institution or institutions whose long-term unsecured debt obligations (other than such obligations whose rating is based on the credit of a person other than such institution) have a credit rating from each Rating Agency at least equal to the rating of the highest rated Secured Notes then outstanding or whose short-term unsecured debt obligations have a credit rating of "P-1" by Moody's (and, if rated "P-1", are not on watch for possible downgrade by Moody's) and "A-1" by Standard & Poor's to sell, not later than the Business Day immediately preceding the scheduled Redemption Date, all or part of the Collateral Debt Securities at a purchase price, when added to all cash and Eligible Investments maturing on or prior to the scheduled Redemption Date credited to the Interest Collection Account, the Principal Collection Account, the Interest Equalization Account, the Interest Reserve Account, the Uninvested Proceeds Account, the Expense Account, the Short Reimbursement Account, the Reinvestment Account and the Payment Account on the relevant Distribution Date, will equal or exceed the Total Senior Redemption Amount, except in the case of a Tax Redemption where an Affected Class of Secured Notes elects to receive less than 100% of the portion of the Total Senior Redemption Amount that would otherwise be payable to holders of such Affected Class (and the Total Senior Redemption Amount will be reduced accordingly).

Any such notice of redemption may only be withdrawn by the Issuer prior to the scheduled Redemption Date by written notice to the Trustee, each Hedge Counterparty and the holders of the Secured Notes of the Controlling Class if on or prior to such date (i) the Issuer has not delivered to the Trustee a certification that in its judgment based on calculations included in such certification, (1) the Sale Proceeds from the sale of one or more of the Collateral Debt Securities and all cash and proceeds from Eligible Investments standing to the credit of each Account (other than the Custodial Account, any Hedge Counterparty Collateral Account, any Synthetic Security Issuer Account or any Synthetic Security Counterparty Account) will be sufficient to pay the Total Senior Redemption Amount, (2) an approved pricing service has confirmed each sales price contained in such certification (if such price is quoted on an approved pricing service) and (3) the aggregate of the sale prices of such Collateral Debt Securities are not below the aggregate of the Fair Market Values of such Collateral Debt Securities or (ii) the Independent accountants appointed by the Issuer have not confirmed in writing the calculations made in such certification. During the period when a notice of redemption may be withdrawn, the Issuer shall not terminate any Hedge Agreement and if any Hedge Agreement shall become subject to early termination during such period, the Issuer shall enter into a replacement Hedge Agreement. Notice of any such withdrawal shall be given by the Trustee to each holder of Secured Notes (with a copy to the Collateral Manager) 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 Business Day prior to the scheduled Redemption Date. In addition, the Trustee will, if any Class of Secured Notes to have been redeemed was listed on the Irish Stock Exchange, promptly notify the Irish Stock Exchange of such withdrawal.

REDEMPTION PRICE

The amount payable in connection with any Optional Redemption, Auction Call Redemption or Tax Redemption of any Secured Note (with respect to each Class of Secured Notes, the "Redemption Price") will be an amount (determined without duplication) equal to (a) the outstanding principal amount of such Secured Note (including any Class C Deferred Interest, Class D Deferred Interest or Class E Deferred Interest) being redeemed plus (b) accrued interest thereon (including Defaulted Interest and accrued, unpaid and uncapitalized interest on Defaulted Interest, if any); *provided* that, in the case of a Tax Redemption where an Affected Class of Secured Notes elects to receive less than 100% of the portion of the Total Senior Redemption Amount that would otherwise be payable to holders of such Affected Class, the Redemption Price as to such Affected Class is the amount agreed upon by such Affected Class (and the Total Senior Redemption Amount will be reduced accordingly) plus (c) in the case of any reduction in the related Commitment in respect of any Class A-1A Note, an amount equal to accrued Commitment Fee on the amount of such reduction.

CANCELLATION

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

PAYMENTS

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

If any payment on the Secured Notes is due on a day that is not a Business Day, then payment will be made on the next succeeding Business Day with the same force and effect as if made on the date for payment. For this purpose, "Business Day" means a day on which commercial banks and (if applicable) foreign exchange markets settle payments in each of New York, New York, Boston, Massachusetts and London, England and any other city in which the corporate trust office of the Trustee is located and, in the case of the final payment of principal of any Note, the place of presentation of such Note. To the extent action is required of the Irish Paying Agent, Dublin, Ireland shall be considered in determining "Business Day" for purposes of determining when such Irish Paying Agent action is required. For so long as any Secured Notes are listed on the Irish Stock Exchange and the rules of such exchange shall so require, the Co-Issuers will maintain a listing agent and a Paying Agent with an office in Ireland.

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

PRIORITY OF PAYMENTS

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

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

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

(B) (1) *first*, to the payment to the Trustee, the Collateral Administrator, the Preference Share Paying Agent and the Note Registrar of the accrued and unpaid fees of the Trustee, the

Collateral Administrator, the Preference Share Paying Agent and the Note Registrar in an amount not to exceed 0.0225% of the Aggregate Principal Balance of Pledged Securities on the first day of such Due Period; (2) *second*, to the payment to the Administrator of the accrued and unpaid fees under the Administration Agreement; (3) *third*, to the payment of accrued and unpaid Administrative Expenses with respect to *first,* the Trustee, the Collateral Administrator, the Preference Share Paying Agent and the Note Registrar (other than amounts payable pursuant to indemnities, amounts included in clause (1) above or amounts constituting accrued and unpaid expenses arising after an Event of Default has occurred) and *second*, the Collateral Manager; (4) *fourth*, to the payment of Administrative Expenses with respect to the Rating Agencies; (5) *fifth*, to the payment of accrued and unpaid Administrative Expenses with respect to the Trustee, the Collateral Administrator, the Preference Share Paying Agent and the Note Registrar constituting indemnities; (6) *sixth*, to the payment of accrued and unpaid Other Administrative Expenses then due and payable (and, if an Event of Default has occurred and is continuing under the Indenture, payment to the Trustee of accrued and unpaid expenses (including amounts payable pursuant to the indemnity)); *provided* that all payments made pursuant to subclauses (2) through (6) of this clause (B) do not exceed on such Distribution Date U.S.$25,000 (or, U.S.$75,000 in the aggregate on the Distribution Date falling on January 5, 2007); and (7) *seventh*, if the balance of all Eligible Investments and cash in the Expense Account on the related Determination Date is less than U.S.$25,000 for deposit to the Expense Account of an amount equal to the lesser of (x) the amount, if any, by which U.S.$25,000 exceeds the aggregate amount of payments made under subclause (2) above on such Distribution Date and (y) such amount as would have caused the balance of all Eligible Investments and cash in the Expense Account immediately after such deposit to equal U.S.$25,000;

(C) to the payment of accrued and unpaid Senior Management Fee (including any Senior Management Fee that has been deferred) to the extent not deferred at the election of the Collateral Manager;

(D) to the payment *pari passu* of (1) all amounts scheduled to be paid to each Hedge Counterparty pursuant to each Hedge Agreement, together with any termination payments (and any accrued interest thereon) payable by the Issuer pursuant to the related Hedge Agreement other than by reason of an "event of default" or "termination event" (other than an "illegality" or "tax event") as to which such Hedge Counterparty is the sole "defaulting party" or the sole "affected party" (as each such term is defined in the related Hedge Agreement); and (2) all amounts scheduled to be paid pursuant to each Short Synthetic Security to the Synthetic Security Counterparty thereunder, but excluding any termination payment and any Reimbursement Amount payable by the Issuer thereunder;

(E) to the payment of the Interest Distribution Amount with respect to the Class A-1A Notes and the Class A-1B Notes and the accrued and unpaid Commitment Fee in respect of the Class A-1A Notes with amounts distributed pursuant to this clause (E), *pro rata*, based upon the amounts owing on or in respect of the Class A-1A Notes and Class A-1B Notes;

(F) to the payment of the Interest Distribution Amount with respect to the Class A-2 Notes;

(G) to the payment of the Interest Distribution Amount with respect to the Class A-3 Notes;

(H) to the payment of the Interest Distribution Amount with respect to the Class B Notes;

(I) (1) if the Class A/B Overcollateralization Test is not satisfied on the related Determination Date and if any Class A Note or Class B Note remains outstanding, to the payment of principal of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes and *fourth*, the Class B Notes, to the extent necessary to cause such Class A/B Overcollateralization Test to be satisfied, and

(2) commencing on the first Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Written Confirmation from each relevant Rating Agency after the application of Uninvested Proceeds to pay principal of the Secured Notes, to the payment of principal of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes and *fourth*, the Class B Notes, to the extent necessary to obtain a Written Confirmation from each such Rating Agency;

(J) to the payment of the Interest Distribution Amount with respect to the Class C Notes;

(K) (1) if the Class C Overcollateralization Test is not satisfied on the related Determination Date and if any Class A Note, Class B Note or Class C Note remains outstanding, to the payment of principal of, *first*, the Class C Notes, *second*, the Class B Notes, *third*, the Class A-3 Notes, *fourth*, the Class A-2 Notes and *fifth*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), to the extent necessary to cause such Class C Overcollateralization Test to be satisfied, and (2) commencing on the first Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Written Confirmation from each relevant Rating Agency after the application of Uninvested Proceeds to pay principal of the Secured Notes, to the payment of principal of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes and *fifth*, the Class C Notes, to the extent necessary to obtain a Written Confirmation from each such Rating Agency;

(L) to the payment of Class C Deferred Interest (in reduction of the principal amount of the Class C Notes);

(M) to the payment of the Interest Distribution Amount with respect to the Class D Notes;

(N) (1) if the Class D Overcollateralization Test is not satisfied on the related Determination Date and any Class A Note, Class B Note, Class C Note or Class D Note remains outstanding, to the payment of principal of, *first*, the Class D Notes, *second*, the Class C Notes, *third*, the Class B Notes, *fourth*, the Class A-3 Notes, *fifth*, the Class A-2 Notes and *sixth*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), to the extent necessary to cause such Class D Overcollateralization Test to be satisfied, and (2) commencing on the first Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Written Confirmation from each relevant Rating Agency after the application of Uninvested Proceeds to pay principal of the Secured Notes, to the payment of principal of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes, *fifth*, the Class C Notes and *sixth*, the Class D Notes, to the extent necessary to obtain a Written Confirmation from each such Rating Agency;

(O) to the payment of Class D Deferred Interest (in reduction of the principal amount of the Class D Notes);

(P) to the payment of the Interest Distribution Amount with respect to the Class E Notes;

(Q) (1) if the Class E Interest Diversion Test is not satisfied on the related Determination Date and any Class E Note remains outstanding, to the payment of principal of the Class E Notes to the extent necessary to cause such Class E Interest Diversion Test to be satisfied, and (2) commencing on the first Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Written Confirmation from each relevant Rating Agency after the application of Uninvested Proceeds to pay principal of the Secured Notes, to the payment of principal of *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class

B Notes, *fifth*, the Class C Notes, *sixth*, the Class D Notes and *seventh*, the Class E Notes, to the extent necessary to obtain a Written Confirmation from each such Rating Agency;

(R) to the payment of Class E Deferred Interest (in reduction of the principal amount of the Class E Notes);

(S) to the payment of *first*, accrued and unpaid Administrative Expenses with respect to the Trustee, the Collateral Administrator, the Preference Share Paying Agent and the Note Registrar, *second*, *pro rata* accrued and unpaid Other Administrative Expenses, in each case in the priority of and to the extent not paid pursuant to clause (B) above (whether as the result of the limitations on amounts set forth therein or otherwise) *third*, if the balance of all Eligible Investments and cash in the Expense Account on the related Determination Date is less than U.S.$25,000, for deposit to the Expense Account such amount as would cause the balance of all Eligible Investments and cash in the Expense Account immediately after such deposit to equal U.S.$25,000 and, *fourth,* any termination payments (and any accrued interest thereon) payable by the Issuer to any Synthetic Security Counterparty upon the occurrence of an "Event of Default" or "Termination Event" (other than an "Illegality" or "Tax Event"), if any where the Synthetic Security Counterparty is the sole "Defaulting Party" or the sole "Affected Party" ("Event of Default", "Termination Event", "Illegality", "Tax Event", "Defaulting Party" or "Affected Party", as applicable, as such terms are defined in the ISDA Master Agreement relating to such Synthetic Security) pursuant to any Synthetic Security, *pro rata* among each of the Synthetic Security Counterparties to which such payments are payable;

(T) to the payment of accrued and unpaid Subordinate Management Fee (including any Subordinate Management Fee that has been deferred) to the extent not deferred at the election of the Collateral Manager;

(U) 5% of the remaining Interest Proceeds to the payment of principal on the Class E Notes, until the Class E Notes have been paid in full;

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

(W) if such Distribution Date occurs on or after the Distribution Date in January 2015, to the payment of principal of *first*, the Class E Notes, *second*, the Class D Notes, *third*, the Class C Notes, *fourth*, the Class B Notes, *fifth*, the Class A-2 Notes, *sixth*, the Class A-2 Notes and *seventh*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence); and

(X) to the Preference Share Paying Agent for distribution to the Preference Shareholders as a dividend on the Preference Shares.

Principal Proceeds. On each Distribution Date, Principal Proceeds (other than those the Collateral Manager has directed to be deposited in the Reinvestment Account) with respect to the related Due Period will be distributed in the order of priority set forth below:

(A) to the payment of the amounts referred to in paragraphs (A) through (H) (other than amounts referred to in clause (2) of paragraph (D)) under "Priority of Payments—Interest Proceeds" above in the same order of priority specified therein, but only to the extent not paid in full thereunder;

(B) after giving effect to any application of (x) Uninvested Proceeds and (y) Interest Proceeds pursuant to paragraphs (I), (K), (N), (Q) and (U) of "Priority of Payments—Interest Proceeds" above: (1) if any Overcollateralization Test is not satisfied on the related Determination Date and if any Class A Note or Class B Note remains outstanding, to the payment of principal of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes and *fourth*, the Class B Notes to the extent

necessary to cause such Overcollateralization Test to be satisfied; and (2) commencing on the first Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Written Confirmation from each relevant Rating Agency, to the payment of principal of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes and *fourth*, the Class B Notes to the extent necessary to obtain a Written Confirmation from each such Rating Agency;

(C) (1) if such Distribution Date occurs on or before the last day of the Reinvestment Period, to the payment of the amounts referred to in paragraphs (J), (L) and (P) 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; and (2) if such Distribution Date occurs after the last day of the Reinvestment Period and (i) if such Distribution Date occurs during the Sequential Pay Period, to the payment of principal of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes and *fourth*, the Class B Notes until each such Class of Secured Notes has been paid in full; or (ii) if such Distribution Date occurs during the Pro Rata Pay Period, to the payment of principal of the Class A-1 Notes, the Class A-2 Notes, the Class A-3 Notes and the Class B Notes, *pro rata* (with the Class A-1 Notes treated as one Class for the purpose of these *pro rata* allocations and payments being made on the Class A-1 Notes in accordance with the Class A-1 Note Payment Sequence), in accordance with their aggregate outstanding amounts (including, for this purpose, the Aggregate Undrawn Amount of the Class A-1A Notes) in an aggregate amount up to the Class A/B Pro Rata Principal Payment Cap for such Distribution Date;

(D) if such Distribution Date occurs after the last day of the Reinvestment Period, to the payment of the amounts referred to in paragraphs (J) and (L) under "Priority of Payments—Interest Proceeds" in the same order of priority specified therein, but only to the extent not paid in full thereunder;

(E) after giving effect to any application of (x) Uninvested Proceeds, (y) Interest Proceeds pursuant to paragraphs (I), (K), (N), (Q) and (U) of "Priority of Payments—Interest Proceeds" above and Principal Proceeds pursuant to paragraphs (A) through (D) above: (1) if the Class C Overcollateralization Test is not satisfied on the related Determination Date and if any Class A-1 Note, Class A-2 Note, Class A-3 Note, Class B Note or Class C Note remains outstanding, to the payment of principal of *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes and *fifth*, the Class C Notes to the extent necessary to cause such Overcollateralization Test to be satisfied; and (2) commencing on the first Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Written Confirmation from each relevant Rating Agency, to the payment of principal of *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes and *fifth*, the Class C Notes to the extent necessary in order to obtain a Written Confirmation from each such Rating Agency;

(F) if such Distribution Date occurs after the last day of the Reinvestment Period, and (i) if such Distribution Date occurs during the Sequential Pay Period, to the payment of principal of the Class C Notes until the Class C Notes have been paid in full; or (ii); if such Distribution Date occurs during the Pro Rata Pay Period, the aggregate amount applied for payment under this paragraph (F) shall not exceed an amount equal to the Class C Pro Rata Principal Payment Cap for such Distribution Date;

(G) if such Distribution Date occurs after the last day of the Reinvestment Period, to the payment of the amounts referred to in paragraphs (L) and (O) under "Priority of Payments—Interest Proceeds" in the same order of priority specified therein, but only to the extent not paid in full thereunder;

(H) after giving effect to any application of (x) Uninvested Proceeds, (y) Interest Proceeds pursuant to paragraphs (I), (K), (N), (Q) and (U) of "Priority of Payments—Interest Proceeds" above and Principal Proceeds pursuant to paragraphs (A) through (G) above: (1) if the Class D Overcollateralization Test is not satisfied on the related Determination Date and if any Class A-1 Note, Class A-2 Note, Class A-3 Note, Class B Note, Class C Note or Class D Note remains outstanding, to the payment of principal of *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes, *fifth*, the Class C Notes and *sixth*, the Class D Notes to the extent necessary to cause such Overcollateralization Test to be satisfied; and (2) commencing on the first Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Written Confirmation from each relevant Rating Agency, to the payment of principal of *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes, *fifth*, the Class C Notes and *sixth*, the Class D Notes to the extent necessary to obtain a Rating Confirmation from each such Rating Agency;

(I) if such Distribution Date occurs after the last day of the Reinvestment Period, and (i) if such Distribution Date occurs during the Sequential Pay Period, to the payment of principal of the Class D Notes until the Class D Notes have been paid in full; or (ii) if such Distribution Date occurs during the Pro Rata Pay Period, the aggregate amount applied for payment under this paragraph (I) shall not exceed an amount equal to the Class D Pro Rata Principal Payment Cap for such Distribution Date;

(J) if such Distribution Date occurs after the last day of the Reinvestment Period, to the payment of the amounts referred to in paragraphs (P) and (R) under "Priority of Payments—Interest Proceeds" in the same order of priority specified therein, but only to the extent not paid in full thereunder;

(K) after giving effect to any application of (x) Uninvested Proceeds, (y) Interest Proceeds pursuant to paragraphs (I), (K), (N), (Q) and (U) of "Priority of Payments—Interest Proceeds" above and Principal Proceeds pursuant to paragraphs (A) through (J) above, commencing on the first Distribution Date following the occurrence of a Rating Confirmation Failure, if the Issuer is unable to obtain a Rating Confirmation, to the payment of principal of *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes, *fifth*, the Class C Notes, *sixth*, the Class D Notes and *seventh*, the Class E Notes to the extent specified by each relevant Rating Agency in order to obtain a Rating Confirmation;

(L) if such Distribution Date occurs after the last day of the Reinvestment Period, to the payment of principal of the Class E Notes until the Class E Notes have been paid in full;

(M) for each Distribution Date through and including the last Distribution Date during the Reinvestment Period, to the Reinvestment Account, to remain available for application to the purchase of substitute Collateral Debt Securities (subject to satisfaction of the Eligibility Criteria) by not later than the last day of the Reinvestment Period in an amount equal to the amount of Principal Proceeds received during the related Due Period (after giving effect to any payments pursuant to paragraphs (A) through (L) above); *provided* that, (1) four Business Days prior to any Distribution Date occurring on or before the last day of the Reinvestment Period, the Collateral Manager may, so long as the Standard & Poor's CDO Monitor Test is satisfied on the related Determination Date, in its sole discretion, direct the Issuer to apply all or a portion of the Principal Proceeds remaining on such Distribution Date after the payment of all amounts payable pursuant to paragraphs (A) through (L) above to (i) for each Distribution Date that occurs during a Pro Rata Pay Period, to the payment of principal (pro rata in accordance with the aggregate outstanding principal amounts thereof immediately prior to such payment after taking into account all payments of principal on such Distribution Date from the application of

Uninvested Proceeds, Interest Proceeds and Principal Proceeds (in the case of Principal Proceeds, prior to this paragraph (M)) of the Class A-1 Notes, Class A-2 Notes, Class A-3 Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes (with the Class A-1 Notes treated as one Class for the purpose of these *pro rata* allocations and payments being made on the Class A-1 Notes, in accordance with the Class A-1 Note Payment Sequence) or (ii) for each Distribution Date that occurs during a Sequential Pay Period, to the payment of principal of, *first*, Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second* the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes, *fifth*, the Class C Notes, *sixth*, the Class D Notes and, *seventh*, the Class E Notes until each such Class of Secured Notes has been paid in full and (2) any Limited Defaulted Proceeds received by the Issuer during the related Due Period and remaining on such Distribution Date after the payment of all amounts payable pursuant to paragraphs (A) through (L) above shall be applied in accordance with clause (1)(i) or clause (1)(ii) above;

(N) to the payment of (1) *first*, amounts referred to in paragraphs (S) and (T) of the "Priority of Payments—Interest Proceeds" in the same order of priority specified therein, but only to the extent not paid thereunder and (2) *second*, any termination payments (and any accrued interest thereon) payable by the Issuer pursuant to a Short Synthetic Security to the Synthetic Security Counterparty thereunder, including by reason of an "event of default" or "termination event" as to which such Synthetic Security Counterparty is the sole "defaulting party" or the sole "affected party" (as each such term is defined in the related Short Synthetic Security);

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

(P) to the Preference Share Paying Agent for distribution to the Preference Shareholders as a dividend on the Preference Shares.

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

Any amounts to be paid to the Preference Share Paying Agent pursuant to paragraph (X) of the "Priority of Payments—Interest Proceeds" or paragraph (P) of the "Priority of Payments—Principal Proceeds" will be released from the lien of the Indenture.

If the conditions in each of clauses (1) and (2) of any of paragraphs (I), (K), (N) or (Q) of "Priority of Payments—Interest Proceeds" or any of paragraphs (B), (E) or (H) of "Priority of Payments—Principal Proceeds" exist, in each case simultaneously, then available proceeds pursuant to such paragraphs shall be applied first, to the amounts owing under clause (2) of each such paragraph and second, to amounts owing under clause (1) of each such paragraph.

If the Secured Notes and the Preference Shares have not been redeemed prior to the Stated Maturity of the Secured Notes it is expected that the Issuer will sell all of the Collateral Debt Securities and all Eligible Investments standing to the credit of the Accounts (other than any Hedge Counterparty Collateral Account, any Synthetic Security Issuer Account, any Synthetic Security Counterparty Account and any Class A-1A Noteholder Prepayment Account) and sell or liquidate all other Collateral, and all net proceeds from such liquidation and all available cash will be applied to the payment (in the order of priorities set forth above) of all (i) fees, (ii) expenses (including the amounts due to any Hedge Counterparty), (iii) principal of and interest on (including Deferred Interest, Defaulted Interest and interest on Defaulted Interest, if any) and Commitment Fee on the Secured 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 payment to the Preference Shareholders of the aggregate liquidation preference of the Preference Shares, the return of

U.S.$1,000 of capital contributed to the Issuer by, and the payment of a U.S.$1,000 profit fee to, the owner of the Issuer's ordinary shares) will be distributed to the Preference Shareholders in accordance with the Issuer Charter.

THE OVERCOLLATERALIZATION TESTS

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

On and after the Ramp-Up Completion Date, the Class A/B Overcollateralization Test, the Class C Overcollateralization Test and the Class D Overcollateralization Test (collectively, the "Overcollateralization Tests") will be used primarily to determine whether and to what extent Interest Proceeds and Principal Proceeds may be used to pay interest on and dividends in respect of Offered Securities and certain other expenses and whether and to what extent Principal Proceeds may be reinvested in substitute Collateral Debt Securities. If the Class A/B Overcollateralization Test is not satisfied on the Determination Date related to any Distribution Date, Interest Proceeds that would otherwise be used to pay interest on the Class C Notes, the Class D Notes and the Class E Notes, to make a distribution to the Preference Shareholders and to pay certain other expenses must instead be used to pay principal of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes and *fourth*, the Class B Notes to the extent necessary to cause the Class A/B Overcollateralization Test to be satisfied. To the extent any Overcollateralization Test remains unsatisfied following such application of Interest Proceeds, Principal Proceeds will be used to pay principal of, *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes and *fourth*, the Class B Notes to the extent necessary to cause such Overcollateralization Test to be satisfied. See "—Priority of Payments". If the Class C Overcollateralization Test is not satisfied on the Determination Date related to any Distribution Date, Interest Proceeds that would otherwise be used to pay interest on the Class D Notes and the Class E Notes, to make a distribution to the Preference Shareholders and to pay certain other expenses must instead be used to pay principal of, *first*, the Class C Notes, *second*, the Class B Notes, *third*, the Class A-3 Notes, *fourth*, the Class A-2 Notes, and *fifth*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence) to the extent necessary to cause the Class C Overcollateralization Test to be satisfied. To the extent the Class C Overcollateralization Test remains unsatisfied following such application of Interest Proceeds, Principal Proceeds will be used to pay principal of *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes and *fifth*, the Class C Notes to the extent necessary to cause such Overcollateralization Test to be satisfied. See "—Priority of Payments". If the Class D Overcollateralization Test is not satisfied on the Determination Date related to any Distribution Date, Interest Proceeds that would otherwise be used to pay interest on the Class E Notes, to make a distribution to the Preference Shareholders and to pay certain other expenses must instead be used to pay principal of, *first*, the Class D Notes, *second*, the Class C Notes, *third*, the Class B Notes, *fourth*, the Class A-3 Notes, *fifth*, the Class A-2 Notes and *sixth*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence) to the extent necessary to cause the Class D Overcollateralization Test to be satisfied. To the extent the Class D Overcollateralization Test remains unsatisfied following such application of Interest Proceeds, Principal Proceeds will be used to pay principal of *first*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes, *fifth*, the Class C Notes and *sixth*, the Class D Notes to the extent necessary to cause the Class D Overcollateralization Test to be satisfied. See "—Priority of Payments". If the Class E Interest Diversion Test is not satisfied on the Determination Date related to any Distribution Date, certain Interest Proceeds that would otherwise be distributed to the holders of the Preference Shares will be used, prior to the payment of the principal in full of all outstanding Senior Classes of Secured Notes, to pay principal of the Class E Notes to the extent necessary to cause the Class E Interest Diversion Test to be satisfied. See "—Priority of Payments". For

the purpose of determining any payment to be made on any Distribution Date pursuant to any applicable paragraph of "Priority of Payments—Interest Proceeds", any Overcollateralization Test referred to in such paragraph shall be calculated as of the relevant Distribution Date after giving effect to all payments to be made on such Distribution Date prior to such payment in accordance with "Priority of Payments—Interest Proceeds".

For purposes of the Overcollateralization Tests, unless otherwise specified, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation. None of the Overcollateralization Tests will apply prior to the Ramp-Up Completion Date.

The Class A/B Overcollateralization Test, the Class C Overcollateralization Test and the Class D Overcollateralization Test

The "Class A/B Overcollateralization Ratio" is, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the sum of (i) the aggregate outstanding principal amount of the Class A-1 Notes plus (ii) the aggregate outstanding principal amount of the Class A-2 Notes plus (iii) the aggregate outstanding principal amount of Class A-3 Notes plus (iv) the aggregate outstanding principal amount of the Class B Notes.

The "Class A/B Overcollateralization Test", for so long as any Class A Notes or Class B Notes remain outstanding, will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class A/B Overcollateralization Ratio on such Measurement Date is equal to or greater than 106.36%.

The "Class C Overcollateralization Ratio" is, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the sum of (i) the aggregate outstanding principal amount of the Class A-1 Notes plus (ii) the aggregate outstanding principal amount of the Class A-2 Notes plus (iii) the aggregate outstanding principal amount of the Class A-3 Notes plus (iv) the aggregate outstanding principal amount of the Class B Notes plus (v) the aggregate outstanding principal amount of the Class C Notes.

The "Class C Overcollateralization Test", for so long as any Class C Notes remain outstanding, will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class C Overcollateralization Ratio on such Measurement Date is equal to or greater than 104.61%.

The "Class D Overcollateralization Ratio" is, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the sum of (i) the aggregate outstanding principal amount of the Class A-1 Notes plus (ii) the aggregate outstanding principal amount of the Class A-2 Notes plus (iii) the aggregate outstanding principal amount of the Class A-3 Notes plus (iv) the aggregate outstanding principal amount of the Class B Notes plus (v) the aggregate outstanding principal amount of the Class C Notes plus (vi) the aggregate outstanding principal amount of the Class D Notes.

The "Class D Overcollateralization Test", for so long as any Class D Notes remain outstanding, will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class D Overcollateralization Ratio on such Measurement Date is equal to or greater than 101.68%.

The Class E Interest Diversion Test

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

On and after the Ramp-Up Completion Date, the Class E Interest Diversion Test will be used primarily to determine whether and to what extent Interest Proceeds may be used to pay dividends in respect of the Preference Shares (including the Class P Preference Shares) and certain other expenses.

The "Class E Interest Diversion Ratio" is, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the sum of (i) the aggregate outstanding principal amount of the Class A-1 Notes plus (ii) the aggregate outstanding principal amount of the Class A-2 Notes plus (iii) the aggregate outstanding principal amount of the Class A-3 Notes plus (iv) the aggregate outstanding principal amount of the Class B Notes plus (v) the aggregate outstanding principal amount of the Class C Notes plus (vi) the aggregate outstanding principal amount of the Class D Notes plus (vii) the aggregate outstanding principal amount of the Class E Notes.

The "Class E Interest Diversion Test", for so long as any Class E Notes remain outstanding, will be satisfied on any Measurement Date occurring on or after the Ramp-Up Completion Date if the Class E Interest Diversion Ratio on such Measurement Date is equal to or greater than 100.88%.

If the Class E Interest Diversion Test is not satisfied on the Determination Date related to any Distribution Date on or after the Ramp-Up Completion Date, Interest Proceeds that would otherwise be used to make a distribution to the Preference Shareholders (including the holders of the Class P Preference Shares) and to pay certain other expenses and fees must instead be used to pay principal of the Class E Notes, to the extent necessary to cause the Class E Interest Diversion Test to be satisfied.

NO GROSS-UP

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

THE INDENTURE

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

Events of Default

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

(i) a default in the payment of any interest or Commitment Fee (if any) (a) on any Class A Note or Class B Note when the same becomes due and payable or (b) if there are no Class A Notes or Class B Notes outstanding (and the Commitment Period Termination Date has occurred), on any Class C Note when the same becomes due and payable or (c) if there are no Class A Notes, Class B Notes or Class C Notes outstanding (and the Commitment Period Termination Date has occurred), on any Class D Note when the same becomes due and payable or (d) if there are no Class A Notes, Class B Notes, Class C Notes or Class D Notes outstanding (and the Commitment Period Termination Date has occurred), on any Class E Note when the same becomes due and payable, in each case which default continues for a period of three Business Days (or, in the case of a payment default resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, five Business Days);

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

than the Preference Share Paying Agent) or the Note Registrar, such default continues for a period of five Business Days);

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

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

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

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

(vii) one or more final judgments being rendered against either of the Co-Issuers that exceed, in the aggregate, U.S.$1,000,000 and which remain unstayed, undischarged and unsatisfied for 30 days after such judgment(s) becomes nonappealable, unless adequate funds have been reserved or set aside for the payment thereof.

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 Secured Noteholders, the Collateral Manager, each Hedge 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) under "Events of Default" above), the Trustee (at the written direction of the holders of a majority in aggregate outstanding principal amount of the Controlling Class) and otherwise holders of a majority in aggregate outstanding principal amount of the Controlling Class, may (a) declare the principal of and accrued and unpaid interest and Commitment Fee on all of the Secured Notes to be immediately due and payable, (b) reduce the unfunded Commitments to zero and (c) terminate the Reinvestment Period or the Fixed Rate Reinvestment Period, as applicable. If an Event of Default described in clause (vi) above under "Events of Default" occurs, such an acceleration, reduction of Commitments and termination of the Reinvestment Period or the Fixed Rate Reinvestment Period, as applicable, will occur automatically and without any further action. For the avoidance of doubt, if the sole Event of Default is an Event of Default described in clause (i) or clause (ii) above under "Events of Default" with respect to a default in the payment of any principal of or interest on the Secured Notes of a Class other than the Controlling Class, neither the Trustee nor the holders of such Class other than the Controlling Class will have the right to declare such principal and other amounts to be immediately due and payable. Any declaration of acceleration may under certain circumstances be rescinded

by the holders of at least a majority in aggregate outstanding principal amount of Secured Notes of the Controlling Class.

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

(A) the Trustee determines that the anticipated net proceeds of a sale or liquidation of such Collateral would be sufficient to discharge in full the amounts then due and unpaid on the Secured Notes for principal and interest (including Deferred Interest and Defaulted Interest), certain due and unpaid administrative expenses, any accrued and unpaid Senior Management Fee and any accrued and unpaid amounts payable by the Issuer pursuant to each Hedge Agreement, including termination payments, if any (assuming, for this purpose, that the relevant Hedge Agreement has been terminated by reason of an event of default or termination with respect to the Issuer); or

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

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

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

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

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

No holder of a Secured Note will have the right to institute any proceeding with respect to the Indenture unless (i) such holder previously has given to the Trustee written notice of an Event of Default, (ii) except in certain cases of a default in the payment of principal or interest, the holders of at least 25% in aggregate

outstanding principal amount of the Secured Notes of the Controlling Class have made a written request upon the Trustee to institute such proceedings in its own name as Trustee and such holders have offered the Trustee reasonable indemnity, (iii) the Trustee has for 30 days failed to institute any such proceeding and (iv) no direction inconsistent with such written request has been given to the Trustee during such 30-day period by the holders of a majority in aggregate outstanding principal amount of the Secured Notes of the Controlling Class.

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

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

Notices

Notices to the Secured Noteholders will be given by overnight courier guaranteed next day delivery to the registered holders of the Secured Notes at their address appearing in the Note Register. In addition, for so long as any Secured Notes are listed on the Irish Stock Exchange and the rules of such exchange so require, notice will also be given to the Company Announcements Office of the Irish Stock Exchange.

Modification of the Indenture

With the consent of (x) the holders of not less than a majority in aggregate outstanding principal amount of the Notes of each Class materially and adversely affected thereby and a Majority-in-Interest of Preference Shareholders (if the Preference Shares are materially and adversely affected thereby) and (y) the consent of each Hedge Counterparty (to the extent required pursuant to the terms of the related Hedge 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 or the Preference Shares or each Hedge Counterparty, as the case may be, under the Indenture. Unless notified in writing by holders of a majority in aggregate outstanding principal amount of any Class of Notes or a Majority-in-Interest of Preference Shareholders that such Class of Notes or the Preference Shares, as the case may be, will be materially and adversely affected, the Trustee shall be entitled to rely on an opinion of counsel as to whether or not such Class of Notes would be materially and adversely affected or the Preference Shares would be materially and adversely affected by such change (after giving notice of such change to the holders of such Class of Notes and the Preference Shareholders). Such determination shall be conclusive and binding on all present and future holders of the Notes and Preference Shares.

Notwithstanding the foregoing, the Trustee may not enter into any supplemental indenture without the consent of each holder of each outstanding Note of each Class materially and adversely affected thereby and each Preference Shareholder (if the Preference Shareholders are materially and adversely affected thereby, which consent shall be evidenced by an officer's certificate of the Issuer certifying that such consent has been obtained) and each Hedge Counterparty (to the extent required pursuant to the terms of the related Hedge Agreement) if such supplemental indenture:

(i) changes the Stated Maturity of the principal of or the due date of any installment of interest or Commitment Fee on any Note, reduces the principal amount thereof or the rate of interest or rate of Commitment Fee thereon, or the Redemption Price with respect thereto, changes the earliest date on which the Issuer may redeem any Secured 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 Secured Notes, changes any place where, or the coin or currency in which, any Note or the principal thereof or interest or Commitment Fee thereon is payable, or impairs the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the applicable redemption date);

(ii) reduces the percentage in aggregate outstanding principal amount of Notes of each Class whose consent is required for the authorization of any supplemental indenture or for any waiver of compliance with certain provisions of the Indenture or certain defaults thereunder or their consequences;

(iii) impairs or adversely affects the Collateral pledged under the Indenture except as otherwise 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 sale thereof in accordance with the Indenture) or deprives the holder of any Note of the security afforded by the lien created by the Indenture;

(v) reduces the percentage of the aggregate outstanding principal amount of Secured Notes of each Class whose consent is required to request that the Trustee preserve the Collateral pledged under the Indenture or rescind the Trustee's election to preserve the Collateral or to sell or liquidate the Collateral pursuant to the Indenture;

(vi) modifies any of the provisions of the Indenture with respect to supplemental indentures requiring the consent of Noteholders except to increase the percentage of outstanding Notes whose holders' consent is required for any such action or to provide that other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby;

(vii) modifies the definition of the term "Outstanding" (as defined in the Indenture), the provisions relating to the application of cash or the subordination provisions of the Indenture;

(viii) changes the permitted minimum denominations of any Class of Notes; or

(ix) modifies any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of interest or Commitment Fee on or principal of any Note or the right of the holders of Secured Notes to the benefit of any provisions for the redemption of such Secured Notes contained therein.

The Trustee may not enter into any supplemental indenture unless the Rating Condition shall have been satisfied with respect to such supplemental indenture.

The Co-Issuers and the Trustee may also enter into supplemental indentures without obtaining the consent of holders of any Notes, the Preference Shareholders or each Hedge Counterparty (except to the extent required pursuant to the terms of the related Hedge Agreement) in order to:

(i) evidence the succession of any person to the Issuer or the Co-Issuer and the assumption by such successor of the covenants in the Indenture and the Notes;

(ii) add to the covenants of the 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 to reflect any changes in applicable law or regulation (or the interpretation thereof) or in accordance with the USA PATRIOT Act, the Proceeds of Criminal Conduct Law (2005 Revision) (enacted in the Cayman Islands), The Money Laundering Regulations, (2005 Revision) of the Cayman Islands and any other similar applicable laws or regulations or to enable the Co-Issuers to rely upon any less restrictive exemption from registration under the Securities Act or the Investment Company Act or to remove restrictions on resale and transfer to the extent not required thereunder;

(vii) correct any inconsistency, defect or ambiguity in the Indenture;

(viii) obtain ratings on one or more Classes of Notes from any rating agency;

(ix) make administrative changes as the Co-Issuers deem appropriate and that do not materially and adversely affect the interests of any Noteholder, any Preference Shareholder or any Hedge Counterparty;

(x) avoid imposition of tax on the net income of the Issuer or of withholding tax on any payment to or by the Issuer or Co-Issuer or to avoid the Issuer or the Co-Issuer being required to register as an investment company under the Investment Company Act;

(xi) accommodate (a) the issuance of Preference Shares to be held through the facilities of DTC, Euroclear or Clearstream, Luxembourg or otherwise, (b) the listing of the Offered Securities on, or the delisting of the Offered Securities from, any exchange, (c) the issuance of additional Preference Shares, (d) the refinancing of the Preference Shares through the issuance by the Issuer of unsecured debt securities that by their terms are subordinated in all respects to the Preference Shares or (e) the issuance of any Class of Notes as Definitive Notes;

(xii) correct any non-material error in any provision of the Indenture upon receipt by an authorized officer of the Trustee of written direction from the Issuer describing in reasonable detail such error and the modification necessary to correct such error;

(xiii) conform the Indenture to the Offering Circular; or

(xiv) amend or otherwise to modify (a) if the Rating Condition with respect to Moody's is satisfied, (1) the matrix attached as Part I of Schedule A hereto, (2) the Moody's Minimum Weighted Average Recovery Rate Test, the Moody's Maximum Rating Distribution Test or the Asset Correlation Test or (3) any reference herein to "Moody's Rating" or a rating assigned by Moody's or (b) if the Rating Condition with respect to Standard & Poor's is satisfied, the matrix attached as Part II of Schedule A hereto or any reference herein to "Standard & Poor's Rating" or a rating assigned by Standard & Poor's;

provided that, in each such case, such supplemental indenture (other than for the purpose described in subclause (b) of clause (xi) above) would not materially and adversely affect any holder of Notes or any Preference Shareholders or materially and adversely affect any Hedge Counterparty. Unless notified by (i) holders of a majority in aggregate outstanding principal amount of Notes of any Class or by a Majority-in-Interest of Preference Shareholders that such Class or the Preference Shareholders will be materially and adversely affected or (ii) any Hedge Counterparty if such Hedge Counterparty will be materially and adversely affected, the Trustee may rely upon an opinion of counsel, provided by and at the expense of the party requesting such supplemental indenture, as to whether the interests of any holder of Notes or Preference Shareholder would be materially and adversely affected or such Hedge Counterparty would be materially and

adversely affected by any such supplemental indenture (after giving notice of such change to each holder of Notes, Preference Shareholder and each Hedge Counterparty). The Trustee shall not, except with respect to any such supplemental indenture entered into solely for the purpose set forth in subclause (xi) above, enter into any such supplemental indenture if, with respect to such supplemental indenture, the Rating Condition with respect to Standard & Poor's with respect to such supplemental indenture has not been satisfied; *provided* that if such supplemental indenture changes the terms of or replaces such Hedge Agreement, the Rating Condition with respect to Moody's must also have been satisfied and, as soon as practicable after the execution by the Trustee and the Issuer of any such supplemental indenture, the Trustee must provide to each Rating Agency a copy of the executed supplemental indenture. Notwithstanding the foregoing, the Trustee may, with the consent of the holders of 100% of the aggregate outstanding amount of Notes of each Class and each Hedge Counterparty, enter into any such supplemental indenture notwithstanding any such reduction or withdrawal of the ratings of any outstanding Class of Notes. If any of the Secured Notes are then listed on the Irish Stock Exchange, the Trustee will cause notice of any supplemental indenture or modification to the Indenture to be delivered by the Irish Paying Agent to the Company Announcements Office of the Irish Stock Exchange. The prior written consent of the Collateral Manager shall be required, and the Collateral Manager will not be bound unless the Collateral Manager has provided such written consent, with respect to any supplemental indenture that modifies the rights or the obligations of the Collateral Manager in any respect, affects the manner in which the Collateral Manager selects or manages the portfolio of Collateral Debt Securities or would permit the Issuer to issue securities other than the Offered Securities.

Notwithstanding anything contained in the Indenture to the contrary and for as long as the initial beneficial owner of the Class A-2 Notes on the Closing Date (as advised by the Initial Purchaser to the Issuer and the Trustee) continues to own such Class A-2 Notes, no additions to, or other modification of, the definition of "Specified Type" shall be made without the written consent of such beneficial owner of the Class A-2 Notes.

Modification of Certain Other Documents

Prior to entering into any amendment, modification, waiver or termination of the Account Control Agreement, the Collateral Management Agreement, the Collateral Administration Agreement, the Class A-1A Note Funding Agreement, the Administration Agreement or any Hedge Agreement, the Issuer is required under the Indenture to give five Business Days prior written notice thereof to the Holders of the Offered Securities and obtain the written confirmation of each Rating Agency that the entry by the Issuer into such amendment, modification or termination satisfies the Rating Condition; *provided* that (a) any amendment to, modification or termination of any Hedge Agreement shall have been consented to by the relevant Hedge Counterparty, (b) the Issuer and the relevant Hedge Counterparty may from time to time enter into (1)(x) additional interest rate swap transactions under the Interest Rate Hedge Agreement, in connection with additional Borrowings under the Class A-1A Notes (y) additional interest rate swap, basis swap, and/or cap transactions under the Interest Rate Hedge Agreement, and/or (2) reduce the notional amount of the interest rate swap transactions or terminate any transaction under the Interest Rate Hedge Agreement, or (3) enter into or terminate Asset Hedge Agreements so long as, in each case, such action by the Issuer satisfies the Rating Condition and (c) the prior written consent of the Collateral Manager shall be required with respect to any amendment, modification or termination of any such transaction document that modifies the rights or the obligations of the Collateral Manager in any respect, affects the manner in which the Collateral Manager selects or manages the portfolio of Collateral Debt Securities or would permit the Issuer to issue securities other than the Offered Securities. Prior to entering into any amendment or waiver in respect of any of the foregoing transaction documents, the Issuer is required to provide each Rating Agency, each Hedge Counterparty, the Collateral Manager and the Trustee with written notice of such amendment or waiver. Each Hedge Counterparty will be an express third party beneficiary of the Indenture. If the Issuer enters into or acquires a Synthetic Security after the Closing Date having an associated "pay as you go" credit default swap using a confirmation form materially different from the confirmation form used in respect of the Synthetic Securities acquired on the Closing Date, the Issuer shall give the Holders of Notes and Preference Shares 5 Business Days prior notice thereof.

Consolidation, Merger or Transfer of Assets

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

Petitions for Bankruptcy

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

Satisfaction and Discharge of Indenture

The Indenture will be discharged with respect to the Collateral upon delivery to the Trustee for cancellation of all of the Secured Notes, or, subject to certain limitations, upon deposit with the Trustee of funds sufficient for the payment or redemption of the Secured Notes and the payment by the Co-Issuers of all other amounts due under the Secured Notes, the Indenture, each Hedge Agreement, the Class A-1A Note Funding Agreement, the Preference Share Paying Agency Agreement, the Collateral Administration Agreement, the Administration Agreement and the Collateral Management Agreement and, if at least three years has passed since the termination of any Synthetic Security for which the Reference Obligation was a CDO Security, and at least one year has passed since the termination of any Synthetic Security for which the Reference Obligation was not a CDO Security, under which, in each case, the Issuer may be entitled to receive a reimbursement payment from the related Synthetic Security Counterparty in accordance with such Synthetic Security, unless the principal amount and accrued interest on the Secured Notes has been paid in full and the Preference Shares have been redeemed.

Trustee

Investors Bank & Trust Company will be the Trustee under the Indenture. The Co-Issuers and their respective affiliates may maintain other banking relationships in the ordinary course of business with the Trustee. The payment of the fees and expenses of the Trustee is solely the obligation of the Co-Issuers. The Trustee and its affiliates may receive compensation in connection with the investment of trust assets in certain Eligible Investments as provided in the Indenture. Eligible Investments may include investments for which the Trustee and/or its affiliates provide services. The Indenture contains provisions for the indemnification of the Trustee for any loss, liability or expense incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture. Pursuant to the Indenture, the Issuer has granted to the Trustee a lien senior to that of the Secured Noteholders to secure payment by the Issuer of the compensation and expenses of the Trustee and any sums the Trustee may be entitled to receive as indemnification by the Issuer under the Indenture (subject to the dollar limitations set forth in the Priority of Payments with respect to any Distribution Date), which lien the Trustee is entitled to exercise only under certain circumstances. In the Indenture, the Trustee will agree not to cause the filing of a petition for winding up or a petition in bankruptcy against the Co-Issuers for nonpayment to the Trustee of amounts payable thereunder until at least one year and one day, or if longer, the applicable preference period then in effect, after the payment in full of all of the Secured Notes. Pursuant to the Indenture, the Trustee may resign at any time by providing 30 days' notice and the Trustee may be removed at any time by holders of at least 66-2/3% of the aggregate outstanding amount of Secured Notes or at any time when an Event of Default shall have occurred and be continuing by holders of at least 66-2/3% of the aggregate outstanding amount of Secured Notes of the Controlling Class. However, no resignation or removal of the Trustee will become effective until the acceptance of appointment by a successor Trustee pursuant to the terms of the Indenture. If the Trustee shall resign or be removed, the Trustee shall also resign as Paying Agent, Calculation Agent, Note Registrar and any other capacity in which the Trustee is then acting pursuant to the Indenture.

Tax Characterization

The Issuer intends to treat the Secured Notes as debt instruments of the Issuer and not of the Co-Issuer for U.S. Federal, state and local income tax purposes. The Indenture will provide that each holder, by accepting a Secured Note, agrees to such treatment, to report all income (or loss) in accordance with such treatment and not to take any action inconsistent with such treatment, except as otherwise required by any relevant taxing authority. However, holders of Secured Notes that reasonably could be recharacterized as equity in the Issuer are permitted to make protective QEF elections (with respect to Section 1293 of the Code) and protective information returns with respect to Sections 6038, 6038B and 6046 of the Code.

Governing Law

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

DESCRIPTION OF THE CLASS P NOTES

OVERVIEW

The Issuer will issue the Class P Notes due 2047 (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: (a) a principal-only security described below and (b) certain Preference Shares allocable to and represented by the Class P Notes.

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

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

Except as otherwise described in this section of the Offering Circular, the terms and conditions of the Class P Notes (including amounts due and payable thereunder) will be (a) with respect to the Class P Preference Shares, the terms and conditions of the Preference Shares and (b) with respect to the Class P Strip, the terms and conditions thereof. The Class P 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".

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.$20,000,000 upon maturity of the bond on August 15, 2021 and bearing CUSIP number "912803AX1" (the "Class P Strip") and (2) 10,256 Preference Shares with an aggregate liquidation preference of U.S.$10,256,000 (the "Class P Preference Shares" and, together with the Class P Strip, the "Class P Beneficial Assets").

USE OF PROCEEDS

The Issuer will use the proceeds of the issuance of the Class P Notes to purchase the Class P Strip and will apply the relevant portion of such proceeds in payment of the subscription amounts due in respect of the Class P Preference Shares.

RATING

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

RISK FACTORS

General

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

Transfer of Components

The Class P Beneficial Assets are not separately transferable. See "—Exchange of Class P Notes for Class P 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.$20,000,000, 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 (except to the extent of the Class P Preference Shares, which are not secured) are limited recourse obligations of the Issuer, payable solely from the Class P Strip and, in respect of the portion of the Class P Notes constituted by Preference Shares, the entitlement of the Class P Noteholder is subject to the terms applicable to the Preference Shares generally. Following the redemption of the Preference Shares and the final realization of the Class P Strip, any claims and entitlements of the Class P Noteholders shall be extinguished. 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 (except to the extent of the Class P Preference Shares, which are not secured) will be secured solely to the extent of the Class P 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 Strip and distributions in respect of the relevant Class P Preference Shares, if, and to the extent, funds are available for such purposes as described below under "—Payments". The Class P Strip does not pay interest but entitles the holders thereof to principal payments in the principal amount of such Class P Strip upon the stated maturity thereof.

AGGREGATE INITIAL PRINCIPAL AMOUNT AND CLASS P STATED MATURITY

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

Designation	Aggregate Initial Principal Amount	Face Amount, maturity and CUSIP Number of Class P Strip	Preference Shares represented by each Class P Note	Class P Stated Maturity
Class P Notes	U.S.$20,000,000	U.S.$20,000,000 maturing August 15, 2021 CUSIP No: 912803AX1	10,256 Preference Shares	January, 2047

The aggregate initial principal amount of the Class P Notes is equal to the face amount of the Class P Strip represented by the Class P Notes. On each Distribution Date, the aggregate principal amount of a Class P Note may be reduced at the option of the Class P Noteholder by the partial redemption of the applicable Class P 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 Class P Preference Shares, an allocable portion of such payments shall be distributed to the Class P Noteholders. All payments will be allocated to the Class P Notes in the proportion that the number of Preference Shares represented by the Class P Preference Shares bears to the total number of Preference Shares, including the Class P Preference Shares (such ratio, expressed as a percentage, the "Class P Preference Shares Percentage"). The Class P Preference Shares Percentage of the payment on the Preference Shares will be allocated to the holders of such Class P Notes in accordance with their respective Pro Rata Shares. In addition, on each Distribution Date on which any distribution is made from the Class P Reserve Account, such distribution shall be made to the Class P Noteholders in accordance with their respective Pro Rata Shares in respect of all of the Class P Notes. On each Distribution Date on which any portion of the Class P Strip is sold as described under "—Redemption of Class P Notes", the proceeds of each such sale shall be paid to the Class P Noteholder directing such sale. After the aggregate principal amount of any Class P Note is reduced to zero, the holder of such Class P Note will continue to be entitled to receive distributions in respect of such Class P Note in accordance with its Pro Rata Share.

"Pro Rata Share" means, in respect of a holder of Class P Notes, a percentage equal to (x) the aggregate initial principal amount of such holder's Class P Notes divided by (y) the aggregate initial principal amount of all of the Class P Notes.

REDEMPTION OF CLASS P NOTES

Each Class P Note shall be redeemed upon the later of the redemption of the Preference Shares and the final liquidation or distribution "in kind" of its Pro Rata Share of the Class P 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 Class P Strip in an amount equal to the applicable Liquidation Percentage. If a sale of such Liquidation Percentage would not satisfy the minimum denomination requirement for transfers of such Class P Strip, the Trustee shall not sell any portion of such Class P 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 Notes on the date of deposit. Notwithstanding anything in the Indenture to the contrary, the Trustee shall not sell any portion of the Class P Strip if, after giving effect to such sale and distribution of the proceeds thereof to the holders of the relevant Class P Notes, the face amount of the remaining Class P Strip would be less than the Class P Note Rated Balance.

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 Class P 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 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 Strip (or such lesser percentage as will satisfy the minimum denomination requirements for such Class P 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 positive excess, if any, of (a) the amount of distributions to be made in respect of the Class P Preference Shares represented by such Class P Note 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 over (b) the Class P Coupon Amount in respect of such Class P Note for such Distribution Date plus (2) the amount of any distributions made in respect of such Class P Notes on any prior Distribution Dates in respect of which no redemption of the related Class P 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.

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

"Class P Coupon Amount" means, with respect to any Distribution Date and Class P Note, an amount equal to the aggregate amount of interest that would have accrued at a rate equal to 6.5% per annum (calculated on the basis of a 360 day year of twelve 30 day months) during the Interest Period ending

immediately prior to such Distribution Date, on the Class P Note Rated Balance with respect to such Class P Note on such Distribution Date.

The "Class P Note Rated Balance" means, with respect to a Class P Note, an amount equal to (a) on the Closing Date, the initial principal amount of such Class P Note and (b) on any Distribution Date, the Class P Note Rated Balance with respect to such Class P Note on the immediately preceding Distribution Date (or, with respect to the first Distribution Date, on the Closing Date) minus the amount of all cash distributions in respect of the Class P Strip distributed to the holders of such Class P Note on such current Distribution Date plus (if a negative number) or minus (if a positive number) the Class P Preference Share Excess Amount in respect of such Class P Note on such current Distribution Date.

The "Class P Preference Share Excess Amount" means, with respect to any Distribution Date and a Class P Note, an amount (which may be a positive or negative number) equal to (a) all cash distributions in respect of the Class P Preference Shares underlying such Class P Note distributed to the holders of such Class P Note on the current Distribution Date minus (b) the Class P Coupon Amount with respect to such Class P Note for the current Distribution Date.

If the Trustee retains any portion of the Class P Strip after the Distribution Date on which the aggregate distributions made on the Class P Notes first equals or exceeds the aggregate initial principal amount of the related Class P Notes, the Trustee will, not later than such Distribution Date, notify each holder of such Class P Notes who has an interest in such remaining portion of such Class P Strip that it holds such interest and shall, upon the written direction of such Class P Noteholder, deliver such duly completed documentation as is necessary to effect a transfer of the appropriate portion of such Class P 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 Class P Strip "in kind" and such holder has not appointed a nominee permitted to hold such remaining portion of the Class P 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 the Class P Strip or (z) the Class P Strip cannot (due to the minimum denomination and integral multiple requirements applicable to transfers of the Class P Strip) be distributed to the relevant Class P Noteholders "in kind", the Trustee shall sell the remaining portion of the Class P 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 Class P Strip. The date of any distribution of a portion of the Class P Strip "in kind" or the proceeds of the liquidation of the portion of the Class P Strip shall constitute a redemption date with respect to the applicable Class P Notes.

CLASS P RESERVE ACCOUNT

On or prior to the Closing Date, Investors Bank & Trust Company 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 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.$250,000,000.

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.

EXCHANGE OF CLASS P NOTES FOR CLASS P 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 such Class P Notes for its ratable share of the Class P Preference Shares and the Class P Strip represented by such Class P Note, *provided* that the aggregate principal amount of Class P Notes so exchanged may not be less than the minimum denomination applicable to the Class P Notes. Upon an exchange in accordance with these requirements, a Class P Noteholder shall receive its ratable share of (1) the Preference Shares represented by such Class P Noteholder's Class P Notes and (2) the Class P Strip represented by such Class P Note.

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

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

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

PAYING AGENTS

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

NOTICES

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

GOVERNING LAW

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

No Gross-Up

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

INVESTOR APPLICATION FORMS

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

LISTING

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

DESCRIPTION OF THE PREFERENCE SHARES

The Preference Shares will be issued pursuant to the Memorandum and Articles of Association of the Issuer (the "Issuer Charter") and in accordance with a Preference Share Paying Agency Agreement (the "Preference Share Paying Agency Agreement") between Investors Bank & Trust Company, as Preference Share paying agent (in such capacity, the "Preference Share Paying Agent"), Walkers SPV Limited, as Preference Share registrar (in such capacity, the "Preference Share Registrar"), and the Issuer and will be subscribed to in accordance with the terms of the Investor Application Forms for Preference Shares. The following summary describes certain provisions of the Preference Shares, the Issuer Charter, the Preference Share Paying Agency Agreement and the Investor Application Forms. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Issuer Charter, the Preference Share Paying Agency Agreement and the Investor Application Forms for Preference Shares. Copies of the Issuer Charter, the Preference Share Paying Agency Agreement and the form of Investor Application Form for Preference Shares may be obtained by prospective investors upon request in writing to the Preference Share Paying Agent at Investors Bank & Trust Company, 200 Clarendon Street, Mail Code: EUC108, Boston, MA 02116.

STATUS

The Issuer is authorized to issue 15,420 Preference Shares, par value U.S.$0.01 per share, at an issue price of U.S.$1,000 per share, having a liquidation preference of U.S.$1,000 per share. The Preference Shares are participating shares in the capital of the Issuer and will rank *pari passu* with respect to distributions.

DISTRIBUTIONS

On each Distribution Date, to the extent funds are available therefor, Interest Proceeds will be released from the lien of the Indenture for payment to the Preference Share Paying Agent only after the payment of interest on the Secured Notes and, in certain circumstances, principal due in respect of the Secured Notes and the payment of certain other amounts in accordance with the Priority of Payments.

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

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

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

certificate representing such Preference Shares at the office of the Preference Share Registrar or at the New York office of the Preference Share Paying Agent.

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

If any of the Overcollateralization Tests is not satisfied on the Determination Date related to any Distribution Date, Interest Proceeds that would otherwise be distributed to Preference Shareholders on the related Distribution Date (subject to the payment of certain other amounts prior thereto) will be used instead to repay principal of the Secured Notes, to the extent and as described herein. If the Class E Interest Diversion Test is not satisfied on the Determination Date related to any Distribution Date, Interest Proceeds that would otherwise be distributed to Preference Shareholders on the related Distribution Date (subject to the payment of certain other amounts prior thereto) will be used instead to repay principal of the Class E Notes to the extent and as described herein.

