IMPORTANT NOTICE

Attached is an electronic copy of the Confidential Offering Circular (the "Offering Circular"), dated October 30, 2006, relating to the offering by Hudson High Grade Funding 2006-1, Ltd. (the "Issuer") and Hudson High Grade Funding 2006-1, Corp. (the "Co-Issuer" and, together with the Issuer, the "Issuers") of the Notes described therein.

No registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities are being offered pursuant to an exemption from the registration requirements of the United States Securities Act of 1933, as amended. This Offering Circular is confidential and will not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of these securities in any jurisdiction where such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any jurisdiction.

No purchase of these securities may be made except pursuant to the Offering Circular. This Offering Circular may be transmitted electronically, but each investor in the securities should receive a printed version thereof prior to purchase. If you do not receive a printed version of this Offering Circular, please contact your Initial Purchaser representative at the address provided herein.

Distribution of this electronic transmission of the Offering Circular to any person other than (a) the person receiving this electronic transmission from the Initial Purchaser on behalf of the Issuer and/or the Co-Issuer and (b) any person retained to advise the person receiving this electronic transmission with respect to the offering contemplated by the Offering Circular (each, an "Authorized Recipient") is unauthorized. Any photocopying, disclosure or alteration of the contents of the Offering Circular, and any forwarding of a copy of the Offering Circular or any portion thereof by electronic mail or any other means to any person other than an Authorized Recipient, is prohibited. By accepting delivery of this Offering Circular, each recipient hereof agrees to the foregoing.

CONFIDENTIAL

HUDSON HIGH GRADE FUNDING 2006-1, LTD.
HUDSON HIGH GRADE FUNDING 2006-1, CORP.

U.S.$11,650,000 Class S Floating Rate Notes Due 2011
U.S.$1,275,000,000 Class A-1 Floating Rate Notes Due 2042
U.S.$123,750,000 Class A-2 Floating Rate Notes Due 2042
U.S.$60,750,000 Class B Floating Rate Notes Due 2042
U.S.$20,250,000 Class C Deferrable Floating Rate Notes Due 2042
U.S.$12,750,000 Class D Deferrable Floating Rate Notes Due 2042
U.S.$7,500,000 Income Notes Due 2042

Secured (with respect to the Secured Notes) Primarily by a Portfolio of Residential Mortgage-Backed Securities, CDO Securities and Synthetic Securities

The Secured Notes (as defined herein) and the Income Notes (as defined herein) (collectively, the "Offered Notes") are being offered hereby by Goldman, Sachs & Co. in the United States to qualified institutional buyers (as defined in Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act")), in reliance on Rule 144A under the Securities Act, and, solely in the case of the Income Notes, to accredited investors (as defined in Rule 501(a) under the Securities Act) who have a net worth of not less than U.S.$10 million in transactions exempt from registration under the Securities Act. The Offered Notes are being offered hereby in the United States only to persons that are also "qualified purchasers" for purposes of Section 3(c)(7) under the United States Investment Company Act of 1940, as amended (the "Investment Company Act"). In addition, the Offered Notes are being offered hereby by Goldman, Sachs & Co., selling through its agents, outside the United States to non U.S. Persons in offshore transactions in reliance on Regulation S ("Regulation S") under the Securities Act. See "Underwriting."

See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Notes.

It is a condition of the issuance of the Notes that the Class S Notes, the Class A-1 Notes and the Class A-2 Notes be issued with a rating of "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. ("S&P" and, together with Moody's, the "Rating Agencies"), that the Class B Notes be issued with a rating of at least "Aa2 by Moody's and at least "AA" by S&P, that the Class C Notes be issued with a rating of at least "A2 by Moody's and at least "A" by S&P, that the Class D Notes be issued with a rating of at least "Baa2 by Moody's and at least "BBB" by S&P and that the Income Notes be issued with a rating of at least "Ba2 by Moody's (which rating addresses the ultimate payment of the Income Note Rated Amount only). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. See "Ratings of the Notes."

Application may be made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that any such application will be made or that any such listing will be obtained. No application will be made to list the Notes to any other exchange.

See "Underwriting" for a discussion of the terms and conditions of the purchase of the Offered Notes by the Initial Purchaser.

THE ASSETS OF THE ISSUER (AS DEFINED HEREIN) ARE THE SOLE SOURCE OF PAYMENTS IN RESPECT OF THE NOTES. THE NOTES DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF, AND ARE NOT INSURED OR GUARANTEED BY, THE HOLDERS OF THE NOTES, THE LIQUIDATION AGENT (AS DEFINED HEREIN), THE HEDGE COUNTERPARTY (AS DEFINED HEREIN), THE INITIAL PURCHASER (AS DEFINED HEREIN)), THE ADMINISTRATOR (AS DEFINED HEREIN), THE AGENTS (AS DEFINED HEREIN), THE TRUSTEE, THE SHARE TRUSTEE (AS DEFINED HEREIN) OR ANY OF THEIR RESPECTIVE AFFILIATES.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, AND NEITHER OF THE ISSUERS (AS DEFINED HEREIN) WILL BE REGISTERED UNDER THE INVESTMENT COMPANY ACT. THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS SUCH TERMS ARE DEFINED UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE OFFERED NOTES ARE BEING OFFERED HEREBY ONLY TO (A) (1) QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND, SOLELY IN THE CASE OF THE INCOME NOTES, ACCREDITED INVESTORS (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) THAT HAVE A NET WORTH OF NOT LESS THAN U.S.$10 MILLION AND, WHO ARE (2) QUALIFIED PURCHASERS FOR PURPOSES OF SECTION 3(c)(7) UNDER THE INVESTMENT COMPANY ACT AND (B) CERTAIN NON-U.S. PERSONS OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT. PURCHASERS AND SUBSEQUENT TRANSFEREES OF INCOME NOTES (OTHER THAN THE REGULATIONS S INCOME NOTES) WILL BE REQUIRED TO EXECUTE AND DELIVER A LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS, AND PURCHASERS AND SUBSEQUENT TRANSFEREES OF CLASS S NOTES, CLASS A NOTES, CLASS B NOTES, CLASS C NOTES, CLASS D NOTES AND REGULATION S INCOME NOTES WILL BE DEEMED TO HAVE MADE SUCH REPRESENTATIONS AND AGREEMENTS, AS SET FORTH UNDER "NOTICE TO INVESTORS." THE NOTES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED UNDER "NOTICE TO INVESTORS."

The Offered Notes are being offered by Goldman, Sachs & Co. (in the case of the Notes offered outside the United States, selling through its selling agent) (the "Initial Purchaser"), subject to the Initial Purchaser's right to reject any order in whole or in part, in one or more negotiated transactions or otherwise at varying prices to be determined at the time of sale *plus* accrued interest, if any, from the Closing Date (as defined herein). It is expected that the Class S Notes, Class A Notes, Class B Notes, Class C Notes, Class D Notes and the Regulation S Income Notes will be ready for delivery in book entry form only in New York, New York, on or about November 1, 2006 (the "Closing Date"), through the facilities of DTC and in the case of the Notes sold outside the United States, for the accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream"), against payment therefor in immediately available funds. It is expected that the Income Notes (other than the Regulation S Income Notes) will be ready for delivery in definitive form in New York, New York on the Closing Date, against payment therefor in immediately available funds. The Notes sold in reliance on Rule 144A and, solely in the case of the Income Notes, to Accredited Investors, will be issued in minimum denominations of U.S.$250,000 and integral multiples of U.S.$1 in excess thereof. The Notes sold in reliance on Regulation S will be issued in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1 in excess thereof.

Goldman, Sachs & Co.

Offering Circular dated October 30, 2006.

Hudson High Grade Funding 2006-1, Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the "Issuer"), and Hudson High Grade Funding 2006-1, Corp., a Delaware corporation (the "Co-Issuer" and, together with the Issuer, the "Issuers"), will issue U.S.$11,650,000 principal amount of Class S Floating Rate Notes Due 2011 (the "Class S Notes"), U.S.$1,275,000,000 principal amount of Class A-1 Floating Rate Notes Due 2042 (the "Class A-1 Notes"), U.S.$123,750,000 principal amount of Class A-2 Floating Rate Notes Due 2042 (the "Class A-2 Notes" and, together with the Class A-1 Notes, the "Class A Notes"), U.S.$60,750,000 principal amount of Class B Floating Rate Notes Due 2042 (the "Class B Notes"), U.S.$20,250,000 principal amount of Class C Deferrable Floating Rate Notes Due 2042 (the "Class C Notes"), U.S.$12,750,000 principal amount of Class D Deferrable Floating Rate Notes Due 2042 (the "Class D Notes" and, together with the Class S Notes, Class A Notes, the Class B Notes and the Class C Notes, the "Secured Notes") pursuant to an Indenture (the "Indenture") dated on or about November 1, 2006, among the Issuers and The Bank of New York Trust Company, National Association, as trustee and securities intermediary (in such capacity, the "Trustee" and the "Securities Intermediary," respectively).

In addition, the Issuer will issue U.S.$7,500,000 principal amount of Income Notes Due 2042 (the "Income Notes" and, together with the Secured Notes, the "Notes") pursuant to a Fiscal Agency Agreement dated on or about November 1, 2006 (the "Fiscal Agency Agreement") between the Issuer and The Bank of New York Trust Company, National Association, as fiscal agent (in such capacity, the "Fiscal Agent").

The net proceeds received from the offering of the Notes will be applied by the Issuer to purchase a portfolio of Residential Mortgage-Backed Securities, CDO Securities and Synthetic Securities as described herein, and certain Eligible Investments (as defined herein). Certain summary information about the Collateral Assets (as defined herein) (other than those Collateral Assets which have not yet been issued) is set forth in Appendix B to this Offering Circular. In addition, certain of the offering documents, term sheets, reports and remittance reports relating to the Collateral Assets are included on the CD-ROM attached to this Offering Circular. On the Closing Date, the Issuer will enter into one or more Hedge Agreements (as defined herein). The Collateral Assets, the Eligible Investments and certain other assets of the Issuer will be pledged under the Indenture to the Trustee, for the benefit of the Secured Parties (as defined herein), as security for, among other obligations, the Issuers' obligations under the Secured Notes (but not the Income Notes) and to certain service providers.

Interest will be payable on the Class S Notes, Class A Notes and the Class B Notes in arrears on the 2nd day of each calendar month, or if any such date is not a Business Day (as defined herein), the immediately following Business Day (each date, a "Payment Date") commencing February 2, 2007 and interest will be payable on the Class C Notes and the Class D Notes in arrears on the 2nd day of each March, June, September and December of each year, or if any such date is not a Business Day, the immediately following Business Day (each such date, a "Quarterly Payment Date") commencing on March 2, 2007. The Class S Notes will bear interest at a per annum rate equal to LIBOR (as defined herein) *plus* 0.15% for each Interest Accrual Period (as defined herein). The Class A-1 Notes will bear interest at a per annum rate equal to LIBOR *plus* 0.23% for each Interest Accrual Period. The Class A-2 Notes will bear interest at a per annum rate equal to LIBOR *plus* 0.45% for each Interest Accrual Period. The Class B Notes will bear interest at a per annum rate equal to LIBOR *plus* 0.54% for each Interest Accrual Period. The Class C Notes will bear interest at a per annum rate equal to LIBOR *plus* 1.30% for each Interest Accrual Period. The Class D Notes will bear interest at a per annum rate equal to LIBOR *plus* 3.25% for each Interest Accrual Period. Payments will be made on the Income Notes on Quarterly Payment Dates to the extent amounts are available therefore, as described herein.