If the Issuer is unable to obtain a Rating Confirmation from each Rating Agency by the first Determination Date following the Rating Confirmation Failure, funds that would otherwise be distributed to the Preference Shareholders (subject to the payment of certain other amounts prior thereto) will be used to redeem the Secured Notes to the extent necessary (after the application of Uninvested Proceeds for such purpose) to obtain a Written Confirmation from each Rating Agency. See "Description of the Secured Notes—Priority of Payments".

OPTIONAL REDEMPTION OF THE PREFERENCE SHARES

On any Distribution Date on or after the Distribution Date on which the Secured Notes have been paid in full, the Preference Shares may be redeemed (in whole but not in part) at the direction of a Majority-in-Interest of Preference Shareholders given not less than 45 days prior to such Distribution Date at a redemption price per share equal to (x) the proceeds from the liquidation of the assets of the Issuer minus the costs and expenses of such liquidation minus all accrued and unpaid liabilities of the Issuer (including without limitation accrued but unpaid Senior Management Fee, Subordinate Management Fee and Incentive Management Fee) minus the amount required to establish adequate reserves to meet all contingent, unliquidated liabilities or obligations of the Issuer minus a payment to the holders of the ordinary shares of the Issuer an amount equal to U.S.$1.00 per share divided by (y) the number of Preference Shares.

CLASS P PREFERENCE SHARES

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

THE ISSUER CHARTER

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

Notices

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

Voting Rights

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

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

The Hedge Agreements: Subject to satisfaction of the Rating Condition with respect to such reduction, the Issuer at the direction of the Collateral Manager may, on any Distribution Date, reduce the notional amount of any interest rate swap outstanding under the Interest Rate Hedge Agreement upon written notice to the Preference Shareholders, *provided* that a Majority-in-Interest of Preference Shareholders does not object to such reduction within five Business Days after receipt of such notice. In the event of any such reduction, the relevant Hedge Counterparty or the Issuer may be required to make a termination payment in respect of such reduction to the other party.

The Indenture: The holders of the requisite percentage of Preference Shares are entitled to provide their consent to certain modifications of the Indenture. See "Description of the Secured Notes—The Indenture—Modification of 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 all of the Preference Shareholders if such amendment would (i) reduce in any manner the amount of, or delay the timing of, or change the allocation of, the payment of any dividends or final distributions on the Preference Shares or (ii) reduce the voting percentage of Preference Shareholders required to consent to any amendment to the Preference Share Paying Agency Agreement that requires the consent the Preference Shareholders.

Modification of the Issuer Charter

As a general matter of Cayman Islands law, the Issuer Charter may be amended at any time by a resolution passed by Walkers SPV Limited, subject to obtaining the approval of at least a Special-Majority-in-Interest of Preference Shareholders. Any amendment of the Issuer Charter not in accordance with the provisions of the Indenture will constitute an Event of Default under the Indenture.

Dissolution; Liquidating Distributions

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

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

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

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

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

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

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

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

Consolidation, Merger or Transfer of Assets

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

PETITIONS FOR BANKRUPTCY

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

GOVERNING LAW

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

NO GROSS-UP

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

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 holder, 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.

FORM, DENOMINATION, REGISTRATION AND TRANSFER

FORM OF OFFERED SECURITIES

Regulation S Global Notes. Secured 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 Secured 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. Class P 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 Class P Note" and, together with the Regulation S Global Secured Notes, the "Regulation S Global Notes") in definitive, fully registered form, without interest coupons, and deposited with the Trustee as custodian for, and registered in the name of, DTC or its nominee. By acquisition of a beneficial interest in a Regulation S Global Note, any purchaser thereof will be deemed to represent and warrant that (a) it is not a U.S. Person and is purchasing such beneficial interest for its own account and not for the account or benefit of a U.S. Person and (b) if in the future it decides to transfer such beneficial interest, it will transfer such interest only to a person that is not a U.S. Person in an offshore transaction in accordance with Regulation S or to a person who takes delivery in the form of a Restricted Secured Note (or beneficial interest therein).

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

Restricted Definitive Class P Notes. Class P Notes that are sold or transferred to a U.S. Person or in the United States in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof will be represented by certificates ("Restricted Definitive Class P Notes" and together with the Restricted Secured Notes, the "Restricted Notes") in definitive, fully registered form, registered in the name of the legal and beneficial owner thereof.

Regulation S Preference Shares. Preference Shares that are sold or transferred outside the United States to persons that are not U.S. Persons ("Regulation S Preference Shares") will be represented by either (i) one or more permanent global Preference Share certificates (each a "Regulation S Global Preference Share" and, collectively with the Regulation S Global Notes, the "Regulation S Global Securities"; the Regulation S Global Securities and Restricted Global Secured Notes are collectively referred to as the "Global Securities") or (ii) Preference Share certificates in definitive, fully registered form, registered in the name of the legal and beneficial owner thereof ("Regulation S Definitive Preference Shares"). By acquisition of a Regulation S Preference Share, any purchaser thereof will be required to represent and warrant in a transfer certificate (in the case of the Regulation S Definitive Preference Shares) or be deemed to represent and warrant (in the case of the Regulation S Global Preference Shares) that (a) it is not a U.S. Person and is purchasing such Regulation S Preference Share for its own account and not for the account or benefit of a U.S. Person and (b) if in the future it decides to transfer such Regulation S Preference Share, it will transfer such Regulation S Preference Share to a person that is not a U.S. Person only in an offshore transaction in accordance with Regulation S or to a person who takes delivery in the form of a Restricted Definitive Preference Share.

Restricted Definitive Preference Shares. Preference Shares that are sold or transferred to a U.S. Person or in the United States in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof will be represented by certificates ("Restricted Definitive Preference Shares"; the Restricted Definitive Preference Shares and Regulation S Definitive Preference Shares are collectively referred to as the "Definitive Preference Shares") 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 Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream International ("Clearstream"). Transfers between members of, or participants in, DTC (each a "Participant") will be effected in the ordinary way in accordance with the Applicable Procedures and will be settled in immediately available funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures. See "Clearing Systems".

Transfer of Global Securities to Definitive Securities. Owners of beneficial interests in Global Securities will be entitled or required, as the case may be, under certain limited circumstances described under "Clearing Systems—Transfers and Exchanges for Definitive Securities", to receive physical delivery of Definitive Preference Shares or certificated Notes ("Definitive Notes"; the Definitive Notes and Definitive Preference Shares are collectively referred to as the "Definitive Securities"), in each case, in definitive, fully registered form. Definitive Notes issued to persons that are not U.S. Persons and that are not held for the account or benefit of U.S. Persons are referred to herein as "Regulation S Definitive Notes" and Regulations S Definitive Notes and Regulation S Definitive Preference Shares are referred to herein as "Regulation S Definitive Securities". Definitive Notes issued to U.S. Persons or in the United States in reliance upon an exemption from the registration requirements of the Securities Act are referred to herein as "Restricted Definitive Notes" and Restricted Definitive Notes and Restricted Definitive Preference Shares are referred to herein as "Restricted Definitive Securities". Restricted Definitive Securities and Restricted Notes are herein referred to as "Restricted Securities". Regulation S Definitive Securities and Regulation S Global Securities are herein referred to as "Regulation S Securities". No owner of a beneficial interest in a Regulation S Global Security will be entitled to receive a Regulation S Definitive Security unless such person provides written certification that such Regulation S Definitive Security is beneficially owned by a person that is not a U.S. Person and is not held for the account or benefit of a U.S. Person. No owner of a beneficial interest in a Restricted Global Secured Note will be entitled to receive a Restricted Definitive Note unless such person provides written certification that such Restricted Definitive Note is beneficially owned by a U.S. Person or in the United States in reliance upon an exemption from the registration requirements of the Securities Act.

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

TRANSFER AND EXCHANGE OF NOTES

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

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

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

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

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

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

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

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

Restricted Definitive Class P Note to Regulation S Global Class P Note. Transfers by a holder of a beneficial interest in 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 Note Registrar of written certification from each of the transferor and the transferee in the form provided in the Indenture to the effect that, among other things, such transfer is being made to a person that is not a U.S. Person and that is not acquiring such beneficial interest for the account or benefit of a U.S. Person and that such transfer is being effected in an offshore transaction in accordance with Regulation S and in accordance with all other applicable securities laws of any relevant jurisdiction.

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

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

(i) to a transferee that (A) is both (1) a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from

the registration requirements of the Securities Act provided by Rule 144A and (2) a Qualified Purchaser and (B) is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle); and

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

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

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

Class A-1A Note Funding Agreement. In addition to the transfer restrictions set forth above, during the Commitment Period, transfers of the Class A-1A Notes will be subject to the transfer restrictions set forth in the Class A-1A Note Funding Agreement.

TRANSFER AND EXCHANGE OF PREFERENCE SHARES

Regulation S Global Preference Share or Regulation S Definitive Preference Share to Restricted Definitive Preference Share. Transfers by a holder of a beneficial interest in a Regulation S Global Preference Share or a Regulation S Definitive Preference Share to a transferee who takes delivery of a Restricted Definitive 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 Definitive 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 a Controlling Person; and

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

Regulation S Global Preference Share to Regulation S Global Preference Share. The holder of a beneficial interest in a Regulation S Global Preference Share may transfer such interest to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Preference Share. Any such transfer may only be made to a person that is not a U.S. Person and that is not acquiring such beneficial interest for the account or benefit of a U.S. Person and any such transfer may only be effected in an offshore transaction in accordance with Regulation S and only in accordance with the Applicable Procedures.

Any such transferee must be able to make the representations set forth under "Transfer Restrictions", including the representation that it is not a Benefit Plan Investor or a Controlling Person, and will be obligated to deliver a letter to such effect in the form attached to the Preference Share Paying Agency Agreement.

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

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

Definitive Preference Shares issued upon any exchange or registration of transfer of securities shall represent the same interests, and be entitled to the same benefits, as the Definitive Preference Shares surrendered upon exchange or registration of transfer.

GENERAL

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

Preference Share Registrar and Transfer Agent. Investors Bank & Trust Company has been appointed as transfer agent with respect to the Preference Shares (the "Preference Share Transfer Agent"). The Administrator has been appointed as the Preference Share Registrar (the "Preference Share Registrar"). The Preference Share Registrar will provide for the registration of Preference Shares and the registration of transfers of Preference Shares in the register maintained by it (the "Preference Share Register"). Written instruments of transfer are available at the office of the Issuer and the office of the Preference Share Transfer Agent. The Preference Share Registrar and the Preference Share Transfer Agent will effect exchanges and transfers of Preference Shares. In addition, the Preference Share Registrar will maintain in the Preference Share Register records of the ownership, exchange and transfer of the Preference Shares in definitive form. Transfers of beneficial interests in Regulation S Global Preference Shares will be effected in accordance with the Applicable Procedures.

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

Minimum Denomination or Number. The Secured Notes and the Class P Notes will be issuable in minimum denominations of U.S.$250,000 and will be offered only in such minimum denomination or an integral multiple of U.S.$1,000 in excess thereof. After issuance, (i) a Secured Note may fail to be in compliance with the minimum denomination and integral multiple requirements stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments and (ii) Class C Notes, Class D Notes and Class E Notes may fail to be in an amount which is an integral multiple of U.S.$1,000 due to the addition to the principal amount thereof of Class C Deferred Interest, Class D Deferred Interest or Class E Deferred Interest, respectively. Preference Shares will be issuable in minimum lots of 250 Preference Shares and increments of one Preference Share in excess thereof. Preference Shares may not be transferred if, after giving effect to such transfer, the transferee (or, if the transferor retains any Preference Shares, the transferor) would own fewer than 250 Preference Shares.

ERISA Restrictions on Transfers of Class E Notes, Class P Notes and Preference Shares. No Class E Note or Class P Note may be acquired by a Benefit Plan Investor. Each Original Purchaser and each subsequent transferee of a Class E Note and a Class P Note will be required to certify or in certain circumstances be deemed to represent and warrant that it is not a Benefit Plan Investor (as defined herein). The Indenture permits the Issuer to require that any person acquiring a Class E Note or Class P Note (or a beneficial interest therein) who is determined to be a Benefit Plan Investor sell such Class E Note or Class P Note, as applicable (or beneficial interest therein) to a person who is not a Benefit Plan Investor and who meets all other applicable transfer restrictions and, if such holder does not comply with such demand within 14 days thereof, the Issuer may sell such holder's interest in such Class E Note or Class P Note.

No Preference Share may be acquired by a Benefit Plan Investor or a Controlling Person by an Original Purchaser of the Preference Shares if, immediately after such acquisition, 25% or more of the aggregate value of the Preference Shares would be held by Benefit Plan Investors, disregarding Preference Shares held by Controlling Persons. No Restricted Definitive Preference Share may be transferred to a Benefit Plan Investor or a Controlling Person after the Closing Date if, immediately after such transfer 25% or more of the aggregate value of the Preference Shares would be held by Benefit Plan Investors, disregarding Preference Shares held by Controlling Persons, and assuming that the aggregate value of the Regulation S Preference Shares acquired by Benefit Plan Investors and the aggregate value of the Regulation S Preference Shares acquired by Controlling Persons in the initial placement of the Preference Shares are equal to the aggregate value of the Regulation S Preference Shares held by Benefit Plan Investors and the aggregate value of the Regulation S Preference Shares held by Controlling Persons on the date of such transfer. No Preference Share (and no beneficial interest therein) may be transferred to a person acquiring an interest in a Regulation S Preference Share that is a Benefit Plan Investor or a Controlling Person after the Closing Date. The Preference Share Documents permit the Issuer to require that (1) any person acquiring a Regulation S Preference Share (or a beneficial interest therein), after the initial placement of the Preference Shares who is determined to be a Benefit Plan Investor or a Controlling Person or (2) any person acquiring a Preference Share (or a beneficial interest therein) that represented it was not a Benefit Plan Investor or a Controlling Person (or was deemed to have so represented) but is determined to be a Benefit Plan Investor or a Controlling Person or (3) any person acquiring a Preference Share if immediately after such acquisition 25% or more of the aggregate value of the Preference Shares would be held by Benefit Plan Investors (disregarding Preference Shares held by Controlling Persons) sell such Preference Share (or beneficial interest therein) to a person who is not a Benefit Plan Investor or a Controlling Person and who meets all other applicable transfer restrictions and, if such acquiror does not comply with such demand within 14 days thereof, the Issuer may sell such acquiror's interest in such Preference Shares.

Prohibition on Transfers to Collateral Manager Connected Persons. The Indenture will provide that any purchaser or transferee of a Note from a person other than the Initial Purchaser on the Closing Date will

represent or be deemed to represent that the beneficial owner of such Note (whether or not the purchaser or transferee) is not a Collateral Manager Connected Person. The Preference Share Documents will provide that any purchaser or transferee of a Preference Share from a person other than the Initial Purchaser on the Closing Date will represent or be deemed to represent that the beneficial owner of such Preference Share (whether or not the purchaser or transferee) is not a Collateral Manager Connected Person.

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that any beneficial owner or Holder of a Note (or any interest therein) is a Collateral Manager Connected Person, the Issuer may require that such beneficial owner or Holder sell all of its right, title and interest to such Note (or interest therein) to a person that is not a Collateral Manager Connected Person, with such sale to be effected within 30 days after notice of such sale requirement is given. If such Beneficial Owner or Holder fails to effect the transfer required within such 30-day period, (a) upon written direction from the Issuer, the Trustee shall, on behalf of and at the expense of the Issuer, and is hereby irrevocably authorized by such beneficial owner or Holder, as the case may be, to cause its interest in such Note to be transferred in a commercially reasonable sale (conducted by the Trustee in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or the subject of widely distributed standard price quotations) to a person that certifies to the Trustee and the Issuer, in connection with such transfer, that such person is not a Collateral Manager Connected Person (and otherwise is eligible to hold an interest in such Note in accordance with the restrictions set forth herein) and (b) pending such transfer, no further payments will be made in respect of such Note (or beneficial interest therein) held by such Holder or beneficial owner and such Note shall be deemed not to be outstanding for the purpose of any vote or consent of the Noteholders. The Trustee shall not be liable to any person for the results of any such sale concluded by it in good faith in accordance with the terms hereof (including, without limitation, with respect to the price received). The Preference Share Documents will contain forced sale provisions similar to the foregoing if any beneficial owner or Holder of a Preference Share is a Collateral Manager Connected Person.

USE OF PROCEEDS

The gross proceeds received from the issuance and sale of the Offered Securities, together with any up-front payments received from the Interest Rate Hedge Counterparty on the Closing Date in connection with the initial Hedge Agreement, will be approximately U.S.$500,000,000 (after giving effect to and assuming the making of all Borrowings under the Class A-1A Notes after the Closing Date and expected upfront payments received from the initial Hedge Counterparty after the Closing Date in connection with the Ramp-Up Period). The net proceeds from the issuance and sale of the Offered Securities (after giving effect to and assuming the making of all Borrowings under the Class A-1A Notes after the Closing Date and expected upfront payments received from the initial Hedge Counterparty after the Closing Date in connection with the Ramp-Up Period), together with any up-front payments received from the Interest Rate Hedge Counterparty on the Closing Date in connection with the Interest Rate Hedge Agreement, are expected to be approximately U.S.$496,600,000, which reflects the payment from such gross proceeds of organizational and structuring fees and expenses of the Co-Issuers, including, without limitation (i) the legal fees and expenses of counsel to the Co-Issuers, the Collateral Manager and the Initial Purchaser, (ii) the expenses, fees and commissions incurred in connection with the acquisition by the Issuer of the Collateral Debt Securities for inclusion in the portfolio on the Closing Date, (iii) the expenses of offering the Offered Securities (including fees payable to the Initial Purchaser in connection with the offering of the Offered Securities on the Closing Date) and (iv) the initial deposits into the Expense Account and the Interest Reserve Account. Such net proceeds will be used by the Issuer to purchase a diversified portfolio of interests in (a) certain Asset Backed Securities, including CDO Securities and (b) Synthetic Securities, the Reference Obligations of which may be Asset Backed Securities (including, without limitation Other ABS), that, in each case, satisfy the investment criteria described herein. On the Closing Date, the Issuer will have purchased (or entered into agreements to purchase for settlement following the Closing Date) Collateral Debt Securities having an aggregate Principal Balance of not less than U.S.$430,000,000. The Issuer expects that, no later than December 22, 2006, it will have purchased Collateral Debt Securities (including Collateral Debt Securities not yet purchased, but as to which the Issuer has entered into binding purchase agreements for regular settlement) having an aggregate par amount of approximately U.S.$500,000,000 (assuming for these purposes settlement in accordance with customary settlement procedures in the relevant markets on the Ramp-Up Completion Date of all agreements entered into by the Issuer to acquire Collateral Debt Securities scheduled to settle on or following the Ramp-Up Completion Date and that funds are available from Borrowings under the Class A-1A Notes). Any such proceeds not invested in Collateral Debt Securities or deposited into the Expense Account or the Interest Reserve Account will be deposited by the Trustee in the Uninvested Proceeds Account and invested in Eligible Investments pending the use of such proceeds for the purchase of Collateral Debt Securities during the Ramp-Up Period, as described herein, and, in certain limited circumstances described herein, for the payment of the Secured Notes. See "Security for the Secured Notes".

RATINGS OF THE OFFERED SECURITIES

It is a condition to the issuance of the Offered Securities that (i) the Class A-1A Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, (ii) the Class A-1B Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, (iii) the Class A-2 Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, (iv) the Class A-3 Notes be rated "Aaa" by Moody's and "AAA" by Standard & Poor's, (v) the Class B Notes be rated at least "Aa2" by Moody's and at least "AA" by Standard & Poor's, (vi) the Class C Notes be rated at least "A2" by Moody's and at least "A" by Standard & Poor's, (vii) the Class D Notes be rated at least "Baa2" by Moody's and at least "BBB" by Standard & Poor's, (viii) the Class E Notes be rated at least "Ba1" by Moody's and at least "BB+" by Standard & Poor's and (ix) the Class P Notes be rated "Aaa" by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

The ratings assigned by Moody's to the Secured Notes address the ultimate cash receipt of all required interest and principal payments on each such Class of Secured Notes, in each case as provided in the governing documents, and are based on the expected loss posed to the Secured Noteholders relative to the promise of receiving the present value of such payments. The ratings assigned by Standard & Poor's to the Secured Notes (other than the Class C Notes, the Class D Notes and the Class E Notes) address the timely payment of interest and ultimate payment of principal on each such Class of Secured Notes. The rating assigned by Standard & Poor's to the Class C Notes, the Class D Notes and the Class E Notes addresses the ultimate payment of interest and ultimate payment of principal on such Class of Secured Notes. The rating assigned to the Class P Notes (a) addresses only the ultimate receipt of the initial Class P Note Rated Balance, (b) will not at any time address the timely receipt of any payments, including payments on redemption or repurchase of the Class P Notes or any other distributions thereon and (c) will be monitored by Moody's on an ongoing basis. The rating assigned to the Class P Notes by Moody's will be withdrawn after the Class P Note Rated Balance is reduced to zero.

Application will be made to the Irish Stock Exchange for the Secured Notes to be admitted to the Daily Official List of the Irish Stock Exchange. Application will be made to list the Preference Shares on the Channel Islands Stock Exchange. The Class P Notes will not be listed on any stock exchange. The issuance and settlement of the Offered Securities on the Closing Date are not conditioned on the listing of the Secured Notes or the Preference Shares on either such exchange, and there can be no guarantee that either such application will be granted.

The Issuer will request that Standard & Poor's (or, if a Deemed Confirmation has not occurred, each Rating Agency) confirm to the Issuer that it has not reduced or withdrawn the rating (including private or confidential ratings, if any) assigned by it on the Closing Date to any Class of Secured Notes (such confirmation a "Written Confirmation" and, together with any Deemed Confirmation, a "Rating Confirmation"). If the Issuer is unable to obtain a Rating Confirmation from each Rating Agency by 30 Business Days following the Ramp-Up Completion Date (a "Rating Confirmation Failure"), on the first Distribution Date following the Rating Confirmation Failure the Issuer will be required to apply Uninvested Proceeds and, to the extent that Uninvested Proceeds are insufficient to redeem the Secured Notes in full, Interest Proceeds and, to the extent that Interest Proceeds are insufficient to redeem the Secured Notes in full, Principal Proceeds, in each case in accordance with the Priority of Payments, to the repayment of, *first,* the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence), *second*, the Class A-2 Notes, *third*, the Class A-3 Notes, *fourth*, the Class B Notes, *fifth*, the Class C Notes (including any Class C Deferred Interest), *sixth*, the Class D Notes (including any Class D Deferred Interest) and *seventh*, the Class E Notes (including any Class E Deferred Interest), to the extent necessary to obtain a Written Confirmation from each Rating Agency. See "Description of the Secured Notes—Mandatory Redemption" and "—Priority of Payments".

MATURITY, PREPAYMENT AND YIELD CONSIDERATIONS

The Stated Maturity of the Secured Notes is January 5, 2047. The Secured Notes will mature at their Stated Maturity unless redeemed or repaid prior thereto. However, the average lives of the Secured Notes and the Macaulay duration of the Preference Shares may be less than the number of years until the Stated Maturity of the Secured Notes. Assuming (a) no Collateral Debt Securities default or are sold, (b) any optional redemption of the Collateral Debt Securities occurs in accordance with their respective terms, (c) all outstanding Notes are redeemed on the Distribution Date occurring in January 2013 and (d) LIBOR for each future Interest Period equals the rate for such Interest Period based on the zero coupon swap curve with such rate initially to be equal to approximately 5.39202%, (1) the average life of the Class A-1A Notes would be approximately 3.8 years from the Closing Date, (2) the average life of the Class A-1B Notes would be approximately 5.0 years from the Closing Date, (3) the average life of the Class A-2 Notes would be approximately 5.0 years from the Closing Date, (4) the average life of the Class A-3 Notes would be approximately 5.1 years from the Closing Date, (5) the average life of the Class B Notes would be approximately 5.1 years from the Closing Date, (6) the average life of the Class C Notes would be approximately 5.1 years from the Closing Date, (7) the average life of the Class D Notes would be approximately 5.1 years from the Closing Date, (8) the average life of the Class E Notes would be approximately 4.8 years from the Closing Date and (9) the Macaulay duration of the Preference Shares would be approximately 3.1 years. Such average lives of the Secured Notes and the Macaulay duration of the Preference Shares are presented for illustrative purposes only. The assumed identity of the portfolio purchased by the Issuer and the other assumptions used to calculate such average lives of the Secured Notes and the Macaulay duration of the Preference Shares are necessarily arbitrary, do not necessarily reflect historical experience with respect to securities similar to the Collateral Debt Securities and do not constitute a prediction with respect to the rates or timing of receipts of Interest Proceeds or Principal Proceeds, the acquisition of Collateral Debt Securities prior to the last day of the Reinvestment Period, defaults, recoveries, sales, reinvestments, prepayments or optional redemptions to which the Collateral Debt Securities may be subject. Actual experience as to these matters will differ, and may differ materially, from that assumed in calculating the illustrative average lives and the Macaulay duration set forth above, and consequently the actual average lives of the Secured Notes and the Macaulay duration of the Preference Shares will differ, and may differ materially, from those set forth above. Accordingly, prospective investors should make their own determinations of the expected weighted average lives and maturity of the Secured Notes and the Macaulay duration of the Preference Shares and, accordingly, their own evaluation of the merits and risks of an investment in the Secured Notes or the Preference Shares. See "Risk Factors—Projections, Forecasts and Estimates".

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

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

THE CO-ISSUERS

GENERAL

The Issuer was incorporated as an exempted company with limited liability and registered on August 22, 2005 in the Cayman Islands pursuant to the Issuer Charter, has a registered number of 153767 and is in good standing under the laws of the Cayman Islands. The registered office of the Issuer is at the offices of Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands; phone number (345) 945-3727. The Issuer has no prior operating experience and the Issuer will not have any substantial assets other than the Collateral pledged to secure the Secured Notes, the Issuer's obligations under each Hedge Agreement, the Collateral Administration Agreement, the Investment Monitoring Agreement and the Collateral Management Agreement and the Issuer's obligations to the Trustee. The entire authorized share capital of the Issuer will consist of (a) 1,000 ordinary shares, par value U.S.$1.00 per share (which will be held on trust for charitable purposes by Walkers SPV Limited. in the Cayman Islands (in such capacity, the "Share Trustee") under the terms of a declaration of trust) and (b) 15,420 Preference Shares, par value U.S.$0.01 per share, having a liquidation preference of U.S.$1,000 per share.

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

The Co-Issuer was incorporated on November 14, 2005 under the law of the State of Delaware with the state file number 4059938 and its registered office is c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. The sole director and officer of the Co-Issuer is Donald J. Puglisi and he may be contacted at c/o Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware 19711; phone number (302) 738-6680. The Co-Issuer has no prior operating experience. It will not have any assets (other than its U.S.$1,000 of share capital owned by the Issuer) and will not pledge any assets to secure the Secured Notes. The Co-Issuer will not have any interest in the Collateral Debt Securities or other assets held by the Issuer and will have no claim against the Issuer with respect to the Collateral Debt Securities or otherwise.

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

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

The Administrator will be subject to the overview of the Board of Directors of the Issuer. The directors of the Issuer are David Egglishaw, Derrie Boggess and John Cullinane, each of whom is a director or officer of the Administrator and each of whose offices are at Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands. The Administration Agreement may be terminated by either the Issuer or the Administrator upon 30 days' written notice, in which case a replacement Administrator would be appointed.

Pursuant to the terms of the Collateral Administration Agreement between the Issuer and Investors Bank & Trust Company (the "Collateral Administrator") (the "Collateral Administration Agreement"), the Issuer

will retain the Collateral Administrator to prepare certain reports with respect to the Collateral Debt Securities. In addition, the Issuer will retain Vastardis Capital (the "Investment Monitor") to review the reports produced by the Collateral Administrator and to calculate, using information and/or representations provided by the Collateral Administrator, the Collateral Manager and certain third party information sources, the Issuer's compliance with the Eligibility Criteria and the trading restrictions set forth under "Security for the Secured Notes", and also to calculate, upon the request of the Collateral Manager, whether securities which the Collateral Manager is considering buying or selling fit the Eligibility Criteria and such trading restrictions and to assist the Collateral Manager in monitoring this transaction as reasonably requested by the Collateral Manager. The compensation paid to the Collateral Administrator and the Investment Monitor by the Issuer for such services will be in addition to the fees paid to the Collateral Manager and to Investors Bank & Trust Company, in its capacity as Trustee, and will be treated as an expense of the Issuer under the Indenture and will be subject to the priorities set forth under "Description of the Secured Notes—Priority of Payments".

The Administrator's principal office is at Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands.

CAPITALIZATION AND INDEBTEDNESS OF THE ISSUER

The capitalization of the Issuer after giving effect to the issuance of the Offered Securities (assuming the Commitments on the Class A-1A Notes have been fully funded) 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[1]	U.S.$75,000,000
Class A-1B Notes	U.S.$225,000,000
Class A-2 Notes	U.S.$50,000,000
Class A-3 Notes	U.S.$25,000,000
Class B Notes	U.S.$70,000,000
Class C Notes	U.S.$13,250,000
Class D Notes	U.S.$24,000,000
Class E Notes	U.S.$8,500,000
Total Debt	U.S.$490,750,000
Ordinary Shares	U.S.$250
Preference Shares[2]	U.S.$15,420,000
Total Equity	U.S.$15,420,250
Total Capitalization[3]	U.S.$506,170,250

As of the Closing Date and after giving effect to the issuance of the Preference Shares, the authorized and issued share capital of the Issuer will be 1,000 ordinary shares, par value U.S.$1.00 per share and 15,420 Preference Shares, par value U.S.$0.01 per share, having a liquidation preference of U.S.$1,000 per share.

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

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[1] U.S.$35,000,000 of the Class A-1A Notes will be funded on the Closing Date, and further advances may be made under the Class A-1A Notes up to U.S.$75,000,000 in the aggregate (including initial advances funded on the Closing Date), all as provided in the Class A-1A Note Funding Agreement.

[2] Includes Class P Preference Shares underlying the Class P Notes.

[3] The Class P Notes are not included in the capitalization of the Issuer.

The Co-Issuer will be capitalized only to the extent of its U.S.$1,000 of share capital, will have no assets other than its share capital and will have no debt other than as Co-Issuer of the 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 1,000 common shares, par value U.S.$1.00 per share.

BUSINESS

The Indenture and the Issuer Charter provide that the activities of the Issuer are limited to (i) the issuance of the Secured Notes and the Preference Shares, (ii) the acquisition and disposition of, and investment and reinvestment in, Collateral Debt Securities, Equity Securities, U.S. Agency Securities and Eligible Investments for its own account and the Class P Beneficial Assets, (iii) the entering into, and the performance of its obligations under the Indenture, the Secured Notes, the Class A-1A Note Funding Agreement, the Purchase Agreement, the Investor Application Forms, the Account Control Agreement, the Preference Share Paying Agency Agreement, each Hedge Agreement, each Collateral Assignment of Hedge Agreement, the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement and each Noteholder Prepayment Account Control Agreement, (iv) the pledge of the Collateral as security for its obligations in respect of (*inter alia*) the Secured Notes, (v) the ownership and management of the Co-Issuer, (vi) the creation of this Offering Circular, the final Offering Circular and any supplements thereto and (vii) certain activities conducted in connection with the payment of amounts in respect of the Offered Securities, the management of the Collateral and other incidental activities.

The Issuer has no employees and no subsidiaries other than the Co-Issuer. The Third Article of the Co-Issuer's Certificate of Incorporation sets out the objects of the Co-Issuer, which include the business to be carried out by the Co-Issuer in connection with the issuance of the Secured Notes. The Co-Issuer will not pledge any assets to secure the Secured Notes, and will not have any interest in the Collateral held by the Issuer.

SECURITY FOR THE SECURED NOTES

GENERAL

The Collateral securing the Secured Notes will consist of: (a) the Collateral Debt Securities and the Equity Securities and U.S. Agency Securities standing to the credit of the Custodial Account, (b) the Custodial Account, the Interest Collection Account, the Uninvested Proceeds Account, the Principal Collection Account, the Payment Account, the Expense Account, the Short Reimbursement Account, the Reinvestment Account, the Interest Reserve Account, the Interest Equalization Account, each Hedge Counterparty Collateral Account, each Synthetic Security Counterparty Account, each Synthetic Security Issuer Account, each Class A-1A Noteholder Prepayment Account, all funds and other property standing to the credit of each such account, Eligible Investments (and, in the case of the Uninvested Proceeds Account, U.S. Agency Securities) purchased with funds standing to the credit of each such account and all income from the investment of funds therein, (c) the rights of the Issuer under each Hedge Agreement, (d) the rights of the Issuer under the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement, the Investor Application Forms and the Class A-1A Note Funding Agreement (e) all cash delivered to the Trustee and (f) all proceeds, accessions, profits, income benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses (collectively, the "Collateral"). The security interest granted under the Indenture in each Synthetic Security Counterparty Account is subject to and subordinate to the security interest and rights of the relevant Synthetic Security Counterparty in and to such Synthetic Security Counterparty Account. The security interest granted under the Indenture in (a) each Synthetic Security Issuer Account is subject to the rights of the relevant Synthetic Security Counterparty in and to property credited to such Synthetic Security Issuer Account as provided in the account control agreement with respect to the Synthetic Security Issuer Account, as applicable, (b) the Class P Reserve Account is for the benefit and security of the Class P Noteholders only and (c) the Class P Interest Reserve Account is for the benefit and security of the Class P Noteholders only.

ELIGIBILITY CRITERIA

On the Closing Date, the Issuer will apply a portion of the proceeds from the issuance of the Offered Securities to purchase Collateral Debt Securities. After the Closing Date but on or prior to the last day of the Reinvestment Period, the Issuer may reinvest Principal Proceeds in additional Collateral Debt Securities. The Issuer will not purchase (or, in the case of a Synthetic Security, enter into) any Collateral Debt Security after the Reinvestment Period except for (a) Collateral Debt Securities with respect to which the Issuer enters into a binding commitment on or prior to the last day of the Reinvestment Period and (b) Collateral Debt Securities bearing interest at a fixed rate purchased using Unscheduled Principal Proceeds. The Issuer may only purchase Collateral Debt Securities (or enter into Synthetic Securities) (including Collateral Debt Securities purchased, and Synthetic Securities entered into, on the Closing Date) if, after giving effect thereto, each of the following criteria (the "Eligibility Criteria") is satisfied with respect to such security (or, in the case of the limitations set forth in paragraphs (6), (11), (12) and (18) to (43) below, if not satisfied, is not made worse):

No Foreign Exchange Controls

(1) payments in respect of such security are not made from 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;

Assignable

(2) the Underlying Instrument pursuant to which such security was issued permits the Issuer to purchase it and Grant it to the Trustee and such security is a type subject to Article 8 or Article 9 of the UCC;

Jurisdiction of Issuer

(3) the obligor on or issuer of such security is organized or incorporated under the law of the United States or a State thereof or in a Special Purpose Vehicle Jurisdiction;

Dollar Denominated

(4) such security is Dollar denominated and is not convertible into, or payable in, any other currency;

No Interest Only Securities

(5) such security is not an Interest Only Security;

Rating

(6) such security:

(A) has been assigned a Moody's Rating and a Standard & Poor's Rating;

(B) the rating of such security by Standard & Poor's does not include the subscript "r", "t", "p", "pi" or "q";

(C) the rating of such security is at least "Baa3" by Moody's (if rated by Moody's) and the rating of such security is at least "BBB-" by Standard & Poor's (if rated by Standard & Poor's); provided, that the Issuer may acquire a security with a rating of below "Baa3" by Moody's (if rated by Moody's) or below "BBB-" by Standard & Poor's (if rated by Standard & Poor's) if (i) (x) the rating of such security is at least "Ba2" by Moody's (if rated by Moody's) or if not rated by Moody's, the Moody's Rating of such security is at least "Ba3" and (y) the rating of such security is at least "BB" by Standard & Poor's (if rated by Standard & Poor's), (ii) the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance and (iii) such security is (a) a Mid-Prime RMBS, (b) a Sub-Prime RMBS, (c) a Credit Card Security, (d) an Automobile Security or (e) a Subprime Automobile Security; and

(D) if such security is a Repack Security, such security has a rating from Moody's at the time it is acquired by the Issuer as to payments of interest on and principal of such security, Moody's has assigned an Applicable Recovery Rate (determined pursuant to clause (a) of the definition of "Applicable Recovery Rate") to such security, the assets underlying such Repack Security are of a Specified Type and the aggregate Principal Balance of all Repack Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;

Registered Form

(7) such security is in registered form for U.S. Federal income tax purposes and it was issued after July 18, 1984 (and if it is a certificate of interest in a grantor trust for U.S. Federal income tax purposes, either each of the obligations or securities held by such trust would satisfy this definition, or each obligation was issued after July 18, 1984 and there are at least three securities in the trust, none of which has nominal value) ("Registered");

No Withholding

(8) the Issuer will receive payments due under the terms of such security and proceeds from disposing of such security free and clear of withholding tax, other than withholding tax as to which the obligor or issuer must make additional payments so that the net amount received by the Issuer after satisfaction of such tax is the amount due to the Issuer before the imposition of any withholding tax;

Does not subject Issuer to Tax on a Net Income Basis

(9) the acquisition (including the manner of acquisition), ownership, enforcement and disposition of such security (in each case, as determined on the basis of applicable laws and regulation as of the date of acquisition of such security) will not cause the Issuer to be treated as engaged in a U.S. trade or business for U.S. Federal income tax purposes or otherwise to be subject to tax on a net income basis in any jurisdiction outside the Issuer's jurisdiction of incorporation;

Certain Excluded Securities	(10) such security is not a Defaulted Security, a Credit Risk Security, a Written Down Security, a PIKing Bond, an ABS Franchise Security, an Excluded Synthetic CDO Security, an Aerospace and Defense Security, a Franchise Security, an Insurance Security, a Lottery Receivable Security, a Manufactured Housing Security, a Mutual Fund Fee Security, a NIM Security, an Oil and Gas Security, a Project Finance Security, a Restaurant and Food Services Security, a Structured Settlement Security, a Tobacco Settlement Security or a Tax Lien Security;
Limitation on Stated Final Maturity	(11) such security does not have a Stated Maturity that occurs later than the Stated Maturity of the Secured Notes; provided that (I)(i) the Issuer may acquire a Collateral Debt Security having a Stated Maturity not later than five years after the Stated Maturity of the Secured Notes (A) if the aggregate Principal Balance of all such Collateral Debt Securities does not exceed 10% of the Net Outstanding Portfolio Collateral Balance, and (B) the Weighted Average Life of all such Collateral Debt Securities is less than 12 years and (ii) the Issuer may acquire a Collateral Debt Security having a Stated Maturity not later than ten years after the Stated Maturity of the Secured Notes (A) if the aggregate Principal Balance of all such Collateral Debt Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance, and (B) the Weighted Average Life of all such Collateral Debt Securities is less than 12 years; and (II) the expected life of such security (as determined by the Collateral Manager) ends no later than the Stated Maturity of the Secured Notes;
Deemed Fixed Rate Securities; Deemed Floating Rate Securities	(12) if such security is a Deemed Fixed Rate Security or a Deemed Floating Rate Security, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 10% of the Net Outstanding Portfolio Collateral Balance;
No Margin Stock	(13) such security is not, and any Equity Security acquired in connection with such security is not, Margin Stock;
No Debtor-in-Possession Financing	(14) such security is not a financing by a debtor-in-possession in any insolvency proceeding;
No Optional or Mandatory Conversion or Exchange	(15) such security is not a security that by the terms of its Underlying Instruments provides for conversion or exchange (whether mandatory, at the option of the issuer or the holder thereof or otherwise) into equity capital at any time prior to its maturity;
Not Subject to an Offer or Called for Redemption	(16) to the knowledge of the Collateral Manager, such security is not the subject of an Offer and has not been called for redemption;
No Future Advances	(17) such security is not a security with respect to which the Issuer is required by the Underlying Instruments to make any future payment or advance to the issuer thereof or to the related Synthetic Security Counterparty (other than a Defeased Synthetic Security or a Short Synthetic Security);

Fixed Rate Securities

(18) if such security is a fixed rate security (including any Synthetic Security as to which the Reference Obligation is a fixed rate security), the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 7.5% of the Net Outstanding Portfolio Collateral Balance;

Floating Rate Securities

(19) if such security is a floating rate security (including any Synthetic Security as to which the Reference Obligation is a floating rate security), the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 100% of the Net Outstanding Portfolio Collateral Balance; *provided*, if such security bears interest based upon a floating rate index other than LIBOR (and no Asset Hedge Agreement has been entered into with respect to such security), the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;

Pure Private Collateral Debt Securities

(20) if such security is a Pure Private Collateral Debt Security (including any Synthetic Security as to which the Reference Obligation is a Pure Private Collateral Debt Security), the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;

PIK Bonds

(21) if such security is a PIK Bond, (including any Synthetic Security as to which the Reference Obligation is a PIK Bond), the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 12.5% of the Net Outstanding Portfolio Collateral Balance;

Issuer Concentrations

(22) with respect to the issuer of such security, (i) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are rated at least "Baa2" by Moody's (if rated by Moody's) or at least "BBB" by Standard & Poor's (if rated by Standard & Poor's) that are Issues of such issuer do not exceed 1.25% of the Net Outstanding Portfolio Collateral Balance; provided, that with respect to up to 10 issuers, the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Issues of such issuer do not exceed 1.5% of the Net Outstanding Portfolio Collateral Balance, (ii) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are rated "Baa3" by Moody's (if rated by Moody's) and "BBB-" by Standard & Poor's (if rated by Standard & Poor's) that are Issues of such issuer do not exceed 1.0% of the Net Outstanding Portfolio Collateral Balance; provided that with respect to up to 5 issuers, the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Issues of such issuer do not exceed 1.25% of the Net Outstanding Portfolio Collateral Balance and provided that with respect to up to 5 additional issuers, the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Issues of such issuer do not exceed 1.5% of the Net Outstanding Portfolio Collateral Balance; and (iii) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are rated below "Baa3" by Moody's (if rated by Moody's) or below "BBB-" by Standard & Poor's (if rated by Standard & Poor's) that are Issues of such issuer may not exceed 0.80% of the Net Outstanding Portfolio Collateral Balance;

Weighted Average Life

(23) the Weighted Average Life Test is satisfied;

Single Servicer

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

(A) if such Servicer has (1) a credit rating of "Aa3" or higher by Moody's or a servicer ranking of "SQ1" by Moody's, or (2) a servicer ranking of "Strong" by Standard & Poor's (or, if no servicer ranking has been assigned by Standard & Poor's, a credit rating of "AA-" or higher by Standard & Poor's), the aggregate Principal Balance of Pledged Collateral Debt Securities serviced by such Servicer does not exceed 20% of the Net Outstanding Portfolio Collateral Balance;

(B) if such Servicer does not meet the requirements of clause (A) of this paragraph (24) and has (1) a credit rating of "A3" or higher by Moody's or a servicer ranking of "SQ2" or higher by Moody's or (2) a servicer ranking of "Above Average" or higher by Standard & Poor's (or if no servicer ranking has been assigned by Standard & Poor's, a credit rating of "A-" or higher by Standard & Poor's), the aggregate Principal Balance of Pledged Collateral Debt Securities serviced by such Servicer does not exceed 15% of the Net Outstanding Portfolio Collateral Balance;

(C) if such Servicer does not meet the requirements of clauses (A) or (B) of this paragraph (24) and has a servicer ranking of "Below Average" by Standard & Poor's, the aggregate Principal Balance of Pledged Collateral Debt Securities serviced by such Servicer does not exceed 5% of the Net Outstanding Portfolio Collateral Balance, provided that the aggregate Principal Balance of all Pledged Collateral Debt Securities satisfying this clause (C) does not exceed 15% of the Net Outstanding Portfolio Collateral Balance; and

(D) if such Servicer does not meet the requirements of clauses (A), (B) or (C) of this paragraph (24) and has a servicer ranking of "Weak" by Standard & Poor's, the aggregate Principal Balance of Pledged Collateral Debt Securities serviced by such Servicer does not exceed 2.5% of the Net Outstanding Portfolio Collateral Balance, provided that the aggregate Principal Balance of all Pledged Collateral Debt Securities satisfying this clause (D) does not exceed 7.5% of the Net Outstanding Portfolio Collateral Balance;

Synthetic Securities

(25) if such security is a Synthetic Security (other than a Short Synthetic Security), then:

(A) if such Synthetic Security is a Credit Derivative Transaction, such Credit Derivative Transaction is entered into with a counterparty that satisfies the definition of Synthetic Security Counterparty;

(B) if such Synthetic Security is a Credit Linked Security the payments on which depend on payments made by a counterparty of the Synthetic Security Issuer, such counterparty satisfies the definition of Synthetic Security Counterparty;

(C) if such Synthetic Security is a Credit Derivative Transaction, it is a Defeased Synthetic Security;

(D) the aggregate Principal Balance of all Pledged Collateral Debt Securities constituting Defeased Synthetic Securities acquired from any single Synthetic Security Counterparty and its affiliates and all Pledged Collateral Debt Securities constituting Credit Linked Securities the payments on which depend on payments made by such Synthetic Security Counterparty and its affiliates does not exceed 40% of the Net Outstanding Portfolio Collateral Balance;

(E) if such Synthetic Security is a Defeased Synthetic Security, such security meets the criteria set forth in the definition of Defeased Synthetic Security;

(F) the Rating Condition has been satisfied with respect to the acquisition of such Synthetic Security or it is a Form Approved Synthetic Security;

(G) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Synthetic Securities does not exceed 40% of the Net Outstanding Portfolio Collateral Balance;

(H)(i) the Reference Obligation to which such Synthetic Security relates would (treating the acquisition of or entry into such Synthetic Security as an acquisition of the Reference Obligation by the Issuer) satisfy paragraphs (7), (8) and (9) of the Eligibility Criteria or (ii) the Issuer and the Trustee receive an opinion of nationally recognized U.S. tax counsel to the effect that such Synthetic Security satisfies paragraphs (7), (8) and (9) of the Eligibility Criteria;

(I) the aggregate Principal Balance of all Pledged Collateral Debt Securities constituting Synthetic Securities representing (or based upon) exposure to an index of financial assets (e.g., the ABX index) does not exceed 5% of the Net Outstanding Portfolio Collateral Balance; *provided* that if the relevant index relating to a Synthetic Security provides for a reset or other periodic recomposition of the reference securities comprising such index, the aggregate Principal Balance of all Pledged Collateral Debt Securities constituting a series of such index does not exceed 2% of the Net Outstanding Portfolio Collateral Balance;

Short Synthetic Securities

(26) if such security is a Short Synthetic Security:

(A) the Reference Obligation to which such Synthetic Security relates would (treating the entry into or acquisition of such Synthetic Security as an acquisition of the Reference Obligation by the Issuer) satisfy paragraphs (7), (8) and (9) of the Eligibility Criteria;

(B) at the time the Issuer enters into such Short Synthetic Security, it acquires or has acquired a Long LS Asset included in the Long Short Pair and the LS Hedge Ratio of such Long Short Pair is less than or equal to 100%;

(C) the aggregate notional amount of all such Pledged Collateral Debt Securities that are Short Synthetic Securities does not exceed 10% of the Net Outstanding Portfolio Collateral Balance; and

(D) the Hedging Short Transaction Premium Test is satisfied;

CDO Securities

(27) if such security is a CDO Security (including any Synthetic Security as to which the Reference Obligation is a CDO Security), the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 12.5% of the Net Outstanding Portfolio Collateral Balance; *provided* that (A) if such CDO Security is managed by the Collateral Manager or any of its affiliates, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 0% of the Net Outstanding Portfolio Collateral Balance; (B) if such CDO Security is a Trust Preferred CDO Security, (i) the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance, (ii) such security is rated at least "A3" by Moody's (if rated by Moody's) or at least "A-" by Standard & Poor's (if rated by Standard & Poor's) and (iii) insurance assets do not account for more than 33% of

the underlying collateral; (C) if such CDO Security is a CLO Security, (i) the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance and (ii) the Average Life of such Pledged Collateral Debt Security is no greater than 9 years; (D) if such CDO Security is a High Grade ABS CDO Security, (i) the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 4% of the Net Outstanding Portfolio Collateral Balance and (ii) (a) if purchased on or prior to the Closing Date, such security is rated at least "Aa3" by Moody's (if rated by Moody's) or at least "AA-" by Standard & Poor's (if rated by Standard & Poor's) (provided that this clause (ii) does not apply to CUSIPs 600804AD0 and 48206BAG1) and (b) if purchased after the Closing Date, such security is rated at least "Baa2" by Moody's (if rated by Moody's) and at least "BBB" by Standard & Poor's (if rated by Standard & Poor's); (E) if such security is an ABS CDO Security, the Average Life of such Pledged Collateral Debt Security does not exceed 9 years; and (F) the aggregate Principal Balance of all such Pledged Collateral Debt Securities owned by the Issuer and managed by the collateral manager of the CDO Security being acquired is not greater than 3% of the Net Outstanding Portfolio Collateral Balance;

RMBS Securities

(28) (1) if such security is a Non-Agency RMBS Security, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 100% of the Net Outstanding Portfolio Collateral Balance, *provided* that (A) if such security is a Prime RMBS (including any Synthetic Security as to which the Reference Obligation is a Prime RMBS), the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 20% of the Net Outstanding Portfolio Collateral Balance; (B) if such security is a Mid-Prime RMBS (including any Synthetic Security as to which the Reference Obligation is a Prime RMBS), the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 70% of the Net Outstanding Portfolio Collateral Balance; (C) if such security is a Sub-Prime RMBS (including any Synthetic Security as to which the Reference Obligation is a Sub-Prime RMBS), the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 50% of the Net Outstanding Portfolio Collateral Balance; and (2) if such security is an Agency RMBS Security, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 20% of the Net Outstanding Portfolio Collateral Balance;

CMBS Securities

(29) if such security is a CMBS, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 15% of the Net Outstanding Portfolio Collateral Balance, *provided* that (A) if such security is a CMBS Large Loan Security (including any Synthetic Security as to which the Reference Obligation is a CMBS Large Loan Security), (i) the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 10% and (ii) such security is rated at least "Baa3" (if rated by Moody's) and at least "BBB-" (if rated by Standard & Poor's) and (B) if such security is a CMBS Credit Tenant Lease Security or CMBS Single Property Security (including any Synthetic Security as to which the Reference Obligation is a CMBS Credit Tenant Lease Security or CMBS Single Property Security), (i) the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 2.5% and (ii) such security is rated at least "A2" by Moody's (if rated by Moody's) and at least "A" by Standard & Poor's (if rated by Standard & Poor's);

Credit Card Securities

(30) if such security is a Credit Card Security, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 12.5% of the Net Outstanding Portfolio Collateral Balance;

Automobile, Subprime Automobile and Car Rental Receivable Securities

(31) if such security is an Automobile Security, Subprime Automobile Security or Car Rental Receivable Security, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 10% of the Net Outstanding Portfolio Collateral Balance;

Small Business Loan Securities

(32) if such security is a Small Business Loan Security, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance;

Student Loan Securities

(33) if such security is a Student Loan Security, (i) the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 7.5% of the Net Outstanding Portfolio Collateral Balance and (ii) such security is rated at least "Baa2" by Moody's (if rated by Moody's) and at least "BBB" by Standard & Poor's (if rated by Standard & Poor's);

Time Share Securities

(34) if such security is a Time Share Security, (i) the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 4% of the Net Outstanding Portfolio Collateral Balance and (ii) such security is rated at least "Baa2" by Moody's (if rated by Moody's) and at least "BBB" by Standard & Poor's (if rated by Standard & Poor's);

Downgraded Securities

(35) if at the time of purchase such security's ratings have been withdrawn or reduced by one or more subcategories below the ratings assigned to such security upon issuance by Moody's or Standard & Poor's (unless any such ratings have been reinstated), (i) the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 5% of the Net Outstanding Portfolio Collateral Balance and (ii) if such security is rated "Baa2" or lower by Moody's (if rated by Moody's) or "BBB" or lower by Standard & Poor's (if rated by Standard & Poor's) it has not been placed on a watch list for possible downgrade by Moody's or Standard & Poor's (if rated by such Rating Agency);

Monoline Insured Securities

(36) if such security is a Monoline Insured Security or guaranteed as to ultimate or timely payment of principal or interest (including any Synthetic Security as to which the Reference Obligation is a Monoline Insured Security or is guaranteed as to ultimate or timely payment of principal or interest), the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 7.5% and (ii) the aggregate Principal Balance of all such Pledged Collateral Debt Securities guaranteed by any one Monoline Insurer does not exceed 2.5% of the Net Outstanding Portfolio Collateral Balance;

Deep Discount Securities

(37) if such security is a Deep Discount Security, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 10% of the Net Outstanding Portfolio Collateral Balance;

Certain Other ABS

(38) if such security is of a Specified Type that is not otherwise subject to an individual percentage limitation described in one of the preceding paragraphs of the Eligibility Criteria, the aggregate Principal Balance of all such Pledged Collateral Debt Securities of all such Specified Types does not exceed 5% of the Net Outstanding Portfolio Collateral Balance; provided, that (i) the security being acquired is rated at least "A3" by Moody's (if rated by Moody's) or at least "A-" by

Standard & Poor's (if rated by Standard & Poor's) and (ii) the aggregate Principal Balance of all Pledged Collateral Debt Securities of each Specified Type acquired by the Issuer pursuant to this paragraph does not exceed 2.5% of the Net Outstanding Portfolio Collateral Balance;

Frequency of Interest Payments

(39) (A) such security provides for periodic payments of interest in cash not less frequently than semi-annually and (B) if such security provides for periodic payments of interest in cash less frequently than monthly and if interest payments in respect of such security are not deposited in the Interest Equalization Account, the aggregate Principal Balance of all Pledged Collateral Debt Securities that provide for periodic payments of interest in cash less frequently than monthly (together with the aggregate Principal Balance of any Synthetic Securities related thereto) does not exceed 2.5% of the Net Outstanding Portfolio Collateral Balance;

Step-Down Bonds/Step-Up Bonds

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

Negative Amortization Securities

(41) if such security is a Negative Amortization Security, the aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed 2% of the Net Outstanding Portfolio Collateral Balance;

Collateral Quality Tests

(42) (A) each of the applicable Collateral Quality Tests is satisfied or, if immediately prior to such acquisition one or more of such Collateral Quality Tests was not satisfied, the extent of non-compliance with such Collateral Quality Tests may not be made worse and (B) on and after the Ramp-Up Completion Date, the Standard & Poor's CDO Monitor Test is satisfied or, if immediately prior to such investment the Standard & Poor's CDO Monitor Test was not satisfied, the result is not made worse;

Overcollateral-ization Tests

(43) on and after the Ramp-Up Completion Date, each of the Overcollateralization Tests and the Class E Interest Diversion Test is satisfied or, if immediately prior to such acquisition one or more of the Overcollateralization Tests or the Class E Interest Diversion Test was not satisfied, the extent of non-compliance with such Overcollateralization Test(s) or the Class E Interest Diversion Test may not be made worse; and

Investment After End of Reinvestment Period

(44) if such security is acquired by the Issuer after the end of the Reinvestment Period; (A) such security is a Collateral Debt Security that bears interest at a fixed rate; (B) the aggregate cost of all investments made after the end of the Reinvestment Period does not exceed the aggregate amount of Unscheduled Principal Proceeds received by the Issuer prior to the date of such acquisition; (C) notwithstanding paragraph (43) above, each of the Overcollaterallization Tests and the Class E Interest Diversion Test is satisfied; and (D) the Post Reinvestment Period Criteria described below are satisfied.

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

With respect to any series of trades in which the Issuer commits to purchase and/or sell multiple Collateral Debt Securities pursuant to Combined Trades, compliance with paragraph (6), paragraph (11),

paragraph (12) and paragraphs (18) to (43) above, may, at the option of the Collateral Manager, be measured by determining the aggregate effect of such Combined Trades on the Issuer's level compliance with the Eligibility Criteria rather than considering the effect of each purchase and sale of such Collateral Debt Securities individually. If, at any time prior to the last day of the Reinvestment Period, the Issuer has made a commitment to acquire a security, then the Eligibility Criteria (other than paragraphs (7) through (9)) need not be satisfied when the Issuer grants such security to the Trustee if (A) the Issuer acquires such security within 30 Business Days of making the commitment to acquire such security and (B) the Eligibility Criteria were satisfied immediately after the Issuer made such commitment. However, the Issuer may only enter into commitments to acquire securities for inclusion in the Collateral if such commitments to acquire securities do not extend beyond a period of 30 Business Days. Subject to the provisions regarding Combined Trades, with respect to paragraph (6), paragraphs (11) and (12) and paragraphs (18) to (43), if any requirement set forth therein is not satisfied immediately prior to the acquisition of the related securities, such requirement is deemed satisfied if the extent of non-compliance with such requirement is not made worse after giving effect to such acquisition (except to the extent that a reduction in the extent of compliance does not result in non-compliance).

Notwithstanding the foregoing provisions, if an Event of Default shall have occurred and be continuing, no Collateral Debt Security may be acquired unless it was the subject of a commitment entered into by the Issuer prior to the occurrence of such Event of Default.

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

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

The Collateral Management Agreement provides that, in purchasing or entering into Collateral Debt Securities on behalf of the Issuer, the Collateral Manager shall be deemed to have complied with its responsibility with respect to the requirement that the manner of acquisition not cause the Issuer to be engaged in a U.S. trade or business for U.S. federal income tax purposes if the requirements relating thereto in the Collateral Management Agreement are satisfied. The Collateral Management Agreement also provides that the Collateral Manager intends to delegate certain of its duties and exercise certain of its rights through its affiliates in London, Singapore and Tokyo in accordance with the applicable provisions of the Collateral Management Agreement and that compliance with the requirements of the Collateral Management Agreement relating to such permitted delegation to such affiliates shall be deemed to satisfy all of the Collateral Manager's responsibilities under the Collateral Management Agreement and the Indenture not to cause the Issuer to be subject to net income tax in any jurisdiction.

Each Collateral Debt Security acquired after the end of the Reinvestment Period must satisfy the Eligibility Criteria (other than paragraph (23) thereof) and each of the following criteria (the "Post Reinvestment Period Criteria") at the time the Issuer acquires or becomes committed to acquire (whichever is earlier) the Collateral Debt Security:

Hedge Agreement	(1) the aggregate Principal Balance of all Collateral Debt Securities bearing interest at a fixed rate does not exceed the outstanding notional amount of the Interest Rate Hedge Agreement (or if this requirement is not satisfied immediately prior to such acquisition, the extent of compliance is maintained or improved after giving effect thereto);
Maximum Average Life	(2) the Average Life of such security does not exceed the sum of (A) one plus (B) the Average Life of the Interest Rate Hedge Agreement (treating the notional amount scheduled to be outstanding thereunder as the outstanding principal balance of a Collateral Debt Security for purposes of calculating such Average Life);

Maximum Weighted Average Life

(3) the Weighted Average Life of all Collateral Debt Securities bearing interest at a fixed rate is less than the Average Life of each Hedge Agreement (treating the notional amount scheduled to be outstanding thereunder as the outstanding principal balance of a Collateral Debt Security for purposes of calculating such Average Life); and

Rating

(4) the rating of such security is equal to or better than that of the rating assigned to the security that was amortized or sold.

SYNTHETIC SECURITIES

General. A portion of the Collateral Debt Securities may consist of Synthetic Securities. The Synthetic Securities may consist of either Credit Derivative Transactions entered into between the Issuer and a Synthetic Security Counterparty or Credit Linked Securities acquired by the Issuer from a Synthetic Security Issuer. Each such Synthetic Security will have a probability of default, recovery upon default and expected loss characteristics closely correlated to a Reference Obligation (or expected loss characteristics corresponding to losses incurred above and/or below specified thresholds with respect to a Reference Obligation), but may provide for a different maturity, interest rate or other non-credit characteristics than such Reference Obligation.

For purposes of determining the Principal Balance of a Synthetic Security at any time, the Principal Balance of such Synthetic Security shall be equal to (i) in the case of any Credit Derivative Transaction that does not provide that the Issuer has any (contingent or otherwise) payment obligations to the Synthetic Security Counterparty after an initial payment thereunder and any Credit Linked Security, the aggregate amount of the repayment obligations of the Synthetic Security Counterparty or Synthetic Security Issuer, as applicable, payable to the Issuer through the maturity of such Synthetic Security, (ii) in the case of any Credit Derivative Transaction not described in the preceding clause (i) (other than a Short Synthetic Security), (1) at any time prior to the delivery of a notice of physical settlement, the notional amount of such Synthetic Security and (2) at any time following the delivery of a notice of physical settlement but prior to the receipt by the Issuer of the related Deliverable Obligation, the physical settlement amount of such Synthetic Security, in each case determined in accordance with the related Underlying Instruments and (iii) in the case of a Short Synthetic Security, zero.

For purposes of the Class A Sequential Pay Test, the Overcollateralization Tests and the Class E Interest Diversion Test, unless otherwise specified, a Synthetic Security (other than a Short Synthetic Security) shall be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation.

For purposes of the Asset Correlation Test, a Synthetic Security (other than a Short Synthetic Security) will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation (and the issuers thereof will be deemed to be the related Reference Obligors and not the Synthetic Security Issuer or Synthetic Security Counterparty). For purposes of the Collateral Quality Tests other than the Asset Correlation Test, for purposes of the Standard & Poor's CDO Monitor Test, and for determining the Moody's Rating of a Synthetic Security, a Synthetic Security (other than a Short Synthetic Security) will be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation, except that, for purposes of determining the industry classification with respect to any Synthetic Security (other than a Short Synthetic Security) for the Standard & Poor's CDO Monitor Test, a Synthetic Security (other than a Short Synthetic Security) will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation.

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

Initial Synthetic Securities. It is anticipated that all of the Synthetic Securities acquired on the Closing Date (except for certain Short Synthetic Securities) will consist of Form Approved Synthetic Securities in the form of Credit Linked Securities issued by a special purpose master trust as Synthetic Security Issuer. Although a single credit linked trust unit is expected to be issued to the Issuer by the Synthetic Security Issuer referencing

multiple Reference Obligations, such trust unit will be structured such that the economic consequences to the Issuer will replicate the entry by the Issuer into an individual "pay as you go" credit default swap with respect to each such Reference Obligation.

The Synthetic Security Issuer with respect to such Credit Linked Securities is expected to enter into a "pay as you go" credit default swap, based on the ISDA forms of "pay as you go" credit default swaps with respect to Asset-Backed Securities but incorporating certain modifications to reflect the structure of the transactions and certain Rating Agency requirements, with Merrill Lynch International ("MLI"), as Synthetic Security Counterparty. Pursuant to such credit default swap, (a) the Synthetic Security Issuer will be obligated to make floating payments to the Synthetic Security Counterparty at any time when, in respect of any Reference Obligation, there is (i) a writedown (including (w) any writedown or applied loss that, under the documentation relating to such Reference Obligation, results in a reduction in the outstanding principal amount of such Reference Obligation, (x) any attribution of a principal deficiency or realized loss that, under the documentation relating to such Reference Obligation, results in a reduction or subordination of the current interest payable on such Reference Obligation, (y) the forgiveness of any amount of principal by the holders of such Reference Obligation resulting in a reduction in the outstanding principal amount of such Reference Obligation and (z) if the documentation relating to such Reference Obligation does not provide for writedowns, applied losses, principal deficiencies or realized losses, a determination by the calculation agent (which may be MLI) that the aggregate outstanding principal amount of such Reference Obligation and all other obligations that rank senior to or *pari passu* with such Reference Obligation exceeds the outstanding asset pool balance), (ii) a shortfall in the payment of principal of such Reference Obligation on the final amortization date or the legal final maturity date thereof (subject to certain grace periods) or (iii) a shortfall in the payment of interest on such Reference Obligation on any interest payment date therefor (determined without giving effect to provisions of the documentation relating to such Reference Obligation that would limit amount the amount of interest payable to available funds or provide for the capitalization or deferral of interest), (b) the Synthetic Security Issuer will be obligated to pay a physical settlement amount (generally equal to principal amount of the Reference Obligations being delivered) to the Synthetic Security Counterparty in the event that a "credit event" occurs with respect to a Reference Obligation and the Synthetic Security Counterparty elects to deliver a notice of physical settlement and delivers to the Synthetic Security Issuer, as a deliverable obligation, such Reference Obligation and (c) the Synthetic Security Counterparty will pay to the Synthetic Security Issuer a fixed amount in respect of each Reference Obligation thereunder and additional fixed amounts in the event that, following a writedown, interest shortfall or principal shortfall, each as described above, the Reference Obligor makes a subsequent payment in partial or full satisfaction of such writedown, interest shortfall or principal shortfall (if such payment is made during the term of, or within a limited time following, the termination of the transaction relating to such Reference Obligation). The fixed amount payable by the Synthetic Security Counterparty for each calculation period will be reduced by any interest shortfall amount payable by the Synthetic Security Issuer to the Synthetic Security Counterparty during such calculation period, *provided* that the amount of any such interest shortfall amount payable by the Synthetic Security Issuer to the Synthetic Security Counterparty for any calculation period may not exceed the fixed amount payable by the Synthetic Security Counterparty to the Synthetic Security Issuer for such calculation period.

The "credit events" that may be designated by the Synthetic Security Counterparty in respect of a Reference Obligation under such credit default swap are expected to consist of (i) a principal shortfall on the final amortization date or the legal final maturity date of the Reference Obligation, (ii) a writedown (as described above) or (iii) a downgrade of such Reference Obligation's rating to (x) a rating of "Caa2" or below by Moody's or (subject to certain qualifications) the rating assigned by Moody's is withdrawn and not reinstated within five business days, (y) a rating of "CCC" or below by Standard & Poor's or (subject to certain qualifications) the rating assigned by Standard & Poor's is withdrawn and not reinstated within five business days or (z) a rating of "CCC" or below by Fitch or (subject to certain qualifications) the rating assigned by Fitch is withdrawn and not reinstated within five business days

Under such credit default swap, the Collateral Manager on behalf of the Issuer will be permitted, at its option, to terminate transactions with respect to particular Reference Obligations or substitute Reference Obligations.

The proceeds from the issuance of such Credit Linked Securities are expected to be invested by the Synthetic Security Issuer in collateral that will secure the Synthetic Security Issuer's obligations to the Synthetic Security Counterparty in respect of such credit default swap. Such collateral may consist of cash or debt securities, including commercial paper, money market securities, corporate bonds and asset-backed securities that satisfy Rating Agency requirements.

The Synthetic Security Issuer of such Credit Linked Securities is expected to enter into an asset swap transaction with MLI, as asset swap counterparty, with respect to such collateral. Under the terms of such asset swap transaction, the Synthetic Security Issuer will pay to MLI all of the interest and fees payable in respect of such collateral and MLI will pay to the Synthetic Security Issuer three-month LIBOR, on payment dates specified under such asset swap transaction. Because such payments of three-month LIBOR under such asset swap transaction will not coincide with payments of one-month LIBOR as calculated under the Indenture, the Synthetic Security Issuer will also enter into a basis swap transaction with MLI, as basis swap counterparty, pursuant to which the Synthetic Security Issuer will pay MLI three-month LIBOR as calculated under the asset swap transaction and MLI will pay to the Synthetic Security Issuer one-month LIBOR as calculated under the Indenture. The asset swap transaction will also provide that, to the extent the Synthetic Security Issuer is obligated to liquidate collateral in order (i) to make credit protection payments to the Synthetic Security Counterparty, (ii) to make a payment to the Issuer in connection with a redemption of the Credit Linked Securities or (iii) to make termination payments to the Synthetic Security Counterparty in connection with a termination of all or a portion of such credit default swap, (x) if the sale proceeds from such liquidation of collateral (as directed by the asset swap counterparty) are less than the initial purchase price of such collateral, the asset swap counterparty will pay to the Synthetic Security Issuer the amount of such shortfall and (y) if the sale proceeds from such liquidation of collateral exceed the initial purchase price of such collateral, the Synthetic Security Issuer will pay to the asset swap counterparty the amount of such excess. If the asset swap counterparty has actual knowledge that an item of collateral no longer has (i) if it is a security that matures more than one year from the date of purchase, a long-term rating of at least "AA-" by Standard & Poor's and a long-term rating of at least "Aa3" by Moody's or (ii) if it is a security that will mature one year or less from the date of purchase, a short-term rating of "A-1+" by Standard & Poor's and a short-term rating of "P-1" by Moody's, the asset swap counterparty will direct the Synthetic Security Issuer to sell such collateral. The asset swap counterparty will have the right to direct the Synthetic Security Issuer to invest any cash held by it in other types of eligible collateral and will be entitled to exercise voting rights with respect to such collateral.

It is expected that, under the terms of such Credit Linked Securities, the Issuer will be entitled to receive periodic payments in respect of such Credit Linked Securities in an amount equal to the fixed rate amounts received by the Synthetic Security Issuer from MLI as Synthetic Security Counterparty under the credit default swap plus one-month LIBOR received from MLI as basis swap counterparty minus any amounts (other than in respect of termination payments) payable by the Synthetic Security Issuer to MLI under the credit default swap and the basis swap (other than the payment by the Synthetic Security Issuer to MLI of three-month LIBOR as calculated under the asset swap transaction). In addition, the Issuer will be entitled to receive redemption payments in connection with a redemption of the Credit Linked Securities (i) in connection with any principal amortization of the related Reference Obligation, in an amount equal to such principal payment, (ii) on the stated maturity of a Credit Linked Security, in an amount (if any) equal to the remainder of the adjusted principal balance thereof minus any amounts required to be retained to make a credit protection payment with respect to a credit event with respect to the related Reference Obligation that may have occurred prior to the termination but with respect to which physical or other settlement has not yet occurred, (iii) following the expiration of the period in which any amounts so retained must be paid, in the amount (if any) remaining after payment of any such credit protection payments, (iv) in connection with receipt by the Synthetic Security Issuer of a reimbursement in respect of a credit protection payment previously made by the Synthetic Security Issuer pursuant to the credit default swap, in an amount equal to such reimbursement payment and (v) in connection with a termination of all or a portion of the credit default swaps, in an amount equal to the adjusted principal balance thereof minus any termination payments payable to the Synthetic Security Counterparty by the Synthetic Security Issuer plus any termination payments payable by the Synthetic Security Counterparty to the Synthetic Security Issuer. The initial principal balance of such Credit Linked Securities will be reduced by any redemption amounts paid to the Issuer (other than out of termination payments received by the Synthetic Security Issuer) and any credit protection payments made by the Synthetic Security Issuer to the Synthetic

Security Counterparty under the credit default swap and will be increased by any reimbursement payments received by the Synthetic Security Issuer from the Synthetic Security Counterparty in respect of a credit protection payment previously made by the Synthetic Security Issuer to the Synthetic Security Counterparty pursuant to the credit default swap. If the Synthetic Security Issuer receives a deliverable obligation under the credit default swap, such deliverable obligations will be delivered by the Synthetic Security Issuer to the Issuer. Any Deliverable Obligation received by the Issuer (other than a Defaulted Security that is required to be sold) may be retained by the Issuer as a Collateral Debt Security.

Although the foregoing describes in general terms the initial Synthetic Securities that the Issuer is expected to acquire on the Closing Date, the Issuer may at any time dispose of such Synthetic Securities and/or acquire or enter into other Synthetic Securities having different terms (*provided* that any Synthetic Securities acquired or entered into by the Issuer satisfy the Eligibility Criteria).

THE INITIAL SYNTHETIC SECURITY COUNTERPARTY

The information appearing in this section has been prepared by the initial Synthetic Security 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 initial Synthetic Security Counterparty accepts responsibility only for the information contained in the following three paragraphs.

The initial Synthetic Security Counterparty entering into a "pay as you go" credit default swap with the Synthetic Security Issuer of the Credit Linked Securities expected to be acquired by the Issuer on the Closing Date will be Merrill Lynch International ("MLI"). MLI 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 relating to the Credit Linked Securities expected to be acquired by the Issuer on the Closing Date (as well as the obligations of MLI in respect of the asset swap and basis swap related thereto) 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 web site 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 COLLATERAL QUALITY TESTS

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

Ratings Matrix. After the Ramp-Up Completion Date, any of the rows of the table below (each a "Ratings Matrix") shall be applicable for purposes of the Asset Correlation Test and the Moody's Maximum

Rating Distribution Test. Ratings Matrix 3 shall apply on and after the Ramp-Up Completion Date unless otherwise notified 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") for each Ratings Matrix are set forth opposite such Ratings Matrix in the table below.

Ratings Matrix	Designated Maximum Asset Correlation Factor	Designated Moody's Maximum Rating Distribution
1	21.5%	400
2	21.0%	425
3	19.5%	450
4	19.25%	500
5	18.25%	525

Asset Correlation Test. The "Asset Correlation Test" will be satisfied if on any Measurement Date the Asset Correlation Factor is no greater than the applicable number specified in the Ratings Matrix; *provided* that the calculation of the Asset Correlation Factor is based on a number of assets equal to 100; *provided*, with respect to any Long Short Pair where the Long LS Asset and the Short LS Asset have the same rating, the Principal Balance of the related Long LS Asset shall be excluded from the determination of the Asset Correlation Test. The "Asset Correlation Factor" means a single number determined in accordance with the asset correlation methodology provided from time to time to the Collateral Manager by Moody's (a copy of which the Collateral Manager shall promptly provide to the Trustee).

Moody's Maximum Rating Distribution Test. The "Moody's Maximum Rating Distribution Test" will be satisfied on any Measurement Date if the Moody's Maximum Rating Distribution of the Pledged Collateral Debt Securities as of such Measurement Date is equal to or less than (a) on the Closing Date and thereafter to, but excluding, the Ramp-Up Completion Date, 450 and (b) on the Ramp-Up Completion Date, the Designated Moody's Maximum Rating Distribution for any of Ratings Matrix 1, 2, 3, 4 or 5; *provided* that the applicable Asset Correlation Test on such Measurement Date is the Designated Maximum Asset Correlation Factor for the same Ratings Matrix. The "Moody's Maximum Rating Distribution" on any Measurement Date is the number determined by dividing (i) the summation of the series of products obtained for any Pledged Collateral Debt Security that is not a Defaulted Security or Written Down Security, by multiplying (1) the Principal Balance as of such Measurement Date of each such Collateral Debt Security by (2) its respective Moody's Rating Factor as of such Measurement Date by (ii) the aggregate Principal Balance as of such Measurement Date of all Collateral Debt Securities that are not Defaulted Securities or Written Down Securities and rounding the result to the nearest whole number.

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

Moody's Rating	Moody's Rating Factor	Moody's Rating	Moody's Rating Factor
Aaa	1	Ba1	940
Aa1	10	Ba2	1,350
Aa2	20	Ba3	1,766
Aa3	40	B1	2,220
A1	70	B2	2,720

Moody's Rating	Moody's Rating Factor	Moody's Rating	Moody's Rating Factor
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 until a rating is assigned pursuant to the following sentence. If such Collateral Debt Security is not rated by Moody's and no other security or obligation of the issuer thereof or obligor thereon is rated by Moody's and the Issuer requests an estimate of a Moody's Rating Factor from Moody's, 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. With respect to any Synthetic Security (other than a Short Synthetic Security), the Moody's Rating Factor shall be determined as specified by Moody's at the time such Synthetic Security is acquired by the Issuer; and with respect to a Short Synthetic Security, the Moody's Rating Factor will be deemed to be the Moody's Rating Factor associated with the Moody's Rating of the related Synthetic Security Counterparty (and not the related Reference Obligation).

Moody's Minimum Weighted Average Recovery Rate Test. The "Moody's Minimum Weighted Average Recovery Rate Test" will be satisfied as of any Measurement Date on or after the Ramp-Up Completion Date if the Moody's Weighted Average Recovery Rate as of such Measurement Date is greater than or equal to 25%.

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

Weighted Average Coupon Test. The "Weighted Average Coupon Test" means a test that is satisfied on any Measurement Date if the Weighted Average Coupon as of such Measurement Date is equal to or greater than 6.00% (plus the Swap Differential on the Ramp-Up Completion Date if such Swap Differential is positive or minus the absolute value of the Swap Differential on the Ramp-Up Completion Date if such Swap Differential is negative).

The "Weighted Average Coupon" means, as of any Measurement Date, the sum (expressed as a percentage and rounded up to the next 0.001%) of (a) the number obtained by (i) summing the products obtained by multiplying (x) the Current Interest Rate on each Collateral Debt Security pledged to the Trustee that is a Fixed Rate Security or Deemed Fixed Rate Security (excluding all Defaulted Securities and Written Down Securities) by (y) the Principal Balance of each such Collateral Debt Security pledged to the Trustee (or, in the case of any Long Short Pair the Long LS Asset of which is a Fixed Rate Security, by multiplying the LS Coupon of each such Long Short Pair by the Principal Balance of the Long LS Asset including in such Long Short Pair) and (ii) dividing such sum by the aggregate Principal Balance of all Collateral Debt Securities that are Fixed Rate Securities or Deemed Fixed Rate Securities (excluding all Defaulted Securities and Written Down Securities and including, in the case of any Long Short Pair the Long LS Asset of which is a Fixed Rate Security, such Long LS Asset) plus (b) if such sum of the numbers obtained pursuant to clause (a) is less than the applicable percentage specified in the definition of "Weighted Average Coupon Test", the Spread Excess, if any, as of such Measurement Date. For purposes of this definition, no contingent payment of interest will be included in such calculation.

The "Fixed Rate Excess" as of any Measurement Date will equal a fraction (expressed as a percentage) the numerator of which is equal to the product of (a) the greater of zero and the excess, if any, of the Weighted Average Coupon for such Measurement Date over 6.00% and either (A) plus the Swap Differential on the Ramp-Up Completion Date (if such Swap Differential is positive) or (B) minus the absolute value of the Swap Differential on the Ramp-Up Completion Date (if such Swap Differential is negative) and (b) the aggregate Principal Balance of all Collateral Debt Securities that are Fixed Rate Securities or Deemed Fixed Rate Securities (excluding Defaulted Securities and Written Down Securities) and the denominator of which is the aggregate Principal Balance of all Collateral Debt Securities that are Floating Rate Securities or Deemed Floating Rate Securities (excluding Defaulted Securities and Written Down Securities).

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

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

Weighted Average Spread Test. The "Weighted Average Spread Test" will be satisfied on any Measurement Date if the Weighted Average Spread as of such Measurement Date is greater than or equal to 1.80%.

The "Weighted Average Spread" means, as of any Measurement Date, the sum (expressed as a percentage and rounded up to the next 0.001%) of (a) the quotient of (i) the sum of (A) the sum of the products obtained by multiplying (x) the stated spread above or below LIBOR at which interest accrues on each Pledged Collateral Debt Security that is a Floating Rate Security or Deemed Floating Rate Security (other than an LS Asset, a Defaulted Security or a Written Down Security) as of such date by (y) the Principal Balance of such Pledged Collateral Debt Security as of such date plus (B) the sum of the products obtained by multiplying (1) the LS Spread of each Long Short Pair (other than any Long Short Pair the Long LS Asset of which is a Fixed Rate Security) as of such date by (2) the Principal Balance of the Long LS Asset included in such Long Short Pair as of such date and (ii) the aggregate Principal Balance of all Pledged Collateral Debt Securities that are Floating Rate Securities (excluding all Defaulted Securities and Written Down Securities) plus (b) if such sum of the numbers obtained pursuant to clause (a) is less than the applicable percentage specified in the definition of "Weighted Average Spread Test", the Fixed Rate Excess, if any, as of such Measurement Date. For purposes of this definition, (1) no contingent payment of interest will be included in such calculation and (2) in the case of any Floating Rate Security or Deemed Floating Rate Security that does not bear interest at a rate expressed as a stated spread above LIBOR, the interest rate payable on such Floating Rate Security or Deemed Floating Rate Security on any Measurement Date shall be calculated as a spread above or below LIBOR, and if on such Measurement Date such rate is calculated as a spread below LIBOR, such spread shall be expressed as a negative number for purposes of making the calculation described in clause (a)(i) of the preceding sentence.

The "Spread Excess" means, as of any Measurement Date, a fraction (expressed as a percentage) the numerator of which is equal to the product of (a) the greater of zero and the excess, if any, of the Weighted Average Spread for such Measurement Date over 1.80% and (b) the aggregate Principal Balance of all Collateral Debt Securities that are Floating Rate Securities or Deemed Floating Rate Securities (excluding Defaulted Securities and Written Down Securities) and the denominator of which is the aggregate Principal Balance of all Collateral Debt Securities that are Fixed Rate Securities or Deemed Fixed Rate Securities (excluding Defaulted Securities and Written Down Securities).

Weighted Average Life Test. The "Weighted Average Life Test" will be satisfied on any Measurement Date on or after the Ramp-Up Completion Date during any period set forth in Schedule L if the Weighted

Average Life of all Pledged Collateral Debt Securities as of such Measurement Date is less than or equal to the number of years set forth in Schedule L opposite such period.

On any Measurement Date or other date of determination with respect to any Pledged Collateral Debt Securities (excluding all Defaulted Securities and Written Down Securities), the "Weighted Average Life" is the number obtained by (i) summing the products obtained by multiplying (a) the Average Life at such time of each such Collateral Debt Security by (b) the outstanding Principal Balance of such Collateral Debt Security and (ii) dividing such sum by the aggregate Principal Balance at such time of all such Collateral Debt Securities, *provided* that the Weighted Average Life of all Trust Preferred CDO Securities is assumed to have been 20 years on the date of issuance of such Securities. On any Measurement Date with respect to any Collateral Debt Security, the "Average Life" is the quotient obtained by dividing (i) the sum of the products of (a) the number of years (rounded to the nearest one tenth thereof) from such Measurement Date to the respective dates of each successive distribution of principal of such Collateral Debt Security and (b) the respective amounts of principal of such scheduled distributions by (ii) the sum of all successive scheduled distributions of principal on such Collateral Debt Security (as determined by the Collateral Manager).

Standard & Poor's Minimum Recovery Rate Test. The "Standard & Poor's Minimum Recovery Rate Test" will be satisfied on any Measurement Date on or after the Ramp-Up Completion Date if the Standard & Poor's Recovery Rate as of such Measurement Date is equal or greater than (a) with respect to the Class A-1A Notes, 32%; (b) with respect to the Class A-1B Notes, 32%; (c) with respect to the Class A-2 Notes, 32%; (d) with respect to the Class A-3 Notes, 32%; (e) with respect to the Class B Notes, 38%; (f) with respect to the Class C Notes, 43%; (g) with respect to the Class D Notes, 49% and (h) with respect to the Class E Notes, 56%.

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

STANDARD & POOR'S CDO MONITOR

The "Standard & Poor's CDO Monitor Test" is a test satisfied on any Measurement Date on or after the Ramp-Up Completion Date if after giving effect to the sale of a Collateral Debt Security or the purchase of a Collateral Debt Security (or both), as the case may be, on such Measurement Date if each of the Class A-1A Note Default Differential, the Class A-1B Note Default Differential, the Class A-2 Note Default Differential, the Class A-3 Note Default Differential, the Class B Note Default Differential, the Class C Note Default Differential, the Class D Note Default Differential and the Class E Note Default Differential of the Proposed Portfolio is positive or if any of the Class A-1A Note Default Differential, the Class A-1B Note Default Differential, the Class A-2 Note Default Differential, the Class A-3 Note Default Differential, the Class B Note Default Differential, the Class C Note Default Differential, the Class D Note Default Differential or the Class E Note Default Differential of the Proposed Portfolio is negative prior to giving effect to such sale or purchase, the overall extent of compliance is not made worse after giving effect to the sale or purchase of a Collateral Debt Security.

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

The "Class A-1A Note Scenario Default Rate" means, with respect to the Class A-1A Notes, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with Standard & Poor's rating of the Class A-1A Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

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

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

The "Class A-1B Note Scenario Default Rate" means, with respect to the Class A-1B Notes, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with Standard & Poor's rating of the Class A-1B Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

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

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

The "Class A-2 Note Scenario Default Rate" means, with respect to the Class A-2 Notes, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with Standard & Poor's rating of the Class A-2 Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

The "Class A-2 Note Break-Even Default Rate" means, with respect to the Class A-2 Notes, at any time, the maximum percentage of defaults (as determined through application of the Standard & Poor's CDO Monitor) which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain such that, after giving effect to Standard & Poor's assumptions on recoveries and timing and to the Priority of Payments, will result in sufficient funds remaining for the ultimate payment of principal of and interest on the Class A-2 Notes in full by their Stated Maturity and the timely payment of interest on the Class A-2 Notes.

The "Class A-3 Note Default Differential" means, with respect to the Class A-3 Notes, at any time, the rate calculated by subtracting the Class A-3 Note Scenario Default Rate at such time from the Class A-3 Note Break-Even Default Rate at such time.

The "Class A-3 Note Scenario Default Rate" means, with respect to the Class A-3 Notes, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with Standard & Poor's rating of the Class A-3 Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

The "Class A-3 Note Break-Even Default Rate" means, with respect to the Class A-3 Notes, at any time, the maximum percentage of defaults (as determined through application of the Standard & Poor's CDO Monitor) which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain such that, after giving effect to Standard & Poor's assumptions on recoveries and timing and to the Priority of Payments, will result in sufficient funds remaining for the ultimate payment of principal of and interest on the Class A-3 Notes in full by their Stated Maturity and the timely payment of interest on the Class A-3 Notes.

The "Class B Note Break-Even Default Rate" means, with respect to the Class B Notes, at any time, the maximum percentage of defaults (as determined through application of the Standard & Poor's CDO Monitor) which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain such that, after giving effect to Standard & Poor's assumptions on recoveries and timing and to the Priority of Payments, will result in sufficient funds remaining for the ultimate payment of principal of and interest on the Class B Notes in full by their Stated Maturity and the timely payment of interest on the Class B Notes.

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

The "Class B Note Scenario Default Rate" means, with respect to the Class B Notes, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with Standard & Poor's rating of the Class B Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

The "Class C Note Break-Even Default Rate" means, with respect to the Class C Notes, at any time, the maximum percentage of defaults (as determined through application of the Standard & Poor's CDO Monitor) which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain such that, after giving effect to Standard & Poor's assumptions on recoveries and timing and to the Priority of Payments, will result in sufficient funds remaining for the ultimate payment of principal of and interest on the Class C Notes in full by their Stated Maturity and the ultimate payment of interest on the Class C Notes.

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

The "Class C Note Scenario Default Rate" means, with respect to the Class C Notes, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with Standard & Poor's rating of the Class C Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

The "Class D Note Break-Even Default Rate" means, with respect to the Class D Notes, at any time, the maximum percentage of defaults (as determined through application of the Standard & Poor's CDO Monitor) which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain such that, after giving effect to Standard & Poor's assumptions on recoveries and timing and to the Priority of Payments, will result in sufficient funds remaining for the ultimate payment of principal of and interest on the Class D Notes in full by their Stated Maturity and the ultimate payment of interest on the Class D Notes.

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

The "Class D Note Scenario Default Rate" means, with respect to the Class D Notes, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with Standard & Poor's rating of the Class D Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

The "Class E Note Break-Even Default Rate" means, with respect to the Class E Notes, at any time, the maximum percentage of defaults (as determined through application of the Standard & Poor's CDO Monitor) which the Current Portfolio or the Proposed Portfolio, as applicable, can sustain such that, after giving effect to Standard & Poor's assumptions on recoveries and timing and to the Priority of Payments, will result in sufficient funds remaining for the ultimate payment of principal of and interest on the Class E Notes in full by their Stated Maturity and the ultimate payment of interest on the Class E Notes.

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

The "Class E Note Scenario Default Rate" means, with respect to the Class E Notes, at any time, an estimate of the cumulative default rate for the Current Portfolio or the Proposed Portfolio, as applicable, consistent with Standard & Poor's rating of the Class E Notes on the Closing Date, determined by application of the Standard & Poor's CDO Monitor at such time.

The "Current Portfolio" means the portfolio (measured by Principal Balance) of (a) all Pledged Collateral Debt Securities, (b) all Principal Proceeds or Uninvested Proceeds held as cash and (c) all Eligible Investments purchased with Principal Proceeds or Uninvested Proceeds existing immediately prior to the sale, maturity or other disposition of a Collateral Debt Security or immediately prior to the acquisition of a Collateral Debt Security, as the case may be.

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

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

The Standard & Poor's CDO Monitor calculates the cumulative default rate of a pool of Collateral Debt Securities consistent with a specified benchmark rating level based upon Standard & Poor's proprietary corporate debt default studies.

There can be no assurance that actual defaults of the Pledged Collateral Debt Securities or the timing of defaults will not exceed those assumed in the application of the Standard & Poor's CDO Monitor or that recovery rates with respect thereto will not differ from those assumed in the Standard & Poor's CDO Monitor Test. Standard & Poor's makes no representation that actual defaults will not exceed those determined by the Standard & Poor's CDO Monitor. The Issuer makes no representation as to the expected rate of defaults of the Pledged Collateral Debt Securities or the timing of defaults or as to the expected recovery rate or the timing of recoveries.

ACQUISITION AND DISPOSITION OF COLLATERAL DEBT SECURITIES

The Pledged Collateral Debt Securities may be retired prior to their respective final maturities due to, among other things, the existence and frequency of exercise of any optional or mandatory redemption features of such Collateral Debt Securities. In addition, pursuant to the Indenture, the Issuer:

(i) may sell (or in the case of any Synthetic Security, exercise its right, if any, to terminate or assign) any Credit Improved Security, Deferred Interest PIK Bond or Defaulted Security (other than a Defaulted Synthetic Security) at any time; *provided* that, (A) during the Reinvestment Period, a Credit Improved Security may be sold only if, in the Collateral Manager's judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), the resulting Sale Proceeds (other than accrued interest included therein) can be reinvested, no later than the earlier of (x) 180 days after such sale and (y) the last day of the Reinvestment Period, in one or more substitute Collateral Debt Securities in compliance with the Eligibility Criteria (other than the requirement of paragraph (42) thereof relating to the Standard & Poor's CDO Monitor Test), (B) during the Reinvestment Period, following the sale of a Credit Improved Security, Deferred Interest PIK Bond or Defaulted Security (other than a

Defaulted Synthetic Security), the Collateral Manager uses the Sale Proceeds from such Credit Improved Security, Deferred Interest PIK Bond or Defaulted Security and certain other Principal Proceeds to purchase, no later than the earlier of (x) 180 days after such sale and (y) the last day of the Reinvestment Period (and the Collateral Manager will use commercially reasonable efforts to cause the Issuer to enter into a binding commitment with respect to the reinvestment of such Sale Proceeds within 180 days of the sale of such Credit Improved Security, Deferred Interest PIK Bond or Defaulted Security), substitute Collateral Debt Securities in compliance with the Eligibility Criteria (other than the requirement of paragraph (42) thereof relating to the Standard & Poor's CDO Monitor Test); *provided* that Collateral Debt Securities purchased with Sale Proceeds from Credit Improved Securities shall have an aggregate Principal Balance equal to or greater than the Principal Balance of the Credit Improved Security being sold and (C) so long as any Class A Notes or Class B Notes remain Outstanding, Sale Proceeds (net of any accrued interest included therein) with respect to any Defaulted Security sold on a date on which the Class A/B Overcollateralization Test is not satisfied ("Limited Defaulted Proceeds"), shall be deposited into the Principal Collection Account and distributed as Principal Proceeds on the Distribution Date related to the immediately following Determination Date in accordance with the Priority of Payments;

(ii) may sell (or in the case of any Synthetic Security, exercise its right, if any, to terminate or assign) any Written Down Security or Credit Risk Security at any time; *provided* that, (A) if (1) the rating of the Class A-1 Notes, the Class A-2 Notes, the Class A-3 Notes or the Class B Notes has been withdrawn or reduced (so long as the related Class of Notes is outstanding) below the rating assigned to such Class of Secured Notes on the Closing Date by Moody's and not reinstated or (2) the rating of the Class C Notes or the Class D Notes has been withdrawn or reduced at least two subcategories below the rating assigned to such Class of Secured Notes on the Closing Date by Moody's and not reinstated, then a Credit Risk Security may be sold only if it has been downgraded or put on a watch list for possible downgrade by one or more Rating Agencies or Fitch by one or more rating subcategories since it was acquired by the Issuer, (B) during the Reinvestment Period, following the sale of a Credit Risk Security, the Collateral Manager uses the Sale Proceeds from such Credit Risk Security and certain other Principal Proceeds to purchase, no later than the earlier of (x) 180 days after such sale and (y) the last day of the Reinvestment Period, substitute Collateral Debt Securities in compliance with the Eligibility Criteria (other than the requirement of paragraph (42) thereof relating to the Standard & Poor's CDO Monitor Test), (C) during the Fixed Rate Reinvestment Period, following the sale of a Credit Risk Security that bears interest at a fixed rate, the Collateral Manager may no later than the last day of the Due Period following the Due Period during which such Credit Risk Security was sold purchase on behalf of the Issuer one or more substitute Collateral Debt Securities with the Sale Proceeds from such sale and in compliance with the Eligibility Criteria and the Post Reinvestment Period Criteria, *provided* that the purchased Collateral Debt Securities bear interest at a fixed rate and (D) with respect to any Sale Proceeds from a Credit Risk Security, the Collateral Manager will use commercially reasonable efforts to purchase, no later than the earlier of (x) 180 days after such sale and (y) the last day of the Reinvestment Period, after such sale of such Credit Risk Security, substitute Collateral Debt Securities with an aggregate Principal Balance no less than the Sale Proceeds from such sale in compliance with the Eligibility Criteria;

(iii) may sell (or exercise its right to terminate or assign) any Defaulted Synthetic Security (other than a Short Synthetic Security) described in clause (a) of the definition of "Defaulted Synthetic Security" at any time;

(iv) may sell (or in the case of any Synthetic Security, exercise its right, if any, to terminate or assign) any Collateral Debt Security that is not a Defaulted Security, Written Down Security, Deferred Interest PIK Bond, Credit Risk Security or Credit Improved Security during the Reinvestment Period (any such sale, a "Discretionary Sale"); *provided* that (A) no Event of Default has occurred and is continuing, (B) the Sale Proceeds (other than accrued interest included therein) therefrom are reinvested in substitute Collateral Debt Securities in compliance with the Eligibility Criteria no later than the earlier of (x) 180 days after such sale and (y) the last day of the Reinvestment Period, (C) such sale occurs or the Issuer enters into a binding commitment with respect to such sale during the Reinvestment Period, (D) the

Collateral Manager determines, taking into account any factors it deems relevant, that such sale and any related purchases or substitutions will, in the Collateral Manager's judgment on the day of such sale (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), result in one or more of the following: an improvement in one or more of the Collateral Quality Tests or the Standard & Poor's CDO Monitor Test, an improvement in the credit quality of the portfolio, a narrowing of interest rate mismatches or any other improvement which, in the Collateral Manager's judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), would result in a benefit to the Issuer and (E) the aggregate amount of all Sale Proceeds from the sale of Collateral Debt Securities pursuant to this paragraph (iv) in any calendar year does not exceed 20% of the Net Outstanding Portfolio Collateral Balance as of the first day of such calendar year;

(v) shall sell any Equity Security or other security or consideration received by the Issuer in exchange for a Defaulted Security or any equity security received in an Offer that is not Margin Stock and satisfies the criteria set forth in paragraphs (7) through (9) of the Eligibility Criteria within one year after the Issuer's receipt thereof (or within one year after such later date as such Equity Security, other security or consideration received in exchange for a Defaulted Security or equity security received in an offer may first be sold in accordance with its terms and applicable law);

(vi) shall sell each Equity Security or other security or consideration received in an Offer (other than an Equity Security or other security or consideration received in an Offer described in clause (v) above) not later than five Business Days after the Issuer's receipt thereof (or within five Business Days after such later date as such Equity Security or other security or consideration received in an offer may first be sold in accordance with its terms and applicable law);

(vii) shall sell any Deliverable Obligation that is a Defaulted Security and that does not satisfy the criteria set forth in paragraphs (7) through (9) of the Eligibility Criteria not later than five Business Days after the Issuer's receipt thereof (or within five Business Days after such later date as such Defaulted Security may first be sold in accordance with its terms and applicable law);

(viii) may sell (or exercise its right to terminate) any Short Synthetic Security; and

(ix) shall, in the event of an Auction Call Redemption, Optional Redemption or Tax Redemption, direct the Trustee to sell (or terminate or assign, in the case of a Synthetic Security), in consultation with the Collateral Manager, Collateral Debt Securities without regard to the foregoing limitations.

All Sale Proceeds will be deposited in the Principal Collection Account or the Interest Collection Account as the case may be, and if otherwise not used to purchase Collateral Debt Securities or transferred to the Reinvestment Account pursuant to the Indenture, be applied on the Distribution Date immediately succeeding the end of the Due Period following the Due Period in which they were received in accordance with the Priority of Payments. During the Reinvestment Period, the Collateral Manager may use some or all of the Sale Proceeds from the sale of any Equity Security or Collateral Debt Security to purchase, no later than the last day of the Reinvestment Period, substitute Collateral Debt Securities in compliance with the Eligibility Criteria and the restrictions and limitations set forth herein; *provided*, the Collateral Manager may choose not to apply all of such Sale Proceeds to purchase any substitute Collateral Debt Securities.

Any disposition by the Issuer of an Equity Security, Credit Improved Security, Credit Risk Security, Written Down Security, Defaulted Security or other Collateral Debt Security will be conducted on an "arm's-length basis" for fair market value.

In the event of an Optional Redemption, Auction Call Redemption or a Tax Redemption, the Trustee (in consultation with the Collateral Manager) may sell Collateral Debt Securities without regard to the limitations described above that are applicable to sales by the Issuer; *provided* that (1) the proceeds therefrom will be at least sufficient to pay certain expenses and other amounts and redeem the Secured Notes in whole simultaneously; (2) such proceeds are used to make such a redemption and (3) the Issuer provides a

certification as to the sale proceeds of the Collateral containing calculations which are confirmed in writing by independent accountants as set forth in the Indenture. See "Description of the Secured Notes—Optional Redemption and Tax Redemption" and "—Auction Call Redemption".

During the Fixed Rate Reinvestment Period, Unscheduled Principal Proceeds may be used by the Collateral Manager on behalf of the Issuer to purchase no later than the last day of the Due Period following the Due Period during which such Unscheduled Principal Proceeds were received additional Collateral Debt Securities that bear interest at a fixed rate in compliance with the Eligibility Criteria and the Post Reinvestment Period Criteria. All other Principal Proceeds will be applied on each Distribution Date to pay principal of the Secured Notes in accordance with the Priority of Payments.

The "Fixed Rate Reinvestment Period" is the period from (but excluding) the last day of the Reinvestment Period to (but excluding) the earliest of (a) the Stated Maturity of the Secured Notes, (b) the date of an early redemption of the Secured Notes in connection with an Optional Redemption, Tax Redemption or Auction Call Redemption and (c) the date of termination of such period pursuant to the Indenture by reason of the occurrence of an Event of Default; *provided*, if the Reinvestment Period has terminated as a result of the occurrence of an Event of Default, the Fixed Rate Reinvestment Period shall not recommence.

Notwithstanding anything in paragraphs (i) to (vii) above, the Collateral Manager may use (x) Sale Proceeds of any Collateral Debt Security or Equity Security sold by the Issuer in accordance with the Indenture and (y) Principal Proceeds in the Principal Collection Account and Principal Proceeds that have been transferred from the Principal Collection Account, the Uninvested Proceeds Account or otherwise to the Reinvestment Account to purchase substitute Collateral Debt Securities in compliance with the Eligibility Criteria and the Post Reinvestment Period Criteria (if applicable) and subject to other conditions set forth in the Indenture, only if (i) the aggregate Principal Balance of all such substitute Collateral Debt Securities purchased in any consecutive twelve-month period does not exceed the Discretionary Reinvestment Percentage, (ii) neither Moody's nor Standard & Poor's has withdrawn (and not reinstated) its rating (including any private or confidential rating), if any, of any of the Secured Notes or reduced any such rating below the rating in effect on the Closing Date at any time (A) in the case of the Class A-1 Notes, the Class A-2 Notes, the Class A-3 Notes and the Class B Notes, by one or more rating subcategories, (B) in the case of the Class C Notes and the Class D Notes, by two or more rating subcategories and (C) in the case of the Class E Notes, by three or more rating subcategories and (iii) such purchase occurs or the Issuer enters into a binding commitment with respect to such purchase during the Reinvestment Period or, in the case of Unscheduled Principal Proceeds, such purchase occurs or the Issuer enters into a binding commitment with respect to such purchase during the Fixed Rate Reinvestment Period.

THE HEDGE AGREEMENTS

The Issuer may enter into an interest rate protection agreement, (the "Interest Rate Hedge Agreement") with a counterparty (the "Interest Rate Hedge Counterparty") with respect to which the Rating Condition has been satisfied as of the Closing Date consisting of an ISDA Master Agreement and Schedule and an interest rate swap confirmation dated on or about the Closing Date and additional interest rate swap, basis swap and/or interest rate cap confirmations, if any, entered into between the Issuer and the initial Interest Rate Hedge Counterparty from time to time. In addition, the Issuer may, after the Closing Date, enter into one or more interest rate swap agreements with respect to specific Collateral Debt Securities. Any such interest rate swap agreement that hedges a Fixed Rate Security into a Floating Rate Security is referred to in the Indenture as a "Deemed Floating Rate Hedge Agreement" and any such interest rate swap agreement that hedges a Floating Rate Security into a Fixed Rate Security is referred to in the Indenture as a "Deemed Fixed Rate Hedge Agreement". Such hedged Collateral Debt Securities are referred to as "Deemed Floating Rate Securities" and "Deemed Fixed Rate Securities", respectively. The Deemed Fixed Rate Hedge Agreements and the Deemed Floating Rate Hedge Agreements are referred to collectively as the "Asset Hedge Agreements". The Interest Rate Hedge Agreement and each Asset Hedge Agreement are referred to individually as a "Hedge Agreement" and collectively as the "Hedge Agreements".

The Issuer shall not enter into any hedge agreement the payments from which are subject to withholding tax or the entry into, performance, enforcement or termination of which would subject the Issuer to tax on a net income basis in any jurisdiction outside the Issuer's jurisdiction of incorporation. The initial Interest Rate Hedge Counterparty will be Merrill Lynch Capital Services, Inc. (the "Interest Rate Hedge Counterparty" or "MLCS"), located at 4 World Financial Center, 7th Floor, New York, NY 10080. MLCS is a Delaware corporation and a wholly owned subsidiary of ML&Co. The payment obligations of MLCS under the initial Interest Rate Hedge Agreement will be guaranteed by ML&Co. See "Security for the Secured Notes—The Initial Synthetic Security Counterparty" for information regarding ML&Co. The Interest Rate Hedge Counterparty and each hedge counterparty to a Deemed Fixed Rate Hedge Agreement or a Deemed Floating Rate Hedge Agreement shall be referred to herein as a "Hedge Counterparty". Pursuant to the Priority of Payments, scheduled payments required to be made by the Issuer under each Hedge Agreement, together with any termination payments payable by the Issuer other than by reason of an "event of default" or "termination event" (other than an "illegality" or "tax event") with respect to which the Hedge Counterparty is the sole "defaulting party" or the sole "affected party" (as each such term is defined in the relevant Hedge Agreement), will be payable pursuant to paragraph (D) under "Priority of Payments—Interest Proceeds" and paragraph (A) under "Priority of Payments—Principal Proceeds" to the extent such amounts are payable on a Distribution Date. In addition, scheduled payments to a Hedge Counterparty may be made on a date other than a Distribution Date. Except as provided in the Priority of Payments, payments under any Hedge Agreement will be senior in priority to payments made on the Offered Securities. Scheduled payments to any Hedge Counterparty may be made on a date other than a Distribution Date. Each Hedge Agreement will be governed by New York law.

The Issuer will receive an upfront payment from the Interest Rate Hedge Counterparty under the Interest Rate Hedge Agreement. Due to receipt of this upfront payment from the Interest Rate Hedge Counterparty, the Issuer will have increased obligations (including with respect to any termination payments under the Hedge Agreement) to the Interest Rate Hedge Counterparty as compared to the obligations the Issuer would have had if there were no upfront payment paid under the Interest Rate Hedge Agreement.

In respect of any Hedge Counterparty, if: (x)(i) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of its Hedge Rating Determining Party are rated below "A1" by Moody's (or rated "A1" by Moody's and on watch for possible downgrade) and (ii) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Rating Determining Party are rated below "P-1" by Moody's or are rated "P-1" by Moody's and such rating is on watch for possible downgrade or (y) if such Hedge Rating Determining Party does not have a short-term rating from Moody's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated below "Aa3" by Moody's or are rated "Aa3" by Moody's and such rating is on watch for possible downgrade, then such Hedge Counterparty shall, within 30 Business Days of such ratings downgrade, enter into an agreement with the Issuer providing for the posting of collateral, which agreement satisfies the Rating Condition.

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

In respect of the Interest Rate Hedge Counterparty:

(i) if a Collateralization Event occurs, the Interest Rate Hedge Counterparty and the Issuer shall enter into an agreement, solely at the expense of the Interest Rate Hedge Counterparty, in the form of the ISDA Credit Support Annex attached as Annex B to the Interest Rate Hedge Agreement;

provided that, a Ratings Event will be deemed to have occurred if the Interest Rate Hedge Counterparty has not, within 30 days following a Collateralization Event, (A) provided sufficient collateral as required under the Interest Rate Hedge Agreement, (B) found another Hedge Counterparty in accordance with clause (iii), (C) obtained a guarantor for the obligations of the Interest Rate Hedge Counterparty under the Interest Rate Hedge Agreement which satisfies the Hedge Counterparty Ratings Requirement (with such form of guarantee satisfying Standard & Poor's then current published criteria relating to such guarantees) or (D) taken such other steps as each Rating Agency that has downgraded the Hedge Rating Determining Counterparty or in respect of the Interest Rate Hedge Counterparty, as the case may be, may require to cause the obligations of the Interest Rate Hedge Counterparty under the Interest Rate Hedge Agreement to be treated by such Rating Agency as if such obligations were owed by a counterparty which satisfies the Hedge Counterparty Ratings Requirement;

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

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

(iv) following the occurrence of a Ratings Event, the Issuer may terminate the Interest Rate Hedge Agreement unless the Interest Rate Hedge Counterparty has assigned its rights and obligations in and under the Interest Rate Hedge Agreement (at its own expense) to another Hedge Counterparty selected by the Issuer that has ratings at least equal to the Hedge Counterparty Ratings Requirement (x) in the case of a Ratings Event occurring as a result of a downgrade, withdrawal or suspension by Moody's, within 10 days following such Ratings Event or, if the Issuer does not select another Hedge Counterparty within 10 days following such Ratings Event, to a Hedge Counterparty selected by the Interest Rate Hedge Counterparty within 20 days following the end of such 10 day period or (y) in the case of a Ratings Event occurring as a result of a downgrade, withdrawal or suspension from Standard & Poor's, as soon as practicable but in no event later than 10 Business Days following such Ratings Event.

The Trustee shall deposit all collateral received from each Hedge Counterparty under each Hedge Agreement into a securities account held in the name of the Trustee that will be designated the "Hedge Counterparty Collateral Account", which account will be maintained for the benefit of the Secured Parties and any Hedge Counterparty.

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

"Hedge Rating Determining Party" means, with respect to any Hedge Counterparty, (a) unless clause (b) applies with respect to the related Hedge Agreement, such Hedge Counterparty or any transferee thereof or (b) any affiliate of the relevant Hedge Counterparty or any transferee thereof that unconditionally and absolutely guarantees (with such form of guarantee satisfying Standard & Poor's then-published criteria with respect to guarantees) the obligations of such Hedge Counterparty or such transferee, as the case may be, under the related Hedge Agreement. For the purpose of this definition, no direct or indirect recourse against one or more shareholders of such Hedge Counterparty or any such transferee (or against any person in control of, or controlled by, or under common control with, any such shareholder) shall be deemed to constitute a guarantee, security or support of the obligations of such Hedge Counterparty or any such transferee.

The "Hedge Counterparty Ratings Requirement" means, with respect to any Hedge Counterparty or any permitted transferee thereof, (a) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of the Hedge Rating Determining Party are rated at least "A-1" by Standard & Poor's, or (ii) if no short-term debt obligations of such Hedge Rating Determining Party are rated by Standard & Poor's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of its Hedge Rating Determining Party are rated at least "A+" by Standard & Poor's and (b)(i)(x) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Rating Determining Party are rated "P-1" by Moody's and such rating is not on watch for possible downgrade and (y) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of its Hedge Rating Determining Party are rated higher than "A1" by Moody's or are rated "A1" by Moody's and such rating is not on watch for possible downgrade or (ii) if there is no such Moody's short-term debt obligations rating, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of its Hedge Rating Determining Party are rated higher than "Aa3" by Moody's or are rated "Aa3" by Moody's and such rating is not on watch for possible downgrade.

"Ratings Event" means, with respect to any Hedge Agreement entered into on the Closing Date between the Issuer and the Interest Rate Hedge Counterparty, the occurrence of any of the following: (i) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to or below "A2", if its Hedge Rating Determining Party has no short-term senior unsecured debt rating; (ii) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Moody's is withdrawn, suspended or falls to or below "A3" or the short-term senior unsecured debt rating of the Interest Rate Hedge Counterparty or, if no such rating is available, its Hedge Rating Determining Party from Moody's, or if no such rating is available, a guaranteed affiliate thereof (whose rating is based solely upon the support of the Hedge Rating Determining Party) from Moody's, if so rated by Moody's, falls to or below "P-2"; (iii) the long-term senior unsecured debt rating of its Hedge Rating Determining Party from Standard & Poor's is withdrawn, suspended or falls below "BBB-"; (iv) the short-term senior unsecured debt rating of its Hedge Rating Determining Party from Standard & Poor's is withdrawn, suspended or falls below "A-3"; or (v) the failure of the Interest Rate Hedge Counterparty to satisfy the requirements set forth in the Schedule to the ISDA Master Agreement forming part of the relevant Hedge Agreement or to provide, within 10 days following a Collateralization Event, sufficient collateral as required under the relevant Hedge Agreement.

"Ratings Threshold", means, with respect to each Hedge Counterparty, (a) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of the Hedge Rating Determining Party are rated at least "A-1" by Standard & Poor's or (ii) if the Hedge Rating Determining Party does not have a short-term rating from Standard & Poor's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A+" by Standard & Poor's and (b) (i) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of its Hedge Rating Determining Party are rated at least "A3" by Moody's, *provided* that the Ratings Threshold shall not be satisfied if such obligations are rated "A3" by Moody's and such rating is on watch for possible downgrade and (ii) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Rating Determining Party are rated at least "P-2" by Moody's, *provided* that the Ratings Threshold shall not be satisfied if such obligations are rated "P-2" by Moody's and such rating is on watch for possible downgrade.

Each Hedge Agreement will be subject to termination upon the earlier to occur of (a) an Event of Default followed by the liquidation of the Collateral in accordance with the Indenture and (b) any Optional Redemption, Auction Call Redemption or Tax Redemption. The Issuer and the Interest Rate Hedge Counterparty may from

time to time following the Ramp-Up Completion Date enter into additional interest rate swap, basis swap and interest rate cap transactions or reduce the notional amount under the interest rate swap transactions or terminate any transactions so long as, in each case, such action by the Issuer satisfies the Rating Condition. If amounts are applied to the redemption of Secured Notes on any Distribution Date in accordance with the Priority of Payments by reason of a Rating Confirmation Failure or a failure to satisfy any of the Overcollateralization Tests or the Class E Interest Diversion Test, then, subject to the satisfaction of the Rating Condition, the interest rate swap transaction under the Interest Rate Hedge Agreement will be subject to partial termination on such Distribution Date with respect to a portion of the notional amount thereof equal to the aggregate outstanding principal amount of such Secured Notes so redeemed on such Distribution Date. In addition, subject to satisfaction of the Rating Condition with respect to such reduction and the prior consent of the relevant Hedge Counterparty, a Majority-in-Interest of Preference Shareholders (acting together) may on any Distribution Date direct the Issuer to reduce the notional amount of any interest rate swap transactions outstanding under any Hedge Agreement. Upon any such termination or reduction of a notional amount, a termination payment with respect to the notional amount terminated or reduced may become payable by the relevant Hedge Counterparty or the Issuer to the other party under the related Hedge Agreement, with such termination payment being calculated as described below.

No Asset Hedge Agreement shall be subject to early termination other than by reason of (A) an event of default or termination event relating to the Issuer or the relevant Hedge Counterparty specified in Section 5 of the ISDA Master Agreement relating to such Hedge Agreement or the Schedule thereto and (B) an event or condition analogous to any event or condition that would permit the Issuer under the Indenture to sell or otherwise dispose of the Reference Obligation that is the subject of such Asset Hedge Agreement if such Reference Obligation were a Collateral Debt Security.

If at any time any Hedge Agreement becomes subject to early termination due to the occurrence of an "event of default" or a "termination event" other than illegality or a "tax event" (each as defined in the relevant Hedge Agreement) attributable to the related Hedge Counterparty thereto, the Issuer and the Trustee shall take such actions (following the expiration of any applicable grace period) to enforce the rights of the Issuer and the Trustee thereunder as may be permitted by the terms of the relevant Hedge Agreement and consistent with the terms hereof, and shall apply the proceeds of any such actions (including the proceeds of the liquidation of any collateral pledged by such Hedge Counterparty) to enter into a replacement Hedge Agreement on substantially identical terms or on such other terms satisfying the Rating Condition, and with a Hedge Counterparty with respect to which the Rating Condition shall have been satisfied. In determining the amount payable under the terminated Hedge Agreement, the Issuer will seek quotations from reference market-makers that satisfy the Hedge Counterparty Ratings Requirement. In addition, the Issuer will use its best efforts to cause the termination of such Hedge Agreement to become effective simultaneously with the entry into a replacement Hedge Agreement described as aforesaid. Notwithstanding the foregoing, if such Hedge Agreement becomes subject to early termination due to the occurrence of an "event of default" or a "termination event" other than "illegality" or "tax event" (each as defined in the related Hedge Agreement) attributable to such Hedge Counterparty thereto, the Issuer agrees not to exercise its right to terminate the related Hedge Agreement unless (i) no amounts would be owed by the Issuer to such Hedge Counterparty as a result of such termination (or the Issuer certifies to such Hedge Counterparty that the funds available on the next Distribution Date will be sufficient to pay such termination payment) or (ii) at the option of the Issuer, the relevant Hedge Counterparty shall be required to assign its rights and obligations under the related Hedge Agreement and all transactions thereunder at no cost to the Issuer (it being understood that such Hedge Counterparty shall pay the Issuer's expenses including any stamp duty in connection therewith, including legal fees) to a party selected by the Issuer (with the assistance of such Hedge Counterparty, which assistance will not be unreasonably withheld) (the "Subordinated Termination Substitute Party") (x) in the case of the occurrence of an "event of default" or a "termination event" (each as defined in the related Hedge Agreement) attributable to the relevant Hedge Counterparty other than a downgrade, withdrawal or suspension from Standard & Poor's within 30 days following the selection of a Subordinated Termination Substitute Party by the relevant Hedge Counterparty or (y) in the case of a the occurrence of an "event of default" or a "termination event" (each as defined in the related Hedge Agreement) attributable to relevant Hedge Counterparty that is a downgrade, withdrawal or suspension from Standard & Poor's as soon as practicable but in no event later than 10 Business Days following such downgrade, withdrawal or suspension from Standard & Poor's; and *provided*, that such an assignment will

not comply with this provision unless (A) as of the date of such transfer neither the Subordinated Termination Substitute Party nor the Issuer will be required to withhold or deduct on account of any tax from any payments under the related Hedge Agreement in excess of what would have been required to be withheld or deducted in the absence of such transfer; (B) a "termination event" or "event of default" does not occur under the related Hedge Agreement as a result of such assignment; (C) the Subordinated Termination Substitute Party satisfies the Hedge Counterparty Ratings Requirement; (D) such Subordinated Termination Substitute Party assumes the obligations of the Hedge Counterparty under the related Hedge Agreement (through an assignment and assumption agreement in form and substance reasonably satisfactory to the Issuer) or replaces the outstanding transactions under the related Hedge Agreement with transactions on substantially identical terms, except that the relevant Hedge Counterparty shall be replaced as counterparty; (E) such assignment satisfies the Rating Condition; (F) such Hedge Counterparty assumes payment of any cost including any stamp duty associated with the transfer of the related Hedge Agreement and all transactions thereunder to the Subordinated Termination Substitute Party; (G) the Subordinated Termination Substitute Party shall be a dealer in notional principal contracts and (H) payment has been made to the relevant Hedge Counterparty by the Subordinated Termination Substitute Party of an amount payable under the terminated Hedge Agreement based on quotations from reference market-makers, such payment in full satisfaction of all amounts owing by the Issuer in connection with such assignment (other than unpaid amounts).

Amounts payable upon any such termination or reduction will be based upon the standard replacement transaction valuation methodology set forth in the 1992 ISDA Master Agreement published by the International Swaps and Derivatives Association, Inc. If any amount is payable by the Issuer to any Hedge Counterparty in connection with the occurrence of any such partial termination or notional amount reduction, such amount, together with interest on such amount for the period from and including the date of termination to but excluding the date of payment at a rate set forth in the relevant Hedge Agreement, shall be payable on such Distribution Date to the extent funds are available for such purpose in accordance with the Priority of Payments, and any amount not so paid on such Distribution Date shall be payable on the first Distribution Date on which such amount may be paid in accordance with the Priority of Payments.