All payments on the Notes will be made from Proceeds available in accordance with the Priority of Payments. On each Payment Date, except as otherwise provided in the Priority of Payments, payments on the Class S Notes will be senior to payments on the Class A Notes and Class B Notes; and payments on the Class A Notes will be senior to payments on the Class B Notes. On each Quarterly Payment Date, except as otherwise provided in the Priority of Payments, payments on the Class S Notes will be senior to payments on the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes; payments on the Class A Notes will be senior to payments on the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes; payments on the Class B Notes will be senior to payments on the Class C Notes, the Class D Notes and the Income Notes; payments on the Class C Notes will be senior to payments on the Class D Notes and the Income Notes; and payments on the Class D Notes will be senior to payments on the Income Notes, in each case in accordance with the Priority of Payments as described herein. Certain of the Secured Notes (other than the Class S Notes) are subject to mandatory

redemption, if a Coverage Test is not satisfied on any date of determination which may result in variations to the seniorities of distributions described above and as more fully described in the Priority of Payments.

The Notes are subject to redemption, in whole and not in part, (i) at any time as a result of a Tax Redemption (as defined herein), (ii) on an Auction Payment Date (as defined herein) as a result of a successful Auction (as defined herein) on or after the March 2015 Payment Date or (iii) as a result of an Optional Redemption (as defined herein) on or after the March 2010 Payment Date. The stated maturity of the Notes (other than the Class S Notes) is the Payment Date in March 2042. The actual final distribution on the Notes (other than the Class S Notes) is expected to occur substantially earlier. The stated maturity of the Class S Notes is the Payment Date in December 2011. See "Risk Factors—Notes—Average Lives, Duration and Prepayment Considerations."

Notes (other than the Income Notes) sold in reliance on Rule 144A under the Securities Act ("Rule 144A") will be evidenced by one or more global notes (the "Rule 144A Global Notes") in fully registered form without coupons, deposited with a custodian for, and registered in the name of, a nominee of The Depository Trust Company ("DTC"). Beneficial interests in the Rule 144A Global Notes will trade in DTC's Same Day Funds Settlement System, and secondary market trading activity in such interests will therefore settle in immediately available funds. Except as described herein, beneficial interests in the Rule 144A Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants. The Income Notes sold in reliance on Rule 144A under the Securities Act and to Accredited Investors who have a net worth of not less than U.S.$10 million, will be evidenced by one or more Definitive Notes in fully registered form.

The Notes that are being offered hereby in reliance on the exemption from registration under Regulation S (collectively, the "Regulation S Notes"; and in the case of the Income Notes, the "Regulation S Income Notes") have not been and will not be registered under the Securities Act and neither of the Issuers will be registered under the Investment Company Act. The Regulation S Notes may not be offered or sold within the United States or to U.S. Persons (as defined in Regulation S) unless the purchaser certifies or is deemed to have certified that it is a qualified institutional buyer as defined in Rule 144A (a "Qualified Institutional Buyer") and a "qualified purchaser" for the purposes of Section 3(c)(7) of the Investment Company Act (a "Qualified Purchaser"), and takes delivery in the form of an interest in a Rule 144A Global Note or a definitive Income Note, in an amount equal to at least U.S.$250,000. See "Description of the Notes" and "Underwriting."

This Offering Circular (the "Offering Circular") is confidential and is being furnished by the Issuers in connection with an offering exempt from registration under the Securities Act, solely for the purpose of enabling a prospective investor to consider the purchase of the Offered Notes described herein. The information contained in this Offering Circular has been provided by the Issuers and other sources identified herein. Except in respect of the information contained under the heading "The Liquidation Agency Agreement—The Liquidation Agent," for which the Liquidation Agent accepts sole responsibility, to the extent described in such section, no representation or warranty, express or implied, is made by the Initial Purchaser, the Liquidation Agent, the Hedge Counterparty (or any guarantor thereof), the Trustee, the Note Agents, the Fiscal Agent, or the Income Note Transfer Agent (the Note Agents, the Fiscal Agent and the Income Note Transfer Agent, together, the "Agents") as to the accuracy or completeness of such information, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Initial Purchaser, the Trustee, the Liquidation Agent, the Hedge Counterparty (or any guarantor thereof), or the Agents. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offered Notes is prohibited. Each offeree of the Offered Notes, by accepting delivery of this Offering Circular, agrees to the foregoing.

THE NOTES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The distribution of this Offering Circular and the offering and sale of the Offered Notes in certain jurisdictions may be restricted by law. The Issuers and the Initial Purchaser require persons into whose possession this Offering Circular comes to inform themselves about and to observe any such restrictions. For a further description of certain

restrictions on offering and sales of the Offered Notes, see "Underwriting." This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Offered Notes in any jurisdiction in which such offer or invitation would be unlawful.

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 ANNOTATED ("RSA 421-B") 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 OF NEW HAMPSHIRE 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 invitation may be made to the public in the Cayman Islands to subscribe for the Notes.

NOTICE TO RESIDENTS OF THE REPUBLIC OF IRELAND

THIS OFFERING CIRCULAR IS NOT A PROSPECTUS AND DOES NOT CONSTITUTE AN INVITATION TO THE PUBLIC TO PURCHASE OR SUBSCRIBE FOR ANY SECURITIES AND NEITHER IT NOR ANY FORM OF APPLICATION WILL BE ISSUED, CIRCULATED OR DISTRIBUTED TO THE PUBLIC.

THIS OFFERING CIRCULAR AND THE INFORMATION CONTAINED HEREIN IS CONFIDENTIAL AND IS FOR THE USE SOLELY OF THE PERSON TO WHOM IT IS ADDRESSED. ACCORDINGLY, IT MAY NOT BE REPRODUCED IN WHOLE OR IN PART, NOR MAY ITS CONTENTS BE DISTRIBUTED IN WRITING OR ORALLY TO ANY THIRD PARTY AND IT MAY BE READ SOLELY BY THE PERSON TO WHOM IT IS ADDRESSED AND HIS/HER PROFESSIONAL ADVISERS.

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

The Issuers (and, with respect to the information contained in this Offering Circular under the heading "The Liquidation Agency Agreement—The Liquidation Agent", the Liquidation Agent to the extent described in such section), having made all reasonable inquiries, confirm that the information contained in this Offering Circular is true and correct in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make any such information or the expression of any such opinions or intentions misleading. The Issuers (and, with respect to the information in this Offering Circular under the heading "The Liquidation Agency Agreement—The Liquidation Agent", the Liquidation Agent, to the extent described in such section) take responsibility accordingly.

No person has been authorized to give any information or to make any representation other than those contained in this Offering Circular, and, if given or made, such information or representation must not be relied upon as having been authorized. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates, or an offer to sell or the solicitation of an offer

to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Offering Circular nor any sale hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date of this Offering Circular.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, A PROSPECTIVE INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE, OR OTHER AGENT OF A PROSPECTIVE INVESTOR) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTIONS DESCRIBED IN THIS OFFERING CIRCULAR AND ALL MATERIALS OF ANY KIND THAT ARE PROVIDED TO THE PROSPECTIVE INVESTOR RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE (AS SUCH TERMS ARE DEFINED IN TREASURY REGULATION SECTION 1.6011-4). THIS AUTHORIZATION OF TAX DISCLOSURE IS RETROACTIVELY EFFECTIVE TO THE COMMENCEMENT OF DISCUSSIONS WITH PROSPECTIVE INVESTORS REGARDING THE TRANSACTIONS CONTEMPLATED HEREIN.

PROSPECTIVE INVESTORS SHOULD READ THIS OFFERING CIRCULAR CAREFULLY BEFORE DECIDING WHETHER TO INVEST IN THE SECURITIES AND SHOULD PAY PARTICULAR ATTENTION TO THE INFORMATION SET FORTH UNDER THE HEADING "RISK FACTORS." INVESTMENT IN THE SECURITIES IS SPECULATIVE AND INVOLVES SIGNIFICANT RISK. INVESTORS SHOULD UNDERSTAND SUCH RISKS AND HAVE THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THEM FOR AN EXTENDED PERIOD OF TIME.

NOTICE TO INVESTORS

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

Each purchaser who has purchased Class S Notes, Class A Notes, Class B Notes, Class C Notes, Class D Notes and Regulation S Income Notes, will be deemed to have represented and agreed, and each purchaser of Income Notes (other than the Regulation S Income Notes) will be required to represent and agree, in each case with respect to such Notes, as follows (terms used herein that are defined in Rule 144A or Regulation S are used herein as defined therein):

1. (a) In the case of Secured Notes sold in reliance on Rule 144A (the "Rule 144A Notes"), the purchaser of such Rule 144A Notes (i) is a qualified institutional buyer (as defined in Rule 144A) (a "Qualified Institutional Buyer"), (ii) is aware that the sale of Secured Notes to it is being made in reliance on Rule 144A, (iii) is acquiring the Rule 144A Notes for its own account or for the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion, and in a principal amount of not less than U.S.$250,000 and (iv) will provide notice of the transfer restrictions described in this "Notice to Investors" to any subsequent transferees.

(b) In the case of the Income Notes (other than the Regulation S Income Notes), the purchaser of such Income Notes (i) is a Qualified Institutional Buyer, (ii) is aware that the sale of the Income Notes to it is being made in reliance on Rule 144A, (iii) is acquiring the Income Notes for its own account or for the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion, and, unless otherwise permitted by the Fiscal Agency Agreement, is purchasing a principal amount of not less than $250,000 for the purchaser and for each such account and (iv) will provide notice of the transfer restrictions described in this "Notice to Investors" to any subsequent transferees; or, if the purchaser is not a Qualified Institutional Buyer, such purchaser (w) is a person who is an "accredited investor" (as defined in Rule 501(a) under the Securities Act) (an "Accredited Investor") who has a net worth of not less than U.S.$10 million that is purchasing the Income Notes for its own account, (x) is not acquiring the Income Notes with a view to any resale or distribution thereof, other than in accordance with the restrictions set forth below, (y) is purchasing a principal amount of not less than $250,000 (unless otherwise permitted by the Fiscal Agency Agreement) and (z) will provide notice of the transfer restrictions described in this "Notice to Investors" to any subsequent transferees.