Under the initial Interest Rate Hedge Agreement, the Issuer will agree (a) not to enter into any transaction under another Interest Rate Hedge Agreement unless (i) the entry into such Hedge Agreement satisfies the Rating Condition and (ii) the Issuer obtains the prior written consent of the initial Interest Rate Hedge Counterparty and (b) in the event of any transfer, assignment or replacement of the initial Interest Rate Hedge Agreement following the occurrence of a "Collateralization Event" or "Ratings Event" thereunder, the Issuer shall use (and cause its agents to use) reasonable commercial efforts to incur only reasonable costs and expenses in connection with such transfer, assignment or replacement, including costs and expenses of legal counsel.

The obligations of the Issuer under each Hedge Agreement are limited recourse obligations payable solely from the Collateral pursuant to the Priority of Payments.

THE ACCOUNTS

On or prior to the Closing Date the Trustee will have established each of the following accounts (the "Accounts"):

Collection Accounts

All distributions on the Collateral Debt Securities and any proceeds received from the disposition of any such Collateral Debt Securities, to the extent such distributions or proceeds constitute Interest Proceeds and (i) all payments during a Due Period pursuant to each Hedge Agreement (excluding any payments received by the Issuer by reason of an event of default or termination event that are required to be used for the purchase of a replacement Hedge Agreement) less any deferred premium payments payable by the Issuer under each Hedge Agreement during such Due Period, (ii) all accrued interest received in cash by the Issuer with respect to Collateral Debt Securities sold by the Issuer (excluding Sale Proceeds received in respect of Defaulted Securities and Written Down Securities and accrued interest included in Principal Proceeds) and (iii) all other

Interest Proceeds other than 83.3% of the Semi-Annual Interest Distributions and 66.7% of the Quarterly Interest Distributions, in each case received in cash by the Issuer in any Due Period, which will be deposited in the Interest Equalization Account pursuant to the Indenture will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the "Interest Collection Account") which may be a subaccount of the Custodial Account.

All distributions on the Collateral Debt Securities and any proceeds received from the disposition of any such Collateral Debt Securities to the extent such distributions or proceeds constitute Principal Proceeds (unless during the Fixed Rate Reinvestment Period such Principal Proceeds constituting Unscheduled Principal Proceeds are simultaneously reinvested in Collateral Debt Securities bearing interest at a fixed rate, in each case in accordance with the Indenture) will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the "Principal Collection Account" which may be a subaccount of the Custodial Account and, together with the Interest Collection Account, the "Collection Accounts") unless, during the Reinvestment Period, such Principal Proceeds are contemporaneously invested in Collateral Debt Securities or Eligible Investments or transferred to the Reinvestment Account in accordance with the Indenture. Amounts received in the Collection Accounts during a Due Period and amounts received in prior Due Periods and retained in the Collection Accounts under the circumstances set forth above in "Description of the Secured Notes—Priority of Payments" will be invested, upon Issuer order, in Eligible Investments (as described below) with stated maturities no later than the Business Day immediately preceding the next Distribution Date unless (x) in the case of the Principal Collection Account, such amounts are used during the Reinvestment Period or the Fixed Rate Reinvestment Period to purchase Collateral Debt Securities in accordance with the Indenture or (y) in the case of the Interest Proceeds Account, such amounts are used to make a scheduled payment owed by the Issuer to any Hedge Counterparty under an Asset Hedge Agreement. All such proceeds will be retained in the Collection Accounts unless (a) in the case of the Principal Collection Account, such amounts are used to purchase Collateral Debt Securities on or prior to the last day of the Reinvestment Period or the Fixed Rate Reinvestment Period, in accordance with the Eligibility Criteria and the Indenture, to honor commitments with respect thereto entered into prior to the last day of the Reinvestment Period or the Fixed Rate Reinvestment Period, or as otherwise permitted under the Indenture or (b) used, in the case of the Interest Collection Account, to make a scheduled payment owing by the Issuer to any Hedge Counterparty under any Asset Hedge Agreement. On any date on or prior to the last day of the Reinvestment Period the Collateral Manager may direct the Trustee to transfer amounts standing to the credit of the Principal Collection Account to the Reinvestment Account; *provided*, (1) any such direction shall be given prior to the immediately following Distribution Date and (2) to the extent that any Overcollateralization Test is not satisfied at the time of such transfer, the Collateral Manager believes (based on its judgment exercised in accordance with the standard of care set forth in the Collateral Management Agreement) that immediately following such transfer, sufficient amounts will remain in the Principal Collection Account to pay all amounts pursuant to paragraphs (A) through (K) set forth under "Description of the Secured Notes—Priority of Payment—Principal Proceeds" on the immediately following Distribution Date.

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

Interest Reserve Account

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 Collateral Manager and the Initial Purchaser) and the expenses of offering the Offered Securities, on the Closing Date U.S.$500,000 from the proceeds of the offering of the Offered Securities will be deposited by the Trustee into a single account established and maintained by the Trustee under the Indenture (the "Interest Reserve Account"). All funds on deposit in the Interest Reserve Account will be invested in Eligible Investments pursuant to direction of the Collateral Manager. The only permitted withdrawal from or application of funds standing to the credit of the Interest Reserve Account shall be as follows: (a) on any Determination Date, the Collateral Manager, on behalf of the Issuer, may direct the Trustee to withdraw or cause to be withdrawn such funds and designate that such funds be applied, in the Collateral Manager's sole discretion (exercised in accordance with the standard of care

set forth in the Collateral Management Agreement), as Interest Proceeds or as Principal Proceeds in accordance with the Priority of Payments on the related Distribution Date and (b) any amount standing to the credit of the Interest Reserve Account on the final Distribution Date will be transferred to the Payment Account for application as Principal Proceeds in accordance with the Priority of Payments on such Distribution Date.

Short Reimbursement Account

The Trustee shall, prior to the Closing Date, cause to be established a single segregated account established and maintained by the Trustee under the Indenture (the "Short Reimbursement Account)", into which the Trustee shall from time to time deposit all Credit Protection Payments received in cash by the Issuer. The only permitted withdrawals from the Short Reimbursement Account shall be as follows: (i) on any date when the Issuer is obligated under a Short Synthetic Security to pay a Reimbursement Amount to the related Synthetic Security Counterparty, the Trustee shall, at the direction of the Collateral Manager, withdraw an amount up to the amount of such Reimbursement Amount from the Short Reimbursement Account and pay such amount to such Synthetic Security Counterparty and (ii) one year after the termination of any Short Synthetic Security under which the Issuer received any Credit Protection Payment, the Trustee shall transfer an amount equal to the aggregate amount of all Credit Protection Payments (net of any such Reimbursement Amounts) received by the Issuer thereunder to the Payment Account to be applied as Principal Proceeds on the next succeeding Distribution Date. The Trustee agrees to give the Co-Issuers, each Hedge Counterparty and the Holders of the Secured Notes of the Controlling Class immediate notice if the Short Reimbursement Account or any funds on deposit therein, or otherwise standing to the credit of the Short Reimbursement Account, shall become subject to, any writ, order, judgment, warrant of attachment, execution or similar process. The Short Reimbursement Account shall remain at all times with a financial institution having a long-term debt rating of at least "Baa1" by Moody's (and, if rated "Baa1", not be on watch for possible downgrade by Moody's) and at least "BBB+" by Standard & Poor's and a combined capital and surplus in excess of U.S.$250,000,000. The Trustee shall invest all funds received into the Short Reimbursement Account, pursuant to direction of the Collateral Manager, in Eligible Investments in accordance with the Indenture. All interest and other income from such investments shall be deposited in the Short Reimbursement Account, any gain realized from such investments shall be credited to the Short Reimbursement Account, and any loss resulting from such investments shall be charged to the Short Reimbursement Account. The Trustee shall not in any way be held liable by reason of any insufficiency of such Short Reimbursement Account resulting from any loss relating to any such investment, except with respect to investments in obligations of the Bank but only to the extent of the liability of the Bank for such insufficiency.

Payment Account

On or prior to the Business Day prior to each Distribution Date, the Trustee will deposit into a single, segregated account established and maintained by the Trustee under the Indenture (the "Payment Account") for the benefit of the Secured Parties all funds in the Collection Accounts (other than during the Fixed Rate Reinvestment Period, so long as no Event of Default has occurred and is continuing, Unscheduled Principal Proceeds which may be retained in the Collection Accounts for subsequent reinvestment, if the Issuer so elects as set forth in the Indenture) required for payments to Secured Noteholders and payments of fees and expenses in accordance with the priority described under "Description of the Secured Notes—Priority of Payments". If amounts on deposit in the Payment Account are invested pending payments to the Secured Noteholders on each Distribution Date, such amounts shall be invested, pursuant to direction of the Collateral Manager, in Eligible Investments with maturities no later than the next Distribution Date; *provided* that the Trustee shall not be under an obligation to invest amounts standing to the credit of the Payment Account.

Interest Equalization Account

On any date upon which the Issuer receives interest payments in cash in respect of semi-annual interest paying securities or quarterly interest paying securities, the Trustee will deposit into a single, segregated account established and maintained by the Trustee under the Indenture (the "Interest Equalization Account") (i) 83.3% of the Semi-Annual Interest Distribution received in cash by the Issuer in any Due Period in respect of any Semi-Annual Security and (ii) 66.6% of the Quarterly Interest Distribution received in cash by the Issuer in

any Due Period in respect of any Quarterly Security. At least one Business Day prior to each Distribution Date, the Trustee shall transfer from the amounts deposited in the Interest Equalization Account on or prior to the Determination Date relating to the immediately preceding Distribution Date (including any interest accrued on any such amount) to the Payment Account for application as Interest Proceeds in accordance with the Priority of Payments, (x) 16.7% of the Semi-Annual Interest Distribution received in cash by the Issuer in respect of each Semi-Annual Interest Distribution received in cash by the Issuer in respect of each Semi-Annual Security and (y) 33.3% of the Quarterly Interest Distribution received in cash by the Issuer in respect of each Quarterly Security, in each case until no amount on account of such Semi-Annual Interest Distribution or Quarterly Interest Distribution stands to the credit of the Interest Equalization Account. Such transfer shall be the only permitted withdrawal from, or application of funds on deposit in, or otherwise standing to the credit of, the Interest Equalization Account. Any and all funds at any time on deposit in, or otherwise to the credit of, the Interest Equalization Account shall be held in trust by the Trustee for the benefit of the Secured Parties. The Trustee is required to give the Co-Issuers immediate notice if the Interest Equalization Account or any funds on deposit therein, or otherwise standing to the credit of the Interest Equalization Account, shall become subject to, any writ, order, judgment, warrant of attachment, execution or similar process. The Interest Equalization Account shall remain at all times with a financial institution having a long-term debt rating of at least "Baa1" by Moody's (and, if rated "Baa1", not be on watch for possible downgrade by Moody's) and at least "BBB+" by Standard & Poor's and a combined capital and surplus in excess of U.S.$250,000,000. At the direction of the Collateral Manager, the Trustee shall invest and reinvest the funds held in the Interest Equalization Account in Eligible Investments maturing not later than the earlier of (i) 30 days after the date of such investment or (ii) the Business Day immediately preceding the next Distribution Date (or, in the absence of such direction, in Eligible Investments so maturing that are described in clause (h) of the definition thereof). All interest and other income from such investments shall be deposited in the Interest Equalization Account, any gain realized from such investments shall be credited to the Interest Equalization Account and any loss resulting from such investments shall be charged to the Interest Equalization Account. Investment earnings on Eligible Investments in the Interest Equalization Account will be transferred to the Interest Collection Account and treated as Interest Proceeds on the related Distribution Date. The Trustee shall not in any way be held liable by reason of any insufficiency of the Interest Equalization Account resulting from any loss relating to any such investment, except with respect to investments in obligations of the Bank but only to the extent of the liability of the Bank for any such insufficiency.

Reinvestment Account

The Trustee shall, prior to the Closing Date, cause to be established a single segregated Account which shall be designated as the "Reinvestment Account" which shall be established and maintained by the Trustee under the Indenture, into which the Trustee shall deposit amounts in accordance with paragraph (M) under "Description of the Secured Notes—Priority of Payments—Principal Proceeds" and, as directed by the Collateral Manager in accordance with the terms of the Indenture, amounts transferred from the Uninvested Proceeds Account. On any day during the Reinvestment Period and, solely for the purpose of settling the purchase of any Collateral Debt Securities pursuant to an agreement entered into prior to the last day of the Reinvestment Period, on any day after the Reinvestment Period, the Collateral Manager on behalf of the Issuer may, by Issuer order, direct the Trustee to apply funds in the Reinvestment Account to purchase substitute Collateral Debt Securities. At least one Business Day prior to the first Distribution Date after the last day of the Reinvestment Period, the Trustee shall transfer any amounts remaining on deposit in the Reinvestment Account (excluding any amounts necessary to settle all agreements entered into by the Issuer on or prior to the last day of the Reinvestment Period to acquire Substitute Collateral Debt Securities scheduled to settle following the last day of the Reinvestment Period) to the Payment Account to be treated as Principal Proceeds on the first Distribution Date thereafter and distributed in accordance with the Priority of Payments. The Collateral Manager on behalf of the Issuer may at any time during the Reinvestment Period, by Issuer order, direct the Trustee to transfer amounts on deposit in the Reinvestment Account to the Payment Account to be treated as Principal Proceeds on the first Distribution Date thereafter. The Trustee agrees to give the Co-Issuers, each Hedge Counterparty and the Holders of the Secured Notes of the Controlling Class immediate notice if the Reinvestment Account or any funds on deposit therein, or otherwise standing to the credit of the Reinvestment Account, shall become subject to, any writ, order, judgment, warrant of attachment, execution or similar process. The Reinvestment Account shall remain at all times with a financial institution having a long-term debt rating of at least "Baa1" by

Moody's (and, if rated "Baa1", not be on watch for possible downgrade by Moody's) and at least "BBB+" by Standard & Poor's and a combined capital and surplus in excess of U.S.$250,000,000. The Trustee, at the direction of the Collateral Manager, shall invest all funds received into the Reinvestment Account in Eligible Investments in accordance with the Indenture. All interest and other income from such investments shall be deposited in the Reinvestment Account, any gain realized from such investments shall be credited to the Reinvestment Account, and any loss resulting from such investments shall be charged to the Reinvestment Account. The Trustee shall not in any way be held liable by reason of any insufficiency of such Reinvestment Account resulting from any loss relating to any such investment, except with respect to investments in obligations of the Bank but only to the extent of the liability of the Bank for such insufficiency.

Uninvested Proceeds Account

On the Closing Date, the Trustee will deposit into a single, segregated account established and maintained by the Trustee under the Indenture (the "Uninvested Proceeds Account") all Uninvested Proceeds (other than the organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Collateral Manager and the Initial Purchaser), the expenses of offering the Offered Securities and amounts deposited in the any other Account on the Closing Date). On and prior to the Ramp-Up Completion Date, the Collateral Manager on behalf of the Issuer may direct the Trustee to, and upon such direction the Trustee shall, apply funds in the Uninvested Proceeds Account in additional Collateral Debt Securities (including making a deposit into a Synthetic Security Counterparty Account in connection with the purchase of a Defeased Synthetic Security) and, pending such investment in additional Collateral Debt Securities, such funds will be invested, pursuant to direction of the Collateral Manager, in Eligible Investments with stated maturities not later than the earlier of (i) 30 days after the date of such investment or (ii) the Business Day immediately preceding the next Distribution Date and U.S. Agency Securities. Interest and other income from such investments shall be deposited in the Uninvested Proceeds Account, any gain realized from such investments shall be credited to the Uninvested Proceeds Account, and any loss resulting from such investments shall be charged to the Uninvested Proceeds Account. Interest in respect of any U.S. Agency Securities purchased with funds in the Uninvested Proceeds Account and held in the Custodial Account received in any Due Period (other than any interest received in respect of accrued interest purchased by the Issuer upon the acquisition of any U.S. Agency Security) will be transferred to the Interest Collection Account and treated as Interest Proceeds on the related Distribution Date. After the Ramp-Up Completion Date, the Issuer shall not be permitted to hold U.S. Agency Securities purchased with funds from the Uninvested Proceeds Account. If the Issuer has obtained a Rating Confirmation from each Rating Agency as provided in the Indenture, the Trustee shall, as directed by the Collateral Manager, transfer any Uninvested Proceeds remaining on deposit in the Uninvested Proceeds Account at least one Business Day prior to the first Distribution Date after the Ramp-Up Completion Date (excluding (i) any amounts transferred to the Interest Collection Account as specified above and (ii) any amounts necessary to settle all agreements entered into by the Issuer on or prior to the Ramp-Up Completion Date to acquire Collateral Debt Securities scheduled to settle following the Ramp-Up Completion Date) either (a) to the Payment Account to be treated *first*, as Interest Proceeds in an amount designated by the Collateral Manager up to an amount equal to the Interest Excess and, *second*, as Principal Proceeds, on the first Distribution Date thereafter or (b) to the Reinvestment Account. If the Issuer has failed to obtain a Rating Confirmation from each Rating Agency as provided in the Indenture, the Trustee shall transfer any such Uninvested Proceeds to the Payment Account to be treated as Principal Proceeds on the first Distribution Date thereafter and distributed in accordance with the Priority of Payments. During the Ramp-Up Period and thereafter to settle the purchase of any Collateral Debt Securities pursuant to an agreement entered into prior to the Ramp-Up Completion Date, the Collateral Manager on behalf of the Issuer may by notice to the Trustee direct the Trustee to sell Eligible Investments and U.S. Agency Securities purchased with funds from the Uninvested Proceeds Account and apply the proceeds therefrom (or any other cash credited to the Uninvested Proceeds Account) (i) to purchase additional Collateral Debt Securities, Eligible Investments or U.S. Agency Securities or (ii) make a deposit into a Synthetic Security Counterparty Account in connection with the purchase of a Defeased Synthetic Security.

Expense Account

On the Closing Date, after payment of the organizational and structuring fees and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Collateral Manager and the Initial Purchaser) and the expenses of offering the Offered Securities, U.S.$50,000 from the proceeds of the offering of the Offered Securities (and any upfront payment received from the Interest Rate Hedge Counterparty on the Closing Date) will be deposited by the Trustee into a single, segregated account established and maintained by the Trustee under the Indenture (the "Expense Account"). On each Distribution Date, to the extent that funds are available for such purpose in accordance with the Priority of Payments and subject to the Dollar limitation set forth in paragraph (B) under "Description of the Secured Notes–Priority of Payments–Interest Proceeds", the Trustee will deposit into the Expense Account an amount from Interest Proceeds (and, to the extent that Interest Proceeds are insufficient, from Principal Proceeds) such that the amount on deposit in the Expense Account (after giving effect to such deposit) will equal U.S.$50,000. Amounts on deposit in the Expense Account may be withdrawn from time to time to pay accrued and unpaid administrative expenses of the Co-Issuers. All funds on deposit in the Expense Account will be invested in Eligible Investments pursuant to direction of the Collateral Manager. All amounts remaining on deposit in the Expense Account at the time when substantially all of the Issuer's assets have been sold or otherwise disposed of will be deposited by the Trustee into the Payment Account for application as Interest Proceeds on the immediately succeeding Distribution Date.

Custodial Account

The Trustee will, prior to the Closing Date, cause the Custodian to establish a securities account (as defined in Article 8 of the Uniform Commercial Code) which shall be designated as the "Custodial Account", which shall be held in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties and into which the Trustee shall from time to time deposit Collateral. All Collateral from time to time deposited in, or otherwise standing to the credit of, the Custodial Account will be held by the Trustee as part of the Collateral and shall be applied in accordance with the terms of the Indenture.

Synthetic Security Counterparty Accounts

For each Defeased Synthetic Security, the Trustee will establish a single, segregated account (each such account, a "Synthetic Security Counterparty Account") that will be held in the name of the Trustee in trust for the benefit of the related Synthetic Security Counterparty and over which the Trustee will have exclusive control and the sole right of withdrawal in accordance with the applicable Synthetic Security and the Indenture; *provided* that a single Synthetic Security Counterparty Account may be established with respect to all Defeased Synthetic Securities entered into with a particular Synthetic Security Counterparty. The Trustee and the Issuer shall, in connection with the establishment of a Synthetic Security Counterparty 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 shall grant the Trustee a first priority security interest in such Synthetic Security Counterparty Account for the benefit of the Synthetic Security Counterparty. As directed by Issuer order executed by the Collateral Manager, the Trustee will withdraw from the Uninvested Proceeds Account (or, to the extent that funds standing to the credit of the Uninvested Proceeds Account are Insufficient therefore, the Principal Collection Account) and deposit into each Synthetic Security Counterparty Account the amount required to secure the obligations of the Issuer in accordance with the terms of the related Defeased Synthetic Security to the extent that the relevant amount has not been deposited in the Synthetic Security Counterparty Account from the net proceeds received by the Issuer from the issuance of the Secured Notes and the Preference Shares or Borrowings under the Class A-1A Notes, which amount shall be at least equal to the amount referred to in paragraph (a) of the definition of Defeased Synthetic Security.

In accordance with the terms of the applicable Defeased Synthetic Security and related account control and security agreement, amounts standing to the credit of a Synthetic Security Counterparty Account shall be invested in Synthetic Security Collateral as directed by the Synthetic Security Counterparty and approved by the Collateral Manager. The Issuer may, with the consent of the related Synthetic Security Counterparty enter into

total return swaps with respect to Synthetic Security Collateral; *provided* that the Issuer may not enter into a total return swap if the payments from the swap counterparty or with respect to any reference obligation or deliverable obligation are subject to withholding tax or the Issuer is required to make gross-up payments under such total return swap or the entry into, performance, enforcement or termination of the swap or (if it were held directly) any reference obligation or deliverable obligation would subject the Issuer to tax on a net income basis in any jurisdiction outside the Issuer's jurisdiction of incorporation. Amounts and property standing to the credit of a Synthetic Security Counterparty Account shall be withdrawn by the Trustee and applied to the payment of any amounts payable by the Issuer to the related Synthetic Security Counterparty in accordance with the terms of such Defeased Synthetic Security. To the extent that the Issuer is entitled to receive interest on Synthetic Security Collateral standing to the credit of a Synthetic Security Counterparty Account or payments in respect of total return swaps with respect to such Synthetic Security Collateral, pursuant to the related Synthetic Security, the Collateral Manager shall, by Issuer order, direct the Trustee to deposit such amounts in the Interest Collection Account. After payment of all amounts owing by the Issuer to a Synthetic Security Counterparty in accordance with the terms of the related Defeased Synthetic Security or a default by the Synthetic Security Counterparty which entitles the Issuer to terminate its obligations with respect to such Synthetic Security Counterparty, the Collateral Manager, by Issuer order, shall direct the Trustee to withdraw all funds and other property standing to the credit of the Synthetic Security Counterparty Account related to such Defeased Synthetic Security and credit such funds and other property to the Principal Collection Account (in the case of cash and Eligible Investments) and the Custodial Account (in the case of Collateral Debt Securities and other financial assets) for application in accordance with the terms of the Indenture.

Except for interest on Synthetic Security Collateral credited to a Synthetic Security Counterparty Account and payments in respect of total return swaps relating thereto payable to the Issuer as described pursuant to the preceding paragraph, funds and other property standing to the credit of a Synthetic Security Counterparty Account shall not be considered to be an asset of the Issuer for purposes of the Collateral Quality Tests, Overcollateralization Tests, the Class E Interest Diversion Test or the Class A Sequential Pay Test; however, the Defeased Synthetic Security that relates to such Synthetic Security Counterparty Account shall be considered an asset of the Issuer for such purposes.

Each Synthetic Security Counterparty Account shall remain at all times with a financial institution organized and doing business under the 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) and at least "BBB+" by Standard & Poor's and a combined capital and surplus in excess of U.S.$250,000,000.

Synthetic Security Issuer Accounts

If the terms of any Synthetic Security require the Synthetic Security Counterparty to secure its obligations with respect to such Synthetic Security, the Trustee shall cause to be established a securities account in respect of such Synthetic Security (each such account, a "Synthetic Security Issuer Account"), which shall be held in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties *provided* that a single Synthetic Security Issuer Account may be established to secure all of the obligations of a particular Synthetic Security Counterparty to the Issuer in respect of Synthetic Securities. Upon Issuer order, the Trustee, the Issuer and the Custodian shall enter into an account control agreement with respect to such account in a form substantially similar to the Account Control Agreement. The Trustee shall credit to any such Synthetic Security Issuer Account all funds and other property received from the applicable Synthetic Security Counterparty to secure the obligations of such Synthetic Security Counterparty in accordance with the terms of such Synthetic Security.

As directed by an Issuer order executed by the Collateral Manager in writing and in accordance with the terms of the applicable Synthetic Security, amounts credited to a Synthetic Security Issuer Account shall be invested in Eligible Investments or Synthetic Security Collateral; *provided*, that under no circumstances may amounts be invested in securities 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 and disposition of which investment will subject the Issuer to net

income tax in any jurisdiction outside its jurisdiction of incorporation. Income received on amounts credited to such Synthetic Security Issuer Account shall be withdrawn from such account and paid to the related Synthetic Security Counterparty in accordance with the terms of the applicable Synthetic Security.

Funds and other property standing to the credit of any Synthetic Security Issuer Account shall not be considered to be an asset of the Issuer for purposes of any of the Collateral Quality Tests, the Class A Sequential Pay Test, the Overcollateralization Tests or the Class E Interest Diversion Test; however, the Synthetic Security that relates to such Synthetic Security Issuer Account shall be considered an asset of the Issuer for such purposes.

In accordance with the terms of the applicable Synthetic Security, funds and other property standing to the credit of the related Synthetic Security Issuer Account shall, as directed by the Collateral Manager by Issuer order, be withdrawn by the Trustee and applied to the payment of any amount owing by the related Synthetic Security Counterparty to the Issuer. After payment of all amounts owing by the Synthetic Security Counterparty to the Issuer in accordance with the terms of the related Synthetic Security, all funds and other property standing to the credit of the related Synthetic Security Issuer Account shall be withdrawn from such Synthetic Security Issuer Account and paid or transferred to the related Synthetic Security Counterparty in accordance with the applicable Synthetic Security.

Each Synthetic Security Issuer Account shall remain at all times with a financial institution organized and doing business under the laws of the United States or any State thereof, authorized under such laws to exercise corporate trust powers 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) and at least "BBB+" by Standard & Poor's and a combined capital and surplus in excess of U.S.$250,000,000.

Class A-1A Noteholder Prepayment Accounts

If any Class A-1A Noteholder does not at any time during the Commitment Period satisfy the Class A-1A Note Rating Criteria and such holder elects the Prepayment Option or fails to transfer its rights and obligations in respect of all Class A-1A Notes held by it to a person that satisfies the Class A-1A Note Rating Criteria within 30 days, such Class A-1A Noteholder (a "Collateralizing Holder") shall direct the Trustee to, and the Trustee shall, cause to be established and maintained by the Custodian, as securities intermediary, a Securities Account (each such account, a " Class A-1A Noteholder Prepayment Account"), which Securities Account shall be in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties. Upon establishment of such account, the Collateralizing Holder, the Trustee and the Issuer shall enter into an account control agreement (each a "Noteholder Prepayment Account Control Agreement") with the Custodian in respect of such Class A-1A Noteholder Prepayment Account in a form satisfactory to each such party. Upon confirmation by the Trustee of the establishment of such Class A-1A Noteholder Prepayment Account and the entry into by all parties of a Secured Noteholder Prepayment Account Control Agreement related thereto (but in no event later than 5 Business Days following the establishment of such account), such Collateralizing Holder will remit to the Trustee for credit to such Class A-1A Noteholder Payment Account cash or Eligible Investments that meet the requirements of the definition of "Eligible Prepayment Account Investments", the aggregate outstanding principal amount of which is equal to the aggregate amount of such Collateralizing Holder's Commitment minus the aggregate amount of all advances previously made under the Class A-1A Note Funding Agreement by such Collateralizing Holder or one of more of its liquidity providers, as the case may be (as at any date of determination, the "Unfunded Commitment", which includes amounts credited to a Class A-1A Noteholder Prepayment Account). The Trustee shall cause all such cash or Eligible Prepayment Account Investments received by it from a Collateralizing Holder to be credited to the related Class A-1A Noteholder Prepayment Account.

As directed by a written notice from the Collateralizing Holder to the Trustee, with a copy to the Issuer and to the Collateral Manager, amounts standing to the credit of a Class A-1A Noteholder Prepayment Account may be invested in Eligible Prepayment Account Investments. Income received on funds or other property credited to such Class A-1A Noteholder Prepayment Account shall be withdrawn from such Class A-1A Noteholder Prepayment Account on a monthly basis and paid to the related Collateralizing Holder. None of the

Co-Issuers or the Trustee shall in any way be held liable for reason of any insufficiency of any Class A-1A Noteholder Prepayment Account resulting from any loss relating to any investment of funds standing to the credit of such account.

Funds and other property standing to the credit of any Class A-1A Noteholder Prepayment Account shall not be considered to be an asset of the Issuer.

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

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

Each Class A-1A Noteholder Prepayment Account shall remain at all times with a financial institution organized and doing business under the law of the United States or any State thereof, authorized under such law to exercise corporate trust powers, having a long-term debt rating of at least "Baa1" by Moody's (and, if rated "Baa1", not be on watch for possible downgrade by Moody's) and at least "BBB+" by Standard & Poor's and a combined capital and surplus in excess of U.S.$250,000,000.

Each Collateralizing Holder, the Issuer and the Trustee agree in the Class A-1A Note Funding Agreement that the Class A-1A Noteholder Prepayment Account established by a Collateralizing Holder and the income arising in such account shall be treated for U.S. Federal, state and local tax purposes as the property and the income of such Holder.

"Eligible Prepayment Account 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) 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; (b) demand and time deposits in, trust accounts of, certificates of deposit of, bankers' acceptances payable within 183 days of issuance issued by, or federal funds sold by any United States federal or state depository institution or trust company, the commercial paper and/or debt obligations of which (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have been assigned a long-term credit rating of "Aaa" by Moody's and "AAA" by Standard & Poor's, in the case of long-term debt obligations, or "P1" by Moody's and "A-1+" by Standard & Poor's, in the case of commercial paper and short-term 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 or contractual commitment providing for such investment a long-term credit rating of "Aaa" by Moody's and "AAA" by Standard & Poor's and (c) interests in any money market fund or similar investment vehicle having at the time of investment therein the highest credit rating assigned by Moody's and a rating of

"AAAm" or "AAAm/G" by Standard & Poor's; *provided* that Eligible Prepayment Account Investments may not include any investment the income from or the proceeds of the disposition of which is or will be subject to deduction or withholding for or on account of any withholding or similar tax, or the acquisition (including the manner of acquisition), ownership, enforcement and disposition of which investment will subject the Issuer to net income tax in any jurisdiction.

THE COLLATERAL MANAGER

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

DESCRIPTION OF FISCHER FRANCIS TREES & WATTS, INC.

Fischer Francis Trees & Watts, Inc. ("FFTW"), an investment advisor registered with the U.S. Securities and Exchange Commission ("SEC"), is a New York corporation organized in 1972 and directly owned by Charter Atlantic Corporation ("CAC"), a holding company organized as a New York corporation. Along with its affiliates, Fischer Francis Trees & Watts, a corporate partnership organized under the laws of the United Kingdom ("FFTW UK"), Fischer Francis Trees & Watts (Singapore) Pte. Ltd ("FFTW Singapore") and Fischer Francis Trees & Watts, Kabushiki Kaisha, a Japanese corporation ("FFTW Japan"), FFTW manages over $39 billion in assets as of June 30, 2006 for numerous fixed income portfolios. FFTW Singapore and FFTW Japan are wholly owned subsidiaries of FFTW. FFTW UK is 99% owned by FFTW and 1% owned by Fischer Francis Trees & Watts Ltd., which is in turn owned by CAC. CAC is owned by 16 employee shareholders and BNP Paribas.

In 1999, FFTW concluded a strategic alliance with BNP Paribas whereby BNP Paribas acquired a minority voting interest in FFTW, a majority economic interest and representation on its Board of Directors. Under this arrangement, FFTW retained control over daily operations and the investment process. The remaining ownership interests are held by the CAC employee shareholders.

On August 2, 2006, legal agreements between the employee shareholders of CAC and the BNP Paribas group were executed pursuant to which FFTW's equity ownership will be restructured through the BNP Paribas group's purchase of the existing employee shareholder's ownership interests and FFTW will become a wholly owned independent operating subsidiary of BNP Paribas (the "BNP Change of Control").

A new corporate governance agreement will be implemented granting super majority rights to FFTW employees serving on FFTW's Board of Directors for certain key business decisions. The transaction, which is subject to various regulatory approvals and client consent, is anticipated to be finalized in the current year.

Set out below are the professional experience of certain officers and employees of FFTW and its affiliates. Such persons may or may not be engaged full time in the management of the Collateral. Such persons may not necessarily continue to be so employed during the entire term of the Collateral Management Agreement or may not continue to perform services for the Collateral Manager under the Collateral Management Agreement.

O. John Olcay, Vice Chairman and Managing Director.

John joined FFTW in 1983. He is chairman of Fischer Francis Trees & Watts (Singapore), Pte. Ltd., FFTW-KK, Tokyo and FFTW Funds Selection and FFTW Funds Selection II. In addition, John is vice chairman of FFTW, Inc. and Charter Atlantic Corporation and heads the Strategy Committee of the Board. Previously he was a partner of W. Greenwell & Co. in London, a leading fixed-income investment firm. While at Greenwell, starting in 1974, he began working with FFTW on a joint effort to provide investment advice to foreign central banks and international companies on their US dollar portfolios. Prior to joining Greenwell, John was vice president and associate economist at the Bank of New York and a director of the Bank of New York International Corporation.

John holds an MBA and MA in economics and finance from the Wharton School of the University of Pennsylvania (1959). He earned his BA degree in economics and English literature from Robert College (1957). He is Vice Chairman of the Supervisory Board of Aegon Insurance Group of the Netherlands and a member of the Strategy Committee of the Board. He is a member of the American Economics Association, the Royal

Institute of International Affairs, and the Atlantic Council. His current area of academic interest is transfer of credit risk among financial intermediaries.

David J. Marmon, Managing Director and Head of U.S. Corporate Credit Team.

David joined FFTW in 1990. Mr. Marmon leads the U.S. Corporate Credit Team, which determines the security selection of corporate and high yield bonds. He is also one of senior portfolio managers on the Investment Strategy Group, which determines the investment strategy and sector allocations for all portfolios under FFTW's management. Before joining FFTW, Mr. Marmon was head of futures and options research at Yamaichi International (America). His responsibilities at Yamaichi included the generation of trade ideas, daily analysis of market opportunities and the preparation of research reports. He was previously a financial analyst and strategist at the First Boston Corporation, where he developed hedging programs for financial institutions and industrial firms. He also performed historical and scenario analyses of the futures and options markets for traders and clients. Mr. Marmon began his career in finance as a research analyst on Chase Manhattan Bank's arbitrage and municipal trading desks. Mr. Marmon earned a BA summa cum laude in economics from Alma College (1980) and an MA in economics from Duke University (1982), where he also pursued doctoral studies.

Kausik Barua, Portfolio Manager.

Kausik joined FFTW in 1992. Mr. Barua manages FFTW's ABS-CDO portfolios and leads the ABS-CDO Team. He is also responsible for subordinate US asset-backed securities. Mr. Barua was previously responsible for the development of research analytics, risk models and allocation tools for the Corporate Credit Team. Mr. Barua holds a BA in Economics from Columbia University (1991).

Cathy Lu, Senior CDO Analyst.

Cathy joined FFTW in 2005. Ms. Lu analyzes CDOs and ABS and participates in the management of FFTW's ABS-CDO portfolios. Ms. Lu was previously at Moody's Investors Service, where she spent five years as vice president/senior analyst responsible for rating and analyzing CDO structures. Prior to that, she was at Banker's Trust/Deutsche Bank as assistant vice president covering risk management of equity derivatives. Ms. Lu holds an MS in accountancy from American University (1995), an MBA and MS in economics from West Virginia University (1993) and a BS in electrical engineering from Peking University (1989).

Jane Song, CFA, Structured Securities Portfolio Analyst.

Jane joined FFTW in 2001. Ms. Song analyzes ABS with a focus on residential ABS and participates in the management of FFTW's ABS-CDO portfolios. Ms. Song began her career as an analyst in the Client Service and Business Development Group specializing in mortgage and currency overlay mandates as well as portfolio and macro-economic analysis. Ms. Song holds a BS in Economics with a concentration in Finance (Wharton) and a BA in French from the University of Pennsylvania (2001).

Richard Udell, Structured Securities Portfolio Analyst.

Richard joined FFTW in 2003. Mr. Udell is a structured products analyst on the CDO Team responsible for monitoring and analyzing collateral performance and supporting structured products credit analysis and research. Mr. Udell began his career as an analyst in the Client Service and Business Development Group in New York. In Research, Mr. Udell performed analysis of global credit sector allocations as well as volatility and interest rate models. He was also the Client Service and Business Development analyst responsible for FFTW's total return hedge fund. Mr. Udell holds a BA in Mathematical Methods in the Social Sciences and a BA in Economics from Northwestern University (2003). He passed the Level III CFA exam in June 2006 and his charter is currently pending.

See "Risk Factors—Risk Factors Relating to Conflicts of Interest and Dependence on the Collateral Manager—*Dependence on the Collateral Manager and Key Personnel and Prior Investment Results*".

CONFLICTS

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—Risk Factors Relating to Conflicts of Interest and Dependence on the Collateral Manager—*Conflicts of Interest Involving the Collateral Manager*".

THE COLLATERAL MANAGEMENT AGREEMENT AND THE COLLATERAL ADMINISTRATION AGREEMENT

GENERAL

On the Closing Date, the Issuer will enter into a Collateral Management Agreement (the "Collateral Management Agreement") with FFTW (the "Collateral Manager") whereby the Collateral Manager will undertake to select all Collateral Debt Securities to be purchased by the Issuer on the Closing Date and to the end of the Reinvestment Period and to perform certain other advisory and administrative tasks for or on behalf of the Issuer, including (i) advising the Issuer regarding the acquisition, disposition and tender of Collateral Debt Securities, Equity Securities and Eligible Investments and the entry into Synthetic Securities, (ii) advising the Issuer in connection with an Optional Redemption, Tax Redemption, Auction Call Redemption or a redemption of the Preference Shares, (iii) advising the Issuer regarding the exercise or waiver of remedies in respect of Defaulted Securities or Credit Risk Securities and the exercise of voting rights with respect to Collateral Debt Securities, (iv) assisting the Issuer in determining the fair market value of Collateral Debt Securities in accordance with procedures set forth in the Indenture and consulting with the Issuer regarding replacement dealers and pricing services used to make such determination, (v) assisting the Issuer in obtaining quotations for and negotiating and entering into, if necessary, any replacement Hedge Agreement in accordance with the terms of the Indenture and (vi) consulting with the Issuer regarding replacement or successor Trustees, Calculation Agents, Note Registrars and accountants.

In addition, pursuant to the terms of the Collateral Administration Agreement between the Issuer and Investors Bank & Trust Company (the "Collateral Administrator") (the "Collateral Administration Agreement"), the Issuer will retain the Collateral Administrator to prepare certain reports with respect to the Collateral Debt Securities. In addition, the Issuer will retain the Investment Monitor to review the reports produced by the Collateral Administrator and to calculate, using information and/or representations provided by the Collateral Administrator, the Collateral Manager and certain third party information sources, the Issuer's compliance with the Eligibility Criteria and the trading restrictions set forth under "Security for the Secured Notes", and also to calculate, upon the request of the Collateral Manager, whether securities which the Collateral Manager is considering buying or selling fit the Eligibility Criteria and such trading restrictions and to assist the Collateral Manager in monitoring this transaction as reasonably requested by the Collateral Manager. The compensation paid to the Collateral Administrator and the Investment Monitor by the Issuer for such services will be in addition to the fees paid to the Collateral Manager and to Investors Bank & Trust Company in its capacity as Trustee, and will be treated as an expense of the Issuer under the Indenture and will be subject to the priorities set forth under "Description of the Secured Notes—Priority of Payments".

COMPENSATION

As compensation for the performance of its obligations under the Collateral Management Agreement, the Collateral Manager will be entitled, to the extent there are funds available therefor in accordance with the Priority of Payments, to receive (i) the Senior Management Fee (the "Senior Management Fee") equal to 0.25% per annum of the Asset Amount on each Distribution Date, (ii) the Subordinate Management Fee (the "Subordinate Management Fee") equal to 0.20% per annum of the Asset Amount on each Distribution Date and (iii) to the extent the Preference Shares have achieved an IRR of at least 15%, an Incentive Management Fee (the "Incentive Management Fee") equal to the sum of (a) 25% of Interest Proceeds remaining after disbursements of all amounts of Interest Proceeds pursuant to paragraphs (A) through (U) under "Description of the Secured Notes—Priority of Payments—Interest Proceeds" plus (b) 25% of Principal Proceeds remaining after disbursements of all amounts of Interest Proceeds pursuant to paragraphs (A) through (N) under "Description of the Secured Notes—Priority of Payments—Principal Proceeds" on each Distribution Date, as calculated under the Collateral Management Agreement and the Indenture. For the purpose of calculating the Senior Management Fee and the Subordinate Management Fee, the Asset Amount will be calculated as if the principal balance of each Interest Only Security were equal to the Aggregate Amortized Cost thereof.

The Collateral Manager will not, except in compliance with applicable law, direct the purchase of any securities for inclusion in the Collateral (i) issued by the Collateral Manager, any of its affiliates or any person for

which the Collateral Manager or any of its affiliates acts as financial advisor or underwriter or otherwise receives compensation for providing services or (ii) from any account or portfolio for which the Collateral Manager or any of its affiliates acts as investment advisor.

The Collateral Manager will be responsible for its own ordinary expenses incurred in the course of performing its obligations under the Collateral Management Agreement; *provided* that the Issuer will pay and the Collateral Manager shall not be liable for (a) expenses and costs incurred in negotiating with issuers of Collateral Debt Securities as to proposed modifications or waivers, taking action or advising the Trustee with respect to the Issuer's exercise of any rights or remedies in connection with the Collateral Debt Securities and Eligible Investments, including in connection with an Offer or default, participating in committees or other groups formed by creditors of an issuer of Collateral Debt Securities and consulting with and providing each Rating Agency with any information in connection with the maintenance of the ratings of the Secured Notes, (b) fees, expenses and costs of legal advisors (including reasonable expenses and costs associated with the use of internal legal counsel of the Collateral Manager) retained by the Issuer or by the Collateral Manager, on behalf of the issuer, in connection with the services provided by the Collateral Manager pursuant to the Collateral Management Agreement, (c) reasonable expenses and costs of consultants and other professionals reasonably retained by the Issuer or the Collateral Manager on behalf of the Issuer in connection with the services provided the Collateral Manager pursuant to the Collateral Management Agreement and (d) reasonable travel expenses (airfare, meals, lodging and other transportation) incurred by the Collateral Manager as is reasonably necessary in connection with the default or restructuring of any Collateral Debt Security, and certain other expenses and costs set forth in the Collateral Management Agreement.

LIMITATION ON LIABILITY

None of the Collateral Manager, its directors, officers, stockholders, partners, members, managers, agents and employees and its affiliates and their directors, officers, stockholders, partners, members, managers, agents and employees, will be liable to the Co-Issuers, the Trustee, the Preference Share Paying Agent, the holders of the Offered Securities, any Hedge Counterparty or any other person for any losses, claims, damages, judgments, assessments, costs or other liabilities incurred by the Co-Issuers, Trustee, the Preference Share Paying Agent, the holders of the Offered Securities, any Hedge Counterparty or any other person that arise out of or in connection with the performance by the Collateral Manager of its duties under the Collateral Management Agreement except that the Collateral Manager may be liable to the Issuer for any losses, claims, damages, judgments, assessments, costs or other liabilities arising (i) by reason of its acts or omissions constituting bad faith, willful misconduct, gross negligence or reckless disregard in the performance of the its obligations under the Collateral Management Agreement and (ii) with respect to the information concerning the Collateral Manager provided by it in writing for inclusion in the final Offering Circular under the heading "The Collateral Manager" 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.

INDEMNIFICATION

The Issuer will indemnify and hold harmless the Collateral Manager, its affiliates and each of the directors, officers, stockholders, partners, members, managers, agents and employees of the Collateral Manager or any of their respective affiliates from and against any and all losses, claims, damages, judgments, assessments, costs or other liabilities, and all out-of-pocket expenses (including reasonable fees and disbursements of counsel), incurred by any such indemnified party in investigating, preparing, pursuing or defending any claim, action, proceeding or investigation with respect to any pending or threatened litigation or investigation or inquiry by any governmental entity or self-regulatory organization to which such indemnified party belongs, caused by, or arising out of or in connection with, the issuance of the Offered Securities, the transactions contemplated by this or the final Offering Circular, the Indenture or the Collateral Management Agreement, and/or any action taken by, or any failure to act by, such indemnified person, in each case, as such expenses are incurred or paid; *provided* that no such person shall be indemnified for any such liabilities or expenses arising (i) by reason of acts or omissions constituting bad faith, willful misconduct, gross negligence or reckless disregard in the performance of its obligations under the Collateral Management Agreement or (ii) with

respect to the information concerning the Collateral Manager provided by it in writing for inclusion in the final Offering Circular under the heading "The Collateral Manager" 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. Any such indemnification by the Issuer will be paid in accordance with the Priority of Payments.

STANDARD OF CARE

The Collateral Manager shall, subject to the terms and conditions of the Collateral Management Agreement and the Indenture, perform its obligations thereunder (including with respect to any exercise of discretion) with reasonable care (i) using a degree of skill and attention no less than that which the Collateral Manager exercises with respect to comparable assets, if any, that it manages for itself or for others and (ii) without limiting the foregoing, in a manner which the Collateral Manager reasonably believes to be consistent with the customary standards, policies and procedures followed by institutional managers of national standing relating to assets of the nature and character of the Collateral, except as expressly provided otherwise in the Collateral Management Agreement and/or the Indenture (such standard of care, the "Collateral Manager Standard of Care"). The Collateral Manager shall comply with all the terms and conditions of the Indenture in connection with the duties and functions that have been expressly delegated to it thereunder and under the Collateral Management Agreement.

The Collateral Manager shall not be bound to follow any amendment to the Indenture and shall have no liability for failing to do so, however, unless the Collateral Manager has been given prior written notice of such amendment and has consented thereto in writing, which consent shall not be unreasonably withheld.

CONSENT TO ACQUISITION

The Issuer consents in the Collateral Management Agreement (and acknowledges that such consent is proper consent under the US Investment Advisers Act of 1940, as amended in 1975 (the "Advisers Act") if consent is required thereunder) to the BNP Change in Control if, as a result of such transaction, there will be no change in the obligations to be performed by the Collateral Manager pursuant to the Collateral Management Agreement. Each purchaser of Offered Securities is hereby deemed by its purchase of such Offered Securities to have consented to and approved the BNP Change in Control. Except as otherwise so provided in the Collateral Management Agreement with respect to the BNP Change in Control, the Collateral Manager may not assign its responsibilities (other than to an affiliate or a wholly owned subsidiary of an affiliate) under the Collateral Management Agreement without the consent of the Issuer and the holders of at least 66 2/3% in aggregate outstanding amount of each Class of Secured Notes (voting as a single Class) and a Special-Majority-in-Interest of Preference Shareholders and the satisfaction of the Rating Condition provided that no such assignment is permitted to any person that is not an Eligible Successor.

REMOVAL OR RESIGNATION OF THE COLLATERAL MANAGER

Resignation.

The Collateral Manager may resign, upon 90 days' (or such shorter notice as is acceptable to the Issuer) written notice to the Issuer, subject to certain conditions. See "—Replacement Collateral Manager" below.

Removal of Collateral Manager for Cause.

The Collateral Manager may be removed upon 30 days' prior written notice given by the Issuer to the Collateral Manager at the direction of (a) the holders of a majority of the Controlling Class or (b) a Majority-in-Interest of Preference Shareholders, if any of the following events has occurred and is continuing with respect to the Collateral Manager: (i) the Collateral Manager willfully breaches, or takes any action that it knows violates, any provision of the Collateral Management Agreement or any term of the Indenture applicable to it; (ii) the Collateral Manager breaches any provision of the Collateral Management Agreement or any terms of the

Indenture applicable to it and such breach has had or could reasonably have a materially adverse effect on the Holders of the Secured Notes of any Class and, if capable of being cured, is not cured within 45 days of the Collateral Manager becoming aware of or receiving notice from the Trustee of such breach, or, if such breach is not capable of cure within 45 days, the Collateral Manager fails to cure such breach within the period in which a reasonably diligent Person could cure such breach (but in no event more than 60 days); (iii) the Collateral Manager consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another Person and at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee Person either (A) fails to assume all the obligations of the Collateral Manager under the Collateral Management Agreement by operation of law or pursuant to an agreement reasonably satisfactory to the Issuer or (B) lacks the capacity to perform the obligation of the Collateral Manager under the Collateral Management Agreement or the Indenture; (iv) certain bankruptcy related events occur with respect to the Collateral Manager; (v) the Collateral Manager or any of its principals is convicted of a felony related to its primary business; or the Collateral Manager is indicted for or is convicted of a violation of the Securities Act or any other United States Federal securities law or any rules or regulations thereunder that are materially related to the primary business of the Collateral Manager; or (vi) a change of control other than a BNP Change in Control (within the meaning of the Advisers Act) shall occur with respect to the Collateral Manager and at least 66-2/3% of the Controlling Class shall have disapproved of such change of control within 45 days after receipt of notice thereof. In determining whether the holders of the requisite percentage of the Secured Notes and the Preference Shares have given such consent, Secured Notes and Preference Shares owned by the Collateral Manager, or any affiliate thereof, will be disregarded and deemed not to be outstanding. A majority of the aggregate outstanding amount of each Class of Secured Notes may waive any of the events listed in this paragraph as a basis for termination of the Collateral Management Agreement and removal of the Collateral Manager. Such removal is subject to the condition that a replacement Collateral Manager be appointed. See "—Replacement Collateral Manager" below.

Replacement Collateral Manager.

Within 45 days of the termination, removal or resignation of the Collateral Manager, the Issuer (at the direction of either (i) the holders of not less than 20% of the aggregate outstanding amount of the Controlling Class or (ii) Preference Shareholders holding at least 20% of the Preference Shares) shall propose an Eligible Successor. The Issuer shall promptly notify the Secured Noteholders and the Preference Shareholders of such proposal. If the Issuer shall on the same day receive conflicting or inconsistent requests from two or more groups, each representing either not less than 20% of the aggregate outstanding amount of the Controlling Class or Preference Shareholders holding at least 20% of the Preference Shares, the Issuer shall follow the instructions of (a) if one or more proposals are received from the Controlling Class, the group representing the highest percentage of interest in the Controlling Class or (b) if no proposals are received from the Controlling Class, the group representing the highest percentage ownership of Preference Shareholders. If an Eligible Successor is proposed by such direction to the Issuer, such proposal shall become effective if a majority of the Controlling Class does not object to such designation within 15 days thereafter. No resignation or removal of the Collateral Manager shall be effective (a) unless an Eligible Successor has agreed in writing to assume all of the Collateral Manager's duties and obligations under the Collateral Management Agreement, (b) without 10 days' prior notice to the Rating Agencies and the Trustee and (c) unless such termination and assumption by an Eligible Successor satisfies the Rating Condition. If the Collateral Manager shall resign or be removed but an Eligible Successor shall not have assumed all of the Collateral Manager's duties and obligations within 60 days after such resignation, then the resigning Collateral Manager may petition any court of competent jurisdiction for the appointment of an Eligible Successor. An "Eligible Successor" is an established institution that (i) has demonstrated an ability to professionally and competently perform duties similar to those imposed upon the Collateral Manager under the Collateral Management Agreement and with a substantially similar (or better) level of expertise, (ii) is legally qualified and has the capacity to act as Collateral Manager under the Collateral Management Agreement as successor to the resigning or removed Collateral Manager in the assumption of all of the responsibilities, duties and obligations of the Collateral Manager under the Collateral Management Agreement and under the applicable terms of the Indenture, (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) will perform its duties as Collateral Manager under the Collateral Management Agreement without causing adverse tax consequences to the Issuer or any Holder of Secured Notes. Following the termination, removal or resignation of the Collateral Manager but prior to the effectiveness thereof, the Collateral Manager shall have all

of the same rights, power and authority under the Collateral Management Agreement as it had prior to such termination, removal or resignation and shall be obligated to act in accordance with the Collateral Manager Standard of Care *provided* that during such period, unless required by the Collateral Management Agreement or the Indenture, the Collateral Manager shall not be required to take any discretionary action to purchase or dispose of any Collateral Debt Security, Equity Security or Eligible Investment. During such period, the Collateral Manager shall be entitled to receive the Senior Management Fee, the Subordinate Management Fee and the Incentive Management Fee and reimbursement for expenses as provided in the Collateral Management Agreement.

PERFORMANCE THROUGH AGENTS

The Collateral Manager may perform any and all of its duties and exercise its rights and powers under the Collateral Management Agreement by or through one or more agents or subcontractors including its Affiliates, to the extent permitted in the Collateral Management Agreement, provided that such agents or subcontractors are selected with reasonable care and the Collateral Manager shall not be relieved of its duties under the Collateral Management Agreement. The Collateral Manager intends to delegate certain of its duties and exercise certain of its rights through its affiliates in London, Singapore and Tokyo in accordance with the applicable provisions of the Collateral Management Agreement. Compliance with the requirements of the Collateral Management Agreement relating to such permitted delegation to such affiliates shall be deemed to satisfy all of the Collateral Manager's responsibilities under the Collateral Management Agreement and the Indenture not to cause the Issuer to be subject to net income tax in any jurisdiction.

CONFLICTS

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—Conflicts of Interest Involving the Collateral Manager".

MANNER OF ACQUISITION

The Collateral Management Agreement provides that, if certain requirements set forth in the Collateral Management Agreement are satisfied with respect to the manner of purchasing or entering into Collateral Debt Securities on behalf of the Issuer, the Collateral Manager shall be deemed to have complied with its responsibility that the manner of acquisition not cause the Issuer to be engaged in a U.S. trade or business for U.S. federal income tax purposes. The Collateral Management Agreement also provides that the Collateral Manager intends to delegate certain of its duties and exercise certain of its rights through its affiliates in London, Singapore and Tokyo in accordance with the applicable provisions of the Collateral Management Agreement and that compliance with the requirements of the Collateral Management Agreement relating to such permitted delegation to such affiliates shall be deemed to satisfy all of the Collateral Manager's responsibilities under the Collateral Management Agreement and the Indenture not to cause the Issuer to be subject to net income tax in any jurisdiction.

INCOME TAX CONSIDERATIONS

INTRODUCTION

The following is a summary of certain of the United States federal income tax and Cayman Islands tax consequences of an investment in the Offered Securities by purchasers that acquire their Offered Securities in the initial offering. The discussion and the opinions referenced below are based upon laws, regulations, rulings, and decisions currently in effect, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been, or are expected to be, sought from the United States Internal Revenue Service (the "IRS") with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following summary does not address all United States federal income tax consequences applicable to any given investor, nor does it address the United States federal income tax considerations (except, in some circumstances, in very general terms) applicable to all categories of investors, some of which may be subject to special rules, such as Non-U.S. Holders (as such term is defined below), banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers in securities or currencies, electing large partnerships, natural persons, cash method taxpayers, S corporations, estates and trusts, investors that hold their Notes as part of a hedge, straddle, or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address alternative minimum tax consequences, or the indirect effects on investors of equity interests in either a U.S. Holder (as such term is defined below) or a Non-U.S. Holder. In addition, this summary is generally limited to investors that will hold their Notes as "capital assets" within the meaning of Section 1221 of the Code. Investors should consult their own tax advisors to determine the Cayman Islands, United States federal, state, local, and other tax consequences of the purchase, ownership, and disposition of the Offered Securities.

As used herein, "U.S. Holder" or "Holder" means a beneficial holder of an Offered Security that is an individual citizen or resident of the United States for United States federal income tax purposes, a corporation or other entity taxable as a corporation created or organized in, or under the laws of, the United States or any state thereof (including the District of Columbia), an estate, the income of which is subject to United States federal income taxation regardless of its source, or a trust for which a court within the United States is able to exercise primary supervision over its administration and for which one or more United States persons (as defined in the Code) have the authority to control all of its substantial decisions or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust. If a partnership (or other pass-through entity) holds Offered Securities, the tax treatment of a partner (or other equity holder) will generally depend upon the status of the partner (or other equity holder) and upon the activities of the partnership (or other pass-through entity). Partners of partnerships (or equity holders of other pass-thru entities) holding Offered Securities should consult their own tax advisors.

"Non-U.S. Holder" means any holder (or beneficial holder) of an Offered Security that is not a U.S. Holder.

U.S. FEDERAL INCOME TAX CONSEQUENCES TO THE ISSUER

Upon the issuance of the Secured Notes, McKee Nelson LLP, special U.S. tax counsel to the Issuer, will deliver an opinion generally to the effect that, under current law, and assuming compliance with the Indenture (and certain other documents), and based on certain factual representations made by the Issuer and/or the Collateral Manager, and without regard to actions of the Issuer based on opinions of counsel other than special U.S. tax counsel, although the matter is not free from doubt, the Issuer will not be engaged in the conduct of a trade or business in the United States. Accordingly, the Issuer does not expect to be subject to net income taxation in the United States. Prospective investors should be aware that opinions of counsel are not binding on the IRS and there can be no absolute assurance that the IRS will not seek to treat the Issuer as engaged in a U.S. trade or business. It is also possible that the IRS could treat the Issuer as engaged in a trade or business in the United States by reason of the Issuer's

selling credit protection under a Synthetic Security if the Issuer were deemed to be guaranteeing obligations from within the United States or insuring risks from within the United States.

Legislation recently proposed in the United States Senate would, for tax years beginning at least two years after its enactment, tax a corporation as a United States corporation if the equity of that corporation is regularly traded on an established securities market and the management and control of the corporation occurs primarily within the United States. If this legislation caused the Issuer to be taxed as a domestic corporation, the Issuer would be subject to United States net income tax. However, it is unknown whether this proposal will be enacted in its current form and whether, if enacted, the Issuer would be subject to its provisions. Upon enactment of this or similar legislation, the Issuer will be permitted, with an opinion of counsel, to take such action as it deems advisable to prevent the Issuer from being subject to such legislation. These actions could include removing some classes of Secured Notes from listing on the Irish Stock Exchange or the Preference Shares from listing on the Channel Islands Stock Exchange.

If the IRS were to successfully characterize the Issuer as engaged in a United States trade or business, among other consequences, the Issuer would be subject to net income taxation in the United States on its income that was effectively connected with such business (as well as the branch profits tax). The levying of such taxes could materially affect the Issuer's financial ability to make payments on the Offered Securities.