2. The purchaser understands that the Notes have not been and will not be registered or qualified under the Securities Act or any applicable state securities laws or the securities laws of any other jurisdiction, are being offered only in a transaction not involving any public offering, and may be reoffered, resold or pledged or otherwise transferred only (A)(i) to a person whom the purchaser reasonably believes is a Qualified Institutional Buyer and is purchasing for its own account or for the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion in a transaction meeting the requirements of Rule 144A, (ii) to a non-U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (iii) solely in the case of the Income Notes, to an Accredited Investor who has a net worth of not less than U.S.$10 million, and, in each case, who shall have satisfied, and in the case of Income Notes (other than the Regulation S Income Notes) shall have represented, warranted, covenanted and agreed, or, in all other cases, shall be deemed to have satisfied, and shall be deemed to have represented, warranted, covenanted and agreed that it will continue to comply with, all requirements for transfer of the Notes specified in this Offering Circular, in the case of the Secured Notes, the Indenture, and, in the case of the Income Notes, the Fiscal Agency Agreement, and all other requirements for it to qualify for an exemption from registration under the Securities Act and (B) in accordance with all applicable securities laws of the states of the United States. Before any interest in a Rule 144A Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, the transferor will be required to provide the Note Transfer Agent with a written certification (in the form provided in the Indenture) as to compliance with the transfer restrictions described herein. Before any interest in an Income Note (other than a Regulation S Income Note) may be offered, sold, pledged or otherwise transferred, the transferee will be required to provide the Issuer and the Income Notes Transfer Agent, with a letter substantially in the form attached to this Offering Circular as Annex A-1 (the "Income Note Purchase and Transfer Letter"). The purchaser understands and agrees that any purported transfer of Notes to a purchaser that does not comply with the requirements of this paragraph (2) will, in the case of the Class S Notes, Class A Notes, Class B Notes, Class C Notes, Class D Notes and Regulation S Income Notes, be null and void *ab initio*, and, in the case of the Income

Notes (other than the Regulation S Income Notes), not be permitted or registered by the Income Notes Transfer Agent. The purchaser further understands that the Issuers have the right to compel any beneficial owner of Notes that is a U.S. Person and is not a Qualified Institutional Buyer or, in the case of the Income Notes, not an Accredited Investor, to sell its interest in such Notes, or the Issuers may sell such Notes on behalf of such owner.

3. The purchaser of such Notes also understands that neither of the Issuers has been registered under the Investment Company Act. In the case of the Rule 144A Notes and the Income Notes (other than the Regulation S Income Notes) described in paragraph (1) above, the purchaser and each account for which the purchaser is acquiring such Notes is a qualified purchaser for the purposes of Section 3(c)(7) of the Investment Company Act (a "Qualified Purchaser"). The purchaser is acquiring Notes in a principal amount, in the case of Rule 144A Notes and, in the case of Income Notes sold to Accredited Investors, of not less than U.S.$250,000, or, in the case of Notes sold in reliance on Regulation S ("Regulation S Notes"), of not less than U.S.$100,000, in each case for the purchaser and for each such account. The purchaser (or if the purchaser is acquiring Notes for any account, each such account) is acquiring the Notes as principal for its own account for investment and not for sale in connection with any distribution thereof. The purchaser and each such account: (a) was not formed for the specific purpose of investing in the Notes (except when each beneficial owner of the purchaser and each such account is a Qualified Purchaser), (b) to the extent the purchaser is a private investment company formed before April 30, 1996, the purchaser has received the necessary consent from its beneficial owners, (c) is not a pension, profit sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made and (d) is not a broker dealer that owns and invests on a discretionary basis less than U.S.$25,000,000 in securities of unaffiliated issuers. Further, the purchaser agrees with respect to itself and each such account: (i) that it shall not hold such Notes for the benefit of any other person and shall be the sole beneficial owner thereof for all purposes and (ii) that it shall not sell participation interests in the Notes or enter into any other arrangement pursuant to which any other person shall be entitled to a beneficial interest in the distributions on the Notes. The purchaser understands and agrees that any purported transfer of Notes to a purchaser that does not comply with the requirements of this paragraph (3) will, in the case of the Class S Notes, Class A Notes, Class B Notes, Class C Notes, Class D Notes and Regulation S Income Notes, be null and void *ab initio*, and, in the case of the Income Notes (other than the Regulation S Income Notes), not be permitted or registered by the Income Notes Transfer Agent. The purchaser further understands that the Issuers have the right to compel any beneficial owner of Notes that is a U.S. Person and is not a Qualified Purchaser to sell its interest in such Notes, or the Issuers may sell such Notes on behalf of such owner.

4. (a) With respect to the Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes, each purchaser will be deemed, by its purchase, to have represented and warranted that either (i) the purchaser is not and will not be an "employee benefit plan" as defined in and subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), a plan as defined in and subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code"), any entity whose underlying assets include "plan assets" by reason of an employee benefit plan's or other plan's investment in the entity, or another employee benefit plan subject to any federal, state, local or foreign law that is substantially similar to the provisions of Section 406 of ERISA, or Section 4975 of the Code ("Similar Law") or (ii) the purchaser's purchase and holding of a Note does not and will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such another plan, any Similar Law) for which an exemption is not available. The purchaser understands and agrees that any purported transfer of a Note to a purchaser that does not comply with the requirements of this paragraph (4)(a) shall be null and void *ab initio*.

(b) With respect to the Income Notes (other than the Regulation S Income Notes) purchased or transferred on or after the Closing Date, the purchaser or transferee must disclose in writing in advance to the Income Notes Transfer Agent, (i) whether or not it is (A) an "employee benefit plan" as defined in and subject to Title I of ERISA, (B) a "plan" as described in and subject to Section 4975 of the Code, or (C) an entity whose underlying assets include "plan assets" within the meaning of ERISA by reason of an employee benefit or other plan's investment in the entity (all such persons and entities described in clauses (A) through (C) being referred to herein as "Benefit Plan Investors"); (ii) if the purchaser is a Benefit Plan Investor (or other employee benefit plan subject to Similar Law), then (x) the purchase and holding of Income Notes will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of another employee benefit plan subject to Similar Law, any Similar Law) for which an exemption is not available or (y) solely in the case of Benefit Plan Investors, the purchase and holding of Income Notes is exempt under an identified Prohibited

Transaction Class Exemption or individual exemption, based on the assumption that less than 25% of the outstanding Income Notes are owned by Benefit Plan Investors; and (iii) whether or not it is the Issuer or any other person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of the Issuer, a person who provides investment advice for a fee (direct or indirect) with respect to the assets of the Issuer, or any "affiliate" (within the meaning of 29 C.F.R. Section 2510.3-101(f)(3)) of any such person (a "Controlling Person"). If a purchaser is an insurance company acting on behalf of its general account or another entity deemed to be holding plan assets, it may be required to so indicate, and to identify a maximum percentage of the assets in such general account or entity that may be or become plan assets, in which case the purchaser will be required to make certain further agreements that would apply in the event that such maximum percentage would thereafter be exceeded. The purchaser agrees that, before any interest in an Income Note (other than a Regulation S Income Note) may be offered, sold, pledged or otherwise transferred, the transferee will be required to provide the Income Notes Transfer Agent with an Income Notes Purchase and Transfer Letter stating, among other things, whether the transferee is a Benefit Plan Investor. The purchaser acknowledges and agrees that no purchase or transfer will be permitted, and the Income Notes Transfer Agent will not register any such transfer, to the extent that the purchase or transfer would result in Benefit Plan Investors owning 25% or more of the total value of the outstanding Income Notes immediately after such purchase or transfer (determined in accordance with the Fiscal Agency Agreement). The foregoing procedures are intended to enable Income Notes (other than the Regulation S Income Notes) to be purchased by or transferred to Benefit Plan Investors at any time, although no assurance can be given that there will not be circumstances in which purchases or transfers of Income Notes will be required to be restricted in order to comply with the aforementioned 25% limitation. See "ERISA Considerations."

(c) With respect to the Regulation S Income Notes, each purchaser will be deemed, by its purchase, to have represented and warranted that it is not a Benefit Plan Investor or a Controlling Person. Each purchaser also will be deemed, by its purchase, to have represented and warranted that if it is an employee benefit plan subject to Similar Law, then its purchase and holding of Income Notes do not and will not constitute or result in a violation of any Similar Law for which an exemption is not available. The purchaser understands and agrees that any purported transfer of a Note to a purchaser that does not comply with the requirements of this paragraph 4(c) shall be null and void *ab initio*.

5. The purchaser is not purchasing the Notes with a view toward the resale, distribution or other disposition thereof in violation of the Securities Act. The purchaser understands that an investment in the Notes involves certain risks, including the risk of loss of its entire investment in the Notes under certain circumstances. The purchaser has had access to such financial and other information concerning the Issuers and the Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Notes, including an opportunity to ask questions of, and request information from, the Issuer.

6. In connection with the purchase of the Notes: (i) none of the Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee, the Agents, the Hedge Counterparty (or any guarantor thereof), the Administrator or the Share Trustee (as defined herein) is acting as a fiduciary or financial or investment adviser for the purchaser; (ii) the purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee, the Agents, the Hedge Counterparty (or any guarantor thereof), the Administrator or the Share Trustee other than in this Offering Circular for such Notes and any representations expressly set forth in a written agreement with such party; (iii) none of the Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee, the Agents, the Hedge Counterparty (or any guarantor thereof), the Administrator or the Share Trustee has given to the purchaser (directly or indirectly through any other person) any assurance, guarantee or representation whatsoever as to the expected or projected success, profitability, return, performance, results, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Notes; (iv) the purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture and Fiscal Agency Agreement) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee, the Agents, the Hedge Counterparty (or any guarantor thereof), the Administrator or the Share Trustee; (v) the purchaser has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of the Notes with a full understanding of all of the risks thereof (economic and

otherwise), and is capable of assuming and willing to assume (financially and otherwise) those risks; and (vi) the purchaser is a sophisticated investor.

7. Pursuant to the terms of the Indenture, unless otherwise determined by the Issuers in accordance with the Indenture, the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will bear a legend to the following effect:

> THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUERS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUERS THAT THE NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT IS NOT A BROKER DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25 MILLION IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE INITIAL PURCHASER AND 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, IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT OR (2) TO A NON U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND, IN THE CASE OF CLAUSE (1), IN A PRINCIPAL AMOUNT OF NOT LESS THAN $250,000 OR IN THE CASE OF CLAUSE (2), IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000, FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH IT IS ACTING, TO A PURCHASER THAT, OTHER THAN IN THE CASE OF CLAUSE (2), (V) IS A QUALIFIED PURCHASER FOR PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN $25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. EACH HOLDER HEREOF SHALL BE DEEMED TO MAKE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN THE INDENTURE (AS DEFINED HEREIN). ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUERS, THE NOTE TRANSFER AGENT OR ANY INTERMEDIARY. EACH TRANSFEROR OF THIS NOTE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUERS HAVE THE RIGHT, UNDER THE INDENTURE (AS DEFINED HEREIN), TO COMPEL ANY BENEFICIAL OWNER OF AN INTEREST IN A RULE 144A GLOBAL NOTE (AS DEFINED IN THE INDENTURE) THAT IS A U.S. PERSON AND IS NOT BOTH A QUALIFIED PURCHASER AND A QUALIFIED INSTITUTIONAL BUYER TO SELL ITS INTEREST IN THE NOTES, OR MAY SELL SUCH INTERESTS ON BEHALF OF SUCH OWNER.

THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS NOTE HAS BEEN ISSUED, AGREES FOR THE BENEFIT OF THE ISSUERS THAT EITHER (I) THE HOLDER IS NOT AND WILL NOT BE AN EMPLOYEE BENEFIT PLAN AS DEFINED IN AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), A PLAN DEFINED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN'S OR OTHER PLAN'S INVESTMENT IN THE ENTITY, OR ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR (II) THE HOLDER'S PURCHASE AND HOLDING OF A NOTE DO NOT AND WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH ANOTHER PLAN, ANY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE. ANY PURPORTED TRANSFER OF A NOTE TO A HOLDER THAT DOES NOT COMPLY WITH THE REQUIREMENTS SET FORTH ABOVE SHALL BE NULL AND VOID *AB INITIO*.

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

TRANSFERS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE.

PRINCIPAL OF THIS NOTE IS PAYABLE AS SET FORTH HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS NOTE AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ON THE FACE HEREOF. ANY PERSON ACQUIRING THIS NOTE MAY ASCERTAIN ITS CURRENT PRINCIPAL AMOUNT BY INQUIRY OF THE NOTE PAYING AGENT.

8. The purchaser acknowledges that it is its intent and that it understands it is the intent of the Issuer that, for purposes of U.S. federal income, state and local income and franchise tax and any other income taxes, the Issuer will be treated as a corporation, the Secured Notes will be treated as indebtedness of the Issuer and the Income Notes will be treated as equity in the Issuer; the purchaser agrees to such treatment and agrees to take no action inconsistent with such treatment.

9. The purchaser understands that the Issuers, the Trustee, the Initial Purchaser, the Liquidation Agent and their counsel will rely upon the accuracy and truth of the foregoing representations, and the purchaser hereby consents to such reliance.

10. Pursuant to the terms of the Fiscal Agency Agreement, unless otherwise determined by the Issuer in accordance with the Fiscal Agency Agreement, the Income Notes sold to non-U.S. Persons in offshore transactions (the "Regulation S Income Notes") will bear a legend to the following effect:

THE INCOME NOTES ARE THE SUBJECT OF, AND ARE ISSUED SUBJECT TO THE TERMS AND CONDITIONS OF, THE FISCAL AGENCY AGREEMENT, DATED ON OR ABOUT NOVEMBER 1, 2006 (THE "FISCAL AGENCY AGREEMENT") BY AND BETWEEN THE ISSUER OF THE INCOME NOTES AND THE BANK OF NEW YORK TRUST COMPANY, NATIONAL ASSOCIATION, AS

FISCAL AGENT. COPIES OF THE FISCAL AGENCY AGREEMENT MAY BE OBTAINED FROM THE FISCAL AGENT.

THE INCOME NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE INCOME NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH INCOME NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND, IN THE CASE OF CLAUSE (1) AND (2) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $250,000 OR IN THE CASE OF CLAUSE (3) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000. FURTHERMORE, THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER, OTHER THAN IN THE CASE OF CLAUSE (A)(3) ABOVE, REPRESENTS FOR THE BENEFIT OF THE ISSUER THAT IT (V) IS A QUALIFIED PURCHASER FOR THE PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, IN EACH CASE AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL NOT BE PERMITTED OR REGISTERED BY THE INCOME NOTES TRANSFER AGENT. EACH TRANSFEROR OF THE INCOME NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE FISCAL AGENCY AGREEMENT TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER HAS THE RIGHT TO COMPEL ANY BENEFICIAL OWNER OF AN INCOME NOTE THAT IS A U.S. PERSON AND IS NOT (A) A QUALIFIED PURCHASER AND (B) EITHER A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION TO SELL SUCH INCOME NOTES, OR MAY SELL SUCH INCOME NOTES ON BEHALF OF SUCH OWNER.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(1) OR (A)(2) OF THE PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL (1) BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE FISCAL AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS (X) A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, OR (Y) AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION AND (Z) A QUALIFIED PURCHASER FOR THE PURPOSES

OF THE INVESTMENT COMPANY ACT AND (2) RECEIVE ONE OR MORE DEFINITIVE INCOME NOTES.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(3) OF THE SECOND PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL BE REQUIRED TO DELIVER TO THE ISSUER AND THE FISCAL AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S).

WITH RESPECT TO THE INCOME NOTES PURCHASED OR TRANSFERRED AFTER THE CLOSING DATE, THE PURCHASER OR TRANSFEREE IS DEEMED TO REPRESENT AND WARRANT), THAT (i) IT IS NOT (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (B) A "PLAN" AS DESCRIBED IN SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF AN EMPLOYEE BENEFIT PLAN'S OR OTHER PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); AND (ii) IT IS NOT A PERSON WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF THE PURCHASER OR TRANSFEREE IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), SUCH PURCHASER OR TRANSFEREE ALSO IS DEEMED TO REPRESENT AND WARRANT THAT ITS PURCHASE AND HOLDING OF THE INCOME NOTES WILL NOT CONSTITUTE OR RESULT IN A VIOLATION OF ANY SIMILAR LAW FOR WHICH AN EXEMPTION IS NOT AVAILABLE. ANY PURPORTED TRANSFER OF AN INCOME NOTE THAT DOES NOT COMPLY WITH THE REQUIREMENTS SET FORTH ABOVE SHALL BE NULL AND VOID *AB INITIO*.

PAYMENTS TO THE HOLDERS OF THE INCOME NOTES ARE SUBORDINATE TO THE PAYMENT ON EACH QUARTERLY PAYMENT DATE OF PRINCIPAL OF AND INTEREST ON THE SECURED NOTES OF THE ISSUER OR CO-ISSUER, AS APPLICABLE, AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE INDENTURE.

11. Pursuant to the terms of the Fiscal Agency Agreement, unless otherwise determined by the Issuer in accordance with the Fiscal Agency Agreement, the Income Notes (other than the Regulation S Income Notes) will bear a legend to the following effect:

THE INCOME NOTES ARE THE SUBJECT OF, AND ARE ISSUED SUBJECT TO THE TERMS AND CONDITIONS OF, THE FISCAL AGENCY AGREEMENT, DATED ON OR ABOUT NOVEMBER 1, 2006 (THE "FISCAL AGENCY AGREEMENT") BY AND BETWEEN THE ISSUER OF THE INCOME NOTES AND THE BANK OF NEW YORK TRUST COMPANY, NATIONAL ASSOCIATION, AS FISCAL AGENT. COPIES OF THE FISCAL AGENCY AGREEMENT MAY BE OBTAINED FROM THE FISCAL AGENT.

THE INCOME NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE INCOME NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH INCOME NOTES MAY BE OFFERED, SOLD, PLEDGED OR

OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND, IN THE CASE OF CLAUSE (1) AND (2) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $250,000 OR IN THE CASE OF CLAUSE (3) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000. FURTHERMORE, THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER, OTHER THAN IN THE CASE OF CLAUSE (A)(3) ABOVE, REPRESENTS FOR THE BENEFIT OF THE ISSUER THAT IT (V) IS A QUALIFIED PURCHASER FOR THE PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND, IN EACH CASE, IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL NOT BE PERMITTED OR REGISTERED BY THE INCOME NOTES TRANSFER AGENT. EACH TRANSFEROR OF THE INCOME NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE FISCAL AGENCY AGREEMENT TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER HAS THE RIGHT TO COMPEL ANY BENEFICIAL OWNER OF AN INCOME NOTE THAT IS A U.S. PERSON AND IS NOT (A) A QUALIFIED PURCHASER AND (B) EITHER A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION TO SELL SUCH INCOME NOTES, OR MAY SELL SUCH INCOME NOTES ON BEHALF OF SUCH OWNER.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(1) OR (A)(2) OF THE PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL (1) BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE INCOME NOTES TRANSFER AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS (X) A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, OR (Y) AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION AND (Z) A QUALIFIED PURCHASER FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT AND (2) RECEIVE ONE OR MORE DEFINITIVE INCOME NOTES.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(3) OF THE SECOND PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL BE REQUIRED TO DELIVER TO THE ISSUER AND THE INCOME NOTES TRANSFER AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S).

WITH RESPECT TO THE INCOME NOTES PURCHASED OR TRANSFERRED ON OR AFTER THE CLOSING DATE, THE PURCHASER OR TRANSFEREE MUST DISCLOSE IN WRITING IN ADVANCE TO THE FISCAL AGENT (i) WHETHER OR NOT IT IS (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (B) A "PLAN" DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF AN EMPLOYEE BENEFIT PLAN OR OTHER PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); (ii) IF THE PURCHASER OR TRANSFEREE IS A BENEFIT PLAN INVESTOR (OR ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW")), THAT THE PURCHASE AND HOLDING OR TRANSFER AND HOLDING OF INCOME NOTES WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, ANY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE; AND (iii) WHETHER OR NOT IT IS A PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF A PURCHASER IS AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT OR OTHER ENTITY DEEMED TO BE HOLDING PLAN ASSETS, IT WILL BE PERMITTED TO SO INDICATE, AND REQUIRED TO IDENTIFY A MAXIMUM PERCENTAGE OF THE ASSETS IN SUCH GENERAL ACCOUNT OR ENTITY THAT MAY BE OR BECOME PLAN ASSETS, IN WHICH CASE THE PURCHASER OR TRANSFEREE WILL BE REQUIRED TO MAKE CERTAIN FURTHER AGREEMENTS THAT WOULD APPLY IN THE EVENT THAT SUCH MAXIMUM PERCENTAGE WOULD THEREAFTER BE EXCEEDED. THE PURCHASER AGREES THAT, BEFORE ANY INTEREST IN AN INCOME NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, THE TRANSFEREE WILL BE REQUIRED TO PROVIDE THE INCOME NOTES TRANSFER AGENT WITH AN INCOME NOTE PURCHASE AND TRANSFER LETTER (SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT) STATING, AMONG OTHER THINGS, WHETHER THE TRANSFEREE IS A BENEFIT PLAN INVESTOR. THE TRUSTEE OR INCOME NOTES TRANSFER AGENT WILL NOT PERMIT OR REGISTER ANY PURCHASE OR TRANSFER OF INCOME NOTES TO THE EXTENT THAT THE PURCHASE OR TRANSFER WOULD RESULT IN BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE TOTAL VALUE OF THE OUTSTANDING INCOME NOTES (OTHER THAN THE INCOME NOTES OWNED BY THE LIQUIDATION AGENT, THE TRUSTEE AND THEIR AFFILIATES) IMMEDIATELY AFTER SUCH PURCHASE OR TRANSFER (DETERMINED IN ACCORDANCE WITH THE PLAN ASSET REGULATION (AS DEFINED HEREIN) AND IN THE FISCAL AGENCY AGREEMENT).

PAYMENTS TO THE HOLDERS OF THE INCOME NOTES ARE SUBORDINATE TO THE PAYMENT ON EACH QUARTERLY PAYMENT DATE OF PRINCIPAL OF AND INTEREST ON THE SECURED NOTES OF THE ISSUER OR CO-ISSUER, AS APPLICABLE, AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE INDENTURE.

12. The purchaser is not purchasing the Notes in order to reduce any United States federal income tax liability or pursuant to a tax avoidance plan with respect to United States federal income taxes within the meaning of U.S. Treasury Regulation Section 1.881-3(a)(4).

13. The purchaser agrees, in the case of the Secured Notes, to treat the Notes as debt for United States federal, state and local income taxes and, in the case of the Income Notes, to treat such Income Notes as equity for United States federal, state and local income tax purposes.

14. The purchaser acknowledges that due to money laundering requirements operating in the Cayman Islands, the Issuer and the Note Transfer Agent or the Income Notes Transfer Agent, as applicable, may require further identification of the purchaser before the purchase application can proceed. The Issuer and the Note Transfer Agent or the Income Notes Transfer Agent shall be held harmless and indemnified by the purchaser against any loss arising from the failure to process the application if such information as has been required from the purchaser has not been provided by the purchaser.

The Notes that are being offered hereby in reliance on the exemption from registration under Regulation S (such Notes, respectively, the "Regulation S Secured Notes"; the "Regulation S Income Notes"; and, collectively, the "Regulation S Notes") have not been and will not be registered under the Securities Act and neither of the Issuers will be registered under the Investment Company Act. The Regulation S Notes may not be offered or sold within the United States or to U.S. Persons (as defined in Regulation S) unless the purchaser certifies or is deemed to have certified that it is a qualified institutional buyer as defined in Rule 144A (a "Qualified Institutional Buyer") and a "qualified purchaser" for the purposes of Section 3(c)(7) of the Investment Company Act (a "Qualified Purchaser") or, solely in the case of the Income Notes, that it is an "accredited investor" as defined in Rule 501(a) under the Securities Act (an "Accredited Investor") who has a net worth of not less than $10 million and a Qualified Purchaser, and takes delivery in the form of (i) an interest in a Rule 144A Global Note in an amount at least equal to the minimum denomination applicable to the Rule 144A Notes or (ii) an Income Note in a principal amount at least equal to $250,000. See "Description of the Notes" and "Underwriting."

The requirements set forth under "Notice to Investors" above apply only to Notes offered in the United States, except for the requirements set forth in Paragraphs (4), (5), (6), (8), (9), (12) and (13) and except that the Regulation S Notes will bear the legends set forth in Paragraphs (7) and (10) under "Notice to Investors" above.

THE ISSUERS ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR OTHER THAN INFORMATION PROVIDED IN THE SECTION ENTITLED "THE LIQUIDATION AGENCY AGREEMENT—THE LIQUIDATION AGENT." TO THE BEST OF THE KNOWLEDGE AND THE BELIEF OF THE ISSUERS, THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR OTHER THAN INFORMATION PROVIDED IN THE SECTION ENTITLED "THE LIQUIDATION AGENCY AGREEMENT—THE LIQUIDATION AGENT" IS ACCURATE IN ALL MATERIAL RESPECTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. THE LIQUIDATION AGENT ACCEPTS RESPONSIBILITY FOR THE INFORMATION PROVIDED IN "THE LIQUIDATION AGENCY AGREEMENT—THE LIQUIDATION AGENT" SECTION. TO THE BEST OF THE KNOWLEDGE AND THE BELIEF OF THE LIQUIDATION AGENT, THE INFORMATION CONTAINED IN THE SECTION ENTITLED "THE LIQUIDATION AGENCY AGREEMENT—THE LIQUIDATION AGENT" IS ACCURATE IN ALL MATERIAL RESPECTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

EACH PURCHASER OF THE NOTES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN EACH JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS SUCH NOTES OR POSSESSES OR DISTRIBUTES THIS OFFERING CIRCULAR AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED FOR THE PURCHASE, OFFER OR SALE BY IT OF SUCH NOTES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTIONS TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NONE OF THE ISSUERS, THE INITIAL PURCHASER, THE LIQUIDATION AGENT, THE HEDGE COUNTERPARTY (OR ITS GUARANTOR) OR THEIR AGENTS SPECIFIED HEREIN SHALL HAVE ANY RESPONSIBILITY THEREFOR.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with the resale of the Notes, the Issuers will be required under the Indenture and the Fiscal Agency Agreement, to furnish upon request to a Holder or beneficial owner of a Note and to a prospective investor who is a Qualified Institutional Buyer designated by such Holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) if, at the time of the request neither the Issuer nor the Co-Issuer, as applicable, is a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

To the extent the Issuer or the Trustee delivers any annual or other periodic report to the Holders of the Secured Notes, the Issuer or the Trustee will include in such report a reminder that (1) each Holder (other than those Holders who are not U.S. Persons and have purchased their Notes outside the United States pursuant to Regulation S) is required to be (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser, in each case that can make all of the representations in the Indenture applicable to a Holder that is a U.S. Person; (2) the Notes can only be transferred (i) to a transferee that is (a) a Qualified Institutional Buyer and (b) a Qualified Purchaser that can make all of the representations in the Indenture applicable to a Holder who is a U.S. Person or (ii) to a non-U.S. Person in an offshore transaction complying with Rule 903 or 904 under Regulation S; and (3) the Issuers have the right to compel any Holder who does not meet the transfer restrictions set forth in the Indenture to transfer its interest in the Notes to a person designated by the Issuers or sell such interests on behalf of the Holder.

To the extent the Issuer or the Fiscal Agent delivers any annual or periodic reports to the Holders of the Income Notes, the Issuer or the Fiscal Agent, as applicable, will include in such report a reminder that (1) each Holder (other than those Holders who are not U.S. Persons and have purchased their Income Notes outside the United States pursuant to Regulation S) is required to be (a) a Qualified Institutional Buyer or an Accredited Investor who has a net worth of not less than U.S.$10 million and (b) a Qualified Purchaser that can make all of the representations in the Income Notes Purchase and Transfer Letter applicable to a Holder who is a U.S. Person; (2) the Income Notes can only be transferred to a transferee that is (i)(a) a Qualified Institutional Buyer or an Accredited Investor who has a net worth not less than U.S.$10 million and (b) a Qualified Purchaser or (ii) a non-U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 under Regulation S; and (3) the Issuer has the right to compel any Holder who does not meet the transfer restrictions set forth in the Fiscal Agency Agreement to transfer its Income Notes to a person designated by the Issuer or sell such Income Notes on behalf of the Holder.

In addition, notwithstanding the foregoing, any prospective purchaser (and each employee, representative, or other agent of a prospective purchaser) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described in this Offering Circular and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective purchaser relating to such tax treatment and tax structure. This authorization of tax disclosure is retroactively effective to the commencement of discussions with the prospective purchaser regarding the transactions contemplated herein.

TABLE OF CONTENTS

SUMMARY

The following summary is qualified in its entirety by the detailed information appearing elsewhere in this Offering Circular. For definitions of certain terms used in this Offering Circular see "Appendix A — Certain Definitions" and for the location of the definitions of those and other terms, see "Index of Defined Terms." For a discussion of certain factors to be considered in connection with an investment in the Notes, see "Risk Factors."

The Issuers .....

Hudson High Grade Funding 2006-1, Ltd. (the "Issuer") is an exempted company incorporated under the laws of the Cayman Islands for the sole purpose of (i) acquiring the Collateral Assets and the Eligible Investments, (ii) entering into Hedge Agreements and the Liquidation Agency Agreement, (iii) co-issuing the Secured Notes, (iv) issuing the Income Notes and (v) engaging in certain related transactions.

The Issuer will not have any assets other than the portfolio consisting primarily of Residential Mortgage-Backed Securities, CDO Securities and Synthetic Securities as described herein (collectively, "Collateral Assets"), Eligible Investments, an interest rate swap agreement (the "Rate Swap Agreement") and a cashflow swap agreement (the "Cashflow Swap Agreement" and, together with the Rate Swap Agreement, the "Hedge Agreements" or a "Hedge Agreement"), the Liquidation Agency Agreement and certain other assets. The Collateral Assets, the Eligible Investments and certain other assets of the Issuer will be pledged by the Issuer to the Trustee under the Indenture, for the benefit of the Secured Parties, as security for, among other obligations, the Issuers' obligations under the Secured Notes.

Hudson High Grade Funding 2006-1, Corp. (the "Co-Issuer" and, together with the Issuer, the "Issuers") is a corporation formed under the laws of the State of Delaware for the sole purpose of co-issuing the Secured Notes.

The Co-Issuer will not have any assets (other than U.S.$10 of equity capital) and will not pledge any assets to secure the Secured Notes. The Co-Issuer will have no claim against the Issuer in respect of the Collateral Assets or otherwise.

The authorized share capital of the Issuer consists of 250 ordinary shares, par value U.S.$1.00 per share ("Issuer Ordinary Shares"), which have been issued. The Issuer Ordinary Shares will be held by Maples Finance Limited, a licensed trust company incorporated in the Cayman Islands (the "Administrator") as the trustee pursuant to the terms of a declaration of trust for the benefit of charitable and similar purposes (the "Share Trustee").

The Liquidation Agent .....

Goldman, Sachs & Co. ("GS&Co.") as Liquidation Agent (in such capacity, the "Liquidation Agent") under the Liquidation Agency Agreement dated as of the Closing Date (the "Liquidation Agency Agreement") between GS&Co. and the Issuer will, on behalf of the Issuer, (i) liquidate Collateral Assets (a) determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to be Credit Risk Obligations or (b) that are Directed Sale Securities, (ii) liquidate the Collateral Assets and Eligible Investments of the Issuer in connection with (a) a redemption of the Notes as a result of an Optional Redemption, a Tax Redemption, an Auction or as otherwise required under the Indenture as described therein and (b) an acceleration of Notes as a result of an Event of Default as required under the Indenture as

	described therein and (iii) perform certain other functions, as described herein. The Liquidation Agent will have twelve (12) months to sell Collateral Assets that are (a) determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to be Credit Risk Obligations and (b) Directed Sale Securities in accordance with the terms of the Liquidation Agency Agreement. The Liquidation Agent will not have the right, or the obligation, to exercise any discretion with respect to the method or the price of any sale of a Collateral Asset; the sole obligation of the Liquidation Agent will be to execute the sale of such Collateral Asset in accordance with the terms of the Liquidation Agency Agreement. Notwithstanding the appointment of the Liquidation Agent, the Liquidation Agent shall have no responsibility for, or liability relating to, the performance of the Issuer or any Collateral Asset or Eligible Investment. See "The Liquidation Agency Agreement."
Notes	On the Closing Date, the Issuer and the Co-Issuer will co-issue U.S.$11,650,000 principal amount of Class S Floating Rate Notes Due 2011 (the "Class S Notes"), U.S.$1,275,000,000 principal amount of Class A-1 Floating Rate Notes Due 2042 (the "Class A-1 Notes"), U.S.$123,750,000 principal amount of Class A-2 Floating Rate Notes Due 2042 (the "Class A-2 Notes" and, together with the Class A-1 Notes, the "Class A Notes"), U.S.$60,750,000 principal amount of Class B Floating Rate Notes Due 2042 (the "Class B Notes"), U.S.$20,250,000 principal amount of Class C Deferrable Floating Rate Notes Due 2042 (the "Class C Notes") and U.S.$12,750,000 principal amount of Class D Deferrable Floating Rate Notes Due 2042 (the "Class D Notes" and, together with the Class S Notes, Class A Notes, the Class B Notes and the Class C Notes, the "Secured Notes") pursuant to an Indenture (the "Indenture") dated on or about November 1, 2006, among the Issuers and The Bank of New York Trust Company, National Association, as trustee and as securities intermediary (in such capacity, the "Trustee" and the "Securities Intermediary", respectively). Under the Indenture, The Bank of New York Trust Company, National Association will also act as principal paying agent for the Notes (the "Principal Note Paying Agent"), as registrar (the "Note Registrar"), as calculation agent (the "Note Calculation Agent"), as transfer agent (the "Note Transfer Agent") and as paying agent for the Notes (the "Note Paying Agent" and, together with the Principal Note Paying Agent, the Note Registrar, the Note Calculation Agent, the Note Transfer Agent and the Irish Paying Agent (if any), the "Note Agents"). On the Closing Date, the Issuer will also issue U.S.$7,500,000 principal amount of Income Notes Due 2042 (the "Income Notes" and, together with the Secured Notes, the "Notes") pursuant to a Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated on or about the Closing Date between the Issuer and The Bank of New York Trust Company, National Association, as fiscal agent (in such capacity, the "Fiscal Agent"). The Fiscal Agent will initially be appointed as the Income Notes transfer agent (in such capacity, the "Income Notes Transfer Agent" and, together with the Fiscal Agent and the Note Agents, the "Agents") under the Fiscal Agency Agreement. The Note Paying Agent, the Principal Note Paying Agent and any other Note paying agents appointed from time to time under the Indenture are collectively referred to as the "Note Paying Agents." The Note Paying Agents and the Fiscal Paying Agent are collectively referred to as the "Paying Agents." The Note Transfer Agent and the Income Notes