The Issuer intends to acquire the Collateral, the interest on which, and any gain from the sale or disposition thereof, is expected not to be subject to United States federal withholding tax or withholding tax imposed by other countries (unless subject to being "grossed up"). The Issuer will not, however, make any independent investigation of the circumstances surrounding the issuance of the individual assets comprising the Collateral and, thus, there can be no absolute assurance that in every case, payments will be received free of withholding tax. If the Issuer is a CFC (as such term is defined below), the Issuer would incur United States withholding tax on interest received from a related U.S. person. In addition, distributions on Equity Securities will likely, and distributions on Defaulted Securities and securities rated below investment grade could possibly, be subject to withholding. It is not expected, however, that the Issuer will derive material amounts of any other items of income that will be subject to United States or foreign withholding taxes.

If withholding or deduction of any taxes from payments is required by law in any jurisdiction, the Issuer will be under no obligation to make any additional payments to any holder in respect of such withholding or deduction.

Notwithstanding any of the foregoing, any commitment fee, facility fee or similar fee that the Issuer earns may be subject to a 30% withholding tax and any lending fees received under a securities lending agreement may also be subject to withholding tax.

U.S. CLASSIFICATION AND U.S. TAX TREATMENT OF THE SECURED NOTES

The Issuer has agreed and, by its acceptance of a Secured Note, each Secured Noteholder will be deemed to have agreed, to treat the Secured Notes as debt of the Issuer for United States federal income tax purposes, except (x) as otherwise required by applicable law, (y) to the extent a Secured Noteholder makes a protective QEF election (described below), or (z) to the extent that the holder files certain Unites States tax information returns required of only certain equity owners with respect to various reporting requirements under the Code (as described below under "Transfer and Other Reporting Requirements"). Upon the issuance of the Secured Notes, special U.S. tax counsel will deliver an opinion generally to the effect that, assuming compliance with the Indenture (and certain other documents), and based on certain factual representations made by the Issuer and/or the Collateral Manager, the Class A-1 Notes, the Class A-2 Notes, the Class A-3 Notes, the Class B Notes, the Class C Notes, and the Class D Notes will, and the Class E Notes should, be characterized as debt of the Issuer for United States federal income tax purposes. Prospective investors should be aware that opinions of counsel are not binding on the IRS, and there can be no assurance that the IRS will not seek to characterize as something other

than indebtedness any particular Class or Classes of the Secured Notes. In addition, prospective investors should note that the characterization of an instrument as debt or equity for U.S. federal income tax purposes is highly factual and must be based on the applicable law and the facts and circumstances existing at the time such instrument is issued (which, in the case of the Class A-1A Notes, may include the time of each draw on such Notes) and material changes from those existing on the Closing Date (e.g. a material decline in the value of the Issuer's assets, a material adverse change in the Issuer's ability to repay the Secured Notes previously issued, and/or a material decline in the proportion of the Preference Shares) could affect the characterization of the Secured Notes issued after (but not before) such changes. However, the opinion of special U.S. tax counsel is based on current law and certain representations and assumptions (which, in the case of the Class A-1A Notes, includes the assumption that, at the time of any draw, such Notes are rated investment grade and there have been no changes in the terms of the Notes, the transaction, or applicable law) and is not binding on the IRS or the courts, and no ruling will be sought from the IRS regarding this, or any other, aspect of the U.S. federal income tax treatment of the Secured Notes. Accordingly, there can be no assurance that the IRS will not contend, and that a court will not ultimately hold, that for U.S. federal income tax purposes one or more Classes of the Secured Notes are properly treated as equity in the Issuer. Except as provided under "—Alternative Characterization of the Notes" below, the balance of this discussion assumes that the Secured Notes will be characterized as debt of the Issuer for United States federal income tax purposes.

For United States federal income tax purposes, the Issuer of the Secured Notes, and not the Co-Issuer, will be treated as the issuer of the Secured Notes.

Subject to the following paragraph, U.S. Holders of the Secured Notes will include payments of stated interest received on the Secured Notes in income in accordance with their normal method of tax accounting as ordinary interest income.

While not absolutely certain, it appears that the Class C Notes, the Class D Notes and the Class E Notes will be issued with original issue discount ("OID" and each of the Class C Notes, the Class D Notes and the Class E Notes is sometimes referred to herein as an "OID Note") because interest payments on such Notes ("OID interest payments") may not be considered to be unconditionally payable (a requisite for interest to not constitute OID) since they may be deferred in certain events. A U.S. Holder of an OID Note will be required to include OID in gross income as it accrues under a constant yield method, based on the original yield to maturity of the Secured Note. Thus, the U.S. Holder of an OID Note will be required to include original issue discount in income as it accrues, prior to the receipt of the cash attributable to such income. U.S. Holders, however, would be entitled to claim a loss upon maturity or other disposition of an OID Note with respect to interest amounts accrued and included in gross income for which cash is not received. Such a loss generally would be a capital loss.

Although the Commitment Fee paid to the Class A-1A Notes will be paid out of Interest Proceeds and *pro rata* with the Interest Distribution Amount with respect to the Class A-1A Notes, the Commitment Fee will not constitute interest income and may not be recognized (as income) until the expiration of the Commitment Period. Prospective investors should consult with their own tax advisors with respect to the proper characterization (and the resulting treatment) of the Commitment Fee. In addition, it is expected that the assets in any Class A-1A Noteholder Prepayment Account (and any income earned thereon) shall be treated for U.S. federal, state and local tax purposes as the property and the income of the related Collateralizing Holder. Thus, each Collateralizing Holder will include any earnings from such account in income in accordance with their normal method of tax accounting.

Although there can be no assurance, the Secured Notes should not be "contingent payment debt instruments" ("CPDIs") within the meaning of Treasury Regulation Section 1.1275-4. If the Class E (or any other Class of the Secured Notes) were considered to be CPDIs, among other consequences, any gain on the sale of such Notes that might otherwise be a capital gain would be ordinary income. Prospective investors should consult their own tax advisors regarding the possible characterization of the Secured Notes as CPDIs.

The Secured Notes may be debt instruments described in Section 1272(a)(6) of the Code (debt instruments that may be accelerated by reason of the prepayment of other debt obligations securing such debt instruments). Special tax rules principally relating to the accrual of OID, market discount, and bond premium apply to debt instruments described in Section 1272(a)(6). Further, those debt instruments may not be part of an integrated transaction with a related hedge under Treasury Regulation Section 1.1275-6. Prospective investors should consult with their own tax advisors regarding the effects of Section 1272(a)(6).

In general, a U.S. Holder of a Secured Note will have a basis in such Secured Note equal to the cost of such Secured Note increased by any OID and any market discount includible in income by such U.S. Holder and reduced by any amortized premium and any principal payments and any OID interest payments. Upon a sale, exchange or other disposition of a Secured Note, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange or other disposition (less any accrued and unpaid interest, which would be taxable as such) and the U.S. Holder's tax basis in such Secured Note. Such gain or loss generally will be long term capital gain or loss if the U.S. Holder held the Secured Note for more than one year at the time of disposition. In certain circumstances, U.S. Holders that are individuals may be entitled to preferential treatment for net long term capital gains; however, the ability of U.S. Holders to offset capital losses against ordinary income is limited.

ALTERNATIVE CHARACTERIZATION OF THE SECURED NOTES

Notwithstanding special U.S. tax counsel's opinion, U.S. Holders should recognize that there is some uncertainty regarding the appropriate classification of instruments such as the Secured Notes. It is possible, for example, that the IRS may contend that a class of Secured Notes should be treated as equity interests (or as part debt, part equity) in the Issuer. Such a recharacterization might result in material adverse tax consequences to U.S. Holders. If U.S. Holders of a Class of the Secured Notes were treated as owning equity interests in the Issuer, the U.S. federal income tax consequences to U.S. Holders of such recharacterized Secured Notes would be as described under "—Treatment of U.S. Holders of the Preference Shares" and "Transfer and Other Reporting Requirements." In addition, in order to avoid one application of the PFIC rules, each U.S. Holder of a Secured Note should consider making a qualified electing fund election (the "QEF election") provided in Section 1295 of the Code on a "protective" basis (although such protective election may not be respected by the IRS because current regulations do not specifically authorize that particular election). See "—Treatment of U.S. Holders of the Preference Shares—Status of the Issuer as a PFIC—QEF Election." Further, U.S. Holders of any Class of Secured Notes that may be recharacterized as equity in the Issuer should consult with their own tax advisors with respect to whether, if they owned equity in the Issuer, they would be required to file information returns in accordance with sections 6038, 6038B, and 6046 of the Code (and, if so, whether they should file such returns on a protective basis).

NON-U.S. HOLDERS OF THE SECURED NOTES

Assuming that the Secured Notes are either respected as debt or treated as equity in a non-United States corporation, a Non-U.S. Holder of a Secured Note that has no connection with the United States and is not related, directly or indirectly, with the Issuer or the holders of the Issuer's equity or the Preference Shares will not be subject to U.S. withholding tax on interest payments. The Issuer does not currently intend to require Non-U.S. Holders to make certain tax representations regarding the identity of the beneficial owner of the Secured Notes in order to receive payments free of withholding, but Non-U.S. Holders may be required to provide such certification in order to receive payments free of backup withholding.

TAX CHARACTERIZATION OF THE CLASS P NOTES

The Issuer intends to take the position that, for United States federal, state and local income tax purposes, the Class P Notes consist of (and represent) ownership of two respective components: a component representing an interest in the Class P Preference Shares and a component representing an

interest in the Class P Strip. Under this analysis, each holder of a Class P Note will allocate its purchase price (and proceeds of sale) between the two components and will account for income separately on each component, and the exchange of the Class P Note for its pro rata share of its respective underlying components (the Class P Preference Shares and the Class P Strip) should not be a taxable event. Further, payments on the Class P Notes should be treated as payments on the underlying components to the extent properly attributable to related payments or redemptions on such components.

Under this analysis each interest in the Class P Preference Shares will be treated and taxed as indicated below in "Treatment of U.S. Holders of the Preference Shares."

The Class P 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 Strip. 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 Strip. Under these rules, a U.S. Holder will be required to include OID in gross income in advance of the receipt of cash payments attributable to such income. The income will be ordinary income from sources within the United States.

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

Each of the Issuer, the Trustee and the Class P Noteholders agree 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. It is possible, however, that the Class P Note will be treated as equity of the Issuer in its entirety.

Non-U.S. Holders of the Class P Notes will be required to provide certification as to their non-U.S. status in order to receive payments in respect of the Class P Strip free of United States withholding tax.

TREATMENT OF U.S. HOLDERS OF THE PREFERENCE SHARES

General.

Prospective investors should not rely on this summary and should consult their own tax advisors regarding alternative characterizations of the Preference Shares and the consequences of their acquiring, holding or disposing of the Preference Shares. For purposes of this section "—Treatment of U.S. Holders of the Preference Shares," the term "U.S. Holder" refers to a U.S. Holder of a Preference Share.

The Preference Shares will be characterized as equity (which would likely be considered voting equity) of the Issuer for U.S. federal income tax purposes.

Distributions on the Preference Shares.

Subject to the anti-deferral rules discussed below, any payment on the Preference Shares that is distributed by the Issuer to a U.S. Holder that is subject to United States federal income tax will be taxable to such U.S. Holder as a dividend to the extent of the current and accumulated earnings and

profits (determined under United States federal income tax principles) of the Issuer. Such payments will not be eligible for the dividends received deduction allowable to corporations and likely will not be eligible for the preferential income tax rate on qualified dividend income. Distributions in excess of earnings and profits will be non-taxable to the extent of, and will be applied against and reduce, the U.S. Holder's adjusted tax basis in the Preference Shares. Distributions in excess of earnings and profits and basis will be taxable as gain from the sale or exchange of property, as described below.

Sale, Exchange or Other Disposition of the Preference Shares.

In general, a U.S. Holder of the Preference Shares will recognize gain or loss upon the sale, exchange or other disposition of the Preference Shares in an amount equal to the difference between the amount realized and such U.S. Holder's adjusted tax basis in the Preference Shares. The character of such gain or loss (as ordinary or capital) generally will depend on whether the U.S. Holder either has made a QEF election or is subject to the CFC rules (as each is described below). Initially, the tax basis of a U.S. Holder should equal the amount paid for the Preference Shares. Such basis will be (i) increased by amounts taxable to such U.S. Holders by virtue of a QEF election or by virtue of the CFC rules, and (ii) decreased by actual distributions from the Issuer that are deemed to consist of previously taxed amounts or to represent the return of capital.

Anti-Deferral Rules.

Prospective investors should be aware that certain of the procedural rules for "PFICs" and "QEF" elections (as both of such terms are defined below) are complex and should consult their own tax advisors regarding such rules.

The tax consequences discussed above are likely to be materially modified by the anti-deferral rules discussed below. In general, each U.S. Holder's investment in the Issuer will be taxed as an investment in a "passive foreign investment company" ("PFIC") or a controlled foreign corporation ("CFC"), depending (in part) upon the percentage of the Issuer's equity that is acquired and held by certain U.S. Holders. If applicable, the rules pertaining to CFCs generally override those pertaining to PFICs (although, in certain circumstances, more than one set of rules may be applicable simultaneously).

Prospective investors should be aware that in determining what percentage of the equity of the Issuer is held by various categories of investors (for example, for purposes of the CFC and information reporting rules described below), the Preference Shares will be treated as equity (and likely voting equity) and the Class E Notes and the Collateral Manager's interest in certain portions of its fee may be considered equity (and might be considered voting equity).

Prospective investors should be aware that the Issuer's income that is allocated to holders (under the QEF rules as well as under the CFC rules discussed below) will not necessarily bear any particular relationship in any year to the amount of cash that is distributed on the Preference Shares and, in any given year, may be substantially greater. Such an excess will arise, among other circumstances, when Collateral is purchased at a discount, interest or other income on the Collateral (which is included in gross income) is used to acquire other items of Collateral or to repay principal on the Secured Notes (which does not give rise to a deduction), or any portion of the Secured Notes is not ultimately paid upon maturity and the Issuer recognizes cancellation of indebtedness income without any corresponding offsetting losses (due to tax character differences or otherwise). In addition, such an excess could arise due to the amortization of the upfront payment (if any) on the Hedge Agreements, since any such payment may have to be taken into income over the term of the applicable Hedge Agreement in a manner that reflects the economic substance of the contract.

Status of the Issuer as a PFIC.

The Issuer will be treated as a "PFIC" for U.S. federal income tax purposes. U.S. Holders in PFICs, other than U.S. Holders that make a timely "qualified electing fund" or "QEF" election described

below, are subject to special rules for the taxation of "excess distributions" (which include both certain distributions by a PFIC and any gain recognized on a disposition of PFIC stock). In general, Section 1291 of the Code provides that the amount of any "excess distribution" will be allocated to each day of the U.S. Holder's holding period for its PFIC stock. The amount allocated to the current year will be included in the U.S. Holder's gross income for the current year as ordinary income. With respect to amounts allocated to prior years, the tax imposed for the current year will be increased by the "deferred tax amount" (an amount calculated with respect to each prior year by multiplying the amount allocated to such year by the highest rate of tax in effect for such year, together with an interest charge, as though the amounts of tax were overdue).

An excess distribution is the amount by which distributions for a taxable year exceed 125% of the average distribution in respect of the Preference Shares during the three preceding taxable years (or, if shorter, the investor's holding period for the Preference Shares). As indicated above, any gain recognized upon disposition (or deemed disposition) of the Preference Shares will be treated as an excess distribution and taxed as described above (i.e., not be taxable as capital gain). For this purpose, a U.S. Holder that uses a Preference Share as security for an obligation will be treated as having disposed of the Preference Share.

Special rules apply to certain regulated investment companies that own interests in PFICs and any such investor should consult with its own tax advisors regarding the consequences to it of acquiring Preference Shares.

QEF Election.

If a U.S. Holder (including certain U.S. Holders indirectly owning Preference Shares) makes the qualified electing fund election (the "QEF election") provided in Section 1295 of the Code, the U.S. Holder will be required to include its *pro rata* share (unreduced by any prior year losses) of the Issuer's ordinary income and net capital gains (as ordinary income and long term capital gain, respectively) for each taxable year and pay tax thereon even if such income and gain is not distributed to the U.S. Holder by the Issuer. In addition, any losses of the Issuer (which may include losses (which may be substantial) arising from credit event payments made by the Issuer under any Synthetic Security), will not be deductible by such U.S. Holder. Rather, any tax benefit from such losses is effectively only available when a U.S. Holder sells or disposes of its shares.

A U.S. Holder that makes the QEF election may (in general) elect to defer the payment of tax on undistributed income (until such income is distributed or the Preference Share is transferred); provided that it agrees to pay interest on such deferred tax liability. For this purpose, a U.S. Holder that uses a Preference Share as security for an obligation will be treated as having disposed of the Preference Share. If the Issuer later distributes the income or gain on which the U.S. Holder has already paid taxes, amounts so distributed to the U.S. Holder will not be further taxable to the U.S. Holder. A U.S. Holder's tax basis in the Preference Shares will be increased by the amount included in such U.S. Holder's income and decreased by the amount of nontaxable distributions. In general, a U.S. Holder making the QEF Election will recognize, on the disposition of the Preference Shares, capital gain or loss equal to the difference, if any, between the amount realized upon such disposition (including redemption or retirement) and its adjusted tax basis in such Preference Shares. Such gain or loss generally will be long term capital gain or loss if the U.S. Holder held the Preference Share for more than one year at the time of disposition. In certain circumstances, U.S. Holders that are individuals may be entitled to preferential treatment for net long term capital gains. However, the ability of U.S. Holders to offset capital losses against ordinary income is limited.

If the Issuer holds equity of other PFICs (an "equity PFIC"), a U.S. Holder of Preference Shares that wanted to avoid the application of the excess distribution rules (described above) with respect to its indirect interest in such equity PFIC, would have to make a separate QEF election with respect to such equity PFIC. In such case, the Issuer will provide, to the extent it receives it, the information needed for U.S. Holders to make such a QEF election. U.S. holders should consult their own tax advisors with respect to the tax consequences of such a situation.

In general, a QEF election should be made on or before the due date for filing a U.S. Holder's federal income tax return for the first taxable year for which it held a Preference Share. The QEF election is effective only if certain required information is made available by the Issuer to the IRS. The Issuer will undertake to comply with the IRS information requirements necessary to be a QEF, which will permit U.S. Holders to make the QEF election. Nonetheless, there can be no absolute assurance that such information will always be available or presented.

Where a QEF election is not timely made by a U.S. Holder for the year in which it acquired its Preference Shares, but is made for a later year, the excess distribution rules can be avoided by making an election to recognize gain from a deemed sale of the Preference Shares at the time when the QEF election becomes effective.

A U.S. Holder should consult its own tax advisors regarding whether it should make a QEF election (and, if it failed to make an initial election, whether it should make an election in a subsequent taxable year).

Status of the Issuer as a CFC.

U.S. tax law also contains special provisions dealing with CFCs. A U.S. Holder (or any other holder of an interest treated as voting equity in a foreign corporation that would meet the definition of U.S. Holder but for the fact that such holder does not hold Preference Shares) that owns (directly or indirectly) at least 10% of the voting stock of a foreign corporation, is considered a "U.S. Shareholder" with respect to the foreign corporation. If U.S. Shareholders in the aggregate own (directly or indirectly) more than 50% of the voting power or value of the stock of such corporation, the foreign corporation will be classified as a CFC. Complex attribution rules apply for purposes of determining ownership of stock in a foreign corporation such as the Issuer.

If the Issuer is classified as a CFC, a U.S. Shareholder (and possibly any U.S. Holder that is a direct or indirect holder of a grantor trust that is considered to be a U.S. Shareholder) that is a shareholder of the Issuer as of the end of the Issuer's taxable year generally would be subject to current U.S. tax on the income of the Issuer, regardless of cash distributions from the Issuer. Earnings subject to tax generally will not be taxed again when they are distributed to the U.S. Holder. In addition, income that would otherwise be characterized as capital gain and gain on the sale of the CFC's stock by a U.S. Shareholder (during the period that the corporation is a CFC and thereafter for a five-year period) would be classified in whole or in part as dividend income.

Certain income generated by a corporation conducting a banking, financing, insurance, or other similar business would not be includible in a holder's income under the CFC rules. However, each U.S. Holder of a Preference Share will agree not to take the position that the Issuer is engaged in such a business. Accordingly, if the CFC rules apply, a U.S. Shareholder would generally be subject to tax on its share of all of the Issuer's income.

TAXATION OF NON-U.S. HOLDERS OF THE PREFERENCE SHARES

Payments on, and gain from the sale, exchange or redemption of, Preference Shares generally should not be subject to United States federal income tax in the hands of a Non-U.S. Holder that has no connection with the United States other than the holding of the Preference Shares.

TRANSFER AND OTHER REPORTING REQUIREMENTS

In general, U.S. Holders who acquire any Preference Shares (including the Class P Notes to the extent of the Class P Preference Share component and any Class of Secured Notes that is recharacterized as equity in the Issuer) for cash may be required to file a Form 926 with the IRS and to supply certain additional information to the IRS if (i) such U.S. Holder owns (directly or indirectly) immediately after the transfer, at least 10% by vote or value of the Issuer or (ii) the transfer when

aggregated with all related transfers under applicable regulations, exceeds U.S. $100,000. In the event a U.S. Holder that is required to file such form, fails to file such form, the U.S. Holder could be subject to a penalty of up to U.S. $100,000 (computed as 10% of the gross amount paid for the Preference Shares) or more if the failure to file was due to intentional disregard of its obligation. Other important information reporting requirements apply to persons that acquire 10% or more of a foreign corporation's equity (here, the Preference Shares and any Class of Secured Notes or portion of the Collateral Manager's fee that is recharacterized as equity).

Prospective investors of Preference Shares should consult with their own tax advisors regarding whether they are required to file IRS Form 8886 in respect of this transaction. Such filing would generally be required if such investors recognized a loss in excess of a specified threshold, and significant penalties would be imposed on taxpayers that fail to properly file the form.

TAX-EXEMPT INVESTORS

Special considerations apply to pension plans and other investors ("Tax-Exempt Investors") that are subject to tax only on their "unrelated business taxable income" ("UBTI"). A Tax-Exempt Investor's income from an investment in the Issuer generally should not be treated as resulting in UBTI under current law, so long as such investor's acquisition of the Offered Securities is not debt-financed, and such investor does not own more than 50% of the Issuer's equity (here, the Preference Shares, the Class P Preference Share component and any Class of Secured Notes (if any) or portion of the Collateral Manager's fee that is recharacterized as equity).

Tax-Exempt Investors should consult their own tax advisors regarding an investment in the Issuer.

CIRCULAR 230

Under 31 C.F.R. part 10, the regulations governing practice before the Internal Revenue Service (Circular 230), we and our tax advisors are (or may be) required to inform you that:

- Any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer;
- Any such advice is written to support the promotion or marketing of the Offered Securities and the transactions described herein (or in such opinion or other advice); and
- Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

CAYMAN ISLANDS TAXATION

The Issuer will not be subject to income, capital, transfer, sales or franchise tax in the Cayman Islands. The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company. The Issuer has obtained an undertaking from the Governor in Cabinet of the Cayman Islands in substantially the following form:

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

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

(a) That no law which is hereinafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Issuer or its operations; and

(b) In addition, that no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(i) on or in respect of the shares, debentures or other obligations of the Issuer; or

(ii) by way of the withholding in whole or in part of any relevant payments as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

These concessions shall be for a period of thirty years from the 30th day of August 2005.

Governor in Cabinet

ERISA CONSIDERATIONS

The advice below was not written and is not intended to be used and cannot be used by any taxpayer for purposes of avoiding United States federal income tax penalties that may be imposed. The advice is written to support the promotion or marketing of the transaction. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The foregoing language is intended to satisfy the requirements under the new regulations in Section 10.35 of Circular 230.

GENERAL

The United States Employee Retirement Income Security Act of 1974, as amended ("ERISA") imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of, and that are subject to Title I of ERISA), including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the 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 all of the facts and circumstances of the investment including, but not limited to, the matters discussed above under "Risk Factors" and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Offered Securities.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code.

Governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state, local or other federal laws that are substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Offered Securities.

The U.S. Department of Labor has promulgated regulations, 29 C.F.R. Section 2510.3-101 (the "Plan Asset Regulations"), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA and Section 4975 of the Code, including the fiduciary responsibility provisions of Title I of ERISA and Section 4975 of the Code. Under the Plan Asset Regulations, if a Plan invests in an "equity interest" of an entity that is neither a "publicly offered security" nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or, as further discussed below, that equity participation in the entity by "benefit plan investors" is not "significant."

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if Offered Securities are acquired with the assets of a Plan with respect to which the Issuer, the Co-Issuers, the Initial Purchaser, the Trustee, the Collateral Manager, any seller of Collateral Debt Securities to the Issuer or any of their respective affiliates, is a party in interest or a disqualified person.

Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire an Offered Security and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Class Exemption ("PTCE") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 95-60 (relating to investments by insurance company general accounts), and PTCE 96-23 (relating to transactions effected by in-house asset managers) ("Investor-Based Exemptions"). There is also a statutory exemption that may be available under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code to a party in interest that is a service provider to a Plan investing in the Offered Securities for adequate consideration, provided, in general, such service provider is not (i) the fiduciary with respect to the Plan's assets used to acquire the Offered Securities or an affiliate of such fiduciary or (ii) an affiliate of the employer sponsoring the Plan. There can be no assurance that any of these Investor-Based Exemptions or any other administrative or statutory exemption will be available with respect to any particular transaction involving the Offered Securities.

Any insurance company proposing to invest assets of its general account in Offered Securities should consider the extent to which such investment would be subject to the requirements of Title I of ERISA and Section 4975 of the Code in light of the U.S. Supreme Court's decision in John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank, 510 U.S. 86 (1993), and the enactment of Section 401(c) of ERISA on August 20, 1996. In particular, such an insurance company should consider (i) the exemptive relief granted by the U.S. Department of Labor for transactions involving insurance company general accounts in PTCE 95-60 and (ii) if such exemptive relief is not available, whether its purchase of Securities will be permissible under the final regulations issued under Section 401(c) of ERISA. The final regulations provide guidance on which assets held by an insurance company constitute "plan assets" for purposes of the fiduciary responsibility provisions of ERISA and Section 4975 of the Code. The regulations do not exempt the assets of insurance company general accounts from treatment as "plan assets" to the extent they support certain participating annuities issued to Plans after December 31, 1998.

THE CO-ISSUED NOTES

The Plan Asset Regulations define an "equity interest" as any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. As noted above in Income Tax Considerations, it is the opinion of tax counsel to the Issuer that the Co-Issued will be treated as debt for U.S. income tax purposes. Although there is little guidance on the subject, at the time of their issuance, the Co-Issued Notes should be treated as indebtedness without substantial equity features for purposes of the Plan Asset Regulations. This determination is based in part upon (i) tax counsel's opinion that the Co-Issued Notes (including future draws on the Class A-1A Notes) will be classified as debt for U.S. federal income tax purposes when issued (when drawn in case of the Class A-1A Notes) and (ii) the traditional debt features of the Co-Issued Notes, including the reasonable expectation of purchasers of the Co-Issued Notes that they will be repaid when due, as well as the absence of conversion rights, warrants and other typical equity features. However, changes in facts and circumstances may adversely affect the classification of future draws on the Class A-1A Notes as debt without substantial equity features for purposes of the Plan Asset Regulations. Based upon and subject to the foregoing and other considerations, and subject to the considerations described below, the Co-Issued Notes may be purchased by a Plan. However, any purchaser of a Class A-1A Note must satisfy the Class A-1A Note Rating Criteria and, if a Plan does not satisfy such criteria, it will not be eligible to acquire the Class A-1A Notes. Nevertheless, without regard to whether the Co-Issued Notes are considered equity interests, prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if the Co-Issued Notes are acquired with the assets of an ERISA Plan with respect to which the Issuer, the Initial Purchaser or the Trustee or in certain circumstances, any of their respective affiliates, is a party in interest or a disqualified person. The Investor-Based Exemptions may be available to cover such prohibited transactions.

By its purchase of any Co-Issued Notes, each purchaser and subsequent transferee thereof will be deemed to have represented and warranted either that (a) it is neither a Plan nor any entity whose underlying assets include "plan assets" (within the meaning of the Plan Asset Regulations) by reason of such Plan's investment in the entity, nor a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (b) its purchase, holding and disposition of a Co-Issued Note will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church, non-U.S. or other plan, cause a non-exempt violation of any substantially similar law).

THE PREFERENCE SHARES, THE CLASS P NOTES AND THE CLASS E NOTES

Equity participation in an issuer of Offered Securities by "benefit plan investors" is "significant" and will cause the assets of the Issuer to be deemed the assets of an investing Plan (in the absence of another applicable Plan Asset Regulations exception) if 25% or more of the value of any Class of equity interest in the Issuer is held by "benefit plan investors." Recently, Section 3(42) of ERISA as enacted under the Pension Protection Act of 2006 effectively amended the definition of "benefit plan investors" in the Plan Asset Regulations as it applies to determining whether equity interests in an issuer are "significant." Employee benefit plans and plans that are not subject to either Title I of ERISA or Section 4975 of the Code, such as U.S. governmental and church plans and foreign plans, are no longer considered "benefit plan investors," and only employee benefit plans subject to Title I of ERISA or Section 4975 of the Code or any entity in which such plans invest are considered in determining whether investment by "benefit plan investors" represent 25% or more of any Class of equity of the Issuer. As a result, the term "benefit plan investor" now means (a) an employee benefit plan (as defined in Section 3(3) of ERISA) that is subject to the fiduciary responsibility provisions of Title I of ERISA, (b) a plan as defined in Section 4975(e)(1) of the Code that is subject to Section 4975 of the Code or (c) any entity whose underlying assets include "plan assets" by reason of any such employee benefit plan's or plan's investment in the entity (or as such term is otherwise defined in the regulations promulgated by the U.S. Department of Labor under Section 3(42) of ERISA) (collectively, "Benefit Plan Investors").

For purposes of making the 25% determination, the value of any equity interests held by a person (other than a Benefit Plan Investor) who has discretionary authority or control with respect to the assets of the Issuer or any person who provides investment advice for a fee (direct or indirect) with respect to such assets, or any affiliate of such a person (each, a "Controlling Person"), is disregarded. Under the Plan Asset Regulation, an "affiliate" of a person includes any person, directly or indirectly through one or more intermediaries, controlling, controlled by or under common control with the person, and "control" with respect to a person other than an individual, means the power to exercise a controlling influence over the management or policies of such person. The Preference Shares, the Class P Notes and the Class E Notes would be considered equity investments for the purposes of applying Title I of ERISA and Section 4975 of the Code. Accordingly, purchases of the Preference Shares, the Class P Notes and the Class E Notes by Benefit Plan Investors from the Initial Purchaser or the Co-Issuers and any subsequent purchaser will be limited to less than 25% of the value of each class of all outstanding Preference Shares, Class P Notes and Class E Notes by requiring each such purchaser to make certain representations and/or to agree to certain transfer restrictions regarding their status as Benefit Plan Investors or Controlling Persons. The Preference Shares, the Class P Notes and the Class E Notes either (i) held as principal by the Collateral Manager, the Initial Purchaser, the Trustee, any of their respective affiliates, employees of the Collateral Manager, the Initial Purchaser, the Trustee or any of their affiliates and any charitable foundation of any such employees (other than any of such interests held as a Benefit Plan Investor) or (ii) held by persons that have represented that they are Controlling Persons will be disregarded and will not be treated as outstanding for purposes of determining compliance with such 25% limitation.

By its purchase or holding of a Class P Note or a Class E Note, or any interest therein, the purchaser and/or holder thereof and each transferee in the case of Restricted Definitive Class P Notes will be required to represent and warrant, and in the case of Global Class P Notes or Global Class E Notes will be deemed to represent and warrant, that (1) it is not a Benefit Plan Investor and (2) it will not

sell or otherwise transfer any such Class P Note or Class E Note or interest to any person who is not able to satisfy the same representations and warranties.

The Indenture permits the Issuer to require any person acquiring a Class P Note or a Class E Note (or beneficial interests therein) who is determined to be a Benefit Plan Investor to sell such Note to a transferee who is not a Benefit Plan Investor and who meets all other applicable restrictions. If such purchaser does not comply with such demand within 30 days, thereof, the issuer may sell such holder's interest in the Secured Note to a transferee who does meet the requirements.

With respect to any purchase, holding or subsequent transfer of Restricted Definitive Preference Shares or any beneficial interests therein, or the purchase of a beneficial interest in Regulation S Global Preference Shares by an Original Purchaser, an investor will be required to represent and warrant in an Investor Application Form (1) whether or not the purchaser is a Benefit Plan Investor and (2) whether or not the purchaser is a Controlling Person. With respect to the purchase and subsequent transfer of a beneficial interest in a Regulation S Global Preference Share by a Person other than an Original Purchaser each investor will be deemed to represent and warrant (and with respect to the Regulation S Definitive Preference Shares, will be required to represent and warrant) that: (1) from the date on which it acquires its interest in such Regulation S Preference Shares through and including the date on which such purchaser or transferee disposes of its interest in such Regulation S Preference Shares, it is not a Benefit Plan Investor or Controlling Person and (2) it will not sell or otherwise transfer any such Regulation S Preference Shares or interest to any person who is not able to satisfy the same representations and warranties.

In determining whether the above 25% limitation is met with respect to Restricted Preference Shares transferred after their purchase by an Original Purchaser, it is assumed that the aggregate value of the Regulation S Preference Shares acquired by Benefit Plan Investors and the aggregate value of the Regulation S Preference Shares acquired by Controlling Persons in the initial placement of the Preference Shares are equal to the aggregate value of the Regulation S Preference Shares held by Benefit Plan Investors and the aggregate value of the Regulation S Preference Shares held by Controlling Persons on the date of such transfer.

The Preference Share Documents permit the Issuer to require that (1) any person other than an Original Purchaser acquiring a Regulation S Preference Share (or a beneficial interest therein) who is determined to be a Benefit Plan Investor or a Controlling Person or (2) any person acquiring a Preference Share (or a beneficial interest therein) that represented it was not a Benefit Plan Investor or a Controlling Person (or was deemed to have so represented) but is determined to be a Benefit Plan Investor or a Controlling Person or (3) any person acquiring a Preference Share, if immediately after such acquisition 25% or more of the aggregate value of the Preference Shares would be held by Benefit Plan Investors (disregarding Preference Shares held by Controlling Persons) sell such Preference Share (or beneficial interest therein) to a transferee who is not a Benefit Plan Investor or a Controlling Person and who meets all other applicable transfer restrictions and, if such person does not comply with such demand within 14 days thereof, the Issuer may sell such person's interest in such Preference Shares to a transferee who will not cause the above 25% limit to be exceeded.

There can be no assurance that, despite the transfer restrictions relating to purchases of the Class P Notes, the Class E Notes and the Preference Shares by Benefit Plan Investors and Controlling Persons, Benefit Plan Investors will not in actuality own 25% or more of such value.

OTHER CONSIDERATIONS

If for any reason the assets of the Issuer are deemed to be "plan assets" of a Plan subject to ERISA or Section 4975 of the Code because one or more Plans is an owner of Class P Notes, Class E Notes or Preference Shares (or of a Co-Issued Note characterized as an "equity interest" in the Issuer), certain transactions that the Collateral Manager might enter into, or may have entered into, on behalf of the Issuer 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 at significant

cost to the Issuer. The Collateral Manager could be deemed to be an ERISA fiduciary and may be prevented from engaging in certain investments (as not being deemed consistent with the ERISA prudent investment standards) or engaging in certain transactions or fee arrangements because they might be deemed to cause non-exempt prohibited transactions. It also is not clear that Section 403(a) of ERISA, which limits delegation of investment management responsibilities by fiduciaries of ERISA Plans, would be satisfied.

Any Plan fiduciary or other person who proposes to use assets of any Plan to purchase any Offered Securities should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

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

PLAN OF DISTRIBUTION

The Issuer and the Initial Purchaser will enter into a Purchase Agreement (the "Purchase Agreement") relating to the purchase and sale of the Offered Securities to be delivered on the Closing Date. The Offered Securities will be offered by the Initial Purchaser to prospective investors from time to time in individually negotiated transactions at varying prices to be determined at the time of sale. The Initial Purchaser reserves the right to withdraw, cancel of modify such offer and to reject orders in whole or in part. In the Purchase Agreement, the Co-Issuers will agree to sell to the Initial Purchaser, and the Initial Purchaser will agree to purchase, the entire principal amounts of the Co-Issued Notes, and the Issuer will agree to sell to the Initial Purchaser, and the Initial Purchaser will agree to purchase, the entire principal amounts of the Class E Notes, the Class P Notes and all of the Preference Shares as set forth in the Purchase Agreement. The obligations of the Initial Purchaser under the Purchase Agreement are subject to the satisfaction of certain conditions set forth in the Purchase Agreement. Pursuant to the Purchase Agreement, each of the Co-Issuers will agree to indemnify the Initial Purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchaser may be required to make in respect thereof. The Notes and Preference Shares are offered when, as and if issued by the Co-Issuers, subject to prior sale, withdrawal, cancellation or modification of the offer without notice.

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

CERTAIN SELLING RESTRICTIONS

UNITED STATES

The Offered 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 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 Rule 903 of Regulation S or as provided in paragraph (2) below. Accordingly, the Initial Purchaser will represent and agree that neither it, its affiliates (if any) nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to Offered Securities, and it and they have complied and will comply with the offering restrictions requirements of Regulation S.

(2) In the Purchase Agreement, the Initial Purchaser 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 that has such knowledge and experience in financial and business matters that it is capable of evaluating and bearing the risks of investing in the Offered Securities or is represented by a fiduciary or agent with sole investment discretion having such knowledge and experience) that is also a Qualified Purchaser or (2) otherwise in accordance with the restrictions on transfer set forth in such Offered Securities, the Purchase Agreement and this Offering Circular; or
>
> (b) by means of any form of general solicitation or general advertisement, including but not limited to (1) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio and (2) any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

Prior to the sale of any Offered Securities in registered form bearing a restrictive legend thereon, the Initial Purchaser shall have provided each offeree that is a U.S. Person with a copy of the Offering Circular in the form the Issuer and the Initial Purchaser shall have agreed most recently shall be used for offers and sales in the United States.

(3) In the Purchase Agreement, the Initial Purchaser will represent and agree that in connection with each sale to an Accredited Investor it has taken or will take reasonable steps to ensure that the purchaser is aware that the 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 that:

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

(2) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such 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 Offered Securities other than to persons whose ordinary business it is to buy or sell shares of debentures (whether as principal or agent) or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32) of Hong Kong (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 Offered Securities, other than with respect to Offered Securities 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 Offered Securities have not been and will not be registered under the 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 Circular has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289) of Singapore (the "SFA"). Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Offered 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 Circular or any other material relating to the Issuer or the Offered Securities in any country or jurisdiction where action for that purpose is required. Accordingly, the Offered Securities may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Offered Securities may be distributed or published, in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

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

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.

CLEARING SYSTEMS

GLOBAL SECURITIES

Investors may hold their interests in a Regulation S Global Security directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations 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 depositaries, which in turn will hold such interests in such Regulation S Global Security in customers' securities accounts in the depositaries' names on the books of DTC. Investors may hold their interests in a Restricted Global Secured 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 depositary (or its nominee) for a Global Security is the registered holder of such Global Security, such depositary or such nominee, as the case may be, will be considered the absolute owner or holder of such Global Security for all purposes under the Indenture and Participants as well as any other persons on whose behalf Participants may act (including Euroclear and Clearstream and account holders and participants therein) will have no rights under the related Security, the Indenture or the Preference Share Documents. Owners of beneficial interests in a Global Security will not be considered to be the owners or holders of the related Security, any Secured Note under the Indenture or any Preference Share under the Preference Share Documents. In addition, no beneficial owner of an interest in a Global Security will be able to exchange or transfer that interest, except in accordance with the applicable procedures of the depositary and (in the case of a Regulation S Global Security) Euroclear or Clearstream (in addition to those under the Indenture or the Preference Share Documents (as the case may be)), in each case to the extent applicable (the "Applicable Procedures").

PAYMENTS OR DISTRIBUTIONS ON A GLOBAL SECURITY

Payments or distributions on an individual Global Security registered in the name of a depositary or its nominee will be made to the depositary or its nominee, as the case may be, as the registered owner of the Global Security. None of the Issuer, the Trustee, the Note Registrar, the Preference Share Paying Agent and any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

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

TRANSFERS AND EXCHANGES FOR DEFINITIVE SECURITIES

Interests in a Global Security will be exchangeable or transferable, as the case may be, for a Definitive Security if (a) DTC notifies the Issuer that it is unwilling or unable to continue as depositary for such Security, (b) DTC ceases to be a "Clearing Agency" registered under the Exchange Act, and a successor depositary is not appointed by the Issuer within 90 days, (c) the transferee of an interest in such Global Security is required by law to take physical delivery of securities in definitive form, (d) in the case of a Global Secured Note, there is an Event of Default under the Secured Notes or (e) the transferee is otherwise unable to pledge its interest in a Global Security. Because DTC can only act on behalf of Participants, which in turn act on behalf of indirect Participants and certain banks, the ability of a person having a beneficial interest in a Global Security to pledge such interest to persons or entities that do not

participate in the DTC system, or otherwise take actions in respect of such interest, may require that such interest in a Global Security be exchanged for a Definitive Security.

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

CROSS-BORDER TRANSFERS AND EXCHANGES

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

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

DTC has advised the Co-Issuers that it will take any action permitted to be taken by a holder of the relevant 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 number of Preference Shares (as the case may be) as to which such Participant or Participants has or have given such direction.

DTC, EUROCLEAR AND CLEARSTREAM

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

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

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

TRANSFER RESTRICTIONS

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

Representations by Original Purchaser

Each Original Purchaser of Co-Issued Notes will be deemed (and each Original Purchaser of Class E Notes, Class P Notes and Preference Shares, will be required in an Investor Application Form) to acknowledge, represent and warrant to and agree with the Co-Issuers and the Initial Purchaser, and each purchaser of a Class E Note, a Class P Note or a Preference Share, by its execution of an Investor Application Form, acknowledges, represents and warrants to and agrees with the Co-Issuers and the Initial Purchaser, as follows:

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

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

(3) *Minimum Denomination or Number*. The purchaser agrees that no 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 or to comply with the requirements for any exemption from the registration requirements of the Securities Act (other than to supply information specified in Rule 144A(d)(4) of the Securities Act as required by the Indenture).

(5) *Investment Intent*. In the case of a purchaser of a Restricted Security (or any interest therein), it is a Qualified Institutional Buyer or an Accredited Investor (but with respect to the latter, if such Restricted Security is a Restricted Note, it is an Accredited Investor and not a Qualified Institutional Buyer only if it purchased such Restricted Note or interest therein directly from the Co-Issuers or the Initial Purchaser), 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 Regulation S Security (or any interest therein), it is not a U.S.

Person and is purchasing such Regulation S Security (or interest therein) for its own account and not for the account or benefit of a U.S. Person in an offshore transaction in accordance with Regulation S.

(6) *Purchaser Sophistication; Non-Reliance; Suitability; Access to Information.* The purchaser (a) has such knowledge and experience in financial and business matters that the purchaser is capable of evaluating the merits and risks (including for tax, legal, regulatory, accounting and other financial purposes) of its prospective investment in Offered Securities, (b) is financially able to bear such risk, (c) in making such investment, is not relying on the advice or recommendations of the Initial Purchaser, the Issuer, the Co-Issuer, the Collateral Manager or any of their respective affiliates (or any representative of any of the foregoing) (*provided* that no such representation is made with respect to the Collateral Manager or its investment advisory affiliates, or by any affiliate of the Collateral Manager or any account advised or managed by the Collateral Manager or any of its investment advisory affiliates) and (d) has determined that an investment in Offered Securities is suitable and appropriate for it. The purchaser has received and reviewed the contents of, this Offering Circular. The purchaser has had access to such financial and other information concerning the Issuer and the Offered Securities as it has deemed necessary to make its own independent decision to purchase Offered Securities, including the opportunity, at a reasonable time prior to its purchase of Offered Securities, to ask questions and receive answers concerning the Issuer, the Co-Issuer and the terms and conditions of the offering of the Offered Securities.

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

(a) in the United States or to a U.S. Person, except to a transferee (i)(A) whom the seller reasonably believes is a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or (B) solely in the case of a Restricted Definitive Class P Note or a Restricted Definitive Preference Share who is entitled to take delivery of such Security in accordance with another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act) and (ii) that is a Qualified Purchaser;

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

(c) in the case of the Preference Shares, except as otherwise described below and in "ERISA Considerations", after the initial placement of the Preference Shares, to a transferee who is a Benefit Plan Investor or a Controlling Person;

(d) in the case of the Class P Notes and the Class E Notes, to a transferee who is a Benefit Plan Investor;

(e) except in compliance with the other requirements set forth in the Indenture, the Preference Share Documents (as applicable), the Notes and Preference Shares and in accordance with any other applicable securities laws of any relevant jurisdiction; or

(f) to a transferee that is a Collateral Manager Connected Person.

(8) *Limited Liquidity.* The purchaser understands that there is no market for the Offered Securities and that there can be no assurance that a secondary market for any of the Offered Securities will develop, or if a secondary market does develop, that it will provide the holders of such Offered Securities with liquidity of investment or that it will continue for the life of the Offered Securities. It further understands that, although the Initial Purchaser may from time to time make a market in one or more Classes of Notes or Preference Shares, the Initial Purchaser is under no obligation to do so and, following the commencement of any market-making, may discontinue the same at any time. Accordingly, the purchaser must be prepared to hold its Offered Securities for an indefinite period of time or until the applicable Stated Maturity (or, in the case of the Preference Shares, the winding-up of the Issuer).

(9) *Investment Company Act.* The purchaser either (a) is not a U.S. Person or (b) is a Qualified Purchaser. The purchaser agrees that no sale, pledge or other transfer of an Offered Security (or any interest therein) may be made (i) to a transferee acquiring a Restricted Security (or any interest therein) except to a transferee that is a Qualified Purchaser, (ii) to a transferee acquiring a Regulation S Security (or any interest therein) except to a transferee that is not a U.S. Person or (iii) if such transfer would have the effect of requiring either of the Co-Issuers or the Collateral to be registered as an investment company under the Investment Company Act. If the purchaser is a U.S. Person that is an entity that would be an investment company but for the exception provided for in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act (any such entity, an "excepted investment company") (a) all of the beneficial owners of outstanding securities (other than short-term paper) of such entity (such beneficial owners determined in accordance with Section 3(c)(1)(A) of the Investment Company Act) that acquired such securities on or before April 30, 1996 ("pre-amendment beneficial owners") and (b) all pre-amendment beneficial owners of the outstanding securities (other than short-term paper) of any excepted investment company that, directly or indirectly, owns any outstanding securities of such entity, have consented to such entity's treatment as a Qualified Purchaser in accordance with the Investment Company Act.

(10) *ERISA.* In the case of a Co-Issued Note, or any interest therein (A) the purchaser or transferee is not a Plan or an entity whose underlying assets include "plan assets" (within the meaning of 29 C.F.R. § 2510.3-101) by reason of such Plan's investment in the entity, or a governmental, church, non-U.S. or other plan which is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (B) if the purchaser is an entity described in (A), the purchase, holding and disposition of such Co-Issued Note, as the case may be, will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church, non-U.S. or other plan, cause a non-exempt violation of any substantially similar federal, state, local or non-U.S. law). Any purported transfer of such Co-Issued Note, or interest therein to a purchaser or transferee that does not comply with the requirements of this paragraph shall be null and void ab initio.

In the case of a Class P Note or a Class E Note, or any interest therein, (1) the purchaser or each transferee is not a Benefit Plan Investor, (2) the purchase, holding and disposition thereof by an employee benefit plan other than a Benefit Plan Investor will not cause a non-exempt violation of any U.S. federal, state, local or non-U.S. law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code and (3) the purchaser or each transferee will not sell or otherwise transfer any such Note or interest to any person who is not able to satisfy the same representations and warranties. The purchaser is aware that the Indenture permits the Issuer to require any person acquiring a Class P Note or a Class E Note (or beneficial interests therein) who is determined to be a Benefit Plan Investor to sell such Note to a transferee who is not a Benefit Plan Investor and who meets all other applicable restrictions. If such purchaser does not comply with such demand within 14 days, thereof, the Issuer may sell such person's interest in the Class P Note or the Class E Note to a transferee who does meet the requirements.

In the case of a purchaser or transferee of a Restricted Definitive Preference Share and each Original Purchaser of Regulation S Preference Shares, or any interests therein, the purchaser has provided information in the Investor Application Form as to whether it is (or is not, as applicable) a Benefit Plan Investor or a Controlling Person. No Benefit Plan Investor or Controlling Person will be permitted to purchase such Preference Shares unless its purchase, holding and disposition of such Preference Shares (i) will not cause participation by Benefit Plan Investors to be "significant" within the meaning of the Plan Asset Regulations and (ii) if the purchaser is a Benefit Plan Investor, the acquisition, holding and disposition of such Preference Shares or any interest therein will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church, non-U.S. or other plan, cause a non-exempt violation of any substantially similar federal, state, local or non-U.S. law). Any person other than an Original Purchaser acquiring a Regulation S Global Preference Share, or any interest therein, will be deemed to have represented and warranted (or in the case of a Regulation S Definitive Preference Share, will be required to represent and warrant) that (1) it is not a Benefit Plan Investor or Controlling Person, (2) the purchase, holding and disposition thereof by an employee benefit plan other than a Benefit Plan Investor will not cause a non-exempt violation of any U.S. federal, state, local or non-U.S. law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code and (3) it will not sell or otherwise transfer any such Regulation S Preference Shares, or any interest therein, to any person who is not able to satisfy the same representations and warranties.

The Preference Share Documents permit the Issuer to require that (1) any person other than an Original Purchaser acquiring a Regulation S Global Preference Share (or a beneficial interest therein) who is determined to be a Benefit Plan Investor or a Controlling Person or (2) any person acquiring a Preference Share (or a beneficial interest therein) that represented it was not a Benefit Plan Investor or a Controlling Person (or was deemed to have so represented) but is determined to be a Benefit Plan Investor or a Controlling Person or (3) any person acquiring a Preference Share, if immediately after such acquisition 25% or more of the aggregate value of the Preference Shares would be held by Benefit Plan Investors (disregarding Preference Shares held by Controlling Persons) sell such Preference Share (or beneficial interest therein) to a transferee who is not a Benefit Plan Investor or a Controlling Person and who meets all other applicable transfer restrictions and, if such person does not comply with such demand within 14 days thereof, the Issuer may sell such person's interest in such Preference Shares to a transferee who will not cause the above 25% limit to be exceeded.

(11) *Limitations on Flow-Through Status.* It is (a) not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle) and (b) if it is a Qualifying Investment Vehicle, (x) it has only one class of securities outstanding (other than any nominal share capital the distributions in respect of which are not correlated to or dependent upon distributions on, or the performance of, the Offered 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 any investment decision of the purchaser (other than a general partner or similar entity) or to determine, on an investment-by-investment basis, the amount of such person's contribution to any investment made by the purchaser, (iii) the purchaser was organized or reorganized for the specific purpose of acquiring any Offered Securities or (iv) additional capital or similar contributions were specifically solicited from any person owning an equity or similar interest in the purchaser for the purpose of enabling the purchaser to purchase any Notes or Preference Shares. A "Qualifying Investment Vehicle" means an entity as to which all of the beneficial owners of any securities issued by such entity have made, and as to which (in accordance with the document pursuant to which such entity was

organized or the agreement or other document governing such securities) each such beneficial owner must require any transferee of any such security to make each of the representations set forth in this Offering Circular and (where applicable) an Investor Application Form and/or the transfer certificate pursuant to which such Offered Securities were transferred to such entity (in each case, with appropriate modifications to reflect the indirect nature of the interests of such beneficial owners in the Offered Securities).

(12) *Certain Transfers Void.* The purchaser agrees that (a) any sale, pledge or other transfer of an Offered Security (or any interest therein) made in violation of the transfer restrictions contained in this Offering Circular and the Indenture or the Preference Share Documents, as applicable, or made based upon any false or inaccurate representation made by the purchaser or a transferee to the Issuer, will be void and of no force or effect and (b) none of the Issuer, the Co-Issuer, the Trustee and the Note Registrar (in the case of the Notes) and none of the Issuer, the Preference Share Paying Agent (in the case of the Preference Shares) has any obligation to recognize any sale, pledge or other transfer of an Offered Security (or any interest therein) made in violation of any such transfer restriction or made based upon any such false or inaccurate representation.

(13) *Reliance on Representations, etc.* The purchaser acknowledges that the Issuer, the Co-Issuer, the Initial Purchaser, the Trustee, the Note Registrar, the Preference Share Paying Agent and others (as applicable) will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties by it in connection with its purchase of the Offered Securities are no longer accurate, the purchaser will promptly notify the Issuer and the Initial Purchaser.

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

(15) *Tax Treatment.* The purchaser acknowledges that it is its intent as well as the intent of the Issuer to treat the Notes as indebtedness of the Issuer and not of the Co-Issuer and the Preference Shares as equity in the Issuer and not in the Co-Issuer for U.S. Federal income tax purposes. The purchaser further agrees to report all income (or loss) in accordance with such treatment and not to take any action inconsistent with such treatment.

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

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (A "QUALIFIED INSTITUTIONAL BUYER") WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A OR (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY RELEVANT JURISDICTION. NEITHER OF THE CO-ISSUERS NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). NO TRANSFER OF A NOTE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE

TRUSTEE NOR THE NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT OR (II) A COMPANY EACH OF WHOSE BENEFICIAL OWNERS IS A "QUALIFIED PURCHASER" (ANY PERSON DESCRIBED IN CLAUSES (I) 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 PERSON THAT IS A FLOW THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE INDENTURE) AND IF IT IS A QUALIFYING INVESTMENT VEHICLE EITHER NONE OF THE BENEFICIAL OWNERS OF ITS SECURITIES IS A U.S. PERSON OR SOME OR ALL OF THE BENEFICIAL OWNERS OF ITS SECURITIES ARE U.S. PERSONS AND EACH SUCH BENEFICIAL OWNER HAS CERTIFIED THAT SUCH OWNER IS A QUALIFIED PURCHASER OR (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE (IF ANY) ATTACHED AS AN EXHIBIT TO THE INDENTURE REFERRED TO BELOW. THIS NOTE AND ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN THE PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THIS NOTE (AND ANY BENEFICIAL INTEREST IN THIS NOTE) MAY NOT BE TRANSFERRED TO ANY PERSON (OTHER THAN AN ORIGINAL PURCHASER) THAT IS "CONNECTED" (WITHIN THE MEANING OF SECTION 839 OF THE INCOME AND CORPORATION TAXES ACT OF 1988 OF THE UNITED KINGDOM) TO THE COLLATERAL MANAGER.

In addition the legend set forth on any Co-Issued Note will also have the following:

THIS NOTE MAY NOT BE TRANSFERRED TO AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) WHICH IS SUBJECT TO TITLE I OF ERISA OR A PLAN (AS DEFINED IN SECTION 4975(e)(1) OF THE CODE AND SUBJECT TO SECTION 4975 OF THE CODE) OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" (WITHIN THE MEANING OF 29 C.F.R. § 2510.3-101) BY REASON OF SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY OR A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE IF THE PURCHASE, HOLDING AND DISPOSITION OF THE NOTE WILL CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN, CAUSE A NON-EXEMPT VIOLATION OF ANY SUBSTANTIALLY SIMILAR FEDERAL, STATE, LOCAL OR NON-U.S. LAW). ANY PURPORTED TRANSFER OF THIS NOTE TO A PURCHASER THAT DOES NOT COMPLY WITH THE ABOVE REQUIREMENTS SHALL BE NULL AND VOID AB INITIO.

In addition, the legend on any Class E Note will also have the following:

BY ITS PURCHASE OR HOLDING OF A CLASS E NOTE, OR ANY INTEREST THEREIN, THE PURCHASER AND/OR HOLDER THEREOF AND EACH TRANSFEREE IN THE CASE OF RESTRICTED CLASS E NOTES WILL BE REQUIRED TO REPRESENT AND WARRANT, AND IN THE CASE OF GLOBAL CLASS E NOTES WILL BE DEEMED TO REPRESENT AND WARRANT THAT AT THE TIME OF ITS PURCHASE AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTE OR INTEREST THEREIN, THAT (I) IT IS NOT 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 THE FIDUCIARY RESPONSIBILITY PROVISIONS OF TITLE I OF ERISA, A PLAN (AS DEFINED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986 (THE "CODE")) THAT IS SUBJECT TO SECTION 4975 OF THE CODE OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY (OR A "BENEFIT PLAN INVESTOR" AS OTHERWISE DEFINED IN REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR) (EACH AN "BENEFIT PLAN INVESTOR"), (II) THE PURCHASE, HOLDING AND DISPOSITION THEREOF BY AN EMPLOYEE BENEFIT PLAN OTHER THAN A BENEFIT PLAN INVESTOR WILL NOT CAUSE A NON-EXEMPT VIOLATION OF ANY U. S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE AND (III) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH CLASS E NOTE OR INTEREST TO ANY PERSON WHO IS NOT ABLE TO SATISFY THE SAME REPRESENTATIONS AND WARRANTIES. THE INDENTURE PERMITS THE ISSUER TO REQUIRE ANY PERSON ACQUIRING A CLASS E NOTE (OR BENEFICIAL INTERESTS THEREIN) WHO IS DETERMINED TO BE A BENEFIT PLAN INVESTOR TO SELL SUCH NOTE TO A TRANSFEREE WHO IS NOT A BENEFIT PLAN INVESTOR AND WHO MEETS ALL OTHER APPLICABLE RESTRICTIONS. IF SUCH PURCHASER DOES NOT COMPLY WITH SUCH DEMAND WITHIN 14 DAYS, THEREOF, THE ISSUER MAY SELL SUCH PERSON'S INTEREST IN THE NOTE TO A TRANSFEREE WHO DOES MEET THE REQUIREMENTS.

THIS NOTE (AND ANY BENEFICIAL INTEREST IN THIS NOTE) MAY NOT BE TRANSFERRED TO ANY PERSON (OTHER THAN AN ORIGINAL PURCHASER) THAT IS "CONNECTED" (WITHIN THE MEANING OF SECTION 839 OF THE INCOME AND CORPORATION TAXES ACT OF 1988 OF THE UNITED KINGDOM) TO THE COLLATERAL MANAGER.

In addition, the legend set forth on any Class P Note will also have the following:

BY ITS PURCHASE OR HOLDING OF A CLASS P NOTE, OR ANY INTEREST THEREIN, THE PURCHASER AND/OR HOLDER THEREOF AND EACH TRANSFEREE IN THE CASE OF RESTRICTED CLASS P NOTES WILL BE REQUIRED TO REPRESENT AND WARRANT, AND IN THE CASE OF GLOBAL CLASS P NOTES WILL BE DEEMED TO REPRESENT AND WARRANT THAT AT THE TIME OF ITS PURCHASE AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTE OR INTEREST THEREIN, THAT (I) IT IS NOT 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 THE FIDUCIARY RESPONSIBILITY PROVISIONS OF TITLE I OF ERISA, A PLAN (AS DEFINED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986 (THE "CODE")) THAT IS SUBJECT TO SECTION 4975 OF THE CODE OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY (OR A "BENEFIT PLAN INVESTOR" AS OTHERWISE DEFINED IN REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR) (EACH AN "BENEFIT PLAN INVESTOR"), (II) THE PURCHASE, HOLDING AND DISPOSITION THEREOF BY AN EMPLOYEE BENEFIT PLAN OTHER THAN A BENEFIT PLAN INVESTOR WILL NOT CAUSE A NON-EXEMPT VIOLATION OF ANY U. S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE AND (III) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH CLASS P NOTE OR INTEREST TO ANY PERSON WHO IS NOT ABLE TO SATISFY THE SAME REPRESENTATIONS AND WARRANTIES. THE INDENTURE PERMITS THE ISSUER TO REQUIRE ANY PERSON ACQUIRING A CLASS P NOTE (OR BENEFICIAL INTERESTS THEREIN) WHO IS DETERMINED TO BE A BENEFIT PLAN INVESTOR TO SELL SUCH NOTE TO A TRANSFEREE WHO IS NOT A BENEFIT PLAN INVESTOR AND WHO MEETS ALL OTHER APPLICABLE RESTRICTIONS. IF SUCH PURCHASER DOES NOT COMPLY WITH SUCH DEMAND WITHIN 14 DAYS, THEREOF, THE ISSUER MAY SELL SUCH

PERSON'S INTEREST IN THE NOTE TO A TRANSFEREE WHO DOES MEET THE REQUIREMENTS.

THIS NOTE (AND ANY BENEFICIAL INTEREST IN THIS NOTE) MAY NOT BE TRANSFERRED TO ANY PERSON (OTHER THAN AN ORIGINAL PURCHASER) THAT IS "CONNECTED" (WITHIN THE MEANING OF SECTION 839 OF THE INCOME AND CORPORATION TAXES ACT OF 1988 OF THE UNITED KINGDOM) TO THE COLLATERAL MANAGER.

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, [EITHER OF THE CO-ISSUERS] / [THE ISSUER] DETERMINES THAT ANY BENEFICIAL OWNER OF A RESTRICTED NOTE (OR ANY INTEREST THEREIN) (A) IS A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND (B) IS NOT BOTH (I) A QUALIFIED INSTITUTIONAL BUYER (OR, IN THE CASE OF THE INITIAL PURCHASER OF SUCH RESTRICTED NOTE OR INTEREST THEREIN, AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a) UNDER THE SECURITIES ACT) AND (II) A QUALIFIED PURCHASER, THEN [EITHER OF THE CO-ISSUERS] / [THE ISSUER] MAY REQUIRE, BY NOTICE TO SUCH HOLDER, THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO SUCH RESTRICTED NOTE (OR INTEREST THEREIN) TO A PERSON THAT IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 14 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH BENEFICIAL OWNER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (1) UPON DIRECTION FROM THE ISSUER, THE TRUSTEE (ON BEHALF OF AND AT THE EXPENSE OF THE ISSUER) SHALL CAUSE SUCH BENEFICIAL OWNER'S INTEREST IN SUCH NOTE TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE (CONDUCTED BY THE TRUSTEE IN ACCORDANCE WITH SECTION 9-610(b) OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK) TO A PERSON THAT CERTIFIES TO THE TRUSTEE AND THE [CO-ISSUERS] / [ISSUER] , IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (I) A QUALIFIED INSTITUTIONAL BUYER AND (II) A QUALIFIED PURCHASER AND (2) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF SUCH NOTE (OR INTEREST THEREIN) HELD BY SUCH BENEFICIAL OWNER.

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

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

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE NOTE REGISTRAR FOR REGISTRATION OF TRANSFER OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE

NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

In addition, the legend set forth on any Class C Note, Class D Note and Class E Note a will also have the following:

THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF OID, ISSUE DATE AND YIELD TO MATURITY OF THIS NOTE MAY BE OBTAINED BY WRITING TO: DIRECTOR, STRUCTURED CREDIT PRODUCTS GROUP, MERRILL LYNCH, PIERCE, FENNER & SMITH, INCORPORATED, (NORTH TOWER), 4 WORLD FINANCIAL CENTER, 7TH FLOOR, NEW YORK, NY 10080.

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

THE PREFERENCE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (A "QUALIFIED INSTITUTIONAL BUYER") WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER 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 REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") OR (3) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (SUBJECT TO THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE ISSUER CHARTER AND THE PREFERENCE SHARE PAYING AGENCY AGREEMENT REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY RELEVANT JURISDICTION. NEITHER THE ISSUER NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). NO TRANSFER OF A PREFERENCE SHARE (OR ANY INTEREST THEREIN) MAY BE MADE (AND NEITHER THE ISSUER NOR THE PREFERENCE SHARE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON THAT IS NOT (I) A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT, (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 WOULD BE MADE TO A TRANSFEREE THAT IS A

PERSON WHICH IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE TRANSFER CERTIFICATE ATTACHED TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT) AND IF IT IS A QUALIFYING INVESTMENT VEHICLE EITHER NONE OF THE BENEFICIAL OWNERS OF ITS SECURITIES IS A U.S. PERSON OR SOME OR ALL OF THE BENEFICIAL OWNERS OF ITS SECURITIES ARE U.S. PERSONS AND EACH SUCH BENEFICIAL OWNER HAS CERTIFIED THAT SUCH OWNER IS A QUALIFIED PURCHASER OR (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 OR PURCHASER LETTER, AS APPLICABLE, ATTACHED AS AN EXHIBIT TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT REFERRED TO HEREIN.

THE PREFERENCE SHARES REPRESENTED HEREBY (AND ANY BENEFICIAL INTEREST IN SUCH PREFERENCE SHARES) MAY NOT BE TRANSFERRED TO ANY PERSON (OTHER THAN AN ORIGINAL PURCHASER) THAT IS "CONNECTED" (WITHIN THE MEANING OF SECTION 839 OF THE INCOME AND CORPORATION TAXES ACT OF 1988 OF THE UNITED KINGDOM) TO THE COLLATERAL MANAGER.

ANY PURCHASE OF PREFERENCE SHARES OR A BENEFICIAL INTEREST THEREIN BY(I) 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 THE FIDUCIARY RESPONSIBILITY PROVISIONS OF TITLE I OF ERISA, A PLAN (AS DEFINED IN SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986 (THE "CODE")) THAT IS SUBJECT TO SECTION 4975 OF THE CODE OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY (OR A "BENEFIT PLAN INVESTOR" AS OTHERWISE DEFINED IN REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR) (EACH AN "BENEFIT PLAN INVESTOR") OR (II) A PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR ANY PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO SUCH ASSETS, OR ANY AFFILIATE OF SUCH A PERSON (EACH, A "CONTROLLING PERSON") WILL BE PERMITTED ONLY IF (1) THE ACQUISITION, HOLDING AND DISPOSITION OF THE PREFERENCE SHARES WILL NOT CAUSE PARTICIPATION BY BENEFIT PLAN INVESTORS IN THE ISSUER TO BE "SIGNIFICANT" WITHIN THE MEANING OF THE PLAN ASSET REGULATIONS AND (2) WITH RESPECT TO BENEFIT PLAN INVESTORS, THE ACQUISITION, HOLDING AND DISPOSITION OF THE PREFERENCE SHARES OR ANY INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN, CAUSE A NON-EXEMPT VIOLATION OF ANY SUBSTANTIALLY SIMILAR FEDERAL, STATE, LOCAL OR NON-U.S. LAW). EACH PURCHASER OF PREFERENCE SHARES WILL BE REQUIRED TO COMPLETE AN INVESTOR APPLICATION FORM. ANY PURPORTED TRANSFER OF PREFERENCE SHARES IN VIOLATION OF THE REQUIREMENTS SET FORTH IN THIS PARAGRAPH SHALL BE NULL AND VOID AB INITIO. THE PREFERENCE SHARE DOCUMENTS PERMIT THE ISSUER TO REQUIRE THAT (1) ANY PERSON OTHER THAN AN ORIGINAL PURCHASER ACQUIRING A REGULATION S PREFERENCE SHARE (OR A BENEFICIAL INTEREST THEREIN) WHO IS DETERMINED TO BE A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON, (2) ANY PERSON ACQUIRING A PREFERENCE SHARE (OR A BENEFICIAL INTEREST THEREIN) THAT REPRESENTED IT WAS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON (OR WAS DEEMED TO HAVE SO REPRESENTED) BUT IS DETERMINED TO BE A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON OR (3) ANY PERSON ACQUIRING A PREFERENCE SHARE, IF IMMEDIATELY AFTER SUCH ACQUISITION 25% OR MORE OF THE AGGREGATE VALUE OF THE PREFERENCE SHARES WOULD BE HELD BY BENEFIT PLAN INVESTORS (DISREGARDING PREFERENCE SHARES HELD BY CONTROLLING

PERSONS) SELL SUCH PREFERENCE SHARE (OR BENEFICIAL INTEREST THEREIN) TO A TRANSFEREE WHO IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND WHO MEETS ALL OTHER APPLICABLE TRANSFER RESTRICTIONS AND, IF SUCH PERSON DOES NOT COMPLY WITH SUCH DEMAND WITHIN 14 DAYS THEREOF, THE ISSUER MAY SELL SUCH PERSON'S INTEREST IN SUCH PREFERENCE SHARES TO A TRANSFEREE WHO WILL NOT CAUSE THE ABOVE 25% LIMIT TO BE EXCEEDED. [1]

[ANY PERSON OTHER THAN AN ORIGINAL PURCHASER ACQUIRING REGULATION S GLOBAL PREFERENCE SHARES OR BENEFICIAL INTERESTS THEREIN WILL BE DEEMED TO REPRESENT (OR IN THE CASE OF REGULATION S DEFINITIVE PREFERENCE SHARES WILL BE REQUIRED TO REPRESENT) THAT (1) FROM THE DATE ON WHICH IT ACQUIRES ITS INTEREST IN SUCH REGULATION S PREFERENCE SHARES THROUGH AND INCLUDING THE DATE ON WHICH SUCH TRANSFEREE DISPOSES OF ITS INTEREST IN SUCH SECURITIES, (I) IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND (II) THE PURCHASE, HOLDING AND DISPOSITION THEREOF BY AN EMPLOYEE BENEFIT PLAN OTHER THAN A BENEFIT PLAN INVESTOR WILL NOT CAUSE A NON-EXEMPT VIOLATION OF ANY U. S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH REGULATION S PREFERENCE SHARES, OR ANY INTEREST THEREIN, TO ANY PERSON WHO IS NOT ABLE TO SATISFY THE SAME REPRESENTATIONS AND WARRANTIES.][2]

The legend set forth on any Restricted Definitive Preference Share will also have the following:

IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE PREFERENCE SHARE PAYING AGENCY AGREEMENT, THE ISSUER DETERMINES THAT ANY HOLDER OF THIS SECURITY OR AN INTEREST HEREIN (I) IS A U.S. PERSON AND (II) IS NOT BOTH (A) A QUALIFIED INSTITUTIONAL BUYER OR AN "ACCREDITED INVESTOR" (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 BOTH (1) A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR AND (2) A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 14 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE ISSUER, THE PREFERENCE SHARE PAYING AGENT SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO, CAUSE SUCH HOLDER'S INTEREST IN THIS SECURITY TO BE TRANSFERRED IN A COMMERCIALLY REASONABLE SALE (CONDUCTED BY THE PREFERENCE SHARE PAYING AGENT IN ACCORDANCE WITH SECTION 9-610(b) OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THE SUBJECT OF WIDELY DISTRIBUTED PRICE QUOTATIONS) TO A PERSON THAT CERTIFIES TO THE PREFERENCE SHARE PAYING AGENT AND THE ISSUER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS BOTH (1) A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR AND (2) A QUALIFIED PURCHASER, AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THIS SECURITY HELD BY SUCH HOLDER, AND THE INTEREST IN THIS SECURITY SHALL

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[1] For all Preference Shares purchased by an Original Purchaser and for Restricted Definitive Preference Shares purchased by a person who is not an Original Purchaser.

[2] Applicable to all Regulation S Global Preference Shares and Regulation S Definitive Preference Shares purchased by a person who is not an Original Purchaser.

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 REGULATION S GLOBAL 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 REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE FOR A DEFINITIVE PREFERENCE SHARE CERTIFICATE OR UPON ANY EXCHANGE OR TRANSFER OF A DEFINITIVE PREFERENCE SHARE CERTIFICATE FOR AN INTEREST IN THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE IN ACCORDANCE WITH THE PREFERENCE SHARE PAYING AGENCY AGREEMENT, THIS REGULATION S GLOBAL PREFERENCE SHARE CERTIFICATE SHALL BE ENDORSED TO REFLECT THE CHANGE OF THE PRINCIPAL AMOUNT EVIDENCED HEREBY.

Investor Representations on Resale

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

An owner of a beneficial interest in a Global Note may transfer such interest in the form of a beneficial interest in such 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 any such transferee will be obligated to provide a letter with respect to applicable representations and warranties in the form attached to the Preference Share Paying Agency Agreement (in the case of a Regulation S Global Preference Share). Each transferee of a beneficial interest in a Global Security will be deemed to make the applicable representations and warranties described herein.

Each transferee of an Offered Security that is required to deliver a transfer certificate will be required, pursuant to such transfer 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 a Class E Note or a Class P 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 (15) 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 a Class E Note or a Class P 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):

(1) In the case of a transferee who takes delivery of a Restricted Security (or a beneficial interest therein), it is a Qualified Institutional Buyer and also a Qualified Purchaser and is acquiring such Restricted Security (or beneficial interest therein) for its own account and is aware that such transfer is being made to it in reliance on Rule 144A (or, solely in the case of a Restricted Definitive Class P Note or a Restricted Definitive 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 Note, it (i) is not a dealer described in paragraph (a)(1)(ii) of Rule 144A unless such purchaser owns and invests on a discretionary basis at least U.S.$25,000,000 in securities of issuers that are not affiliated persons of the dealer, (ii) is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan and (iii) it will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any transferee.

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

(3) In the case of a transferee of a Class E Note, it is not and, for so long as it holds any Class E Notes, will not be, a Benefit Plan Investor and it understands that the Indenture permits the Issuer to require that any person acquiring Class E Notes (or a beneficial interest therein) after the initial placement of the Notes who is determined to be a Benefit Plan Investor to sell such Class E Notes (or a beneficial interest therein), to a person who is not a Benefit Plan Investor and who meets all other applicable transfer restrictions and, if such holder does not comply with such demand within 14 days thereof, the Issuer may sell such holder's interest in such Class E Notes.

(4) It acknowledges that the foregoing acknowledgements, representations and agreements will be relied upon by the Co-Issuers and the Trustee (in the case of a Secured 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.

(5) In the case of any transferee of any Note or certificates representing Preference Shares or a beneficial interest therein (other than an Original Purchaser), it is not a person that is "connected" (within the meaning of Section 839 of the Income and Corporation Taxes Act of 1988 of the United Kingdom) to the Collateral Manager.

LISTING AND GENERAL INFORMATION

1. Application will be made to the Irish Financial Services Regulatory Authority, as competent authority under the Prospectus Directive, for the Offering Circular to be approved by it. Application will be made to the Irish Stock Exchange for the Secured Notes to be admitted to the Official List and trading on its regulated market. Application will be made to list the Preference Shares on the Channel Islands Stock Exchange. There can be no assurance that either such listing will be granted.

2. Following the listing of the Secured Notes on the Irish Stock Exchange, copies of the Issuer's Amended and Restated Memorandum of Association and Articles of Association (together, the "Articles"), the Certificate of Incorporation and By-Laws of the Co-Issuer, the Administration Agreement, the Indenture, the Preference Share Paying Agency Agreement, the Collateral Administration Agreement, the form of the Investor Application Forms, the Collateral Management Agreement and each Hedge Agreement and a description of the Collateral will be available for inspection and will be obtainable at the offices of the Irish Paying Agent located in Dublin, Ireland and the office of the Issuer in the Cayman Islands, in electronic form, where copies thereof may be obtained upon request.

3. If and for so long as any Secured Notes are listed on the Irish Stock Exchange, copies of the Articles of the Issuer, the Certificate of Incorporation and By-laws of the Co-Issuer, the resolutions of the board of directors of the Issuer authorizing the issuance of the Offered Securities, the resolutions of the board of directors of the Co-Issuer authorizing the issuance of the Secured Notes, the Indenture and the Collateral Management Agreement will be available for inspection in electronic form during the term of the Offered Securities at the office of the Trustee and at the offices of the Irish Paying Agent located in Dublin, Ireland. The activities of the Issuer will be limited to (i) acquiring and holding Collateral Debt Securities and investing in Eligible Investments and U.S. Agency Securities, (ii) entering into and performing its obligations under the Transaction Documents to which it is a party, (iii) issuing and selling the Offered Securities, (iv) pledging the Collateral as security for its obligations in respect of the Secured Notes and otherwise for the benefit of the Secured Parties, (v) owning the Co Issuer and (vi) other activities incidental to the foregoing. Cash flow derived from the Collateral securing the Secured Notes will be the Issuer's only source of cash. The Co Issuer will be capitalized only to the extent of its common equity of $1,000, will have no assets other than its equity capital and will have no debt other than as Co-Issuer of the Secured Notes.

4. 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. Accordingly, financial statements of the Co-Issuers will be neither prepared nor made available at the office of the Channel Islands Listing Agent. The Indenture, however, requires the Issuer to provide the Trustee, the Preference Share Paying Agent, each Hedge Counterparty, each Secured Noteholder and Preference Shareholder making a written request therefor and each Rating Agency with written confirmation, on an annual basis, that to the best of its knowledge following review of the activities of the prior year, the Issuer has fulfilled all of its obligations under the Indenture throughout the period, or, if there has been an Event of Default, specifying each such Event of Default known to the Issuer and the nature and status thereof, including actions undertaken to remedy the same.

5. Each of the Co-Issuers represents that, as of the date of this Offering Circular, there has been no material adverse change in its financial position since the date of its creation. Neither of the Co-Issuers is involved in any litigation, governmental proceedings or arbitration proceedings relating to claims on amounts which are material in the context of the issue of the

Offered Securities, nor, so far as such Co-Issuer is aware, is any such litigation, governmental proceeding or arbitration involving it pending or threatened.

6. The issuance of the Offered Securities will be authorized by the board of directors of the Issuer by resolutions passed on September 22, 2006. The issuance of the Secured Notes will be authorized by the board of directors of the Co-Issuer by resolutions passed on September 22, 2006. Since incorporation, neither the Issuer nor the Co-Issuer has commenced trading, established any accounts or declared any dividends, except for the transactions described herein relating to the issuance of the Offered Securities.

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

8. Neither the Issuer nor the Co-Issuer intend to provide post-issuance transaction information regarding securities to be admitted to trading or the performance of the underlying collateral.

SECURITIES IDENTIFICATION NUMBERS

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 Offered Securities represented by Regulation S Global Secured Notes and Regulation S Preference Shares and the CUSIP Numbers for Offered Securities represented by Restricted Global Secured Notes and Definitive Preference Shares.

	Regulation S Common Codes	Regulation S Global CUSIP Numbers	Restricted CUSIP Numbers	ISI Numbers
Class A-1A Notes	026798574	G23256AA1	202636AA4	USG23256AA11
Class A-1AU Notes*	026798647	G23256AB9	202636AB2	USG23256AB93
Class A-1B Notes	26798728	G23256AC7	202636ACO	USG23256AC76
Class A-2 Notes	026798752	G23256AD5	202636AD8	USG23256AD59
Class A-3 Notes	026798795	G23256AE3	202636AE6	USG23256AE33
Class B Notes	026798833	G23256AF0	202636AF3	USG23256AFO8
Class C Notes	026798914	G23256AG8	202636AG1	USG23256AG80
Class D Notes	026798957	G23256AH6	202636AH9	USG23256AH63
Class E Notes	026799023	G23255AA3	202634AA9	USG232255AA38
Class P Notes	026799163	G23255AB1	202634AB7	USG23255AB11
Preference Shares	26818036	G23255105	202634200	KYG232551054

*Represents securities identification numbers for Class A-1A Notes held by Committed Class A-1A Noteholders.

LEGAL MATTERS

Certain legal matters with respect to the Offered Securities will be passed upon for the Issuer by McKee Nelson LLP, New York, New York. Certain matters with respect to Cayman Islands corporate law and tax law will be passed upon for the Issuer by Walkers.

GLOSSARY OF CERTAIN DEFINED TERMS

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

"**ABS CDO Security**" means an Asset Backed Security that entitles the holder thereof to receive payments that depend on the cashflow from a portfolio of financial assets (subject to specified investment and management criteria) consisting of Asset Backed Securities and/or Synthetic Securities the Reference Obligations of which are Asset Backed Securities, and that is issued by an entity that is formed for the purpose of holding or investing and reinvesting in such financial assets.

"**ABS Franchise Securities**" means (1) Oil and Gas Securities and (2) Restaurant and Food Service Securities, to the extent that such Oil and Gas Securities or Restaurant and Food Service Securities entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from a pool of franchise loans made to operators of franchises.

"**ABS Type Diversified Securities**" means (1) Automobile Securities; (2) Car Rental Receivable Securities; (3) Credit Card Securities; and (4) Student Loan Securities.

"**ABS Type Residential Securities**" means (1) Home Equity Loan Securities; (2) Prime RMBS; (3) Mid-Prime RMBS; (4) Sub-Prime RMBS; and (5) any other type of Asset Backed Securities that becomes a Specified Type after the Closing Date and is designated as "ABS Type Residential Securities" in connection therewith.

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

"**Accredited Investor**" has the meaning given in Rule 501(a) under the Securities Act.

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

"**Adjusted Weighted Average Short Spread**" means, as of any date of determination, the quotient (expressed as a percentage and rounded up to the next 0.001%) of: (i) the sum of the products obtained by multiplying (x) the stated spread above or below LIBOR at which interest accrues on each Pledged Collateral Debt Security that is both a Long LS Asset and a Floating Rate Security or Deemed Floating Rate Security (other than a Defaulted Security or a Written Down Security) as of such date by (y) the Principal Balance of such Pledged Collateral Debt Security as of such date, divided by (ii) the Aggregate Principal Balance of all Pledged Collateral Debt Securities that are both Long LS Assets and Floating Rate Securities or Deemed Floating Rate Securities (excluding all Defaulted Securities and Written Down Securities).

"**Adjusted Weighted Average Spread**" means, as of any date of determination, the quotient (expressed as a percentage and rounded up to the next 0.001%) of :(i) the sum of the products obtained by multiplying (x) the stated spread above or below LIBOR at which interest accrues on each Pledged Collateral Debt Security that is a Floating Rate Security or Deemed Floating Rate Security (other than an LS Asset, a Defaulted Security or a Written Down Security) as of such date by (y) the Principal Balance of such Pledged Collateral Debt Security as of such date, and (ii) the Aggregate Principal Balance of all Pledged Collateral Debt Securities that are Floating Rate Securities or Deemed Floating Rate Securities (excluding all LS Assets, Defaulted Securities and Written Down Securities).

"**Administrative Expenses**" means all amounts due or accrued with respect to any Distribution Date and payable by the Issuer or the Co-Issuer to (i) the Note Registrar, the Trustee or any co-trustee, (ii) the Collateral Administrator under the Collateral Administration Agreement, (iii) the Administrator under the Administration Agreement, (iv) the Preference Share Paying Agent under the Preference Share

Paying Agency Agreement, (v) the Independent accountants, agents and counsel of the Issuer for reasonable fees and expenses (including amounts payable in connection with the preparation of tax forms on behalf of the Co-Issuers), (vi) the Rating Agencies for fees and expenses in connection with any rating (including the annual fee payable with respect to the monitoring of any rating and any credit estimate fees) of the Secured Notes, including fees and expenses due or accrued in connection with any rating of the Collateral Debt Securities, (vii) the Investment Monitor pursuant to the Investment Monitoring Agreement, (viii) the Collateral Manager for fees and expenses pursuant to the Collateral Management Agreement, (ix) any other person in respect of any governmental fee, charge or tax in relation to the Issuer or the Co-Issuer (in each case as certified by an Authorized Officer of the Issuer or the Co-Issuer to the Trustee) and (x) any person in respect of any other fees or expenses (including indemnities) permitted under the Indenture, the Collateral Management Agreement and all other documents delivered pursuant to or in connection with the Indenture and the Notes; *provided* that Administrative Expenses shall not include (a) any amounts due or accrued with respect to the actions taken on or in connection with the Closing Date, (b) amounts payable in respect of the Secured Notes, (c) amounts payable under each Hedge Agreement and (d) amounts payable in respect of any Senior Management Fee or Subordinate Management Fee.

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

"**Agency RMBS Security**" means an ABS Type Residential Security that is issued or fully and unconditionally guaranteed by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or the Government National Mortgage Association.

"**Aggregate Undrawn Amount**" has the meaning given to such term in the Class A-1A Note Funding Agreement.

"**Applicable Recovery Rate**" means, with respect to any Collateral Debt Security on any Measurement Date, the lowest of (a) an amount equal to the percentage for such Collateral Debt Security set forth in the Moody's recovery rate matrix set forth in Part I of Schedule A hereto in (x) the table corresponding to the relevant Specified Type of CDO Security or Other ABS, (y) the column in such table setting forth the Moody's Rating of such Collateral Debt Security as of the date of issuance of such Collateral Debt Security and (z) the row in such table opposite the percentage of the Issue of which such Collateral Debt Security is a part relative to the total capitalization of (including both debt and equity securities issued by) the relevant issuer of or obligor on such Collateral Debt Security, determined on the original issue date of such Collateral Debt Security *provided* that (i) if such Collateral Debt Security is a Synthetic Security (other than a Synthetic Security included in a Long Short Pair), the recovery rate will be as assigned by Moody's and (ii) with respect to any Collateral Debt Security included in a Long Short Pair, the Applicable Recovery Rate for purposes of this clause (a) will be assigned to the Long Short Pair and will be the LS Adjusted Recovery Rate with respect to such Long Short Pair and, other than for purposes of calculating such LS Adjusted Recovery Rate, the Applicable Recovery Rate for such LS Asset comprising such Long Short Pair will not be separately determined and (b) an amount equal to the percentage for such Collateral Debt Security (*provided* that for all subsequent purchases of identical

Collateral Debt Securities, the Applicable Recovery Rate for such Collateral Debt Security shall remain the same (it being understood that if the Applicable Recovery Rate has been determined by reference to an S&P Rating that is a credit estimate, such Applicable Recovery Rate may be used only if such credit estimate has not otherwise expired)) set forth in the Standard & Poor's recovery rate matrix set forth in Part II of Schedule A hereto in (x) the applicable table and (y) the row in such table opposite the Standard & Poor's Rating of such Collateral Debt Security as of the date on which the Issuer acquired such Collateral Debt Security (or, in the case of a Defaulted Security, the Standard & Poor's Rating at the time of issuance) and (z) in the column in such table below the then current rating of each Class of Secured Notes outstanding *provided* that if the Collateral Debt Security is a Synthetic Security, the recovery rate will be as assigned by Standard & Poor's.

"**Asset Amount**" means, with respect to any Distribution Date, the Net Outstanding Portfolio Collateral Balance on the first day of the related Due Period; *provided* that, with respect to each Distribution Date occurring prior to the Ramp-Up Completion Date, the "Asset Amount" will be $500,000,000.

"**Asset Backed Securities**" or "**ABS**" means debt obligations or debt securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from (a) a specified pool of financial assets, either static or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities or (b) real estate mortgages, either static or revolving, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities; provided that, in the case of clause (b), such Asset Backed Security does not entitle the holder to a right to share in the appreciation in value of or the profits generated by the related real estate assets.

"**Asset Hedge Agreements**" means the Deemed Fixed Rate Hedge Agreements and the Deemed Floating Rate Hedge Agreements.

"**Automobile Securities**" means Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from installment sale loans made to finance the acquisition of, or from leases of, automobiles, generally having the following characteristics: (1) the loans or leases may have varying contractual maturities; (2) the loans or leases are obligations of numerous borrowers or lessees and accordingly represent a very diversified pool of obligor credit risk; (3) the borrowers or lessees under the loans or leases generally do not have a poor credit rating; (4) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; and (5) such leases typically provide for the right of the lessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"**Bank Guaranteed Securities**" means any Asset Backed Security as to which, if interest thereon is not timely paid when due, or the principal thereof is not timely paid at stated legal maturity, a national banking association organized under United States law or a banking corporation organized under the laws of a state of the United States has undertaken in an irrevocable letter of credit or other similar instrument to make such payment against the presentation of documents, but only if such letter of credit or similar instrument (1) expires no earlier than such stated maturity (or contains "evergreen" provisions entitling the beneficiary thereof to draw the entire undrawn amount thereof upon the failure of the expiration date of such letter of credit or other similar instrument to be extended beyond its then current expiry date), (2) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset Backed Security and (3) was issued by a bank having a credit rating assigned by each nationally recognized statistical rating organization that currently rates such Asset Backed Security higher than the credit rating assigned by such rating organization to such Asset Backed Security, determined without giving effect to such letter of credit or similar instrument, *provided* that any Asset Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset Backed Security.

"**Calculation Amount**" means, with respect to any Defaulted Security or Deferred Interest PIK Bond at any time, the lesser of (a) the Fair Market Value of such Defaulted Security or Deferred Interest PIK Bond and (b) the amount obtained by multiplying the Applicable Recovery Rate by the Principal Balance of such Defaulted Security or Deferred Interest PIK Bond, *provided* that (i) the Calculation Amount with respect to any Defaulted Security held by the Issuer for more than three years from the date such security becomes a Defaulted Security shall be zero if the Collateral Manager is unable to obtain a bona fide bid, (ii) between the beginning of the fourth year and the end of the fifth year from the date such security becomes a Defaulted Security and as long as a bona fide bid has been obtained not less than quarterly during such period, the Calculation Amount shall be the most recent bona fide bid obtained and (iii) after the end of the fifth year, the Calculation Amount shall be zero.

"**Car Rental Receivable Securities**" means Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from leases and subleases of vehicles to car rental systems (such as Hertz, Avis, National, Dollar, Budget, etc.) and their franchisees, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the subleases are obligations of numerous franchisees and accordingly represent a very diversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee or third party of the underlying vehicle; and (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"**CDO Security**" means an Asset Backed Security issued by an entity formed for the purpose of holding or investing and reinvesting in a pool of commercial and industrial loans, obligations and debt securities subject to specified investment and management criteria.

"**Channel Islands Listing Agent**" means Walkers Capital Markets Limited.

"**Chassis 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 leases and subleases of chassis (other than automobiles) to commercial and industrial customers.

"**Class**" means (i) with respect to the Secured Notes, each of the Class A-1 Notes, the Class A-2 Notes, the Class A-3 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes and, when used with respect to the Class A-1A Notes or Class A-1B Notes, means each of the Class A-1A Notes and Class A-1B Notes, as the context requires, as separate Classes and (ii) the Class P Notes.

"**Class A Sequential Pay Ratio**" means, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the sum of (i) the aggregate outstanding amount of the Class A-1 Notes plus (ii) the aggregate outstanding amount of the Class A-2 Notes plus (iii) the aggregate outstanding amount of the Class A-3 Notes.

"**Class A Sequential Pay Test**" means, for so long as any Class A Notes remain outstanding (or if the Commitment Period Termination Date has not occurred), a test satisfied on any Determination Date occurring on or after the Ramp-Up Completion Date if the Class A Sequential Pay Ratio on the Measurement Date is equal to or greater than 125.46%.

"**Class A-1 Note Payment Sequence**" means, with respect to the payment of principal of and interest and (solely with respect to the Class A-1A Notes) Commitment Fee on the Class A-1 Notes:

(a) the application of amounts available to pay interest and (solely with respect to the Class A-1A Notes) Commitment Fee on the Class A-1 Notes in accordance with the Priority of Payments *pari passu* to the Class A-1A Notes and the Class A-1B Notes; and

(b) the application of amounts available to pay principal of the Class A-1 Notes in accordance with the Priority of Payments in the following order of priority: (i) to the payment of principal of the Class A-1A Notes until such amount has been paid in full and (ii) to the payment of principal of the Class A-1B Notes until such amount has been paid in full; *provided*, however, if the principal of the Class A-1 Notes is being paid for the purpose of curing any Overcollateralization Test, such amounts will be used to repay principal of the Class A-1 Notes on a *pari passu* basis among the Class A-1A Notes and the Class A-1B Notes.

"**Class A-1A Note Funding Agreement**" means the note funding agreement dated on or prior to the Closing Date between the Co-Issuers, the Trustee, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as distribution agent, and the beneficial owners from time to time of the Class A-1A Notes, as modified and supplemented and in effect from time to time.

"**Class A/B Pro Rata Principal Payment Cap**" means, on any Distribution Date, an amount equal to (a) the amount of Principal Proceeds available in accordance with the Priority of Payments on such Distribution Date to make payments under paragraph (C) under Priority of Payments—Principal Proceeds multiplied by (b) the sum of the aggregate outstanding amount of the Class A-1 Notes, Class A-2 Notes, Class A-3 Notes and Class B Notes (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal thereof on such Distribution Date, including from Interest Proceeds, prior to paragraph (C) under Priority of Payments—Principal Proceeds including any reduction in the Commitments, but without giving effect to any other payment of the principal thereof on such Distribution Date) divided by (c) the sum of the aggregate outstanding amount, excluding any Deferred Interest, of the Class A-1 Notes, Class A-2 Notes, Class A-3 Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal thereof on such Distribution Date, including from Interest Proceeds, prior to paragraph (C) under Priority of Payments—Principal Proceeds, but without giving effect to any other payment of the principal thereof on such Distribution Date); *provided* that, if the aggregate outstanding amount of the Class A-1 Notes, Class A-2 Notes, Class A-3 Notes and Class B Notes is zero, the Class A/B Pro Rata Principal Payment Cap shall be zero.

"**Class C Pro Rata Principal Payment Cap**" means, on any Distribution Date, an amount equal to (a) the amount of Principal Proceeds available in accordance with the Priority of Payments on such Distribution Date to make payments under paragraph (F) under "Priority of Payments—Principal Proceeds" multiplied by (b) the aggregate outstanding amount of the Class C Notes (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal thereof on such Distribution Date, including from Interest Proceeds, prior to paragraph (F) under "Priority of Payments—Principal Proceeds", but without giving effect to any other payment of the principal thereof on such Distribution Date and excluding any Class C Deferred Interest) divided by (c) the sum of the aggregate outstanding amount, excluding any Deferred Interest, of the Class C Notes, Class D Notes and Class E Notes (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal thereof on such Distribution Date, including from Interest Proceeds, prior to paragraph (F) under "Priority of Payments—Principal Proceeds", but without giving effect to any other payment of the principal thereof on such Distribution Date); *provided* that, if the aggregate outstanding amount of the Class C Notes is zero, the Class C Pro Rata Principal Payment Cap shall be zero.

"**Class D Pro Rata Principal Payment Cap**" means, on any Distribution Date, an amount equal to (a) the amount of Principal Proceeds available in accordance with the Priority of Payments on such Distribution Date to make payments under paragraph (I) under "Priority of Payments—Principal Proceeds" multiplied by (b) the aggregate outstanding amount of the Class D Notes (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal thereof on such Distribution Date, including from Interest Proceeds, prior to paragraph (I) under "Priority of

Payments—Principal Proceeds", but without giving effect to any other payment of the principal thereof on such Distribution Date and excluding any Class D Deferred Interest) divided by (c) the sum of the aggregate outstanding amount, excluding Deferred Interest, of the Class D Notes and Class E Notes (determined on the immediately preceding Determination Date, after giving effect to all payments of the principal thereof on such Distribution Date, including from Interest Proceeds, prior to paragraph (l) under "Priority of Payments—Principal Proceeds", but without giving effect to any other payment of the principal thereof on such Distribution Date); *provided* that, if the aggregate outstanding amount of the Class D Notes is zero, the Class D Pro Rata Principal Payment Cap shall be zero.

"**CLO Security**" means an Asset Backed Security issued by an entity formed for the purpose of holding or investing and reinvesting in a pool of commercial and industrial loans subject to specified investment and management criteria and *provided* that such loans comprise more than 70% of the aggregate principal balance thereof.

"**Closing Date**" means September 25, 2006.

"**CMBS Conduit Securities**" means Asset Backed Securities (A) issued by a single-seller or multi-seller conduit under which the holders of such Asset Backed Securities have recourse to a specified pool of assets (but not other assets held by the conduit that support payments on other series of securities) and (B) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from a pool of commercial mortgage loans generally having the following characteristics: (1) the commercial mortgage loans have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the commercial mortgage loans are obligations of a relatively limited number of obligors (with the creditworthiness of individual obligors being less material than for CMBS Large Loan Securities and CMBS 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 ten commercial mortgage loans account for more than 50% of the aggregate principal balance of the entire pool of commercial mortgage loans supporting payments on such securities; and (5) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium.

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

"**CMBS Large Loan Securities**" means Asset Backed Securities (other than CMBS Conduit Securities and CMBS Credit Tenant Lease Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from a pool of commercial mortgage

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

"**CMBS Securities**" or "**CMBS**" means CMBS Conduit Securities, CMBS Credit Tenant Lease Securities, CMBS Large Loan Securities and CMBS Single Property 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 Assignment of Hedge Agreement**" means a collateral assignment of hedge agreement entered into in respect of a Hedge Agreement entered into between the Issuer, the Trustee and a Hedge Counterparty on or after the Closing Date.

"**Collateral Debt Security**" means (a) any CDO Security, (b) any Other ABS, (c) any Synthetic Security, (d) any Deliverable Obligation or (e) any Repack Security.

"**Collateral Manager Connected Person**" means any person that is "connected" (within the meaning of section 839 of the Income and Corporation Taxes Act of 1988 of the United Kingdom) to the Collateral Manager.

"**Combined Trade**" means any purchases or sales of multiple Collateral Debt Securities that are made pursuant to a Trading Plan in accordance with the Indenture.

"**Commitment Fee Amount**" means with respect to the Class A-1A Notes as of any Distribution Date, the sum of (a) the aggregate amount of Commitment Fee accrued during the Interest Period ending on such Distribution Date plus (b) any Commitment Fee Amount due but not paid in any previous Interest Period plus (c) any Defaulted Interest in respect of any Commitment Fee Amount due but not paid on any prior Distribution Date (which Defaulted Interest shall accrue at the Note Interest Rate applicable to the Class A-1A Notes).

"**Container 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 leases and subleases of containers to commercial and industrial customers.

"**Controlling Class**" means the Class A-1 Notes (voting together as a single Class) or, if there are no Class A-1 Notes outstanding, then the Class A-2 Notes or, if there are no Class A-2 Notes outstanding, then the Class A-3 Notes or, if there are no Class A-3 Notes outstanding, then the Class B Notes or, if there are no Class B Notes outstanding, then the Class C Notes or, if there are no Class C Notes outstanding, then the Class D Notes or, if there are no Class D Notes outstanding, then the Class E Notes.

"**Corporate Debt Security**" means any outstanding publicly issued or privately placed corporate debt securities (other than CDO Securities or Trust Preferred CDO Securities); *provided* that, for the avoidance of doubt, an Asset Backed Security issued by a REIT shall not constitute a Corporate Debt Security.

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

"**Credit Derivative Transaction**" means a swap transaction or other credit derivative transaction entered into between the Issuer and a Synthetic Security Counterparty relating to a single Reference Obligation, which transaction may or may not provide for payments by the Issuer after the date on which it is pledged to the Trustee *provided* that if a confirmation documenting a Credit Derivative Transaction between the Issuer and a Synthetic Security Counterparty references more than one Reference Obligation, each transaction with respect to a particular Reference Obligation shall be treated as a separate Credit Derivative Transaction hereunder.

"**Credit Improved Security**" means any Collateral Debt Security or any other security included in the Collateral (other than a Defaulted Security) that satisfies one of the following criteria: (a) so long as (i) no rating by Moody's of any of the Class A-1 Notes, Class A-2 Notes, Class A-3 Notes or Class B Notes has been withdrawn or reduced (and has not been reinstated) by one or more subcategories below the rating assigned to such Secured Notes on the Closing Date and (ii) no rating by Moody's of any of the Class C Notes or the Class D Notes has been reduced or withdrawn (and has not been reinstated) by two or more subcategories below the rating assigned to such Secured Notes on the Closing Date, the Collateral Manager believes (based on its reasonable business judgment exercised in accordance with the standard of care set forth in the Collateral Management Agreement) that such Collateral Debt Security has improved in credit quality; or (b) such Collateral Debt Security or other security has been upgraded or put on a watch list for possible upgrade by one or more rating subcategories by Standard & Poor's or Moody's since it was acquired by the Issuer and the Collateral Manager believes (based on its judgment exercised in accordance with the standard of care set forth in the Collateral Management Agreement) that such Collateral Debt Security has improved in credit quality since such date.

"**Credit Linked Security**" means a credit-linked note, credit-linked trust certificate, credit-linked trust unit or other structured bond investment issued by a Synthetic Security Issuer that does not provide for payments by the Issuer after the date on which it is pledged to the Trustee, *provided* that if such Credit Linked Security references more than one Reference Obligation, the principal, notional or other nominal amount of such Credit Linked Security relating to each such Reference Obligation shall be treated as a separate Credit Linked Security with respect to each such Reference Obligation.

"**Credit Protection Payment**" means, with respect to any Short Synthetic Security, any amount received in cash by the Issuer from the related Synthetic Security Counterparty constituting an "Interest

Shortfall Payment Amount", a "Writedown Amount" or a "Principal Shortfall Amount", in each case as defined in the Underlying Instrument relating to such Short Synthetic Security.

"**Credit Risk Security**" means any Collateral Debt Security or any other security included in the Collateral that satisfies one of the following criteria: (a) so long as (i) no rating by Moody's of any of the Class A-1 Notes, Class A-2 Notes, Class A-3 Notes or Class B Notes has been withdrawn or reduced (and has not been reinstated) by one or more subcategories below the rating assigned to such Class of Secured Notes on the Closing Date and (ii) no rating by Moody's of any of the Class C Notes or the Class D Notes has been withdrawn or reduced (and has not been reinstated) by two or more subcategories below the rating assigned to such Class of Secured Notes on the Closing Date, the Collateral Manager believes (based on its reasonable business judgment exercised in accordance with the standard of care set forth in the Collateral Management Agreement and as of the date of the Collateral Manager's determination based upon currently available information) that such Collateral Debt Security has a risk of declining in credit quality and with lapse of time, becoming a Defaulted Security or Written Down Security; or (b) such Collateral Debt Security or security has been downgraded by one or more rating subcategories or put on a watch list for possible downgrade by Fitch, Standard & Poor's or Moody's since it was acquired by the Issuer and the Collateral Manager believes (based on its judgment exercised in accordance with the standard of care set forth in the Collateral Management Agreement and as of the date of the Collateral Manager's determination based upon currently available information) that such Collateral Debt Security or other security has a risk of declining in credit quality and, with lapse of time, becoming a Defaulted Security or a Written Down Security.

"**Current Interest Rate**" means, as of any date of determination, (i) with respect to any Fixed Rate Security, the stated rate at which interest accrues on such Fixed Rate Security and (ii) with respect to any Deemed Fixed Rate Security, the sum of the Deemed Fixed Spread plus the Deemed Fixed Rate, each related to such Deemed Fixed Rate Security.

"**Custodian**" means the custodian under the Account Control Agreement.

"**Deemed Confirmation**" means the delivery to Moody's by the Issuer on or prior to the date which is seven Business Days after the Ramp-Up Completion Date of (a) an Officer's certificate of the Issuer demonstrating compliance as of such date by the Issuer with its obligations under the Indenture and satisfaction of each applicable Collateral Quality Test, each Overcollateralization Test and the Class E Interest Diversion Test and (b) and Accountants' Report certifying the procedures applied and their associated finding with respect to the Eligibility Criteria described in paragraphs (6), (11), (12) and (18) through (43) (inclusive) under "Security for the Secured Notes-Eligibility Criteria" for each Pledged Collateral Debt Security held by the Issuer on the Ramp-Up Completion Date.

"**Deemed Fixed Rate**" means, with respect to a Deemed Fixed Rate Security, a rate equal to the fixed rate that the relevant Hedge Counterparty agrees to pay to the Issuer under a Deemed Fixed Rate Hedge Agreement.

"**Deemed Fixed Rate Hedge Agreement**" means, with respect to a Floating Rate Security, an agreement consisting of an ISDA Master Agreement and Schedule and an interest rate swap confirmation having a notional amount (or scheduled notional amounts) equal to the principal amount (as it may be reduced by expected amortization) of such Floating Rate Security; *provided* that (a) at the time of entry into a Deemed Fixed Rate Hedge Agreement, (i) the initial notional amount of such Deemed Fixed Rate Hedge Agreement is equal to the outstanding principal amount of the related Floating Rate Security (as calculated at such time) and the scheduled payment dates on the related Floating Rate Security match the scheduled payment dates under the Deemed Fixed Rate Hedge Agreement, (ii) the scheduled notional amounts of such Deemed Fixed Rate Hedge Agreement is equal to the expected principal amounts of the related Floating Rate Security (as calculated at such time) and (iii) the Hedge Counterparty Ratings Requirement is satisfied with respect to the related Hedge Counterparty, (b) the Rating Agencies, the Collateral Manager and the Trustee are notified prior to the Issuer's entry into a Deemed Fixed Rate Hedge Agreement, and will be provided with the identity of the relevant Hedge Counterparty and copies of the hedge documentation and notional amount schedule, (c) the applicable

ISDA Master Agreement and schedule either (i) is a Form-Approved Asset Hedge Agreement or (ii) satisfies the Rating Condition (d) such Deemed Fixed Rate Hedge Agreement is priced at then current market rates and (e) the agreements relating to such Deemed Fixed Rate Hedge Agreement contain "limited recourse" and "non-petition" provisions with respect to the Issuer.

"**Deemed Fixed Rate Security**" means a Floating Rate Security the interest rate of which is hedged into a Fixed Rate Security pursuant to the terms of a Deemed Fixed Rate Hedge Agreement; provided that at the time of entry into a Deemed Fixed Rate Hedge Agreement (x) the average life of such Deemed Fixed Rate Security would not increase or decrease by more than one year from its expected average life if it were to prepay at either 50% or 200% of its pricing speed and (y) such Deemed Fixed Rate Security is rated at least "Baa3" by Moody's (and, if rated "Baa3" by Moody's, such rating is not on watch for possible downgrade) or at least "BBB-" by Standard & Poor's.

"**Deemed Fixed Spread**" means, with respect to a Deemed Fixed Rate Security, the spread above or below LIBOR on the Floating Rate Security that comprises such Deemed Fixed Rate Security less the amount of such spread, if any, required to be paid to the relevant Hedge Counterparty. For purposes of this definition, if a Floating Rate Security does not bear interest at a rate expressed as a stated spread above or below LIBOR, the stated spread above or below LIBOR relating to such Floating Rate Security shall be calculated as of any Measurement Date by the Collateral Manager (written notice of which will be provided to the Trustee) in its sole judgment on behalf of the Issuer by subtracting LIBOR (as determined on the most recent LIBOR Determination Date) from the interest rate payable on such Floating Rate Security. For the purpose of this definition, in the determination of LIBOR, the definition thereof shall be applied as if such Floating Rate Security were a Secured Note and using an Interest Period based on the terms of such Floating Rate Security.

"**Deemed Floating Rate Hedge Agreement**" means, with respect to a Fixed Rate Security, an agreement consisting of an ISDA Master Agreement and schedule and an interest rate swap confirmation having a notional amount (or scheduled notional amounts) equal to the principal amount (as it may be reduced by expected amortization) of such Fixed Rate Security; *provided* that (a) at the time of entry into a Deemed Floating Rate Hedge Agreement, (i) the initial notional amount of such Deemed Floating Rate Hedge Agreement is equal to the outstanding principal amounts of the related Fixed Rate Security (as calculated at such time) and the scheduled payment dates on the related Fixed Rate Security match the scheduled payment dates under the Deemed Floating Rate Hedge Agreement, (ii) the scheduled notional amount of such Deemed Floating Rate Hedge Agreement is equal to the expected principal amount of the related Fixed Rate Security (as calculated at such time), (iii) the Hedge Counterparty Ratings Requirement is satisfied with respect to the related Hedge Counterparty, (b) the Rating Agencies, the Collateral Manager and the Trustee are notified prior to the Issuer's entry into a Deemed Floating Rate Hedge Agreement, and will be provided with the identity of the relevant Hedge Counterparty and copies of the hedge documentation and notional amount schedule, (c) the applicable ISDA Master Agreement and schedule either (i) is a Form-Approved Asset Hedge Agreement or (ii) satisfies the Rating Condition, (d) such Deemed Floating Rate Hedge Agreement is priced at then current market rates and (e) the agreements relating to such Deemed Floating Rate Hedge Agreement contain "limited recourse" and "non-petition" provisions with respect to the Issuer.

"**Deemed Floating Rate Security**" means a Fixed Rate Security the fixed interest rate of which is hedged into a Floating Rate Security pursuant to the terms of a Deemed Floating Rate Hedge Agreement; *provided* that, at the time of entry into a Deemed Floating Rate Hedge Agreement, (x) the average life of such Deemed Floating Rate Security would not increase or decrease by more than one year from its expected average life if it were to prepay at either 50% or 200% of its pricing speed and (y) such Deemed Floating Rate Security is rated at least "Baa3" by Moody's (and, if rated "Baa3" by Moody's, such rating is not on watch for possible downgrade) or at least "BBB-" by Standard & Poor's.

"**Deemed Floating Spread**" means, with respect to a Deemed Floating Rate Security, the difference between the stated rate at which interest accrues on the Fixed Rate Security that comprises such Deemed Floating Rate Security and the Fixed Payment Rate.

"**Deemed LIBOR Differential**" means, with respect to a Deemed Floating Rate Security, the floating rate in excess of or less than LIBOR (as determined in accordance with the Indenture) that the relevant Hedge Counterparty agrees to pay to the Issuer under a Deemed Floating Rate Hedge Agreement. If the floating rate that the relevant Hedge Counterparty agrees to pay to the Issuer is in excess of LIBOR, the Deemed Floating Rate will be a positive number, and if the floating rate that the relevant Hedge Counterparty agrees to pay to the Issuer is less than LIBOR, the Deemed Floating Rate will be a negative number.

"**Deep Discount Security"** means, with respect to any Pledged Collateral Debt Security (a) if such Collateral Debt Security has a public rating from Moody's of "A3" or lower or a public rating from Standard & Poor's of "A-" or lower, such Collateral Debt Security was acquired by the Issuer at a price of less than 75% of the par amount of such Collateral Debt Security and (b) if such Collateral Debt Security has a public rating from Moody's of higher than "A3" or a public rating from Standard & Poor's of higher than "A-" and (i) such Collateral Debt Security is a Fixed Rate Security or a Deemed Floating Rate Security, such Collateral Debt Security was acquired by the Issuer at a price of less than 85% of the par amount of such Collateral Debt Security or (ii) such Collateral Debt Security is a Floating Rate Security or a Deemed Fixed Rate Security, such Collateral Debt Security was acquired by the Issuer at a price of less than 92% of the par amount of such Collateral Debt Security.

"**Default**" means any Event of Default or any occurrence that, with notice or the lapse of time or both, would become an Event of Default.

"**Defaulted Security**" means any Collateral Debt Security:

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

(2) as to which the Trustee has actual knowledge that all amounts due under such Collateral Debt Security have been accelerated prior to its Stated Maturity;

(3) that ranks *pari passu* with or subordinate to any other material indebtedness for borrowed money owing by the issuer of such security (for purposes hereof, "Other Indebtedness") if the Trustee has actual knowledge that such issuer had defaulted in the payment (beyond any applicable notice or grace period) of principal or interest with respect to such Other Indebtedness that entitles the holders of such Other Indebtedness to accelerate such Other Indebtedness, unless, in the case of a default or event of default consisting of a failure of the obligor on such security to make required interest payments, such Other Indebtedness has cured all defaults in the payment of interest and has resumed current payments of interest (including all accrued interest) in cash (whether or not any waiver or restructuring has been effected);

(4) as to which any bankruptcy, insolvency or receivership proceeding has been initiated in connection with the issuer thereof; *provided* that a Collateral Debt Security shall not constitute a "Defaulted Security" under this clause (4) if such Collateral Debt Security was acquired in a distressed exchange or other debt restructuring and complies with the requirements of the definition of "Collateral Debt Security";

(5) that is rated "Ca" or "C" by Moody's or is rated "Caa3" by Moody's and has been placed on a watchlist for possible downgrade by Moody's or has no rating from Moody's but the Issuer has

obtained a credit estimate from Moody's that such Collateral Debt Security has a Moody's Rating Factor of 10,000 or higher;

(6) that has been downgraded to "CC", "D" or "SD" by Standard & Poor's (or has had its rating withdrawn and not reinstated and the S&P Rating of such Collateral Debt Security cannot otherwise be determined pursuant to the definition of "S&P Rating");

(7) is a Defaulted Synthetic Security;

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

(9) that is a Deliverable Obligation that would not satisfy paragraphs (1) through (5), (7) through (27), (39) and (40) of the Eligibility Criteria at the time such Deliverable Obligation is delivered to the Issuer;

(10) that ranks junior to or *pari passu* with a Collateral Debt Security of the same Issue that is a Defaulted Security in accordance with any of the preceding clauses of this definition.

For the purposes of this definition, the words "actual knowledge" shall mean receipt by the Trustee of any relevant report, documentation or notice from the issuer of or trustee or other service provider with respect to a Collateral Debt Security that states or provides notification that any of the above events has occurred. In addition, the Trustee shall be deemed to have "actual knowledge" that a Collateral Debt Security or any other security included in the Collateral is a Defaulted Security if the Trustee receives (whether received in writing, by electronic means or otherwise) a written notice addressed to the Trustee from the Collateral Manager or any Rating Agency that such party has obtained knowledge of any such default.

"**Defaulted Synthetic Security**" means (a) any Synthetic Security as to which, if the relevant Reference Obligation were a Collateral Debt Security, such Reference Obligation would constitute a "Defaulted Security" under the definition thereof (other than any of paragraphs (7), (8) and (9) of such definition) and (b) any Synthetic Security as to which a Deliverable Obligation has become deliverable to the Issuer by reason of the occurrence of one or more "credit events" or other similar circumstances.

"**Defeased Synthetic Security**" means any Credit Derivative Transaction (other than a Short Synthetic Security) that requires payment by the Issuer after the date upon which it is pledged to the Trustee and that satisfies the following: (a) the Issuer has caused to be deposited in a Synthetic Security Counterparty Account an amount at least equal to the aggregate of all further payments (contingent or otherwise) that the Issuer is or may be required to make to the Synthetic Security Counterparty under such Synthetic Security; (b) the agreement relating to such Synthetic Security provides that during any period that the Synthetic Security Counterparty does not have (x) a short-term debt rating of "A-1+" and 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 not on credit watch for downgrade) and a long-term debt rating of at least "Aa3" by Moody's (and not on credit watch for downgrade), on the first day of each payment period under such Synthetic Security, the Synthetic Security Counterparty will pay to the Issuer for deposit into the Synthetic Security Issuer Account the full amount owing for such period by the Synthetic Security Counterparty to the Issuer; (c) the agreement relating to such Synthetic Security contains "non-petition" provisions with respect to the Issuer and "limited recourse" provisions limiting the Synthetic Security Counterparty's rights in respect of the Synthetic Security to the funds and other property credited to the Synthetic Security Counterparty Account related to such Synthetic Security and (d) the agreement relating to such Synthetic Security contains provisions to the effect that upon the occurrence of an "Event of Default" or "Termination Event" (other than an "Illegality" or "Tax Event"), if any, where the Synthetic Security Counterparty is the sole "Defaulting Party" or the sole "Affected Party" ("Event of Default", "Termination Event", "Illegality", "Tax Event", "Defaulting Party" or "Affected Party", as applicable, as such terms are defined in the ISDA Master Agreement relating to such Synthetic Security) (x) the Issuer may terminate its obligations under such Synthetic Security and, upon such termination, any lien in favor of the Synthetic Security

Counterparty over its related Synthetic Security Counterparty Account will be terminated and (y) the Issuer will no longer be obligated to make any payments to the Synthetic Security Counterparty with respect to such Synthetic Security.

"**Deferred Interest PIK Bond**" means a PIK Bond with respect to which payment of interest either in whole or in part has been deferred or capitalized in an amount at least equal to the amount of interest payable in respect of the lesser of (a) one payment period and (b) a period of six months, but only so long as interest on such PIK Bond has not resumed and all capitalized and deferred interest has not been paid in full in accordance with the terms of the Underlying Instruments; *provided* that, solely for the purposes of determining compliance with any Overcollateralization Test, 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 at least equal to the amount of interest payable in respect of the lesser of (x) two payment periods and (y) a period of one year.

"**Deliverable Obligation**" means, with respect to a Synthetic Security, a debt obligation that is to be delivered to the Issuer upon the occurrence of a "credit event" under such Synthetic Security (or, in the case of a Credit Linked Security, any credit derivative transaction entered into by the related Synthetic Security Issuer).

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

"**Discretionary Reinvestment Percentage**" means, with respect to any twelve-month period, 20% of the Net Outstanding Portfolio Collateral Balance as of the first day of such period.

"**Dollars**" means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for all debts, public and private.

"**Due Period**" means, with respect to any Distribution Date, the period from, but excluding, the 25th day of the calendar month preceding the calendar month ending immediately prior to such Distribution Date to, and including, the 25th day of the calendar month ending immediately prior to such Distribution Date, except that (a) the initial Due Period will commence on, and include, the Closing Date and (b) the final Due Period will end on, and include, the day preceding the Stated Maturity of the Secured Notes. The "Distribution Date" relating to any Due Period shall be the Distribution Date that immediately next succeeds the last day of such Due Period. For the avoidance of doubt, in accordance with the Indenture, amounts that would otherwise have been payable in respect of a Pledged Collateral Debt Security on the last day of a Due Period, but for such day not being a designated business day in the Underlying Instruments or a Business Day in the Indenture, shall be considered included in collections received during such Due Period.