	Transfer Agent are collectively referred to as the "Transfer Agents." The Indenture, the Liquidation Agency Agreement, the Hedge Agreements, the Collateral Administration Agreement, the Administration Agreement and the Fiscal Agency Agreement are collectively referred to as the "Transaction Documents." Only the Secured Notes and the Income Notes (collectively, the "Offered Notes") are offered hereby.
Closing Date	The Issuer will issue the Income Notes and the Issuers will issue the Secured Notes on or about November 1, 2006 (the "Closing Date").
Status of the Notes	The Secured Notes will be limited recourse obligations of the Issuers. The Income Notes will be limited recourse obligations of the Issuer, will not be secured obligations of the Issuer and will only be entitled to receive amounts available for payment on any Quarterly Payment Date after payment of all amounts payable prior thereto under the Priority of Payments. Interest on the Class A-1 Notes will be *pro rata* with interest on the Class A-2 Notes. Principal on the Class A-1 Notes and the Class A-2 Notes will be paid either *pro rata* or first to the Class A-1 Notes and second to the Class A-2 Notes depending on the circumstances as more fully described in the Priority of Payments. The Class S Notes will be senior in right of payment on each Payment Date to the Class A Notes and the Class B Notes; the Class S Notes will be senior in right of payment on each Quarterly Payment Date to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes; the Class A Notes will be senior in right of payment on each Payment Date to the Class B Notes; the Class A Notes will be senior in right of payment on each Quarterly Payment Date to the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes; the Class B Notes will be senior in right of payment on each Quarterly Payment Date to the Class C Notes, the Class D Notes and the Income Notes; the Class C Notes will be senior in right of payment on each Quarterly Payment Date to the Class D Notes and the Income Notes; and the Class D Notes will be senior in right of payment on each Quarterly Payment Date to the Income Notes; each to the extent provided in the Priority of Payments. Payments on the Income Notes will be paid solely from and to the extent of the available proceeds from distributions on the Collateral Assets after payment of all of the liabilities of the Issuer that rank ahead of the Income Notes pursuant to the Indenture or applicable law. To the extent the funds derived from the Collateral Assets are insufficient to make payments on or to pay the Income Note Rated Amount for the Income Notes on redemption, the Issuer will have no obligation to pay any further amounts in respect of the Income Notes. See "Description of the Notes—Status and Security" and "—Priority of Payments."
Use of Proceeds	The net proceeds associated with the offering of the Notes issued on the Closing Date, after the payment of applicable fees and expenses, are expected to equal approximately U.S.$1,506,000,000. The net proceeds will be used by the Issuer to purchase on the Closing Date or thereafter pursuant to agreements to purchase entered into on or prior to the Closing Date, the portfolio of Collateral Assets described herein having an aggregate Principal Balance of approximately U.S.$1,500,000,000. See "Security for the Secured Notes—Disposition of Collateral Assets" and "Use of Proceeds."

The Collateral Assets	The Collateral Assets initially will be comprised of: • 84 issues of Residential Mortgage-Backed Securities across three categories, constituting approximately 87% of the Collateral Assets (by principal balance), and • 14 issues of CDO Securities in two categories, constituting approximately 13% of the Collateral Assets (by principal balance or, in the case of Synthetic Securities, the Reference Obligations of which are CDO Securities, by notional balance). 6.67% of the Collateral Assets are Synthetic Securities and 100% of the Reference Obligations of such Synthetic Securities are CDO Securities. See "Security for the Secured Notes—The Collateral Assets." Certain summary information about the Collateral Assets (other than those Collateral Assets which have not yet been issued) is set forth in Appendix B to this Offering Circular. In addition, certain of the offering documents, term sheets and reports relating to each of the Collateral Assets are set forth on the CD-ROM attached to this Offering Circular.
Interest and Other Payments on the Notes	The Notes will accrue interest from the Closing Date and such interest will be payable, in the case of the Class S Notes, Class A Notes and the Class B Notes, on the 2nd day of each calendar month, or if any such date is not a Business Day, the immediately following Business Day (each such date, a "Payment Date") commencing on February 2, 2007 and, in the case of the Class C Notes and the Class D Notes, on March, June, September and December of each year, or if any such date is not a Business Day, the immediately following Business Day (each such date, a "Quarterly Payment Date") commencing on March 2, 2007. Payments on the Income Notes will be payable in arrears on each Quarterly Payment Date, commencing March 2, 2007, out of Excess Amounts (as defined below). All payments on the Notes will be made from Proceeds in accordance with the Priority of Payments. The Class S Notes will bear interest during each Interest Accrual Period at a per annum rate (the "Class S Note Interest Rate") equal to LIBOR for such Interest Accrual Period *plus* 0.15%. The Class A-1 Notes will bear interest during each Interest Accrual Period at a per annum rate (the "Class A-1 Note Interest Rate") equal to LIBOR for such Interest Accrual Period *plus* 0.23%. The Class A-2 Notes will bear interest during each Interest Accrual Period at a per annum rate (the "Class A-2 Note Interest Rate") equal to LIBOR for such Interest Accrual Period *plus* 0.45%. The Class B Notes will bear interest during each Interest Accrual Period at a per annum rate (the "Class B Note Interest Rate") equal to LIBOR for such Interest Accrual Period *plus* 0.54%. The Class C Notes will bear interest during each Interest Accrual Period at a per annum rate (the "Class C Note Interest Rate") equal to LIBOR for such Interest Accrual Period *plus* 1.30%.

The Class D Notes will bear interest during each Interest Accrual Period at a per annum rate (the "Class D Note Interest Rate") equal to LIBOR for such Interest Accrual Period *plus* 3.25%.

The Class S Note Interest Rate, the Class A-1 Note Interest Rate, the Class A-2 Note Interest Rate, the Class B Note Interest Rate, the Class C Note Interest Rate and the Class D Note Interest Rate are collectively referred to herein as the "Note Interest Rates."

To the extent interest that is due is not paid on the Class C Notes on any Quarterly Payment Date ("Class C Deferred Interest"), such unpaid amounts will be added to the principal amount of the Class C Notes, and shall accrue interest at the Class C Note Interest Rate to the extent lawful and enforceable. So long as any Class S Notes, Class A Notes or Class B Notes are outstanding, the failure to pay any interest on the Class C Notes on any Quarterly Payment Date will not be an Event of Default under the Indenture. To the extent interest that is due is not paid on the Class D Notes on any Quarterly Payment Date ("Class D Deferred Interest"), such unpaid amounts will be added to the principal amount of the Class D Notes, and shall accrue interest at the Class D Note Interest Rate to the extent lawful and enforceable. So long as any Class S Notes, Class A Notes, Class B Notes or Class C Notes are outstanding, the failure to pay any interest on the Class D Notes on any Quarterly Payment Date will not be an Event of Default under the Indenture.

See "Description of the Notes—Interest on the Secured Notes" and "—Priority of Payments."

LIBOR for the first Interest Accrual Period with respect to each Class of Notes (other than the Income Notes) will be determined as of the second Business Day preceding the Closing Date. Calculations of interest on each Class of the Notes (other than the Income Notes) will be made on the basis of a 360-day year and the actual number of days in each Interest Accrual Period.

The "Interest Accrual Period" with respect to the Class S Notes, Class A-1 Notes, the Class A-2 Notes, and the Class B Notes and any Payment Date, is the period commencing on and including the immediately preceding Payment Date (or the Closing Date in the case of the first Interest Accrual Period) and ending on and including the day immediately preceding such Payment Date and with respect to the Class C Notes, the Class D Notes and the Income Notes and any Quarterly Payment Date, the period commencing on and including the immediately preceding Quarterly Payment Date (or the Closing Date in the case of the first Interest Accrual Period) and ending on and including the day immediately preceding such Quarterly Payment Date.

The Income Notes will not bear interest based upon any fixed or floating rate. The Fiscal Agent will make payments to the Holders of the Income Notes out of the Proceeds, if any available pursuant to clause (xviii) (or pursuant to clause (vii) in the case of the Final Payment Date) under "Description of the Notes—Priority of Payments." Such payments will be made on the Income Notes only after all interest and other payments due on the Secured Notes have been made and all expenses of the Issuers have been paid (with such remaining Proceeds referred to as "Excess Amounts"). See "Risk Factors—Notes—Initial Aggregate Outstanding

	Amount of the Notes May Exceed the Initial Aggregate Principal Amount of the Collateral Assets" and "—Subordination of the Income Notes; Unsecured Obligations." The rating of the Income Notes by Moody's only addresses the ultimate payment of the Income Note Rated Amount from all sources, whether applied as interest or in reduction of the Aggregate Outstanding Amount as described above (which may be less than the then current Aggregate Outstanding Amount of the Income Notes). See "Ratings of the Notes."
Principal Payments.....	The Notes (other than the Class S Notes) will mature on the Payment Date in March 2042 (each such date the "Stated Maturity" with respect to such Notes), and the Class S Notes will mature on the Payment Date in December 2011 (the "Stated Maturity" with respect to the Class S Notes), unless redeemed or retired prior thereto. The average life of the Notes (other than the Class S Notes) is expected to be substantially shorter than the number of years from issuance until Stated Maturity for each Class of Notes. See "Description of the Notes—Principal" and "Risk Factors—Notes—Average Lives, Duration and Prepayment Considerations." Principal will be payable on the Class S Notes in accordance with the Priority of Payments on each Payment Date commencing on the Payment Date occurring in February 2007 in an amount equal to the Class S Notes Amortizing Principal Amount with respect to such Payment Date and, if an Event of Default or Tax Event has occurred and is continuing or an Optional Redemption or Auction has occurred and the Collateral Assets are being liquidated pursuant to the terms of the Indenture, the Class S Notes will be paid in full prior to any distributions to any other Notes. Shifting principal will be payable (pursuant to clause (xii) of the Priority of Payments) on the Secured Notes in accordance with the Priority of Payments on each Payment Date or Quarterly Payment Date commencing on the Payment Date occurring in February 2007 as described in the Priority of Payments. As a result of the Priority of Payments, notwithstanding the subordination of the Notes described under "Status of the Notes" above, the Class A Notes may be entitled to receive certain payments of principal while the Class S Notes are outstanding, the Class B Notes may be entitled to receive certain payments of principal while the Class S Notes and the Class A Notes are outstanding, the Class C Notes may be entitled to receive certain payments of principal while the Class S Notes, the Class A Notes and the Class B Notes are outstanding and the Class D Notes may be entitled to receive certain payments of principal while the Class S Notes, the Class A Notes, the Class B Notes and the Class C Notes are outstanding. In addition, the Income Notes may be entitled to receive certain payments while the Secured Notes are outstanding. See "Description of the Notes—Priority of Payments." In addition, to the extent funds are available therefor in accordance with the Priority of Payments, certain of the Secured Notes (other than the Class S Notes) will be subject to mandatory redemption on any Payment Date or Quarterly Payment Date if the Coverage Tests are not satisfied as described herein. See "Description of the Notes—Principal", "—Mandatory Redemption" and "—Priority of Payments."

Tax Redemption.....	Subject to certain conditions described herein, the Secured Notes will be redeemed from Liquidation Proceeds, in whole but not in part, on the 90th day (which 90-day period may be extended an additional 90 days, as described under "Description of the Notes—Tax Redemption") following the Issuers becoming aware of the occurrence of a Tax Event, at the written direction of, or with the written consent of, Holders of at least 66-2/3% of the Income Notes or Holders of at least a Majority of any Class of Secured Notes which, as a result of the occurrence of such Tax Event, have not received 100% of the aggregate amount of principal and interest or other amounts due and payable to such Holders (such redemption, a "Tax Redemption"). No such Tax Redemption will occur unless the expected Liquidation Proceeds equal or exceed the Total Redemption Amount (which includes the Income Note Rated Amount or such lesser amount as is agreed to by Holders of 100% of the Aggregate Outstanding Amount of the Income Notes). Upon the occurrence of a Tax Redemption, the Income Notes will be simultaneously redeemed. With respect to a Tax Redemption as described above, the Secured Notes will be redeemed at their Secured Note Redemption Prices, respectively, as described herein. The amount distributable as the final payment on the Income Notes following any Tax Redemption will equal the amount of the Liquidation Proceeds remaining after the redemption of the Secured Notes in full together with the payment of all other amounts required to be paid in accordance with the Priority of Payments. See "Description of the Notes—Tax Redemption."
Auction	Sixty (60) days prior to the Payment Date occurring in March of each year (the "Auction Date"), commencing on the March 2015 Payment Date, the Liquidation Agent shall take steps to conduct an auction (the "Auction") of the Collateral Assets in accordance with the procedures specified in the Indenture. If the Liquidation Agent receives one or more bids from Eligible Bidders not later than ten (10) Business Days prior to the Auction Date equal to or greater than the Minimum Bid Amount (which includes the Income Note Rated Amount or such lesser amount as is agreed to by Holders of 100% of the Aggregate Outstanding Amount of the Income Notes), it will sell the Collateral Assets for settlement on or before the fifth Business Day prior to such Auction Date and the Secured Notes will be redeemed in whole on such Auction Date (any such date, the "Auction Payment Date"). If a successful Auction occurs, the Income Notes will also be redeemed in full. If the highest single bid on the entire portfolio, or the aggregate amount of multiple bids with respect to individual Collateral Assets, does not equal or exceed the Minimum Bid Amount or if there is a failure at settlement, the Collateral Assets will not be sold and no redemption of Secured Notes or Income Notes on the related Auction Date will be made.
Optional Redemption	The Secured Notes may be redeemed by the Issuers from Liquidation Proceeds, in whole but not in part, on any Payment Date on or after the Payment Date occurring in March 2010 (the "Optional Redemption Date"), at the written direction of, or with the written consent of the Holders of at least a Majority of the Income Notes (an "Optional Redemption"). If the Holders of the Income Notes so elect to cause an Optional Redemption of the Secured Notes, the Income Notes will also be redeemed. In the event of an Optional Redemption, the Secured Notes will be

	redeemed at their Secured Note Redemption Prices as described herein. No Secured Notes shall be redeemed pursuant to an Optional Redemption and a final payment to the Income Notes shall not be made unless the Liquidation Agent furnishes certain assurances that the Total Redemption Amount (which includes the Income Note Rated Amount or such lesser amount as is agreed to by Holders of 100% of the Aggregate Outstanding Amount of the Income Notes) will be available for payment on the related Optional Redemption Date. In the event of any redemption of the Secured Notes, the Fiscal Agent will receive for payment to the Holders of the Income Notes the remaining balance, if any, of funds in the Payment Account (net of all expenses of the Issuers after payment of the Secured Note Redemption Prices of the Secured Notes and the payment of all other amounts payable prior to payments to the Fiscal Agent) for payment to the Holders of the Income Notes pursuant to the Priority of Payments (the "Income Note Redemption Price"). The Income Note Redemption Price is required to be at least equal to the then current Income Note Rated Amount (or such lesser amount as is agreed to by Holders of 100% of the Aggregate Outstanding Amount of the Income Notes), but which may be less than the then current Aggregate Outstanding Amount of the Income Notes. See "Description of the Notes–Optional Redemption."
Mandatory Redemption	On any Payment Date on which any Overcollateralization Test is not satisfied as of the preceding Determination Date and on any Quarterly Payment Date on which any Interest Coverage Test is not satisfied as of the preceding Determination Date, certain of the Secured Notes (other than the Class S Notes) will be subject to mandatory redemption in accordance with the Priority of Payments, until the applicable Secured Notes have been paid in full (a "Mandatory Redemption"). The Class A Notes and the Class B Notes are also subject to mandatory redemption in accordance with the Priority of Payments on any Payment Date if the Class D Overcollateralization Ratio is less than 75% on the related Determination Date and the Class A Notes, the Class B Notes and the Class C Notes are subject to mandatory redemption in accordance with the Priority of Payments on Payment Dates, or, in the case of the Class C Notes, Quarterly Payment Dates, if the Class D Overcollateralization Ratio is less than 95%. The Class S Notes and the Income Notes are not subject to mandatory redemption as a result of the failure of any Coverage Test. See "Description of the Notes—Principal", "—Mandatory Redemption" and "—Priority of Payments."
Security for the Secured Notes	Under the terms of the Indenture, the Issuer will grant to the Trustee, for the benefit and security of the Trustee on behalf of the Holders of the Secured Notes, the Fiscal Agent, the Liquidation Agent, the Hedge Counterparty and the Synthetic Security Counterparty (but only to the extent of the Default Swap Collateral) (together the "Secured Parties"), to secure the Issuer's obligations under the Secured Notes, the Indenture, the Hedge Agreements, the Liquidation Agency Agreement and the Synthetic Securities (the "Secured Obligations"), a first priority security interest in the Collateral. The Income Notes will not be secured.

Reports ..... A report will be made available to the Holders of the Notes and will provide information on the Collateral Assets and payments to be made in accordance with the Priority of Payments (each, a "Note Valuation Report") beginning in February, 2007. See "Security for the Secured Notes—Reports."

Coverage Tests ..... The following table identifies the Coverage Tests and the value at which such tests will be satisfied. See "Security for the Secured Notes—The Coverage Tests."

Coverage Test	Ratio at Which Test is Satisfied
Class A/B Overcollateralization Test	equal to or greater than 101.5%
Class A/B Interest Coverage Test	equal to or greater than 102.0%
Class C Overcollateralization Test	equal to or greater than 100.4%
Class C Interest Coverage Test	equal to or greater than 101.0%
Class D Overcollateralization Test	equal to or greater than 100.2%
Class D Interest Coverage Test	equal to or greater than 100.0%

On the Closing Date, the Class A/B Overcollateralization Ratio is expected to be 102.8%, the Class A/B Interest Coverage Ratio is expected to be 107.5%[1], the Class C Overcollateralization Ratio is expected to be 101.4%, the Class C Interest Coverage Ratio is expected to be 105.8%[1], the Class D Overcollateralization Ratio is expected to be 100.5% and the Class D Interest Coverage Ratio is expected to be 104.4%.[1]

The Offering..... The Offered Notes are being offered to non-U.S. Persons in offshore transactions in reliance on Regulation S, and in the United States to persons who are Qualified Institutional Buyers purchasing in reliance on the exemption from registration under Rule 144A or, with respect to Income Notes only, Accredited Investors purchasing in transactions exempt from registration under the Securities Act. Each purchaser who is a U.S. Person must also be a Qualified Purchaser. Each Accredited Investor must have a net worth of at least U.S.$10 million. See "Description of the Notes—Form of the Notes," "Underwriting" and "Notice to Investors."

Minimum Denominations ..... The Notes will be issued in minimum denominations of U.S.$250,000 (in the case of the Rule 144A Notes and the Income Notes sold to Accredited Investors) and U.S.$100,000 (in the case of the Regulation S Notes) and integral multiples of U.S.$1 in excess thereof for each Class of Notes.

Form of the Notes ..... Each Class of Notes sold in offshore transactions in reliance on Regulation S will initially be represented by one or more temporary global notes (each, a "Temporary Regulation S Global Note"). Each Temporary Regulation S Global Note will be deposited on the Closing Date with The Bank of New York Trust Company, National Association as custodian for, and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), for the respective accounts of Euroclear Bank

[1] Pro forma, assuming 31 days of interest on fully invested proceeds of the offering of the Notes, in accordance with the Collateral Assets Assumptions described herein. See "Weighted Average Life and Yield Considerations."

	S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, société anonyme ("Clearstream"). Beneficial interests in a Temporary Regulation S Global Note may be held only through Euroclear or Clearstream and may not be held at any time by a U.S. Person ("U.S. Person") (as such term is defined in Regulation S under the Securities Act). Each Class of Rule 144A Notes (other than the Income Notes) will be issued in the form of one or more global notes in fully registered form (the "Rule 144A Global Notes" and, together with the Temporary Regulation S Global Notes and the Regulation S Global Notes, the "Global Notes"), deposited with The Bank of New York Trust Company, National Association as custodian for, and registered in the name of Cede & Co. as nominee of, DTC, which will credit the account of each of its participants with the principal amount of Notes being purchased by or through such participant. Beneficial interests in the Rule 144A Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants. The Income Notes (other than the Regulation S Income Notes) will be evidenced by one or more notes in definitive, fully registered form, registered in the name of the owner thereof (each, a "Definitive Note"). Beneficial interests in the Global Notes and the Definitive Notes may not be transferred except in compliance with the transfer restrictions described herein. See "Description of the Notes—Form of the Notes" and "Notice to Investors."
Governing Law	The Indenture, the Notes, the Hedge Agreements, the Liquidation Agency Agreement and the Fiscal Agency Agreement will be governed by the laws of the State of New York.
Listing and Trading.....	There is currently no market for the Notes and there can be no assurance that such a market will develop. See "Risk Factors—Notes—Limited Liquidity and Restrictions on Transfer." Application may be made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that any such application will be made or that any such listing will be obtained.
Irish Listing Agent; Irish Paying Agent (if any).....	If application is made to list the Notes on the Irish Stock Exchange, (i) Maples and Calder Listing Services Limited will be the Irish Listing Agent for the Notes (the "Irish Listing Agent") and (ii) Maples Finance Dublin will be the Irish Paying Agent for the Notes (the "Irish Paying Agent").
Ratings.....	It is a condition of the issuance of the Notes that the Class S Notes, the Class A-1 Notes, and the Class A-2 Notes be rated "Aaa" by Moody's and "AAA" by S&P, that the Class B Notes be rated at least "Aa2" by Moody's and at least "AA" by S&P, that the Class C Notes be rated at least "A2" by Moody's and at least "A" by S&P, that the Class D Notes be rated at least "Baa2" by Moody's and at least "BBB" by S&P and that the Income Notes be issued with a rating of at least "Ba2" by Moody's (which rating addresses the ultimate payment of the Income Note Rated Amount only). A credit rating is not a recommendation to buy, sell or hold

	securities and may be subject to revision or withdrawal at any time by the assigning rating agency. See "Ratings of the Notes."
Tax Status	See "Income Tax Considerations."
ERISA Considerations	See "ERISA Considerations."