"**Eligible Investments**" include any Dollar-denominated investment that is one or more of the following (and may include investments for which the Trustee and/or its affiliates provides services or receives compensation):

(a) cash;

(b) direct Registered obligations of, and Registered obligations the timely payment of principal and interest on which is fully and expressly guaranteed by, the United States or any agency or instrumentality of the United States the obligations of which are expressly backed by the full faith and credit of the United States;

(c) demand and time deposits in, certificates of deposit of, bankers' acceptances payable within 183 days of issuance issued by, or Federal funds sold by any depository institution or trust company (including the Bank) incorporated under the laws of the United States or any state thereof and subject to supervision and examination by Federal and/or state banking authorities so long as the

commercial paper and/or the debt obligations of such depository institution or trust company (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have a credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's), and not less than "AA+" by Standard & Poor's in the case of long-term debt obligations, or "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and "A-1+" by Standard & Poor's in the case of commercial paper and short-term debt obligations including time deposits; provided that (i) in each case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "A1" by Moody's (and, if such rating is "A1", such rating is not on watch for possible downgrade by Moody's) and (ii) in the case of commercial paper and short-term debt obligations with a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's;

(d) unleveraged repurchase obligations with respect to (i) any security described in clause (b) above or (ii) any other Registered obligation issued or guaranteed by an agency or instrumentality of the United States (in each case without regard to the Stated Maturity of such security), in either case entered into with a U.S. Federal or state depository institution or trust company (acting as principal) described in clause (c) above or entered into with a corporation (acting as principal) whose long-term rating is not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's) and not less than "AA+" by Standard & Poor's or whose short-term credit rating is "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and "A-1+" by Standard & Poor's 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;

(e) Registered debt securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States or any state thereof that have a credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's) and not less than "AA+" by Standard & Poor's;

(f) commercial paper or other short-term obligations having at the time of such investment a credit rating of "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and "A-1+" by Standard & Poor's; *provided* that (i) if such security has a maturity of longer than 91 days, 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;

(g) Registered reinvestment agreements issued by any bank (if treated as a deposit by such bank), or a Registered reinvestment agreement issued by any insurance company or other corporation or entity organized under the laws of the United States or any state thereof (if treated as debt for tax purposes by such corporation or entity), in each case, that has a credit rating of "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and "A-1+" by Standard & Poor's; *provided* that (i) in any case, the issuer thereof must have at the time of such investment a long-term credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2", such rating is not on watch for possible downgrade by Moody's) and (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

(h) interests in any non-United States money market fund or similar non-United States investment vehicle having at the time of investment therein the highest credit rating assigned by Moody's, a rating of "AAAm" or "AAAm/G" by Standard & Poor's,

and, in each case (other than clause (a)), with a stated maturity (giving effect to any applicable grace period) no later than the Business Day immediately preceding the Distribution Date next following the Due Period in which the date of investment occurs; *provided* that Eligible Investments may not include (a) any mortgaged-backed security, interest-only security or any security that is subject to substantial non-credit related risk as determined by the Collateral Manager, (b) any security that does not provide for payment or repayment of a stated principal amount in one or more installments, (c) any security purchased at a price in excess of 100% of the par value thereof, (d) any investment the income from or proceeds of disposition of which is or will be subject to reduction for or on account of any withholding or similar tax, (e) any investment the acquisition (including the manner of acquisition), ownership, enforcement or disposition of which will subject the Issuer to net income tax in any jurisdiction, (f) any Floating Rate Security (other than the time deposits described in paragraph (c) above) whose interest rate is inversely or otherwise not proportionately related to an interest rate index or is calculated as other than the sum of an interest rate index plus a spread or (g) any security that is subject to an Offer on the date of purchase thereof or (h) any security whose rating by Standard & Poor's includes the subscript "r", "t", "p", "pi" or "q". Eligible Investments may be obligations of, and may be purchased from the Trustee and its affiliates and may include obligations for which the Trustee or an affiliate thereof receives compensation for providing services.

"**Entitlement Holder**" has the meaning specified in Section 8 102(a)(7) of the UCC.

"**Equipment Leasing Securities**" means Asset Backed Securities (other than Healthcare Securities, Restaurant and Food Service Securities, Small Business Loan Securities and Oil and Gas Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from leases and subleases of equipment (other than automobiles) to commercial and industrial customers.

"**Equity Security**" means any security, obligation or other property (other than cash) acquired by the Issuer as a result of the exercise or conversion of a Collateral Debt Security, in conjunction with the purchase of a Collateral Debt Security or in exchange for a Defaulted Security.

"**Excel Default Model Input File**" means, an electronic spreadsheet file in Microsoft Excel format to be provided to Standard & Poor's, which file shall include the Principal Balance of Eligible Investments and the following information (to the extent such information is not confidential) with respect to each Collateral Debt Security:

(a) the name and country of domicile of the issuer thereof and the particular issue held by the Issuer;

(b) the CUSIP or other applicable identification number associated with such Collateral Debt Security;

(c) the par value of such Collateral Debt Security;

(d) the type of issue (including, by way of example, whether such Collateral Debt Security is a bond, loan or asset-backed security), using such abbreviations as may be selected by the Trustee;

(e) description of the index or other applicable benchmark upon which the interest payable on such Collateral Debt Security is based (including, by way of example, fixed rate, step-up rate, zero coupon and LIBOR);

(f) the coupon (in the case of a Fixed Rate Security) or the spread over the applicable index (in the case of a Floating Rate Security);

(g) the Standard & Poor's Industry Classification Group for such Collateral Debt Security;

(h) the stated maturity date of such Collateral Debt Security;

(i) the Standard & Poor's Rating of such Collateral Debt Security or the issuer thereof, as applicable;

(j) the priority category assigned by Standard & Poor's to such Collateral Debt Security, if available; and

(k) such other information as the Trustee may determine to include in such file.

"**Excepted Property**" means (a) the U.S.$1,000 of capital contributed by the owners of the Issuer's ordinary shares in accordance with the Issuer Charter and U.S.$1,000 representing a profit fee to the owners of the Issuer's ordinary shares, together with, in each case, any interest accruing thereon and the bank account in which such Cash is held and (b) the shares of the Co-Issuer and any assets of the Co-Issuer.

"**Excluded Synthetic CDO Security**" means a Synthetic CDO Security that contains an underlying derivative transaction (or an instrument the underlying assets of which comprise or one or more underlying derivative transactions) for which (a) the seller of credit protection (for purposes of this definition, the "**Protection Seller**") under a credit derivative transaction (or any other derivative transaction which has the characteristics of a credit derivative transaction) undertakes to make payments to the buyer of credit protection, in respect of interest shortfalls on one or more reference obligations under such derivative transaction (for purposes of this definition, an "**Interest Shortfall Undertaking**") and (b) in respect of such Interest Shortfall Undertaking, either (x) no interest shortfall cap is applicable or (y) a variable interest shortfall cap is applicable that provides that the amount of any interest shortfall payable in respect of an interest period by the Protection Seller shall not be limited to the premium payable to such Protection Seller for such interest period.

"**Fair Market Value**" of any Collateral Debt Security means, at any time, (i) an amount equal to (x) the average of the bona fide bids for such Collateral Debt Security obtained by the Collateral Manager at such time from any three nationally recognized dealers, which dealers are Independent from one another and from the Collateral Manager and the Issuer and are approved dealers, (y) if the Collateral Manager is in good faith unable to obtain bids from three such dealers, the lesser of the bona fide bids for such Collateral Debt Security obtained by the Collateral Manager at such time from any two nationally recognized dealers chosen by the Collateral Manager, which dealers are Independent from each other and the Collateral Manager and the Issuer and are approved dealers, or (z) if the Collateral Manager is in good faith unable to obtain bids from two such dealers, the bona fide bid for such Collateral Debt Security obtained by the Collateral Manager at such time from any nationally recognized dealer chosen by the Collateral Manager, which dealer is Independent from the Collateral Manager and the Issuer and is an approved dealer, or (ii) if the Fair Market Value of a Collateral Debt Security cannot be determined pursuant to clause (i), an amount equal to (x) the lesser of the prices for such Collateral Debt Security on such date provided by two pricing services chosen by the Collateral Manager, which pricing services are independent from each other and the Collateral Manager and the Issuer and are approved pricing services or (y) if a price from only one pricing service is available, the price for such Collateral Debt Security on such date provided by such pricing service chosen by the Collateral Manager, which pricing service is independent from the Collateral Manager and the Issuer and is an approved pricing service; *provided* that (a) if the Collateral Manager is unable in good faith to obtain bona fide bids on such Collateral Debt Security pursuant to any of subclauses (x), (y) and (z) of clause (i) but is able to obtain bona fide bids from the requisite number of dealers with respect to the same security in a principal amount other than the principal amount of such Collateral Debt Security in accordance with such

subclause, the "Fair Market Value" of such Collateral Debt Security shall be equal to the amount determined pursuant to such subclause using the bona fide bids (or the bona fide bid) obtained for such security in such other principal amount adjusted to reflect the actual principal amount of such Collateral Debt Security, (b) if, after giving effect to the determination of the "Fair Market Value" of a Collateral Debt Security pursuant to subclause (z) of clause (i) above, the aggregate outstanding principal amount of all Collateral Debt Securities the "Fair Market Value" of which was determined pursuant to such subclause (z) exceeds 10% of the Net Outstanding Portfolio Collateral Balance, the "Fair Market Value" of such Collateral Debt Security will be 95% of the bid obtained by the Collateral Manager pursuant to such subclause (z), (c) if the Collateral Manager is in good faith unable to obtain bona fide bids for such Collateral Debt Security from at least one nationally recognized dealer or to obtain prices from at least one pricing service satisfying the criteria specified above, the "Fair Market Value" of such Collateral Debt Security will be the value of such Collateral Debt Security as determined by the Collateral Manager in good faith (which, in the case of a Synthetic Security, will take into account the spread of the applicable Reference Obligation and any upfront payments paid or received when such Synthetic Security was executed, *provided* that (1) such value shall not exceed the Applicable Recovery Rate for such Collateral Debt Security, (2) the Collateral Manager will notify the Trustee and each Rating Agency that it has determined the Fair Market Value of such Collateral Debt Security pursuant to this clause (c) and (3) in the case of a Synthetic Security, the Collateral Manager may not determine the Fair Market Value of such Synthetic Security pursuant to this clause (c), and must determine such Fair Market Value pursuant to clause (i) above, if the difference between the credit protection premium on such Synthetic Security and the spread of the underlying Reference Obligation exceeds 2.0% and (d) if the Collateral Manager is unable in good faith to determine the Fair Market Value of such Collateral Debt Security pursuant to clause (i) or (ii) above or clause (a) of this proviso within 30 days of the date after the initial attempted determination pursuant to clause (i) or (ii) above, the Fair Market Value of such Collateral Debt Security shall be zero.

"**Financial Sponsor**" means any person, including any subsidiary of another person, whose principal business activity is acquiring, holding and selling investments (including controlling interests) in otherwise unrelated companies that each are distinct legal entities with separate management, books and records and bank accounts, whose operations are not integrated one with another and whose financial condition and creditworthiness are independent of the other companies so owned by such person.

"**Fitch**" means Fitch Ratings and any successor or successors thereto.

"**Fixed Payment Rate**" means, with respect to a Deemed Floating Rate Security, a rate equal to the fixed rate that the Issuer agrees to pay to the relevant Hedge Counterparty under the related Deemed Floating Rate Hedge Agreement.

"**Fixed Rate Security**" means any Collateral Debt Security other than (a) a Floating Rate Security and (b) a Deemed Floating Rate Security.

"**Floating Amount Event**" means, in the case of a credit default swap entered into by the Issuer or that is associated with a Synthetic Security purchased by the Issuer, an event constituting a "failure to pay principal", "writedown" or "interest shortfall" as defined in, and determined pursuant to, the terms of such credit default swap.

"**Floating Rate Security**" means any Collateral Debt Security (other than a Deemed Fixed Rate Security) that is expressly stated to bear interest based upon a floating rate index for Dollar-denominated obligations commonly used as a reference rate in the United States or the United Kingdom.

"**Floorplan Receivable Securities**" 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: (a) 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; (b) participation interests in receivables arising under dealer floorplan financing arrangements originated by a third party and participated to a manufacturer; (c) receivables originated by a manufacturer under syndicated floorplan financing arrangements between a motor vehicle dealer and a group of lenders; or (d) receivables representing dealer payment obligations arising from purchases of vehicles.

"**Form-Approved Asset Hedge Agreement**" means one or more Asset Hedge Agreements, the form of the documents in respect of which has satisfied the Rating Condition with respect to Moody's and Standard & Poor's; *provided* that any such form will cease to be a Form-Approved Asset Hedge Agreement if Standard & Poor's notifies the Trustee or the Collateral Manager of a change to the Standard & Poor's published methodology and requests an amendment or modification to such Form-Approved Asset Hedge Agreement and Standard & Poor's, the Trustee and the Collateral Manager have not agreed to an amendment or modification of the Form-Approved Asset Hedge Agreement to reflect such change within 45 days of such notice.

"**Form Approved Synthetic Security**" means one or more Synthetic Securities, the form of the documents in respect of which has (a) satisfied the Rating Condition with respect to Moody's and Standard & Poor's or (b) has substantially conformed to the form of the documents in respect of any Synthetic Security entered into by the Issuer on or before the Closing Date; *provided* that (i) any such Synthetic Security will cease to be a Form Approved Synthetic Security if Standard & Poor's or Moody's notifies the Trustee and Collateral Manager of a change to such Rating Agency's published methodology and requests an amendment or modification to such Form Approved Synthetic Security and Standard & Poor's, Moody's, the Trustee and the Collateral Manager have not agreed to an amendment or modification of the Form Approved Synthetic Security to reflect such change within 45 days of such notice; and (ii) the Reference Obligation of each such Form Approved Synthetic Security shall be a Specified Type.

"**Franchise Securities**" means Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from (a) a pool of franchise loans made to operators of franchises that provide oil, gasoline, restaurant or food services and provide other services related thereto and (b) leases or subleases of equipment to such operators for use in the provision of such goods and services. They generally have the following characteristics: (1) the loans, leases or subleases have varying contractual maturities; (2) the loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the obligations of the lessors or sublessors of the equipment may be secured not only by the leased equipment but also the related real estate; (4) the loans, leases and subleases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment of the loans can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; (6) the repayment stream on the leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, a sublessee or third party of the underlying equipment; (7) such leases and subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of a lease term for excess usage or wear and tear; and (8) the ownership of a franchise right or other similar license and the creditworthiness of such franchise operators is the primary factor in any decision to invest in these securities.

"**Global Notes**" means the Global Secured Notes and the Regulation S Global Class P Notes.

"**Global Secured Notes**" means the Regulation S Global Secured Notes and the Restricted Global Secured Notes.

"**Guaranteed Securities**" means an Asset Backed Securities as to which the timely payment of interest when due, and the payment of principal no later than stated maturity, is guaranteed pursuant to an insurance policy, guarantee or other similar instrument other than any express or implied guarantee by the United States, principality or agency thereof.

"**HAS Scenario Default Rate Factor**" means, as of any date of determination, (a) one minus (b) the Class A-1A Note Scenario Default Rate.

"**Healthcare Securities**" means Asset Backed Securities (other than Small Business Loan Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from contracts entitling health care providers to receive payments from third party insurance programs for medical services (and any ancillary services and sales), generally have the following characteristics: (1) the contracts have standardized payment terms; and (2) the contract balances are obligations of third party insurers and accordingly represent a diversified pool of obligor credit risk.

"**Hedging Available Spread Amount**" means, as of any date of determination, (a) the sum of the WAS Synthetic Excess/Shortfall as of such date of determination plus the WAS Cash Excess/Shortfall as of such date of determination, multiplied by (b) the product of the Weighted Average Life of all Long LS Assets and the HAS Scenario Default Rate Factor.

"**Hedging Premium Test Amount** means, as of any date of determination, the product of the following with respect to any Short Synthetic Security for which the LS Spread is a positive number: (a) the LS Spread, expressed as a percentage, with respect to such Short Synthetic Security multiplied by (b) the Principal Balance of the Long LS Asset included in the related Long Short Pair multiplied by (c) the Average Life of the Long LS Asset included in the related Long Short Pair.

"**Hedging Short Transaction Premium Test**" means a test that will be satisfied with respect to the entry into or acquisition of any Short Synthetic Security by the Issuer if, after giving effect to such entry or acquisition, the Total Hedging Premium Test Amount is less than or equal to the Hedging Available Spread Amount.

"**High-Diversity CDO Securities**" means Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from a portfolio of commercial and industrial bank loans, other asset-backed securities or corporate debt securities or any combination of the foregoing, generally having the following characteristics: (a) the bank loans and debt securities have varying contractual maturities; (b) the loans and securities are obligations of obligors or issuers that represent a relatively diversified pool of obligor credit risk having an Asset Correlation Factor lower than 0.20; (c) 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 (d) 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.

"**High Grade ABS CDO Security**" means an ABS CDO Security with respect to which at least 95% of the assets in the underlying pool are rated at least "A3" or higher by Moody's and at least "A-" or higher by both Standard & Poor's and Fitch (in each case if rated by such rating agency).

"**Home Equity Loan Securities**" means Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from balances (including revolving balances) outstanding under loans or lines of credit secured by single family residential real estate the proceeds of which loans or lines of credit are not used to purchase such real estate or to purchase or construct dwellings thereon (or to refinance indebtedness previously so used), and that generally have the following characteristics: (a) the balances have standardized payment terms and require minimum monthly payments; (b) the balances are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; (c) the repayment stream on such balances does not depend on a contractual repayment schedule, with early repayment depending primarily on interest rates, availability of credit against a maximum line of credit and general economic matters; and (4) the line of credit or loan may be secured by residential real estate with a market value (determined on the date of origination of such line of credit or loan) that is less than the original proceeds of such line of credit or loan.

"**Insurance Company Guaranteed Securities**" means any Asset Backed Security as to which the timely payment of interest when due, and the payment of principal no later than stated legal maturity, is unconditionally guaranteed pursuant to an insurance policy, guarantee or other similar instrument issued by an insurance company organized under the laws of a state of the United States, but only if such insurance policy, guarantee or other similar instrument (a) expires no earlier than such stated maturity, (b) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset Backed Security and (c) is issued by an insurance company having a credit rating assigned by each nationally recognized statistical rating organization that currently rates such Asset Backed Security higher than the credit rating assigned by such rating organization to such Asset Backed Security determined without giving effect to such insurance policy, guarantee or other similar instrument, *provided* that any Asset Backed Security falling within this definition shall be excluded from the definition of each other type of Asset Backed Security.

"**Insurance Securities**" means Asset Backed Securities that entitle the holders thereof to receive payments that depend in part on the premiums from insurance or 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 insurance or reinsurance policies; and (3) the repayment of principal on the security is dependent on the exercise of the insurance or reinsurance policies.

"**Interest Distribution Amount**" means, with respect to any Class of Secured Notes and any Distribution Date, the sum of (i) the aggregate amount of interest accrued during the Interest Period ending on such Distribution Date at the annual rate at which interest accrues on the Secured Notes of such Class applicable for the Interest Period relating to such Class on the aggregate outstanding principal amount of the Secured Notes of such Class on the first day of such Interest Period (after giving effect to any redemption of the Secured Notes of such Class or other payment of principal of the Secured Notes of such Class on any preceding Distribution Date) plus (ii) any Defaulted Interest in respect of the Secured Notes of such Class and accrued interest thereon.

"**Interest Excess**" means an amount equal to the lesser of (i) U.S.$1,000,000 and (ii) the amount on deposit in the Uninvested Proceeds Account on the Ramp-Up Completion Date (but excluding any such amount that is required to be applied to purchase Collateral Debt Securities with respect to which the Issuer has, prior to the Ramp-Up Completion Date, entered into a binding commitment to purchase the same on or after the Ramp-Up Completion Date); *provided* that, if a Rating Confirmation Failure has occurred, the Interest Excess shall be zero.

"**Interest Only Security**" means any security that by its terms provides for periodic payments of interest and does not provide for the repayment of a stated principal amount.

"**Interest Proceeds**" means, with respect to any Due Period, the sum (without duplication) of:

(1) all payments of interest on the Collateral Debt Securities (other than Defaulted Securities and Written Down Securities) and any payments of premium or interest shortfall reimbursement payment amounts (however defined in the relevant Synthetic Security) by any Synthetic Security Counterparty in respect of any Synthetic Security received in cash by the Issuer during such Due Period (excluding (i) all amounts on deposit in the Interest Reserve Account, the Interest Equalization Account, and the Uninvested Proceeds Account that are not transferred to the Payment Account for application as Interest Proceeds and (ii) any payments of interest on a Repack Security to the extent such payments are in excess of the "rated coupon" (if any) of such Repack Security);

(2) all accrued interest received in cash by the Issuer with respect to Collateral Debt Securities sold by the Issuer (excluding Sale Proceeds received in respect of Defaulted Securities and Written Down Securities);

(3) all payments of interest (including any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) on Eligible Investments in any Account (except any Hedge Counterparty Collateral Account, any Synthetic Security Issuer Account, any Class A-1A Noteholder Prepayment Account and any Synthetic Security Counterparty Account) received in cash by the Issuer during such Due Period and all payments of principal, including repayments, on Eligible Investments purchased with amounts from the Interest Collection Account received by the Issuer during such Due Period;

(4) all amendment and waiver fees, all late payment fees, and all other fees and commissions received in cash by the Issuer during such Due Period in connection with such Collateral Debt Securities and Eligible Investments (other than fees and commissions received in respect of Defaulted Securities and Written Down Securities in accordance with clause (5) of the definition of Principal Proceeds and yield maintenance payments included in Principal Proceeds pursuant to clause (8) of the definition thereof;

(5) all payments received in cash by the Issuer pursuant to each Hedge Agreement (excluding any payments received by the Issuer by reason of an event of default or termination event that are required to be used for the purchase of a replacement Hedge Agreement) less any deferred premium payments payable by the Issuer under the related Hedge Agreement during such Due Period;

(6) all amounts on deposit in the Expense Account, the Interest Reserve Account, the Interest Equalization Account and the Uninvested Proceeds Account that are transferred to the Payment Account for application as Interest Proceeds as described under "Security for the Secured Notes—The Accounts—Expense Account", "—Interest Reserve Account", "—Interest Equalization Account" and "—Uninvested Proceeds Account", respectively, during such Due Period;

(7) with respect to the Due Period in which the Ramp-Up Completion Date occurs, the amount, if any, standing to the credit of the Uninvested Proceeds Account that is to be transferred to the Payment Account for application as Interest Proceeds on the first Distribution Date after the Ramp-Up Completion Date as described under "Security for the Secured Notes–The Accounts–Uninvested Proceeds Account";

(8) all amounts of interest actually transferred from a Synthetic Security Counterparty Account to the Interest Proceeds Account during such Due Period and any payments received by the Issuer in cash during such Due Period in connection with total return swap transactions with respect to Synthetic Security Collateral that are to be treated as Interest Proceeds in accordance with the related Synthetic Security;

(9) any payments in respect of interest on U.S. Agency Securities other than any payment in respect of accrued interest purchased by the Issuer upon acquisition of a U.S. Agency Security received by the Issuer in cash during such Due Period;

(10) any amounts received in cash by the Issuer in respect of Negative Amortization Capitalization Amounts for such Due Period;

provided that (x) Interest Proceeds shall in no event include (i) any payment or proceeds specifically defined as "Principal Proceeds" in the definition thereof or (ii) any Excepted Property, (y) payments made by each Hedge Counterparty on a Distribution Date will be deemed to have been made during the related Due Period and (z) for purposes of clause (10) of this definition at any time when any Negative Amortization Capitalization Amounts have accrued on a Negative Amortization Security, (1) first, unscheduled payments of principal in respect thereof and (2) second (but only if the related payment report delivered to investors indicates that the aggregate Negative Amortization Capitalization Amount (if any) in respect thereof has remained the same or decreased in the related reporting period), scheduled payments of principal in respect thereof shall be deemed to be applied to the reduction of such aggregate Negative Amortization Capitalization Amount and therefore constitute "Interest Proceeds" for purposes of this definition until such aggregate Negative Amortization Capitalization Amount has been reduced to zero.

"**Interest Shortfall**" means, with respect to any payment date under the Reference Obligation related to a credit default swap, 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.

"**Investment Company Act**" means the United States Investment Company Act of 1940, as amended, and the rules thereunder.

"**Investment Monitoring Agreement**" means the investment monitoring agreement entered into between the Issuer and the Investment Monitor as of the Closing Date, as amended from time to time and any replacement therefor.

"**IRR**" means, with respect to any Distribution Date, the annualized internal rate of return (based upon a corporate bond equivalent yield) stated on a per annum basis with respect to the aggregate purchase price for the Preference Shares on the Closing Date and utilizing each distribution made to the Holder of Preference Shares pursuant to the Priority of Payments.

"**Issue**" of Collateral Debt Securities means Collateral Debt Securities issued by the same issuer (except that a credit card master trust will not be considered a single issuer) and secured by the same pool of collateral; *provided*, that with respect to any Synthetic Security, "Issue" shall mean securities issued by the issuer of the related Reference Obligation and secured by the same pool of collateral as such Reference Obligation.

"**Long LS Asset**" means, with respect to any Long Short Pair, the Collateral Debt Security (including a Synthetic Security) included in such Long Short Pair that has a rating from a Rating Agency that is lower than or equal to the rating from such Rating Agency of the Short LS Asset included in such Long Short Pair; *provided* that, a Collateral Debt Security shall cease to be a Long LS Asset if the Short Synthetic Security related to the Short LS Asset included in such Long Short Pair is terminated or assigned.

"**Long Short Pair**" means two Collateral Debt Securities (a) each of which (i) is of the same Issue and (ii) is rated by a Rating Agency and (b) one of which has a rating from a Rating Agency that is lower than or equal to the rating from such Rating Agency of the other such Collateral Debt Security and (c) the other of which has a rating from a Rating Agency that is higher than or equal to the rating from such Rating Agency of the other such Collateral Debt Security and is the Reference Obligation of a Short Synthetic Security entered into by the Issuer; *provided* that, a Long Short Pair shall cease to be a Long Short Pair if the Short Synthetic Security related to the Short LS Asset included in such Long Short Pair is terminated or assigned.

"**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.

"**Low-Diversity CDO Securities**" means Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from a portfolio of commercial and industrial bank loans, other asset-backed securities or corporate debt securities or any combination of the foregoing, generally having the following characteristics: (a) the bank loans and debt securities have varying contractual maturities; (b) the loans and securities are obligations of a pool of obligors or issuers that represent a relatively undiversified pool of obligor credit risk having an Asset Correlation Factor of 0.20 or higher; (c) 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 (d) 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.

"**LS Adjusted Recovery Rate**" means, with respect to any Long Short Pair, the sum of (a) the LS Expected Loss Factor for such Long Short Pair and (b) the Applicable Recovery Rate (determined for purposes of this definition pursuant to clause (a) of the definition of "Applicable Recovery Rate" without regard to clause (ii) of the proviso thereunder) with respect to the Long LS Asset included in such Long Short Pair.

"**LS Asset**" means a Long LS Asset or a Short LS Asset.

"**LS Coupon**" means, with respect to any Long Short Pair the Long LS Asset of which is a Fixed Rate Security, as of any Measurement Date (which LS Coupon may be a negative number), (i) the Current Interest Rate at which interest accrues on the Long LS Asset included in such Long Short Pair as of such Measurement Date less the applicable benchmark or swap rate determined by the Collateral Manager to be applicable to such Fixed Rate Security minus (ii) the product of (A) the fixed amounts of premium (expressed as a percentage) payable by the Issuer under the Short Synthetic Security entered into in respect of the Short LS Asset included in such Long Short Pair as of such Measurement Date and (B) the LS Hedge Ratio with respect to such Long Short Pair.

"**LS Default Probability**" means, with respect to any LS Asset the quotient of (a) the LS Expected Loss with respect to such LS Asset divided by (b)(i) one minus (ii) the Applicable Recovery Rate (determined for purposes of this definition pursuant to clause (a) of the definition of "Applicable Recovery Rate" without regard to clause (ii) of the proviso thereunder) with respect to such LS Asset.

"**LS Expected Loss**" means, with respect to any LS Asset, the percentage set forth in the Moody's Expected Loss table set forth in the Indenture for (x) the Moody's Rating of such LS Asset and (y) the Weighted Average Life of such LS Asset.

"**LS Expected Loss Factor**" means, with respect to any Long Short Pair, the product of (a) the LS WAL Factor of such Long Short Pair and (b)(i) one minus (ii) the product of (A) 1.2 and (B) the Applicable Recovery Rate (determined for purposes of this definition pursuant to clause (a) of the definition of "Applicable Recovery Rate" without regard to clause (ii) of the proviso thereunder) with respect to the Short LS Asset related to such Long Short Pair.

"**LS Hedge Ratio**" means, with respect to any Long Short Pair, the ratio (expressed as a percentage) obtained by dividing (a) the notional amount of the Short Synthetic Security related to the

Short LS Asset included in such Long Short Pair by (b) the Principal Balance of the Long LS Asset included in such Long Short Pair.

"**LS Spread**" means with respect to any Long Short Pair (other than a Long Short Pair the Long LS Asset of which is a Fixed Rate Security), as of any Measurement Date, (i) the stated spread above or below LIBOR at which interest accrues on the Long LS Asset included in such Long Short Pair as of such Measurement Date minus (ii) the product of (A) the stated spread above or below LIBOR at which the Issuer pays fixed amounts of premium under the Short Synthetic Security entered into in respect of the Short LS Asset included in such Long Short Pair as of such Measurement Date and (B) the LS Hedge Ratio with respect to such Long Short Pair.

"**LS WAL Factor**" means, with respect to any Long Short Pair, the quotient of (a) the product of (i) the LS Default Probability with respect to the Short LS Asset related to such Long Short Pair and (ii) the LS Hedge Ratio divided by (b) the LS Default Probability with respect to the Long LS Asset included in such Long Short Pair.

"**Majority-in-Interest of Preference Shareholders**" means, at any time, Preference Shareholders holding more than 50% of all Preference Shares.

"**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: (a) the contracts and loan agreements have varying, but typically lengthy contractual maturities; (b) 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; (c) the contracts and/or loans are obligations of a large number of obligors and accordingly represent a relatively diversified pool of obligor credit risk; (d) 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 (e) in some cases, obligations are fully or partially guaranteed by a governmental agency or instrumentality.

"**Margin Stock**" means "margin stock" as defined under Regulation U issued by the Board of Governors of the Federal Reserve System.

"**Measurement Date**" means any of the following: (a) the Closing Date; (b) the Ramp-Up Completion Date; (c) any date after the Ramp-Up Completion Date on which the Issuer disposes of a Collateral Debt Security or on which a Collateral Debt Security becomes a Defaulted Security; (d) each Determination Date; (e) any date on which the Issuer acquires a Collateral Debt Security; and (f) with reasonable notice to the Issuer and the Trustee, any other Business Day that any Rating Agency or holders of more than 50% of aggregate outstanding amount of any Class of Secured Notes requests to be a "Measurement Date"; *provided* that if any such date would otherwise fall on a day that is not a Business Day, the relevant Measurement Date will be the next succeeding day that is a Business Day.

"**Mid-Prime RMBS**" means Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from residential mortgage loans secured (on a first or second 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 not been underwritten to the standards of the Federal National Mortgage Association or 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) the weighted average FICO® score of the residential mortgage loans is greater than or equal to 625 and less than 700.

"**Monoline Insured 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 unconditionally guaranteed pursuant to an insurance policy, guarantee or other similar instrument issued by a Monoline Insurer organized under the laws of a state of the United States, but only if such insurance policy, guarantee or other similar instrument (1) expires no earlier than such stated maturity, (2) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset Backed Security and (3) is issued by a Monoline Insurer having a credit rating assigned by a nationally recognized statistical rating organization that currently rates such Asset Backed Security which is 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.

"**Monoline Insurer**" means a financial guaranty insurance company that guarantees scheduled interest and principal payments on securities and writes no other line of insurance.

"**Moody's Rating**" means, with respect to any Collateral Debt Security, the Moody's Rating determined as follows:

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

(ii) with respect to any Asset Backed Security, if such Asset Backed Security has not been assigned a rating by Moody's pursuant to clause (i) above, and is not of a type listed on Schedule E as not permitting notching, the Moody's Rating of such Asset Backed Security shall be the rating determined in accordance with Schedule E;

provided that:

(w) the rating of any Rating Agency used to determine the Moody's Rating pursuant to any of clauses (i) or (ii) above shall be a public rating (and not an estimated rating) that addresses the obligation of the obligor (or guarantor, where applicable) to pay principal of and interest on the relevant Collateral Debt Security in full and is monitored on an ongoing basis by the relevant Rating Agency;

(x) in respect of Collateral Debt Securities the Moody's Rating of which is based on a rating of another Rating Agency (1) if such Collateral Debt Securities are rated by both Standard & Poor's and Fitch, the aggregate Principal Balance of all such Collateral Debt Securities may not exceed 20% of the aggregate Principal Balance of all Collateral Debt Securities; (2) if such Collateral Debt Securities are rated by either of the other Rating Agencies (but not both), the aggregate Principal Balance of all such Collateral Debt Securities may not exceed 10% of the aggregate Principal Balance of all Collateral Debt Securities; and (3) if such Collateral Debt Securities are rated by the same Rating Agency (and no other Rating Agency), the aggregate Principal Balance of all such Collateral Debt Securities may not exceed 7.5% of the aggregate Principal Balance of all Collateral Debt Securities;

(y) with respect to any Synthetic Security (other than a Short Synthetic Security), the Moody's Rating thereof will be determined as specified by Moody's at the time such Synthetic Security is acquired by the Issuer; and with respect to a Short Synthetic Security, the Moody's

Rating Factor will be deemed to be the Moody's Rating Factor with the Moody's Rating of the Synthetic Security Counterparty; and

(z) other than for the purposes of paragraph (6) of the Eligibility Criteria, (A) if a Collateral Debt Security rated "Aa1" is placed on a watch list for possible upgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be "Aaa", (B) if a Collateral Debt Security is placed on a watch list for possible downgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be (I) if such Collateral Debt Security is rated "Aaa" immediately prior to such Collateral Debt Security being placed on such watch list, one rating subcategory below the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list and (II) otherwise, two rating subcategories below the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list and (C) if a Collateral Debt Security rated below "Aa1" is placed on a watch list for possible upgrade by Moody's, the Moody's Rating applicable to such Collateral Debt Security shall be two rating subcategories above the Moody's Rating applicable to such Collateral Debt Security immediately prior to such Collateral Debt Security being placed on such watch list.

"**Mutual Fund Fee Securities**" means Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from a pool of brokerage fees and costs relating to various mutual funds, generally having the following characteristics: (a) the brokerage arrangements have standardized payment terms and require minimum payments; (b) the brokerage fees and costs arise out of numerous mutual funds and accordingly represent a very diversified pool of credit risk; and (c) the collection of brokerage fees and costs can vary substantially from the contractual payment schedule (if any), with collection depending on numerous factors specific to the particular mutual funds, interest rates and general economic matters.

"**NASD**" means the National Association of Securities Dealers.

"**Negative Amortization Capitalization Amount**" means, with respect to any Negative Amortization Security and any specified period of time, the aggregate amount of accrued interest on such Negative Amortization Security that has been capitalized as principal pursuant to the related Underlying Instruments during such period, as the same may be reduced from time to time pursuant to and in accordance with the related Underlying Instruments.

"**Negative Amortization Haircut Amount**" means, with respect to any Negative Amortization Security on any date of determination, the excess (if any) of (a) the Negative Amortization Capitalization Amount therefor (if any) for the period from and including the date of issuance thereof to but excluding such date of determination over (b) 5% of the original principal amount of such Negative Amortization Security upon issuance.

"**Negative Amortization Security**" means an ABS Type Residential 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, as of any Measurement Date, an amount equal to (a) the aggregate Principal Balance on such Measurement Date of all Pledged Collateral

Debt Securities plus (b) the aggregate amount of all Principal Proceeds and Uninvested Proceeds held as cash and the aggregate Principal Balance of all Eligible Investments and U.S. Agency Securities purchased with Principal Proceeds or Uninvested Proceeds and any amount on deposit at such time in the Principal Collection Account, the Uninvested Proceeds Account or the Reinvestment Account (without duplication) minus (c) the aggregate Principal Balance on such Measurement Date of all Pledged Collateral Debt Securities that are Defaulted Securities or Deferred Interest PIK Bonds plus (d) for each Defaulted Security and Deferred Interest PIK Bond (other than a Short Synthetic Security), the Calculation Amount with respect to such Defaulted Security. Solely for purposes of the Eligibility Criteria and the definition of Fair Market Value, on each Measurement Date occurring on or prior to Ramp-Up Completion Date, the Net Outstanding Portfolio Collateral Balance shall equal U.S.$500,000,000. Solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Class A/B Overcollateralization Test, the Class C Overcollateralization Test, the Class D Overcollateralization Test, the Class A Sequential Pay Test and the Class E Interest Diversion Test, the "Net Outstanding Portfolio Collateral Balance" means (A) the amount determined pursuant to the preceding clauses of this definition minus (B) for each Negative Amortization Security, the Negative Amortization Haircut Amount (if any) with respect to such Negative Amortization Security.

"**NIM Securities**" means Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for the rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from interest spreads from mortgage securitizations.

"**Non-Agency RMBS Security**" means an ABS Type Residential Security that is not an Agency RMBS Security.

"**Note Interest Rate**" means, with respect to the Secured Notes of any Class for any Interest Period, the annual rate at which interest accrues on the Secured Notes of such Class for such Interest Period, as specified in "Summary of Terms—General Terms of the Secured Notes".

"**Noteholder**" means the person in whose name a Note is registered in a Note Register.

"**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 lessors or sublessors of the equipment may be secured not only by the leased equipment but also the related real estate; (4) the loans, leases and subleases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment of the loans can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; (6) the repayment stream on the leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, a sublessee or third party of the underlying equipment; (7) such leases and subleases typically provide for the right of the lessee or sublessee to purchase the

equipment for its stated residual value, subject to payments at the end of a lease term for excess usage or wear and tear; and (8) the ownership of a franchise right or other similar license and the creditworthiness of such franchise operators is the primary factor in any decision to invest in these securities.

"**Original Purchaser**" means a purchaser of Offered Securities on the Closing Date.

"**Other ABS**" means (i) an Asset Backed Security (other than a CDO Security) issued by an entity formed for the purpose of holding or investing and reinvesting in a pool of receivables, debt obligations, debt securities, finance leases subject to specified acquisition or investment and management criteria or (ii) a beneficial interest in a trust all of the assets of which would satisfy the Eligibility Criteria and, if applicable, the Post Reinvestment Period Criteria, in either case which is of a Specified Type.

"**Other Administrative Expenses**": means all Administrative Expenses, but excluding Administrative Expenses with respect to the Trustee, the Collateral Administrator, the Preference Share Paying Agent and the Note Registrar.

"**Overcollateralization Tests**" means the Class A/B Overcollateralization Test, the Class C Overcollateralization Test and the Class D Overcollateralization Test.

"**PIK Bond**" means any security that, pursuant to the terms of the related Underlying Instruments, permits the payment of interest thereon to be deferred or capitalized as additional principal thereof or that issues identical securities in place of payments of interest in cash; *provided* that in no event will (x) a Negative Amortization Security or a security that capitalizes interest solely due to a step-up or increase in the interest rate thereon, constitute a "PIK Bond" for purposes of this definition.

"**PIKing Bond**" means a PIK Bond that has permitted the payment of interest thereon to be deferred or capitalized as additional principal thereof or that has issued identical securities in place of payments of interest in cash, and that in each case remains unpaid or outstanding.

"**Pledged Collateral Debt Security**" means, as of any date of determination, any Collateral Debt Security that has been pledged to the Trustee and has not been released from the lien of the Indenture.

"**Preference Share Documents**" means the Issuer Charter and related resolutions, the Preference Share Paying Agency Agreement and certain resolutions passed by the Issuer's board of directors concerning the Preference Shares.

"**Preference Share Redemption Date Amount**" means, in respect of any Distribution Date, the amount required (after taking into account any dividends or other distributions made or to be made to the holders of the Preference Shares on such Distribution Date and all prior Distribution Dates in accordance with the Priority of Payments) to ensure that, after distribution of such amount to the Preference Shareholders, such Preference Shareholders shall have received an IRR on the Preference Shares for the period from the Closing Date to such Distribution Date of not less than 0% per annum; provided, that from and after the Distribution Date in January 2015, the Preference Share Redemption Date Amount shall be deemed to be zero.

"**Preference Share Registrar**" means Walkers SPV Limited (on behalf of the Issuer) and any successor thereto.

"**Preference Shareholder**" means the person in whose name a Preference Share is registered in the Preference Share Register.

"**Prime RMBS**" means Prime RMBS (Jumbo) and Prime RMBS (Alt-A or Mixed Pools).

"**Prime RMBS (Alt-A or Mixed Pools)**" means Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from residential mortgage loans secured (on a first or second 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 not been underwritten to the standards of the Federal National Mortgage Association or 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) the weighted average FICO® score of the residential mortgage loans is greater than 700.

"**Prime RMBS (Jumbo)**" means Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from residential mortgage loans secured (on a first or second 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) the weighted average FICO® score of the residential mortgage loans is greater than 700.

"**Principal Balance**" means, with respect to any pledged security or other Collateral Debt Security, as of any date of determination, the outstanding principal amount of such pledged security or Collateral Debt Security; *provided* that

(a) the Principal Balance of a Collateral Debt Security received upon acceptance of an Offer for another Collateral Debt Security, which Offer expressly states that failure to accept such Offer may result in a default under the Underlying Instruments, shall be deemed to be the Calculation Amount of such other Collateral Debt Security until such time as Interest Proceeds and Principal Proceeds, as applicable (including any such amounts as are past due but excluding any deferred or capitalized interest), are received when due with respect to such other Collateral Debt Security;

(b) the Principal Balance of any Synthetic Security shall be equal to (i) in the case of any Credit Derivative Transaction that does not provide that the Issuer has any (contingent or otherwise) payment obligations to the Synthetic Security Counterparty after an initial payment thereunder and any Credit Linked Security, the aggregate amount of the repayment obligations of the Synthetic Security Counterparty or Synthetic Security Issuer, as applicable, payable to the Issuer through the maturity of such Synthetic Security and (ii) in the case of any Credit Derivative Transaction not described in the preceding clause (i) (other than a Short Synthetic Security), (1) at any time prior to the delivery of a notice of physical settlement, the notional amount of such Synthetic Security and (2) at any time following the delivery of a notice of physical settlement but prior to the receipt by the Issuer of the related Deliverable Obligation, the physical settlement amount of such Synthetic Security, in each case determined in accordance with the related Underlying Instruments;

(c) the Principal Balance of any Equity Security, unless otherwise expressly stated herein, shall be deemed to be zero;

(d) the Principal Balance of any Eligible Investment that does not pay cash interest on a current basis will be the lesser of par and the original issue price thereof;

(e) the Principal Balance of any Written Down Security shall be deemed to be the lesser of (i) the Fair Market Value of such Written Down Security and (ii) the Principal Balance of such Collateral Debt Security (determined without regard to this clause (e)) minus the aggregate par amount of all defaulted collateral securing such Issue in excess of the aggregate par amount of all other securities secured by the same pool of collateral that rank junior in priority of payment to such Collateral Debt Security (as reported to holders of such Written Down Security in the most recent report delivered to holders of such Written Down Security in accordance with its Underlying Instruments and received by the Trustee);

(f) the Principal Balance of any Deferred Interest PIK Bond shall exclude any deferred or capitalized interest;

(g) solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Class A Sequential Pay Test, the Overcollateralization Tests and the Class E Interest Diversion Test, the Principal Balance (determined without regard to this clause (g) of any Collateral Debt Security (other than any Defaulted Security) that has a Moody's Rating of below "Baa3" shall be:

(i) if such Collateral Debt Security has a Moody's Rating of "Ba1," "Ba2" or "Ba3", 90% of the Principal Balance of such Collateral Debt Security (determined without regard to this clause (g)(i)); *provided* that this clause (g)(i) shall not apply except to the extent that the aggregate Principal Balance (determined without regard to this clause (g)) of all Collateral Debt Securities having a Moody's Rating of "Ba1", "Ba2" or "Ba3" exceeds 10% of the Net Outstanding Portfolio Collateral Balance and then only with respect to the securities constituting such excess;

(ii) if such Collateral Debt Security has a Moody's Rating of "B1," "B2" or "B3", 80% of the Principal Balance of such Collateral Debt Security (determined without regard to this clause (g)); and

(iii) if such Collateral Debt Security has a Moody's Rating of lower than "B3", 50% of the Principal Balance of such Collateral Debt Security (determined without regard to this clause (g));

(h) solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Class A Sequential Pay Test, the Overcollateralization Tests and the Class E Interest Diversion Test, the Principal Balance (determined without regard to this clause (h)) of any Collateral Debt Security (other than any Defaulted Security) that has a Standard & Poor's Rating of below "BBB-" shall be:

(i) if such Collateral Debt Security has a Standard & Poor's Rating of "BB+", "BB" or "BB-", 90% of the Principal Balance of such Collateral Debt Security (determined without regard to this clause (h));

(ii) if such Collateral Debt Security has a Standard & Poor's Rating of "B+", "B" or "B-", 80% of the Principal Balance of such Collateral Debt Security or, solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Class A Sequential Pay Test, if such Collateral Debt Security has a Standard & Poor's Rating of "B+", "B" or "B-", 70% of the Principal Balance of such Collateral Debt Security (determined in each case without regard to this clause (h)); and

(iii) if such Collateral Debt Security has a Standard & Poor's Rating of "CCC+" or below, 70% of the Principal Balance of such Collateral Debt Security or, solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Class A Sequential Pay Test, if such Collateral Debt Security has a Standard & Poor's Rating of "CCC+" or below, 50% of the Principal Balance of such Collateral Debt Security (determined in each case without regard to this clause (h));

provided that (i) this clause (h) shall not apply except to the extent that the aggregate Principal Balance (determined without regard to this clause (h) or clause (g) above) of all Collateral Debt Securities having a Standard & Poor's Rating of below "BBB-" exceeds 10% of the Net Outstanding Portfolio Collateral Balance and then only with respect to the securities constituting such excess and (ii), solely with respect to the Class A Sequential Pay Test, this clause (h) shall not apply except to the extent that the aggregate Principal Balance (determined without regard to this clause (h) or clause (g) above) of all Collateral Debt Securities having a Standard & Poor's Rating of below "BBB-" exceeds 5% of the Net Outstanding Portfolio Collateral Balance and then only with respect to the securities constituting such excess;

provided; that if more than one of clauses (g) and (h) would apply to the determination of the Principal Balance of a Collateral Debt Security, the Principal Balance of such Collateral Debt Security shall be the lowest of the determinations made pursuant to clauses (g) and (h);

(i) the Principal Balance of any Long Short Pair shall be the Principal Balance of the Long LS Asset included in such Long Short Pair;

(j) the Principal Balance of a Negative Amortization Security will be (i) the original principal amount of such Negative Amortization Security on the date of issuance thereof (which amount shall in no event be adjusted to reflect any Negative Amortization Capitalization Amounts thereon) minus (ii) the aggregate amount of all payments made in respect of principal thereof (excluding any payments made in respect of Negative Amortization Capitalization Amounts for any period) from and including the date of issuance thereof to but excluding such date of determination;

(k) the Principal Balance of any Deep Discount Security shall be the purchase price thereof; *provided*, *however*, if such Deep Discount Security: (i) is a Fixed Rate Security with a Fair Market Value that has been at least 90% of the par amount thereof for 60 consecutive days or (ii) is a Floating Rate Security with a Fair Market Value that as been at least 95% of the par amount thereof for 60 consecutive days, then the Principal Balance of such Deep Discount Security shall be the outstanding principal amount thereof; and

(l) the Principal Balance of any Short Synthetic Security shall be zero.

"**Principal Proceeds**" means, with respect to any Due Period, the sum (without duplication) of:

(1) with respect to the Due Period in which the Ramp-Up Completion Date occurs, any Uninvested Proceeds on deposit in the Uninvested Proceeds Account on the Ramp-Up Completion Date other than amounts transferred to the Payment Account for application as Interest Proceeds as described under "Description of the Secured Notes—The Accounts—Uninvested Proceeds Account";

(2) all payments of principal of the Collateral Debt Securities received in cash by the Issuer during such Due Period including prepayments or mandatory sinking fund payments, or payments in respect of optional redemptions, exchange offers, tender offers, recoveries on Defaulted Securities and Written Down Securities, including the proceeds of a sale of any Equity Security and any amounts received as a result of optional redemptions, exchange offers, tender offers for any Equity Security received in cash by the Issuer during such Due Period, except during the Fixed Rate Reinvestment Period, to the extent the Issuer was entitled to retain any such payments in the Collection Accounts for subsequent reinvestment, and the Issuer so elected, as set forth in the Indenture;

(3) Sale Proceeds received in cash by the Issuer during such Due Period (including Limited Default Proceeds) as a result of the sale of any Credit Improved Security, Credit Risk Security, Written Down Security, Deferred Interest PIK Bond or Defaulted Security (but excluding those Sale Proceeds included in Interest Proceeds as defined above) but excluding any Sale Proceeds applied to purchase replacement Collateral Debt Securities during the Reinvestment Period or during the Fixed Rate Reinvestment Period, as applicable, or during the Fixed Rate Reinvestment Period the Issuer was entitled to retain such Sale Proceeds in the Collection Accounts for subsequent reinvestment, and the Issuer so elected, as set forth herein;

(4) all payments of principal on Eligible Investments and accrued interest on Collateral Debt Securities, which in each case were purchased with amounts from the Principal Collection Account or Uninvested Proceeds Account (excluding any amount representing the accreted portion of a discount from the face amount of an Eligible Investment and any amounts received in respect of Negative Amortization Capitalization Amounts for such Due Period deemed to be Interest Proceeds) received in cash by the Issuer during such Due Period;

(5) all amendment, waiver, late payment fees and other fees and commissions, received in cash by the Issuer during such Due Period in respect of Defaulted Securities and Written Down Securities;

(6) any proceeds resulting from the termination and liquidation of any Hedge Agreement received in cash by the Issuer during such Due Period, to the extent such proceeds exceed the cost of entering into a replacement Hedge Agreement in accordance with the requirements of the Indenture and such proceeds are not included in Interest Proceeds pursuant to clause (5) of the definition thereof;

(7) all payments received in cash by the Issuer during such Due Period that represent call, prepayment or redemption premiums;

(8) yield maintenance payments received in cash by the Issuer during such Due Period;

(9) all payments of interest on Defaulted Securities, Deferred Interest PIK Bonds and Written Down Securities received in cash by the Issuer during such Due Period and any other payments in respect thereof not addressed in clauses (1) through (8) above received in cash by the Issuer during such Due Period;

(10) all cash and principal payments received in respect of Eligible Investments credited to the Principal Collection Account in accordance with the provisions of the Indenture during such Due Period;

(11) any payments in respect of U.S. Agency Securities other than amounts transferred to the Payment Account for application as Interest Proceeds as described under "Description of the Secured Notes—The Accounts—Uninvested Proceeds Account" and payments in respect of interest included in Interest Proceeds pursuant to paragraph (7) of the definition of Interest Proceeds received by the Issuer in cash during such Due Period;

(12) all other payments received in such Due Period in connection with the Collateral Debt Securities and Eligible Investments (other than those standing to the credit of any Hedge Counterparty Collateral Account, Synthetic Security Issuer Account, Synthetic Security Counterparty Account or Class A-1A Noteholder Prepayment Account) that are not included in Interest Proceeds (including, for the avoidance of doubt, any principal reimbursement payments under a Synthetic Security);

(13) all amounts on deposit in the Reinvestment Account that are transferred to the Payment Account for application as Principal Proceeds as described under "Description of the Notes—the Accounts—Reinvestment Account", amounts transferred from the Interest Reserve Account for application as Principal Proceeds pursuant to the Indenture and all amounts on deposit in the Short Reimbursement Account that are transferred from the Short Reimbursement Account for application as

Principal Proceeds, but excluding any Credit Protection Payment deposited to the Short Reimbursement Account for so long as each payment is required to be held in such Account pursuant to the Indenture;

(14) with respect to a Long Short Pair where the Long LS Asset and the Short LS Asset have the same rating, all payments of interest on a Long LS Asset equal to the LS Spread multiplied by the LS Hedge Ratio (if positive);

provided that in no event will Principal Proceeds include (a) prior to the last day of the Reinvestment Period amounts on deposit in the Reinvestment Account that are not so transferred; (b) amounts on deposit in the Short Reimbursement Account that are not so transferred and (c) the U.S.$1,000 of capital contributed by the owners of the ordinary shares of the Issuer in accordance with the Issuer Charter or U.S.$1,000 representing a profit fee to the Issuer.

"**Pro Rata Pay Period**": means any Distribution Date after the end of the Reinvestment Period for which the related Determination Date does not occur during a Sequential Pay Period.

"**Project Finance Securities**" means Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from (1) the sale of products, such as electricity, nuclear energy, steam or water, in the utility industry by a special purpose entity formed to own the assets generating or otherwise producing such products and such assets were or are being constructed or otherwise acquired primarily with the proceeds of debt financing made available to such entity on a limited-recourse basis (including recourse to such assets and the land on which they are located) or (2) fees or other usage charges, such as tolls collected on a highway, bridge, tunnel or other infrastructure project, collected by a special purpose entity formed to own one or more such projects that were constructed or otherwise acquired primarily with the proceeds of debt financing made available to such entity on a limited-recourse basis (including recourse to the project and the land on which it is located).

"**Prospectus Directive**" means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading.

"**Purchase Agreement**" means the purchase agreement dated as of September 25, 2006 between the Initial Purchaser and the Co-Issuers relating to the placement of the Notes and Preference Shares.

"**Pure Private Collateral Debt Security**" means any Collateral Debt Security other than (a) a Collateral Debt Security that was issued pursuant to an effective registration statement under the Securities Act or (b) a privately placed Collateral Debt Security that is eligible for resale under Rule 144A under the Securities Act.

"**Qualified Institutional Buyer**" has the meaning given in Rule 144A under the Securities Act.

"**Qualified Purchaser**" means (i) a "qualified purchaser" as defined in the Investment Company Act, (ii) a company beneficially owned exclusively by one or more "qualified purchasers"; (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 one or more "knowledgeable employees" with respect to the Issuer.

"**Quarterly Interest Distributions**" means Distributions of interest on any Quarterly Security.

"**Quarterly Security**" means any Collateral Debt Security in respect of which payments of interest are scheduled to be made on a Quarterly basis.

"**Ramp-Up Completion Date**" means the date that is the earlier of (a) December 22, 2006 and (b) the first date on which the sum of (1) the aggregate Principal Balance of the Collateral Debt Securities purchased on the Closing Date or during the Ramp-Up Period with Uninvested Proceeds (including Collateral Debt Securities not yet purchased, but as to which the Issuer has entered into binding purchase agreements for regular settlement) plus (2) the aggregate Principal Balance of all Eligible Investments purchased with Principal Proceeds on deposit in the Principal Collection Account plus (3) aggregate amount of all Principal Proceeds distributed on any prior Distribution Date is at least equal to U.S.$500,000,000.

"**Rating**" means, as the context requires, the Moody's Rating or the Standard & Poor's Rating.

"**Rating Condition**" means, with respect to any action taken or to be taken under the Indenture, a condition that is satisfied when each of Moody's and Standard & Poor's (or if the Indenture expressly so specifies in respect of such action, the specified Rating Agency) has confirmed in writing to the Trustee that such action will not result in the withdrawal, reduction or other adverse action with respect to any then-current rating (including any private or confidential rating) by such Rating Agency of any Class of Secured Notes.

"**Recreational Vehicle Securities**" means Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from installment sale loans made to finance the acquisition of, or from leases of, recreational vehicles, generally having the following characteristics: (1) the loans or leases may have varying contractual maturities; (2) the loans or leases are obligations of numerous borrowers or lessees and accordingly represent a very diversified pool of obligor credit risk; (3) the borrowers or lessees under the loans or leases generally do not have a poor credit rating; (4) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; and (5) such leases typically provide for the right of the lessee to purchase the recreational vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"**Redemption Price**" means the price payable with respect to any Secured Note in connection with any Auction Call Redemption, Optional Redemption or Tax Redemption, equal to (i) the outstanding principal amount of such Secured Note (including any Deferred Interest, if applicable) being redeemed plus (ii) accrued interest thereon (including Defaulted Interest and accrued, unpaid and uncapitalized interest on Defaulted Interest, if any); *provided* that in the case of a Tax Redemption where an Affected Class of Secured Notes elects to receive less than 100% of the portion of the Total Senior Redemption Amount that would otherwise be payable to holders of such Affected Class, the Redemption Price as to such Affected Class (and the Total Senior Redemption Amount will be reduced accordingly) plus (iii) in the case of any reduction in the related Commitment in respect of any Class A-1A Note, an amount equal to accrued Commitment Fee on the amount of such reduction.

"**Reference Obligation**" means (a) any CDO Security, (b) any Other ABS or (c) a specified pool or index of financial assets, either static or revolving (the composition of which, as of the date of issuance of such CDO Security or Other ABS, cannot vary as a result of a decision by the Collateral Manager, the Synthetic Security Counterparty or the Synthetic Security Issuer, as applicable, or their respective affiliates), that by their terms convert into cash within a finite time period, in each case in respect of which the Issuer has entered into or acquired a Synthetic Security and which, if purchased by the Issuer, would satisfy paragraphs (7) through (9) of the Eligibility Criteria and which is a Specified Type.

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

"**Reimbursement Amount**" means, with respect to any Short Synthetic Security, any "Additional Fixed Amount" as defined in the Underlying Instrument relating to such Short Synthetic Security therein.

"**Repack Security**" means a security that represents, or is part of a class that represents, the sole material obligation of (or beneficial or equity interest in) a special purpose entity formed to hold, and

all of the assets of which are (a) Asset Backed Securities or (b) assets which satisfy the definition of "Synthetic Security" except that such assets are purchased or entered into by the issuer of the Repack Security and that would, in each case, if purchased by the Issuer, satisfy paragraphs (7) through (9) of the Eligibility Criteria.

"**Regulation S**" means Regulation S promulgated under the Securities Act.

"**Reinvestment Period**" means the period from (and including) the Closing Date to (but excluding) the earliest of (a) the Distribution Date occurring in January 2010, (b) the Distribution Date on which the Collateral Manager specifies that no further investments in substitute Collateral Debt Securities will occur and (c) the date of termination of such period pursuant to the Indenture by reason of an Event of Default.

"**Restaurant and Food Services Securities**" means Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from (a) a pool of franchise loans made to operators of franchises that provide goods and services relating to the restaurant and food services industries and (b) leases or subleases of equipment to such operators for use in the provision of such goods and services. They generally have the following characteristics: (1) the loans, leases or subleases have varying contractual maturities; (2) the loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the obligations of the lessors or sublessors of the equipment may be secured not only by the leased equipment but also the related real estate; (4) the loans, leases and subleases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment of the loans can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; (6) the repayment stream on the leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, a sublessee or third party of the underlying equipment; (7) such leases and subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of a lease term for excess usage or wear and tear; and (8) the ownership of a franchise right or other similar license and the creditworthiness of such franchise operators is the primary factor in any decision to invest in these securities.

"**Restricted Secured Notes**" means Notes offered and sold in the United States pursuant to an exemption from the registration requirements of the Securities Act.

"**Rule 144A**" means Rule 144A promulgated under the Securities Act.

"**Sale Proceeds**" means all proceeds received as a result of sales of Collateral Debt Securities pursuant to the Indenture or an Auction or otherwise which shall: (a) include, in the case of any Synthetic Security, any termination payments received by the Issuer with respect to such Synthetic Security as well as the proceeds of sale of any Deliverable Obligations delivered in respect thereof and any distribution or other amounts received by the Issuer in respect of property credited to a Synthetic Security Counterparty Account if the Synthetic Security or the Synthetic Security Counterparty's security interest therein is terminated or the Synthetic Security is sold or assigned; (b) be calculated net of any reasonable out-of-pocket expenses of the Issuer, the Collateral Manager or the Trustee in connection with any such sale; and (c) include sales of U.S. Agency Securities on or prior to the Ramp-Up Completion Date.

"**SEC**" means the United States Securities and Exchange Commission.

"**Secured Noteholder**" means the person in whose name a Secured Note is registered in a Note Register.

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Semi-Annual Interest Distributions**" means distributions of interest on any Semi-Annual Security.

"**Semi-Annual Security**" means any Collateral Debt Security in respect of which payments of interest are scheduled to be made on a semi-annual basis.

"**Senior Management Fee**" means the fee payable pursuant to the Collateral Management Agreement, in an amount equal to 0.25% per annum of the Asset Amount for such Distribution Date; *provided* that the Senior 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 Senior Management Fee that is deferred (whether as a result of the operation of the Priority of Payments as described herein or at the option of the Collateral Manager pursuant to the Indenture) shall be paid on the next succeeding Distribution Date to the extent funds are available for such purpose in accordance with the Priority of Payments and shall not accrue interest.

"**Sequential Pay Period**" means the period commencing on the earliest of (a) any Determination Date on which the Issuer does not satisfy any applicable Overcollateralization Test (b) the first Measurement Date on which the sum of (x) the aggregate Principal Balance of all Collateral Debt Securities held by the Issuer plus (y) the aggregate Principal Balance of all Eligible Investments held by the Issuer that were purchased with Principal Proceeds is less than 50% of the Net Outstanding Portfolio Collateral Balance on the Ramp-Up Completion Date, (c) the first Measurement Date on which the Class A Sequential Pay Test is not satisfied, (d) the first Determination Date which occurs on or after the date on which an Event of Default has occurred and is continuing and (e) the first date on which the rating of any outstanding Class of Secured Notes by Standard & Poor's has been reduced or withdrawn; *provided* that if a Sequential Pay Period has commenced solely as a result of one or more breaches of an Overcollateralization Test, such Sequential Pay Period shall cease on the first Measurement Date that all breaches of the Overcollateralization Tests have been cured in accordance with the Priority of Payments and the Moody's Maximum Rating Distribution Test is satisfied, and as provided in the Priority of Payments, Principal Proceeds shall commence to be paid *pro rata* on the immediately succeeding Distribution Date (or if the breach is cured on a Distribution Date, a Pro Rata Pay Period will commence on the same Distribution Date).

"**Servicer**" means, with respect to any Collateral Debt Security, the entity that, absent any default, event of default or similar condition (however described), is primarily responsible for managing, servicing, monitoring and otherwise administering the cash flows from which payments to investors in such Collateral Debt Security are made.

"**Shipping Loan Securities**" means Asset Backed Securities that entitle holders thereof to receive payments that depend on the cash flows from ship financing and shipping industry related loans.

"**Short LS Asset**" means, with respect to any Long Short Pair, the Collateral Debt Security included in such Long Short Pair which has a rating from a Rating Agency that is higher than or equal to the rating from such Rating Agency of Long LS Asset included in such Long Short Pair.

"**Short Synthetic Security**" means a Synthetic Security the Reference Obligation of which is a Short LS Asset and which satisfies the following: (a) such Synthetic Security is in the form of a credit default swap documented on a form substantially similar to one of the International Swap Dealers Association "pay as you go" master confirmations; (b) the Issuer is the buyer of credit protection under such Synthetic Security; (c) such Synthetic Security requires cash settlement; (d) such Synthetic Security provides that all payments made by the Issuer under such Synthetic Security are to be made on a Distribution Date; and (e) such Synthetic Security provides that no "additional fixed amount" (however defined in such Synthetic Security) shall be payable by the Issuer more than one year after the termination of such Synthetic Security.

"**Small Business Loan Securities**" means Asset Backed Securities (other than Franchise 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, 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 standardized terms; (2) the loans are obligations of a relatively limited number of borrowers and accordingly represent an undiversified pool of obligor credit risk; and (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium.

"**Special-Majority-in-Interest of Preference Shareholders**" means, at any time, Preference Shareholders holding more than 66-2/3% of all Preference Shares.

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

"**Specified Type**" means, with respect to any CDO Security or Other ABS, whether such CDO Security or Other ABS is: (1) an ABS CDO Security; (2) an Agency RMBS Security; (3) an Automobile Security; (4) a Car Rental Receivable Security; (5) a Chassis Leasing Security; (6) a CMBS Conduit Security; (7) a CMBS Credit Tenant Lease Security; (8) a CMBS Large Loan Security; (9) a CMBS Single Property Security; (10) a Container Leasing Security; (11) a Credit Card Security; (12) a Deep Discount Security; (13) an Equipment Leasing Security; (14) a Floorplan Receivable Security; (15) a Healthcare Security; (16) a Home Equity Loan Security; (17) a Mid-Prime RMBS; (18) a Monoline Security; (19) a Prime RMBS; (20) a Recreational Vehicle Security; (21) a Shipping Loan Security; (22) a Small Business Loan Security; (23) a Student Loan Security; (24) a Sub-Prime RMBS; (25) a Subprime Automobile Security; (26) a Time Share Security; or (27) a Trust Preferred CDO Security.

"**Standard & Poor's Rating**" means, with respect to any Collateral Debt Security, the Standard & Poor's Rating determined as follows:

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

(i) if Standard & Poor's has assigned a rating to such Collateral Debt Security either publicly or privately (in the case of a private rating, such private ratings only to be used for running the Excel Default Model Input File and not disclosed to any other person), the Standard & Poor's Rating shall be the rating assigned thereto by Standard & Poor's; provided that, solely for the purposes of determining compliance with the Standard & Poor's CDO Monitor Test in respect of any Collateral Debt Security that is on watch for a possible upgrade or downgrade by Standard & Poor's, the Standard & Poor's Rating of such Collateral Debt Security shall be one subcategory above or below, respectively, the Standard & Poor's rating otherwise assigned to such Collateral Debt Security;

(ii) if such Collateral Debt Security is not rated by Standard & Poor's but the Collateral Manager on behalf of the Issuer has requested that Standard & Poor's assign a credit estimate to such Collateral Debt Security, the Standard & Poor's Rating shall be the credit estimate so assigned by Standard & Poor's; *provided* that pending receipt from Standard & Poor's of such credit estimate, (x) if such Collateral Debt Security is of a type listed on Schedule C or is not eligible for notching in accordance with Schedule D, such Collateral Debt Security shall have a Standard & Poor's Rating that is (1) until the earlier of 45 days after the Issuer's acquisition of such Collateral Debt Security and the date of receipt from Standard & Poor's of a credit estimate with respect to such Collateral Debt Security, two subcategories below the

lower of the Moody's rating (if rated by Moody's) or the Fitch rating (if rated by Fitch) assigned by Moody's or Fitch, as applicable, to such Collateral Debt Security as long as the Collateral Manager reasonably believes that the credit estimate expected to be assigned by Standard & Poor's will be at least equal to the rating determined pursuant to this clause (x) or (2) if the preceding clause (1) does not apply, a Standard & Poor's Rating of "CCC-" and (y) if such Collateral Debt Security is not of a type listed on Schedule C and is eligible for notching in accordance with Schedule D, the Standard & Poor's Rating of such Collateral Debt Security shall be the rating assigned in accordance with Schedule D until such time as Standard & Poor's shall have assigned a rating thereto; *provided further* so long as any of the Secured Notes remain outstanding, prior to each one-year anniversary of the acquisition of any such Collateral Debt Security for which a credit estimate has been provided by Standard & Poor's, the Issuer shall submit to Standard & Poor's a request to perform a credit estimate on such Collateral Debt Security, together with all information reasonably requested by Standard & Poor's to perform such estimate;

(iii) if such Collateral Debt Security is a Collateral Debt Security that has not been assigned a rating by Standard & Poor's pursuant to clause (i) or (ii) above, and is not of a type listed on Schedule C, the Standard & Poor's Rating of such Collateral Debt Security shall be the rating determined in accordance with Schedule D; provided that (x) if any Collateral Debt Security shall, at any time, be on watch for a possible upgrade or downgrade by either Moody's or Fitch, the Moody's or Fitch rating used to assign the Standard & Poor's Rating of such Collateral Debt Security, in accordance with Schedule D, shall be, respectively, one subcategory above or below the current rating by Moody's or Fitch, as applicable, of such Collateral Debt Security; and (y) that the aggregate Principal Balance of all Collateral Debt Securities that are assigned a Standard & Poor's Rating pursuant to this clause (iii) may not exceed 20% of the aggregate Principal Balance of all Collateral Debt Securities;

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

(i) if Standard & Poor's has assigned a rating to such Synthetic Security either publicly or privately (in the case of a private rating, such private ratings only to be used for running the Excel Default Model Input File and not disclosed to any other person other than Trustee, the Collateral Manager, the Collateral Administrator or the Investment Monitor), the Standard & Poor's Rating shall be the rating assigned thereto by Standard & Poor's; provided that, solely for the purposes of determining compliance with the Standard & Poor's CDO Monitor Test, in respect of any Synthetic Security or the underlying Reference Obligation thereof that is on watch for a possible upgrade or downgrade by Standard & Poor's, the Standard & Poor's Rating of such Synthetic Security shall be one subcategory above or below, respectively, the Standard & Poor's rating otherwise assigned to such Collateral Debt Security; and

(ii) if such Synthetic Security is not rated by Standard & Poor's, the Issuer or the Collateral Manager or the Synthetic Security Counterparty, in connection with the acquisition thereof, shall, immediately upon acquisition thereof, request that Standard & Poor's assign a credit estimate to such Synthetic Security. Until such credit estimate is provided by Standard & Poor's, the Standard & Poor's Rating of such Synthetic Security shall be the Standard & Poor's Rating of such Synthetic Security's related Reference Obligation (or if such Synthetic Security has more than one Reference Obligation, the lowest Standard & Poor's Rating of all of such Reference Obligations); *provided* that if no credit rating is received by the Issuer or the Collateral Manager within 30 days of acquisition of such Synthetic Security (which 30 day period may be extended upon agreement of Standard & Poor's and the Issuer or the Collateral Manager), and if the Collateral Manager has not provided Standard & Poor's with any information available to the Collateral Manager with respect to such Synthetic Security as requested by Standard & Poor's within ten days of such request, the Standard & Poor's Rating of such Synthetic Security shall be the lower of (x) the Standard & Poor's Rating of such Synthetic Security's related Reference Obligation (or if such Synthetic Security has more than one Reference Obligation, the lowest Standard & Poor's Rating of all of such Reference Obligations) and (y) "B-". Following the assignment of a credit rating by Standard & Poor's, the Standard & Poor's Rating shall be the credit rating so assigned by Standard & Poor's.

"**Stated Maturity**" means, with respect to (a) any security (other than a Secured Note), the date specified in such security as the fixed date on which the final payment of principal of such security is due

and payable, (b) any repurchase obligation, the repurchase date thereunder on which the final repurchase obligation thereunder is due and payable and (c) any Secured Note, January 5, 2047.

"**Step-Down Bond**" means a security which by the terms of the related Underlying Instrument provides for a decrease, in the case of a Fixed Rate Security, in the per annum interest rate on such security or, in the case of a Floating Rate Security, in the spread over the applicable index or benchmark rate, solely as a function of the passage of time; *provided* that a Step-Down Bond shall not include any such security providing for payment of a constant rate of interest at all times after the date of acquisition by the Issuer. In calculating any Collateral Quality Test by reference to the spread (in the case of a floating rate Step-Down Bond) or coupon (in the case of a fixed rate Step-Down Bond) of a Step-Down Bond, the spread or coupon on any date shall be deemed to be the lowest spread or coupon, respectively, scheduled to apply to such Step-Down Bond on or after such date.

"**Step-Up Bond**" means a security which by the terms of the related Underlying Instrument provides for an increase, in the case of a Fixed Rate Security, in the per annum interest rate on such security or, in the case of a Floating Rate Security, in the spread over the applicable index or benchmark rate, solely as a function of the passage of time; *provided* that a Step-Up Bond shall not include any such security (a) providing for such increase only in the event that the issuer thereof fails to exercise a clean-up call or (b) providing for payment of a constant rate of interest at all times after the date of acquisition thereof by the Issuer. In calculating any Overcollateralization Test, the Class E Interest Diversion Test or any Collateral Quality Test by reference to the spread (in the case of a floating rate Step-Up Bond) or coupon (in the case of a fixed rate Step-Up Bond) of a Step-Up Bond, the spread or coupon on any date shall be deemed to be the spread or coupon stated to be payable in cash and in effect on such date.

"**Stock Exchange or Trading System**" means a stock exchange or other trading system on which securities are traded and that establishes rules and directives for (a) the issue size, (b) the minimum holding of securities by the public after the issuance with respect to the number of holders, the holding period and the value of such holding and (c) conditions for the termination of the trading in the securities, the "de-listing" of the securities from trading and the resumption of trading in the securities; *provided* that a security will not be deemed to trade on any Stock Exchange or Trading System if such security is part of a tranche of securities eligible for resale to "qualified institutional buyers" under Rule 144A under the Securities Act, notwithstanding the listing of a tranche that has identical economic features but is not eligible for trading within the United States or transfer to U.S. Persons on an exchange outside the United States (such as the Irish or Luxembourg stock exchange).

"**Structured Settlement Securities**" means Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from receivables representing the right of litigation claimants to receive future scheduled payments under settlement agreements that are funded by annuity contracts, which receivables may have varying maturities.

"**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.

"**Subordinate Management Fee**" means the fee payable to the Collateral Manager in arrears on each Distribution Date pursuant to the Collateral Management Agreement, in an amount equal to 0.20% per annum of the Asset Amount for such Distribution Date; *provided* that the Subordinate 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 accrued but unpaid Subordinate Management Fee will be deferred. Any unpaid Subordinate Management Fee that is deferred (whether as a result of the operation of the Priority of Payments as described herein or at the option of the Collateral Manager pursuant to the Indenture) shall be paid on the next succeeding Distribution Date to the extent funds are available for such purpose in accordance with the Priority of Payments and shall not accrue interest.

"**Subprime Automobile Securities**" means Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from subprime installment sale loans made to finance the acquisition of, or from leases of, automobiles, generally having the following characteristics: (1) the loans or leases may have varying contractual maturities; (2) the loans or leases are obligations of numerous borrowers or lessors and accordingly represent a very diversified pool of obligor credit risk; (3) the borrowers or lessors under the loans or leases have a poor credit rating; (4) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; and (5) such leases typically provide for the right of the lessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"**Sub-Prime RMBS**" means Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from residential mortgage loans secured (on a first or second 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 not been underwritten to the standards of the Federal National Mortgage Association or 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) the weighted average FICO® score of the residential mortgage loans is less than 625.

"**Synthetic CDO Security**" means a CDO Security with respect to which greater than 30% of the aggregate principal balance (or notional balance) of its underlying assets consist of one or more credit default swaps that reference a portfolio of reference obligations based upon a notional amount (or a "Floating Rate Payer Calculation Amount" as such term is defined in the underlying credit default swap) with respect to such portfolio; *provided*, that the characteristics of such portfolio of reference obligations including, without limitation, its portfolio characteristics, investment and reinvestment criteria, and credit profile (including, for example, the probability of default, recovery upon default and expected loss characteristics) shall be those normally associated with CDO Securities with current market practice; and (ii) the issuer secures its obligations under such credit default swap(s) by holding eligible investments the characteristics of which are substantially similar to (or more conservative than) the investments described in the definition of "Eligible Investments" including, type, quality and tenor of such investments.

"**Synthetic Security**" means a Credit Derivative Transaction or Credit Linked Security that has a probability of default, recovery upon default and expected loss characteristics closely correlated to a Reference Obligation (or expected loss characteristics corresponding to losses incurred above and/or below specified thresholds with respect to the Reference Obligation), but which may provide for a different maturity, interest rate or other non-credit characteristics than such Reference Obligation; *provided* that (a) such Synthetic Security shall not provide for any payment by the Issuer after the date on which it is pledged to the Trustee unless such security is a Defeased Synthetic Security or a Short Synthetic Security, (b) such Synthetic Security terminates upon the redemption or repayment in full of the Reference Obligation, (c)(i) either (x) such Synthetic Security has a Rating and the Rating Condition with

respect to Standard & Poor's has been satisfied (and the Issuer has notified Moody's of the satisfaction of such Rating Condition) or (y) such Synthetic Security is a Form Approved Synthetic Security, and (ii) the Trustee has been notified in writing of the Applicable Recovery Rate assigned by each Rating Agency and, in the case of Moody's, the Moody's Rating Factor assigned by Moody's, (d) no amount receivable by the Issuer from the Synthetic Security Counterparty will be subject to withholding tax, unless the Synthetic Security Counterparty is required to make additional payments so that the net amount received by the Issuer is the amount due to the Issuer before the imposition of any withholding tax, (e) the acquisition (including the manner of acquisition), holding, disposition and enforcement of such Synthetic Security will not subject the Issuer to taxation on a net income basis in any jurisdiction outside of its jurisdiction of incorporation or cause the Issuer to be treated as engaged in a trade or business within the United States for U.S. Federal income tax purposes, and (f) the agreement relating to such Synthetic Security contains "non-petition" and "limited recourse" provisions with respect to the Issuer.

For purposes of the Class A Sequential Pay Test, the Overcollateralization Tests and the Class E Interest Diversion Test, unless otherwise specified, a Synthetic Security (other than a Short Synthetic Security) shall be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation(s).

For purposes of the Collateral Quality Tests other than the Asset Correlation Test, for purposes of the Standard & Poor's CDO Monitor Test, and for determining the Moody's Rating of a Synthetic Security, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation(s) except that, for purposes of determining the industry classification with respect to any Synthetic Security (other than a Short Synthetic Security) for the Standard & Poor's CDO Monitor Test, a Synthetic Security (other than a Short Synthetic Security) will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation.

For purposes of the Asset Correlation Test, a Synthetic Security (other than a Short Synthetic Security) will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation (and the issuers thereof will be deemed to be the related Reference Obligor and not the Synthetic Security Issuer or the Synthetic Security Counterparty).

"**Synthetic Security Collateral**" means in respect of any Defeased Synthetic Security entered into by the Issuer, (a) any Eligible Investments and (b) any CDO Security or Other ABS pledged by the Issuer to or for the benefit of the related Synthetic Security Counterparty that, if included in the Collateral, would satisfy paragraphs (1) through (5) and (7) through (18) of the Eligibility Criteria and is rated at least "Aa3" by Moody's and at least "AA-" by Standard & Poor's.

"**Synthetic Security Counterparty**" means (a) in the case of a Credit Derivative Transaction, the entity that is obligated to make payments to the Issuer in respect thereof and (b) in the case of a Credit Linked Security with respect to which payments by the Synthetic Security Issuer depend on the receipt of payments from a counterparty pursuant to a credit derivative transaction, the entity that is obligated to make payments to the Synthetic Security Issuer in respect thereof, in either case which entity, on the date such Synthetic Security is acquired by the Issuer, is (or the guarantor of such entity's obligations under such transaction is) rated at least "AA" by Standard & Poor's or has a short-term issuer credit rating from Standard & Poor's of at least "A-1+" (or "A-1" with collateral arrangements from such Synthetic Security Counterparty that are acceptable to Standard & Poor's), has a long-term unsecured debt rating from Moody's of at least "Aa2" (and, if rated "Aa2", is not on watch for possible downgrade by Moody's) (or if such Synthetic Security is a Defeased Synthetic Security, has a long-term unsecured debt rating from Moody's of at least "Aa3" (and, if rated "Aa3", is not on watch for possible downgrade by Moody's)) and has a short-term unsecured debt rating from Moody's, if rated by Moody's, of at least "P-1" (and, if rated "P-1", is not on watch for possible downgrade by Moody's) or the selection of such entity satisfies the Rating Condition with respect to Standard & Poor's and Moody's.

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

(a) the issuer credit rating of the Synthetic Security Counterparty is rated "D" or "SD" by Standard & Poor's or is rated below "A2" by Moody's; *provided* that the foregoing shall not apply with respect to a Synthetic Security Counterparty rated below "A2" by Moody's in the case of a Defeased Synthetic Security so long as the Synthetic Security Counterparty shall periodically (and in no event less frequently than once each month) transfer collateral to the related Synthetic Security Issuer Account, together with all other collateral previously transferred, having a value at least equal to any termination payment that would be due to the Issuer upon the early termination of such Synthetic Security; or

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

"**Synthetic Security Issuer**" means the issuer of a Credit Linked Security.

"**Tax Event**" means an event that occurs if (a) any obligor (including any Synthetic Security Counterparty) is, or on the next scheduled payment date under any Collateral Debt Security any obligor (including any Synthetic Security Counterparty) will be, required to deduct or withhold from any payment under any Collateral Debt Security to the Issuer for or on account of any tax for whatever reason, and such obligor or Synthetic Security Counterparty is not, or will not be, required to 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) any jurisdiction imposes net income, profits or a similar tax on the Issuer or (c) the Issuer or any Hedge Counterparty is required to deduct or withhold from any payment under any Hedge Agreement for or on account of any tax and the Issuer is obligated, or any Hedge Counterparty is not obligated, to make additional payments so that the net amount received after satisfaction of such tax is the amount due before the imposition of any withholding tax.

"**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 that will be satisfied during any 12-month period if the sum of the following exceeds U.S.$4,000,000: (i) the aggregate amount deducted or withheld for or on account of any tax by all obligors (including any Synthetic Security Counterparty) from any payment under any Collateral Debt Security (net of any additional amounts paid by such obligor or Synthetic Security Counterparty to the Issuer) and (ii) the aggregate amount of any net income, profits or similar tax imposed on the Issuer and (iii) the aggregate amount of any amounts required to be paid by the Issuer and the deficiencies in the amounts received by the Issuer as a result of any deduction or withholding for or on account of any tax with respect to any payment by the Issuer, or any Hedge Counterparty under the relevant Hedge Agreement.

"**Time Share Securities**" means Asset Backed Securities (other than Prime RMBS, Mid-Prime RMBS, Sub-Prime RMBS 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 time share estates in units in a condominium, generally having the following characteristics: (1) the mortgage loans have standardized payment terms and require minimum monthly payments; (2) the mortgage loans are obligations of numerous borrowers and accordingly represent a diversified pool of obligor credit risk; (3) repayment of such securities can vary substantially from their contractual payment schedules and depends entirely upon the rate at which the mortgage loans are repaid; and (4) the repayment of such mortgage loans is

subject to a contractual payment schedule, with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium and with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling and generally no penalties for early repayment.

"**Tobacco Settlement Securities**" means Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from receivables representing the right of litigation claimants in legal actions related to tobacco products to receive future scheduled payments under settlement agreements that are funded by annuity contracts, which receivables may have varying maturities.

"**Total Hedging Premium Test Amount**" means, as of any date of determination, the sum of the Hedging Premium Test Amounts for all Short Synthetic Securities with respect to which a LS Spread is positive (including any Short Synthetic Securities which the Issuer has committed to enter into or otherwise acquire).

"**Total Senior Redemption Amount**" means, as of any Distribution Date, the aggregate amount required (a) to make all payments paragraphs (A) through (T) under "Priority of Payments—Interest Proceeds" and under paragraphs (A) through (N) under "Priority of Payments—Principal Proceeds" as of such date (including any termination payments payable by the Issuer pursuant to any Hedge Agreement, any termination payments payable by the Issuer pursuant to each Short Synthetic Security and any fees and expenses incurred by the Trustee in connection with the sale of Collateral Debt Securities), (b) to redeem all the Secured Notes on the scheduled Redemption Date at the applicable Redemption Prices, together with all accrued and unpaid interest to the date of redemption and (c) solely in the case of an Auction Call Redemption pursuant to the Indenture, to make a payment to the Preference Share Paying Agent for distribution to the Preference Shareholders in an amount equal to the Preference Share Redemption Date Amount (or such lesser amount as is agreed by all of the Preference Shareholders).

"**Trading Plan**" means any plan (a) to be completed within 30 days (measured from the earliest trade date to the latest trade date pursuant to such plan), (b) specifying certain (i) Collateral Debt Securities sold or to be sold in connection with such plan and the related amounts received or to be received as Principal Proceeds and (ii) additional Collateral Debt Securities acquired or intended to be acquired with such amounts as a result of such plan, and (c) for which the Collateral Manager believes in its reasonable business judgment such plan can be executed according to its terms; *provided*, that (i) the Collateral Manager may not commence a new Trading Plan prior to the completion of a Trading Plan in effect, (ii) the purchase and sale of Collateral Debt Securities pursuant to a Trading Plan must be in compliance with the Eligibility Criteria (or, in the case of the percentage limitations set forth in paragraphs (6), (11), (12) and (18) to (43) of the Eligibility Criteria, if not satisfied, are not made worse) and (iii) if a Trading Plan fails to comply with the foregoing clause (ii) of this proviso, the Collateral Manager must give notice of such failure to Standard & Poor's and thereafter the Collateral Manager may no longer use any Trading Plan unless the Rating Condition is satisfied with respect to Standard & Poor's.

"**Trust Preferred CDO Security**" means a CDO Security with respect to which the aggregate principal balance of all trust preferred securities included in the underlying assets of such CDO Security is equal to or greater than 50% of the aggregate principal balance of all of the underlying assets of such CDO Security.

"**Trustee**" means Investors Bank & Trust Company, a Massachusetts trust company, solely in its capacity as trustee under the Indenture, unless a successor person shall have become the Trustee pursuant to the applicable provisions of the Indenture, and thereafter "Trustee" shall mean such successor person.

"**USA PATRIOT Act**" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001.

"**Underlying Instruments**" means the indenture or other agreement pursuant to which a Collateral Debt Security (including a Synthetic Security), U.S. Agency Security, Eligible Investment or Equity Security has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Collateral Debt Security, Eligible Investment or Equity Security or of which holders of such Collateral Debt Security, Eligible Investment or Equity Security are the beneficiaries. The ISDA Master Agreement, confirmation and other documents for a Defeased Synthetic Security shall constitute Underlying Instruments.

"**Unfunded Commitment**" has the meaning specified in the Class A-1A Note Funding Agreement.

"**Uninvested Proceeds**" means, at any time, (a) the net proceeds received by the Issuer on the Closing Date from the initial issuance of the Secured Notes and the Preference Shares and the up-front payment under the Initial Hedge Agreement, if any, to the extent such proceeds have not been deposited in the Expense Account as described under "Security for the Secured Notes—Expense Account", the Interest Reserve Account as described under "Security for the Secured Notes—Interest Reserve Account" ,a Synthetic Security Counterparty Account as described under "Security for the Secured Notes—Synthetic Security Counterparty Account" or invested in Collateral Debt Securities in accordance with the Indenture and (b) the proceeds received by the Issuer after the Closing Date, from any Borrowing under the Class A-1A Notes to the extent such proceeds have not been invested in Collateral Debt Securities in accordance with the terms of the Indenture or deposited in a Synthetic Security Counterparty Account.

"**United States**" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

"**Unreimbursed Deferred Interest Amount**" means, for any date of determination, the sum of the amount of each Interest Shortfall (if any) on each Reference Obligation payment date plus interest (to the extent that the underlying documents provide for the payment of interest) in respect of such sum for each day prior to such date of determination at a rate equal to the Reference Obligation coupon in effect on such date, any interest being compounded on each Reference Obligation payment date, minus all reimbursements of each Interest Shortfall amounts and all interest paid thereon pursuant to its underlying document. For this purpose, any reimbursement of an Interest Shortfall amount shall be deemed to be applied first to the accrued interest on the sum of the Interest Shortfall amounts and then to reimburse the most recent Interest Shortfall amount.

"**U.S. Agency Securities**" means Registered obligations of (i) the U.S. Treasury, (ii) any Federal agency or instrumentality of the United States of America or (iii)(a) the Federal National Mortgage Association, (b) the Student Loan Marketing Association or (c) the Federal Home Loan Mortgage Corporation, in the case of each of (i), (ii) and (iii) with a Stated Maturity that does not exceed the Stated Maturity of the Secured Notes.

"**U.S.$**" means United States dollars.

"**U.S. Person**" has the meaning given in Regulation S.

"**UCC**" means the Uniform Commercial Code as in effect in the State of New York.

"**U.S. Treasury Benchmark**" means for any Collateral Debt Security, the interest rate on U.S. Treasury securities used as a benchmark for that Collateral Debt Security by two market makers, selected by the Collateral Manager, in that Collateral Debt Security.

"**Warehouse Agreement**" means the Warehouse Agreement dated as of October 31, 2005 between Merrill Lynch International and Fischer Francis Trees & Watts, Inc., as amended, modified or supplemented from time to time.

"**WAS Cash Excess/Shortfall**" means, as of any date of determination, the positive or negative amount, as the case may be, which is the product of (a) either (i) a number equal to the excess, if any, of the Adjusted Weighted Average Spread over 1.80%, (ii) if the Adjusted Weighted Average Spread is less than 1.80%, a negative number equal to such shortfall or (iii) if the Adjusted Weighted Average Spread is equal to 1.80%, zero, multiplied by (b) the Aggregate Principal Balance of all Collateral Debt Securities (other than Defaulted Securities and Written Down Securities and excluding all Long LS Assets)

"**WAS Synthetic Excess/Shortfall**" means, as of any date of determination, the positive or negative amount, as the case may be, which is the product of (a) either (i) a number equal to the excess, if any, of the Adjusted Weighted Average Short Spread over 1.80%, (ii) if the Adjusted Weighted Average Short Spread is less than 1.80%, a negative number equal to such shortfall or (iii) if the Adjusted Weighted Average Short Spread is equal to 1.80%, zero, multiplied by (b) the aggregate notional amount under all Short Synthetic Securities (excluding any Defaulted Securities and Written Down Securities).

"**Written Down Security**" means, as of any date of determination, any Collateral Debt Security as to which the aggregate par amount of such Collateral Debt Security and all other securities secured by the same pool of collateral that rank *pari passu* with or senior in priority of payment to such Collateral Debt Security exceeds the aggregate par amount (including reserved interest or other amounts available for overcollateralization) of all collateral securing such securities (excluding defaulted collateral), as determined by the Collateral Manager based on information available to the Collateral Manager from the servicer reports and trustee reports relating to such Written Down Security.

INDEX OF CERTAIN DEFINED TERMS

Following is an index of certain defined terms used in this Offering Circular and the page number where each such definition appears. Defined terms not appearing in this index are defined in the Glossary of Certain Defined Terms.

SCHEDULE A

Part I
Moody's Recovery Rate Matrix

(see definition of "Applicable Recovery Rate")

A. ABS Type Diversified Securities**

Percentage of Total Capitalization	Moody's Rating[1]					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	70%	60%	50%	40%
Less than or equal to 70%, but greater than 10%	75%	70%	60%	50%	40%	30%
Less than or equal to 10%	70%	65%	55%	45%	35%	25%

B. ABS Type Residential Securities**

Percentage of Total Capitalization	Moody's Rating[1]					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	65%	55%	45%	30%
Less than or equal to 70%, but greater than 10%	75%	70%	55%	45%	35%	25%
Less than or equal to 10%, but greater than 5%	65%	55%	45%	40%	30%	20%
Less than or equal to 5%, but greater than 2%	55%	45%	40%	35%	25%	15%
Less than or equal to 2%	45%	35%	30%	25%	15%	10%

[1] The rating assigned by Moody's on the closing date for such Collateral Debt Security

C. ABS Type Undiversified Securities**

Percentage of Total Capitalization	Moody's Rating[1]					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	65%	55%	45%	30%
Less than or equal to 70%, but greater than 10%	75%	70%	55%	45%	35%	25%
Less than or equal to 10%, but greater than 5%	65%	55%	45%	35%	25%	15%
Less than or equal to 5%, but greater than 2%	55%	45%	35%	30%	20%	10%
Less than or equal to 2%	45%	35%	25%	20%	10%	5%

D. Low-Diversity CDO Securities**

Percentage of Total Capitalization	Moody's Rating[1]					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	80%	75%	60%	50%	45%	30%
Less than or equal to 70%, but greater than 10%	70%	60%	55%	45%	35%	25%
Less than or equal to 10%, but greater than 5%	60%	50%	45%	35%	25%	15%
Less than or equal to 5%, but greater than 2%	50%	40%	35%	30%	20%	10%
Less than or equal to 2%	30%	25%	20%	15%	7%	6%

[1] The rating assigned by Moody's on the closing date for such Collateral Debt Security

E. High-Diversity CDO Securities**

Percentage of Total Capitalization	Moody's Rating[1]					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	65%	55%	45%	30%
Less than or equal to 70%, but greater than 10%	75%	70%	60%	50%	40%	25%
Less than or equal to 10%, but greater than 5%	65%	55%	50%	40%	30%	20%
Less than or equal to 5%, but greater than 2%	55%	45%	40%	35%	25%	10%
Less than or equal to 2%	45%	35%	30%	25%	10%	5%

****If the Collateral Debt Security is a Guaranteed Corporate Debt Security, the recovery rate will be 30%.**

[1] The rating assigned by Moody's on the closing date for such Collateral Debt Security

Part II

Standard & Poor's Recovery Rate Matrix

A. If the Collateral Debt Security (other than a Synthetic Security, REIT Debt Security or a Guaranteed Corporate Debt Security) is the senior-most tranche of securities issued by the issuer of such Collateral Debt Security the recovery rate is as follows*:

Standard & Poor's Original Rating of Collateral Debt Security	Recovery Rate by Rating of Secured Notes						
	AAA	AA	A	BBB	BB	B	CCC
"AAA"	80.0%	85.0%	90.0%	90.0%	90.0%	90.0%	90.0%
"AA-", "AA" or "AA+"	70.0%	75.0%	85.0%	90.0%	90.0%	90.0%	90.0%
"A-", "A" or "A+"	60.0%	65.0%	75.0%	85.0%	90.0%	90.0%	90.0%
"BBB-", "BBB" or "BBB+"	50.0%	55.0%	65.0%	75.0%	85.0%	85.0%	85.0%

B. If the Collateral Debt Security (other than a Synthetic Security, REIT Debt Security or a Guaranteed Corporate Debt Security) is not the senior-most tranche of securities issued by the issuer of such Collateral Debt Security the recovery rate is as follows*:

Standard & Poor's Original Rating of Collateral Debt Security	Recovery Rate by Ratings of Secured Notes						
	AAA	AA	A	BBB	BB	B	CCC
"AAA"	65.0%	70.0%	80.0%	85.0%	85.0%	85.0%	85.0%
"AA-", "AA" or "AA+"	55.0%	65.0%	75.0%	80.0%	80.0%	80.0%	80.0%
"A-", "A" or "A+"	40.0%	45.0%	55.0%	65.0%	80.0%	80.0%	80.0%
"BBB-", "BBB" or "BBB+"	30.0%	35.0%	40.0%	45.0%	50.0%	60.0%	70.0%
"BB-", "BB" or "BB+"	10.0%	10.0%	10.0%	25.0%	35.0%	40.0%	50.0%
"B-", "B" or "B+"	2.5%	5.0%	5.0%	10.0%	10.0%	20.0%	25.0%
"CCC+" and below	0.0%	0.0%	0.0%	0.0%	2.5%	5.0%	5.0%

C. If the Collateral Debt Security is a Commercial Mortgage Backed Security, the recovery rate will be as specified below:

Standard & Poor's Original Rating of Collateral Debt Security	Recovery Rate by Ratings of Notes						
	AAA	AA	A	BBB	BB	B	CCC
"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+" and below	5%	5%	5%	5%	5%	5%	5%
NR	0%	0%	0%	0%	0%	0%	0%

D. **If the Collateral Debt Security (other than a REIT Debt Security or a Guaranteed Corporate Debt Security) is a Synthetic Security, the recovery rate will be assigned by Standard & Poor's upon the acquisition of such Security by the Issuer.**

E. **If the Collateral Debt Security (other than a Guaranteed Corporate Debt Security) is a REIT Debt Security, the recovery rate will be 40%.**

***If the Collateral Debt Security is a Guaranteed Corporate Debt Security, the recovery rate will be, if such Guaranteed Corporate Debt Security is secured and not by its terms subordinate in right of payments, 21.5%.**

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
   - Healthcare Securities
   - Student Loan Securities

2. Commercial ABS
   - Cargo Securities
   - Equipment Leasing Securities
   - Aircraft Leasing Securities
   - Small Business Loan Securities
   - Restaurant and Food Services Securities
   - Tobacco Litigation Securities

3. Non-RE-REMIC RMBS
   - Manufactured Housing Loan Securities

4. Non-RE-REMIC CMBS
   - CMBS – Conduit
   - CMBS – Credit Tenant Lease
   - CMBS – Large Loan
   - CMBS – Single Borrower
   - CMBS – Single Property

5. CBO/CLO Cashflow Securities
   - Cash Flow CBO – at least 80% High Yield Corporate
   - Cash Flow CBO – at least 80% Investment Grade Corporate
   - Cash Flow CLO – at least 80% High Yield Corporate
   - Cash Flow CLO – at least 80% Investment Grade Corporate

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 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 the definition of "Standard & Poor's Rating" in the Offering Circular. This Schedule may be modified from time to time by Standard & Poor's upon notice to the Collateral Manager and the Trustee. The Collateral Manager may make inquiry or seek clarification from Standard & Poor's from time to time in determining whether any particular Asset Backed Security would be ineligible for notching based on this Schedule.

1. Non-U.S. Structured Finance Securities
2. Guaranteed Securities
3. CDOs of Structured Finance and Real Estate Securities
4. CBOs of CDOs
5. CLOs of Distressed Debt
6. Mutual Fund Fee Securities
7. Catastrophe Bonds
8. First Loss Tranches of any Securitization
9. Synthetics
10. Synthetic CBOs
11. Re-REMICs
12. Market value CDOs
13. Net Interest Margin Securities (NIMs)
14. Any asset class not listed on Schedule D

SCHEDULE D

STANDARD & POOR'S NOTCHING OF ASSET-BACKED SECURITIES

The Standard & Poor's Rating of an Collateral Debt Security that is not of a type specified on Schedule C and that has not been assigned a rating by Standard & Poor's may be determined as set forth below.

A. If such Collateral Debt Security is rated by Moody's and Fitch, the Standard & Poor's Rating of such Collateral Debt Security shall be the Standard & Poor's equivalent of the rating that is the number of subcategories specified in Table A below the lowest of the ratings assigned by Moody's and Fitch.

B. If the Collateral Debt Security is rated by Moody's or Fitch, the Standard & Poor's Rating of such Collateral Debt Security shall be the Standard & Poor's equivalent of the rating that is one subcategory below the rating that is the number of subcategories specified in Table A below the rating assigned by Moody's or Fitch.

This Schedule may be modified from time to time by Standard & Poor's upon notice to the Collateral Manager and the Trustee.

TABLE A

	Asset Backed Securities issued prior to August 1, 2001		**Asset Backed Securities issued on or after August 1, 2001**	
	(Lowest) current rating is:		(Lowest) current rating is:	
	"BBB-" or its equivalent or higher	Below "BBB-" or its equivalent	"BBB-" or its equivalent or higher	Below "BBB-" or its equivalent
1. Consumer ABS Automobile Loan Receivable Securities Automobile Lease Receivable Securities Car Rental Receivables Securities Credit Card Securities Healthcare Securities Student Loan Securities	-1	-2	-2	-3
2. Commercial ABS Cargo Securities Equipment Leasing Securities Aircraft Leasing Securities Small Business Loan Securities Restaurant and Food Services Securities Tobacco Litigation Securities	-1	-2	-2	-3

3. Non-Re-REMIC RMBS Manufactured Housing Loan Securities	-1	-2	-2	-3
4. Non-Re-REMIC CMBS CMBS – Conduit CMBS - Credit Tenant Lease CMBS – Large Loan CMBS – Single Borrower CMBS – Single Property	-1	-2	-2	-3
5. CBO/CLO cashflow Securities cash Flow CBO – at least 80% High Yield Corporate cash Flow CBO – at least 80% Investment Grade Corporate cash Flow CLO – at least 80% High Yield Corporate cash Flow CLO – at least 80% Investment Grade Corporate	-1	-2	-2	-3
6. REITs REIT – Multifamily & Mobile Home Park REIT – Retail REIT – Hospitality REIT – Office REIT – Industrial REIT – Healthcare REIT – Warehouse REIT – Self Storage REIT – Mixed Use	-1	-2	-2	-3
7. Specialty Structured Stadium Financings Project Finance Future flows	-3	-4	-3	-4
8. Residential Mortgages Prime RMBS Mid-Prime RMBS Sub-Prime RMBS Home equity loans	-1	-2	-2	-3
9. Real Estate Operating Companies	-1	-2	-2	-3

As of December 10, 2001

SCHEDULE E

MOODY'S NOTCHING CONVENTIONS FOR MULTISECTOR CDOS

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 an Standard & Poor's rating of "BBB" implies a Moody's rating of "Baa3".

ASSET CLASS	AAA to AA-	A+ to BBB-	Below BBB-
Asset Backed			
Agricultural and Industrial Equipment loans	1	2	3
Aircraft and Auto leases	2	3	4
Arena and Stadium Financing	1	2	3
Auto loan	1	2	3
Boat, Motorcycle, RV, Truck	1	2	3
Computer, Equipment and Small-ticket item leases	1	2	3
Consumer Loans	1	3	4
Credit Card	1	2	3
Cross-border transactions	1	2	3
Entertainment Royalties	1	2	3
Floorplan	1	3	3
Franchise Loans	1	2	4
Future Receivables	1	1	2
Health Care Receivables	1	2	3
Manufactured Housing	1	2	3
Mutual Fund Fees	1	2	4
Small Business Loans	1	2	3
Stranded Utilities	1	2	3
Structured Settlements	1	2	3
Student Loan	1	2	3

Tax Liens	1	2	3
Trade Receivables	2	3	4

Residential Mortgage Related (note that rating category groups differ here from above)			
	AAA	**AA+ to BBB-**	**Below BBB-**
Jumbo A	1	2	3
Alt-A or mixed pools	1	3	4
HEL (including Residential B&C)	1	2	3

The following notching conventions are with respect to Fitch:

Residential Mortgage Related			
Jumbo A	1	2	4
Alt-A or mixed pools	1	3	5
HEL (including Residential B&C)	No notching	No notching	No notching

For dual-rated Jumbo A or Alt-A transactions, take the lower of the two ratings on the security, apply the appropriate single-rated notching guidelines from above, then go up by 1/2 notch.

The following CMBS notching conventions are with respect to Standard & Poor's and Fitch:

ASSET CLASS	Tranche Rated by Fitch **and** Standard & Poor's; no tranche in deal rated by Moody's	Tranche Rated by Fitch **and/or** Standard & Poor's; at least one other tranche in deal rated by Moody's
Commercial Mortgage Backed Securities		
Conduit[#]	2 notches from lower of Fitch/Standard & Poor's	1.5* notches from lower of Fitch/Standard & Poor's
Credit Tenant Lease	Follow corporate notching practice	Follow corporate notching practice
Large Loan	No Notching Permitted	

[#]For this purpose, conduits are defined as fixed rate, sequential pay, multi-borrower transactions having a Herfindahl score of 40 or higher at the loan level with all collateral (conduit loans, A notes, large loans, CTLs and any other real estate collateral) factored in.

*A 1.5 notch haircut implies, for example, that if Standard & Poor's/Fitch rating were "BBB", then the Moody's rating factor would be halfway between the "Baa3" and "Ba1" rating factors.

CDOs—No notching permitted. (Moody's must in all cases assign a rating or a rating estimate to the CDO tranche to be included in a resecuritization transaction.)

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SUPPLEMENT TO OFFERING CIRCULAR

U.S.$75,000,000 Class A-1A First Priority Senior Secured Floating Rate Delayed Draw Notes Due 2047
U.S.$225,000,000 Class A-1B Second Priority Senior Secured Floating Rate Notes Due 2047
U.S.$50,000,000 Class A-2 Third Priority Senior Secured Floating Rate Notes Due 2047
U.S.$25,000,000 Class A-3 Fourth Priority Senior Secured Floating Rate Notes Due 2047
U.S.$70,000,000 Class B Fifth Priority Senior Secured Floating Rate Notes Due 2047
U.S.$13,250,000 Class C Sixth Priority Mezzanine Secured Deferrable Floating Rate Notes Due 2047
U.S.$24,000,000 Class D Seventh Priority Mezzanine Secured Deferrable Floating Rate Notes Due 2047
U.S.$8,500,000 Class E Eighth Priority Mezzanine Secured Deferrable Floating Rate Notes Due 2047
U.S.$20,000,000 Class P Principal Protected Notes Due 2047
15,420 Preference Shares (having an Aggregate Liquidation Preference of U.S.$15,420,000)

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

Commodore CDO V, Ltd.
Commodore CDO V, Inc.

This Supplement dated September 25, 2006 (this "Supplement") amends and supplements the Offering Circular dated September 22, 2006 (the "Offering Circular") relating to the Offered Securities described above. All capitalized terms used but not defined herein have the respective meanings set forth in the Offering Circular.

The Offering Circular is hereby amended and supplemented as indicated below.

Risk Factors

The first sentence under "—Risk Factors Relating to the Terms of the Offered Securities—Optional Redemption" is deleted in its entirety and replaced with the following:

> Subject to satisfaction of certain conditions, a Majority-in-Interest of Preference Shareholders may require that the Secured Notes be redeemed in whole and not in part as described under "Description of the Secured Notes—Optional Redemption and Tax Redemption", *provided* that no such optional redemption may occur prior to the Distribution Date occurring in January 2010.

Description of the Secured Notes

The first paragraph under "—Optional Redemption and Tax Redemption" is deleted in its entirety and replaced with the following:

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

Clause (W) under "—Priority of Payments—Interest Proceeds" is deleted in its entirety and replaced with the following:

> (W) if such Distribution Date occurs on or after the Distribution Date in January 2015, to the payment of principal of *first*, the Class E Notes, *second*, the Class D Notes, *third*, the Class C Notes, *fourth*, the Class B Notes, *fifth*, the Class A-3 Notes, *sixth*, the Class A-2 Notes and *seventh*, the Class A-1 Notes (in accordance with the Class A-1 Note Payment Sequence); and

Clause (C)(1) under "—Priority of Payments—Principal Proceeds" is deleted in its entirety and replaced with the following:

(1) if such Distribution Date occurs on or before the last day of the Reinvestment Period, to the payment of the amounts referred to in paragraphs (J), (L), (M), (O), (P) and (R) 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; and

Clause (G) under "—Priority of Payments—Principal Proceeds" is deleted in its entirety and replaced with the following:

(G) if such Distribution Date occurs after the last day of the Reinvestment Period, to the payment of the amounts referred to in paragraphs (M) and (O) under "Priority of Payments—Interest Proceeds" in the same order of priority specified therein, but only to the extent not paid in full thereunder;

The Co-Issuers

The second sentence of the seventh paragraph under "—General" is deleted in its entirety and replaced with the following:

In addition, the Issuer will retain Vastardis Fund Services LLC (the "Investment Monitor") to review the reports produced by the Collateral Administrator and to calculate, using information and/or representations provided by the Collateral Administrator, the Collateral Manager and certain third party information sources, the Issuer's compliance with the Eligibility Criteria and the trading restrictions set forth under "Security for the Secured Notes", and also to calculate, upon the request of the Collateral Manager, whether securities which the Collateral Manager is considering buying or selling fit the Eligibility Criteria and such trading restrictions and to assist the Collateral Manager in monitoring this transaction as reasonably requested by the Collateral Manager.

Security for the Secured Notes

Paragraph (26) under "—Eligibility Criteria" is amended by adding the following at the end thereof:

(E) the expected life of such security is less than or equal to the expected life of the Long LS Asset included in the Long Short Pair (in each case as determined by the Collateral Manager);

The first sentence appearing under "—The Collateral Quality Tests—Weighted Average Life Test" is deleted in its entirety and replaced with the following:

The "Weighted Average Life Test" will be satisfied on any Measurement Date on or after the Ramp-Up Completion Date if the Weighted Average Life of all Pledged Collateral Debt Securities as of such Measurement Date is less than or equal to (i) on any Measurement Date occurring on or after the Ramp-Up Completion Date to and including the Distribution Date in January 2010, six years and (ii) on any Measurement Date thereafter, three years.

Clause (i) under the first paragraph of "—Acquisition and Disposition of Collateral Debt Securities" is deleted in its entirety and replaced with the following:

(i) may sell (or in the case of any Synthetic Security, exercise its right, if any, to terminate or assign) any Credit Improved Security, Deferred Interest PIK Bond or Defaulted Security (other than a Defaulted Synthetic Security) at any time; provided that, (A) during the Reinvestment Period, a Credit Improved Security may be sold only if, in the Collateral

Manager's judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), the resulting Sale Proceeds (other than accrued interest included therein) can be reinvested, no later than the earlier of (x) 180 days after such sale and (y) the last day of the Reinvestment Period, in one or more substitute Collateral Debt Securities in compliance with the Eligibility Criteria and the Collateral Manager uses such Sale Proceeds to make such reinvestments; provided that Collateral Debt Securities purchased with Sale Proceeds from Credit Improved Securities shall have an aggregate Principal Balance equal to or greater than the Principal Balance of the Credit Improved Security being sold, (B) during the Reinvestment Period, following the sale of a Deferred Interest PIK Bond or Defaulted Security (other than a Defaulted Synthetic Security), the Collateral Manager uses the Sale Proceeds from such Deferred Interest PIK Bond or Defaulted Security and certain other Principal Proceeds to purchase, no later than the earlier of (x) 180 days after such sale and (y) the last day of the Reinvestment Period (and the Collateral Manager will use commercially reasonable efforts to cause the Issuer to enter into a binding commitment with respect to the reinvestment of such Sale Proceeds within 180 days of the sale of such Deferred Interest PIK Bond or Defaulted Security), substitute Collateral Debt Securities in compliance with the Eligibility Criteria (other than the requirement of paragraph (42) thereof relating to the Standard & Poor's CDO Monitor Test); and (C) so long as any Class A Notes or Class B Notes remain outstanding, Sale Proceeds (net of any accrued interest included therein) with respect to any Defaulted Security sold on a date on which the Class A/B Overcollateralization Test is not satisfied ("Limited Defaulted Proceeds"), shall be deposited into the Principal Collection Account and distributed as Principal Proceeds on the Distribution Date related to the immediately following Determination Date in accordance with the Priority of Payments;

The second sentence appearing under "—The Accounts—Short Reimbursement Account" is deleted in its entirety and replaced with the following:

The only permitted withdrawals from the Short Reimbursement Account shall be as follows: (i) on any date when the Issuer is obligated under a Short Synthetic Security to pay a Reimbursement Amount to the related Synthetic Security Counterparty, the Trustee shall, as directed by the Collateral Manager, withdraw an amount equal to such Reimbursement Amount from the Short Reimbursement Account and pay such amount to such Synthetic Security Counterparty and (ii) upon the expiration of the applicable period set forth in a Short Synthetic Security during which the Issuer may be obligated to pay a Reimbursement Amount with respect to a Credit Protection Payment received by the Issuer thereunder, the Trustee shall, at the direction of the Collateral Manager, transfer an amount equal to the aggregate amount of all Credit Protection Payments (net of any Reimbursement Amounts) received by the Issuer thereunder to the Payment Account to be applied as Principal Proceeds on the next succeeding Distribution Date.

Form, Denomination, Registration and Transfer

The second to last sentence appearing under "—General—Minimum Denomination or Number" is deleted in its entirety and replaced with the following:

Preference Shares will be issuable in minimum lots of 250 Preference Shares and increments of one Preference Share in excess thereof (or such lesser amount as permitted by the Initial Purchaser on the Closing Date).

Glossary of Certain Defined Terms

The definition of "Applicable Recovery Rate" is deleted in its entirety and replaced with the following:

"**Applicable Recovery Rate**" means, with respect to any Collateral Debt Security on any Measurement Date, the lowest of (a) an amount equal to the percentage for such Collateral Debt Security set forth in the Moody's recovery rate matrix set forth in Part I of Schedule A hereto in (x) the table corresponding to the relevant Specified Type of CDO Security or Other ABS, (y) the column in such table setting forth the Moody's Rating of such Collateral Debt Security as of the date of issuance of such Collateral Debt Security and (z) the row in such table opposite the percentage of the Issue of which such Collateral Debt Security is a part relative to the total capitalization of (including both debt and equity securities issued by) the relevant issuer of or obligor on such Collateral Debt Security, determined on the original issue date of such Collateral Debt Security provided that (i) if such Collateral Debt Security is a Synthetic Security (other than a Synthetic Security included in a Long Short Pair), the recovery rate will be as assigned by Moody's and (ii) with respect to any Collateral Debt Security included in a Long Short Pair, the Applicable Recovery Rate for purposes of this clause (a) will be assigned to the Long Short Pair and will be the LS Adjusted Recovery Rate with respect to such Long Short Pair and, other than for purposes of calculating such LS Adjusted Recovery Rate, the Applicable Recovery Rate for such LS Asset comprising such Long Short Pair will not be separately determined and (b) an amount equal to the percentage for such Collateral Debt Security (provided that for all subsequent purchases of identical Collateral Debt Securities, the Applicable Recovery Rate for such Collateral Debt Security shall remain the same) set forth in the Standard & Poor's recovery rate matrix set forth in Part II of Schedule A hereto in (x) the applicable table and (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 then current rating of each Class of Secured Notes outstanding provided that if the Collateral Debt Security is a Synthetic Security, the recovery rate will be as assigned by Standard & Poor's.

The definition of "Deemed Fixed Rate Security" is deleted in its entirety and replaced with the following:

"**Deemed Fixed Rate Security**" means a Floating Rate Security the interest rate of which is hedged into a Fixed Rate Security pursuant to the terms of a Deemed Fixed Rate Hedge Agreement; provided that at the time of entry into a Deemed Fixed Rate Hedge Agreement (x) the average life of such Deemed Fixed Rate Security would not increase or decrease by more than one year from its expected average life if it were to prepay at either 50% or 200% of the average rate of prepayment during the period of six consecutive months immediately preceding the current month (or in the case of a newly issued security, its pricing speed) and (y) such Deemed Fixed Rate Security is rated at least "Baa3" by Moody's (and, if rated "Baa3" by Moody's, such rating is not on watch for possible downgrade) or at least "BBB-" by Standard & Poor's.

The definition of "Deemed Floating Rate Security" is deleted in its entirety and replaced with the following:

"**Deemed Floating Rate Security**" means a Fixed Rate Security the fixed interest rate of which is hedged into a Floating Rate Security pursuant to the terms of a Deemed Floating Rate Hedge Agreement; provided that, at the time of entry into a Deemed Floating Rate Hedge Agreement, (x) the average life of such Deemed Floating Rate Security would not increase or decrease by more than one year from its expected average life if it were to prepay at either 50% or 200% of the average rate of prepayment during the period of six consecutive months immediately preceding the current month (or in the case of a newly issued security, its pricing speed) and (y) such Deemed Floating Rate Security is rated at least "Baa3" by Moody's (and, if rated "Baa3" by Moody's, such rating is not on watch for possible downgrade) or at least "BBB-" by Standard & Poor's.

Clause (6) of the definition of "Defaulted Security" is deleted in its entirety and replaced with the following:

(6) that has been downgraded to "CC", "D" or "SD" by Standard & Poor's (or has had its rating withdrawn and not reinstated due to adverse collateral performance with respect to

such Collateral Debt Security as determined by the Collateral Manager in its reasonable business judgment);

The definition of "Form Approved Security" is deleted in its entirety and replaced with the following:

"**Form Approved Synthetic Security**" means one or more Synthetic Securities, the form of the documents in respect of which (a) has satisfied the Rating Condition with respect to Moody's and Standard & Poor's or (b) has conformed to the form of the documents in respect of any Synthetic Security approved by the Rating Agencies and entered into or purchased by the Issuer on the Closing Date; provided that (i) any such Synthetic Security will cease to be a Form Approved Synthetic Security if Standard & Poor's or Moody's notifies the Trustee and Collateral Manager of a change to such Rating Agency's published methodology and requests an amendment or modification to such Form Approved Synthetic Security and Standard & Poor's, Moody's, the Trustee and the Collateral Manager have not agreed to an amendment or modification of the Form Approved Synthetic Security to reflect such change within 45 days of such notice; (ii) the Reference Obligation of each such Form Approved Synthetic Security shall be a Specified Type and (iii) with respect to the foregoing clause (b), the Rating and Applicable Recovery Rate of such Synthetic Security shall be determined by reference to the related Reference Obligation.

The definition of "Hedging Available Spread Amount" is deleted in its entirety and replaced with the following:

"**Hedging Available Spread Amount**" means, as of any date of determination, (a) the sum of the WAS Synthetic Excess/Shortfall as of such date of determination plus the WAS Cash Excess/Shortfall as of such date of determination, multiplied by (b) the product of the Weighted Average Life of all Collateral Debt Securities that are Floating Rate Securities or Deemed Floating Rate Securities and the HAS Scenario Default Rate Factor.

The definition of "Hedging Premium Test Amount" is deleted in its entirety and replaced with the following:

"**Hedging Premium Test Amount**" means, as of any date of determination, the product of the following with respect to any Short Synthetic Security: (a) the LS Spread, expressed as a percentage (which may be negative), with respect to such Short Synthetic Security multiplied by (b) the Principal Balance of the Long LS Asset included in the related Long Short Pair multiplied by (c) the Average Life of the Long LS Asset included in the related Long Short Pair.

The definition of "LS Coupon" is deleted in its entirety and replaced with the following:

"**LS Coupon**" means, with respect to any Long Short Pair the Long LS Asset of which is a Fixed Rate Security, as of any Measurement Date (which LS Coupon may be a negative number), (i) the Current Interest Rate at which interest accrues on the Long LS Asset included in such Long Short Pair as of such Measurement Date minus (ii) the product of (A) the fixed amounts of premium (expressed as a percentage) payable by the Issuer under the Short Synthetic Security entered into in respect of the Short LS Asset included in such Long Short Pair as of such Measurement Date and (B) the LS Hedge Ratio with respect to such Long Short Pair.

The definition of "Total Hedging Premium Test Amount" is deleted in its entirety and replaced with the following:

"Total Hedging Premium Test Amount" means, as of any date of determination, the sum of the Hedging Premium Test Amounts for all Short Synthetic Securities (including any Short Synthetic Securities which the Issuer has committed to enter into or otherwise acquire). If the aggregate of the foregoing sum is zero or a positive number, the Total Hedging Premium Test Amount shall be

deemed to be zero, and if the aggregate of the foregoing sum is a negative number, the Total Hedging Premium Test Amount shall be the absolute value of such negative number.

This Supplement should be read together with the Offering Circular. The changes set forth above supercede all statements which are inconsistent therewith in the Offering Circular, which Offering Circular otherwise remains unchanged.

Merrill Lynch & Co.
Sole manager

The date of this Supplement is September 25, 2006.