Notes Offered		The Offering					
Class Designation	**S**	**A-1**	**A-2**	**B**	**C**	**D**	**Income Notes**
Original Principal Amount	$11,650,000	$1,275,000,000	$123,750,000	$60,750,000	$20,250,000	$12,750,000	$7,500,000
Stated Maturity	December 2, 2011	March 2, 2042					
Minimum Denomination (Integral Multiples):							
Rule 144A	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)	$250,000 ($1)
Reg S	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)	$100,000 ($1)
Accredited Investors	N/A	N/A	N/A	N/A	N/A	N/A	$250,000 ($1)
Applicable Investment Company Act of 1940 Exemption		**3(c)(7)**					
Initial Ratings:							
Moody's	Aaa	Aaa	Aaa	Aa2	A2	Baa2	Ba2(2)
S&P	AAA	AAA	AAA	AA	A	BBB	N/A
Deferred Interest	No	No	No	No	Yes	Yes	N/A
Pricing Date		**September 29, 2006**					
Closing Date		**November 1, 2006**					
Interest Rate	1 Month LIBOR + 0.15%	1 Month LIBOR + 0.23%	1 Month LIBOR + 0.45%	1 Month LIBOR + 0.54%	3 Month LIBOR + 1.30%	3 Month LIBOR + 3.25%	N/A
Fixed or Floating Rate	Floating	Floating	Floating	Floating	Floating	Floating	N/A
Interest Accrual Period[1]	Floating Period	Floating Period	Floating Period	Floating Period	Floating Period	Floating Period	N/A
Dates of Payment	**(i) the 2nd day of each month (or if such day is not a Business Day, the next succeeding Business Day) and at Stated Maturity (each, a "Scheduled Payment Date") and (ii) any Redemption Date**				**(i) the 2nd day of each March, June, September and December (or if such day is not a Business Day, the next succeeding Business Day) and at Stated Maturity (each, a "Scheduled Payment Date") and (ii) any Redemption Date.**		
First Payment Date	February 2, 2007	February 2, 2007	February 2, 2007	February 2, 2007	March 2, 2007	March 2, 2007	March 2, 2007
Record Date	**Business Day prior to the applicable Payment Date (or the 10th Business Day prior to the applicable Payment Date for Notes issued in definitive form)**						
Frequency of Payments	Monthly	Monthly	Monthly	Monthly	Quarterly	Quarterly	Quarterly
Day Count	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360	30/360
Form of Notes:							
Global	Yes	Yes	Yes	Yes	Yes	Yes	Yes (Reg S only)
Certificated	No	No	No	No	No	No	Yes (other than Reg S)
CUSIPS Rule 144A	44379PAF2	44379PAA3	44379PAB1	44379PAC9	44379PAD7	44379PAE5	44379NAA8
CUSIPS Reg S	G4642H AF8	G4642H AA9	G4642H AB7	G4642H AC5	G4642H AD3	G4642H AE1	G42126 AA3
ISIN Reg S	USG4642HAF85	USG4642HAA98	USG4642HAB71	G4642HAC54	USG46424AD38	USG4642HAE11	USG42126AA35
CUSIPS REG D	N/A	N/A	N/A	N/A	N/A	N/A	44379NAB6
Euroclear Common Codes	027274838	027274935	027274960	027275044	027275150	027275192	027275257
Clearing Method:							
Rule 144A	DTC	DTC	DTC	DTC	DTC	DTC	Physical
Reg S	EuroClear	EuroClear	EuroClear	EuroClear	EuroClear	EuroClear	Euroclear

1. **"Floating Period"** means, with respect to the Class S Notes, Class A-1 Notes, the Class A-2 Notes, the Class B Notes and any Payment Date, the period commencing on and including the immediately preceding Payment Date (or the Closing Date in the case of the first Interest Accrual Period) and ending on and including the day immediately preceding such Payment Date and with respect to the Class C Notes and the Class D Notes and any Quarterly Payment Date, the period commencing on and including the immediately preceding Quarterly Payment Date (or the Closing Date in the case of the first Interest Accrual Period) and ending on and including the day immediately preceding such Quarterly Payment Date.

2. The Income Notes are rated with respect to the ultimate payment of the Income Notes Rated Amount only.

RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider, in addition to the matters set forth elsewhere in this Offering Circular, the following factors:

Notes

Limited Liquidity and Restrictions on Transfer. There is currently no market for the Notes. Although GS&Co. has advised the Issuers that it intends to make a market in the Offered Notes, GS&Co. is not obligated to do so, and any such market making with respect to the Offered Notes may be discontinued at any time without notice. There can be no assurance that any secondary market for any of the Notes will develop or, if a secondary market does develop, that it will provide the Holders of the Notes with liquidity of investment or that it will continue for the life of such Notes and consequently a purchaser must be prepared to hold the Notes until the Stated Maturity.

In addition, no sale, assignment, participation, pledge or transfer of the Notes may be effected if, among other things, it would require any of the Issuer, the Co-Issuer or any of their officers or directors to register under, or otherwise be subject to the provisions of, the Investment Company Act or any other similar legislation or regulatory action. Furthermore, the Notes will not be registered under the Securities Act or any state securities laws or the laws of any other jurisdiction, and the Issuer has no plans, and is under no obligation, to register the Notes under the Securities Act or any state securities laws or under the laws of any other jurisdiction. The Notes are subject to certain transfer restrictions and can be transferred only to certain transferees as described herein under "Description of the Notes—Form of the Notes" and "Notice to Investors." Such restrictions on the transfer of the Notes may further limit their liquidity. See "Description of the Notes—Form of the Notes." Application may be made for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that any such application will be made or that any such listing will be obtained.

Limited Recourse Obligations. The Class A Notes, Class B Notes, Class C Notes and Class D Notes will be limited recourse obligations of the Issuers payable solely from the Collateral pledged by the Issuer to secure the Secured Notes. The Income Notes will be limited recourse obligations of the Issuer and will not be secured by the Collateral Assets or the other collateral securing the Secured Notes. None of the Liquidation Agent, the Holders of the Notes, the Initial Purchaser, the Trustee, the Administrator, the Share Trustee, the Agents, the Hedge Counterparties or any affiliates of any of the foregoing or the Issuers' affiliates or any other person or entity will be obligated to make payments on the Secured Notes or the Income Notes. Consequently, Holders of the Secured Notes must rely solely on distributions on the Collateral pledged to secure the Secured Notes for the payment of principal, interest and premium, if any, thereon. If distributions on the Collateral are insufficient to make payments in respect of the Secured Notes, no other assets (and, in particular, no assets of the Liquidation Agent, the Holders of the Secured Notes, the Holders of the Income Notes, the Initial Purchaser, the Trustee, the Administrator, the Share Trustee, the Agents, the Hedge Counterparties or any affiliates of any of the foregoing) will be available for payment of the deficiency, and following realization of the Collateral pledged to secure the Secured Notes, the obligations of the Issuers to pay such deficiency shall be extinguished.

Subordination of the Notes. Payments of principal on the Class S Notes will be senior to payments of principal on the Class A Notes, Class B Notes, Class C Notes and Class D Notes and to the distribution of Proceeds to the Holders of the Income Notes on each Payment Date or Quarterly Payment Date, as applicable. Payments of principal on the Class A-1 Notes and the Class A-2 Notes will be paid either *pro rata* or first to the Class A-1 Notes and second to the Class A-2 Notes depending on the circumstances as more fully described in the Priority of Payments and will be senior to payments of principal of the Class B Notes, Class C Notes and Class D Notes and to the distribution of Proceeds to the Holders of the Income Notes on each Payment Date or Quarterly Payment Date, as applicable. Payments of principal on the Class B Notes due on any Quarterly Payment Date will be senior to payments of principal on the Class C Notes and the Class D Notes and senior to the distributions of Proceeds to the Holders of the Income Notes on such Quarterly Payment Date. Payments of principal on the Class C Notes due on any Quarterly Payment Date will be senior to payments of principal on the Class D Notes and senior to the distributions of Proceeds to the Holders of the Income Notes on such Quarterly Payment Date. Payments of principal on the Class D Notes due on any Quarterly Payment Date will be senior to the distributions of Proceeds to the Holders of the Income Notes on such Quarterly Payment Date. As a result of the Priority of Payments, notwithstanding the subordination of the Notes described under "Description of the Notes—Status and Security," the

Class B Notes will be entitled to receive certain payments of principal while the Class S Notes and the Class A Notes are outstanding, the Class C Notes will be entitled to receive certain payments of principal while the Class S Notes, the Class A Notes and the Class B Notes are outstanding and the Class D Notes will be entitled to receive certain payments of principal while the Class S Notes, the Class A Notes, the Class B Notes and the Class C Notes are outstanding. In addition, the Income Notes will be entitled to receive certain payments while the Secured Notes are outstanding. See "Description of the Notes—Priority of Payments." To the extent that any losses are incurred by the Issuer in respect of any Collateral, such losses will be borne first by Holders of the Income Notes, then, by Holders of the Class D Notes, then, by Holders of the Class C Notes; then, by Holders of the Class B Notes, then, by Holders of the Class A-2 Notes, and then, by Holders of the Class A-1 Notes, and finally, by Holders of the Class S Notes.

Payments of interest on the Class S Notes due on any Payment Date will be senior to payments of interest on the Class A Notes and the Class B Notes on such Payment Date. Payments of interest on the Class A-1 Notes and the Class A-2 Notes due on any Payment Date will generally be paid *pro rata* and will be senior to payments of interest on the Class B Notes on such Payment Date. Payments of interest on the Class S Notes due on any Quarterly Payment Date will be senior to payments of interest on the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes and senior to the distributions of Proceeds to the Holders of the Income Notes on such Quarterly Payment Date. Payments of interest on the Class A-1 Notes and the Class A-2 Notes due on any Quarterly Payment Date will be paid *pro rata* and will be senior to payments of interest on the Class B Notes, the Class C Notes and the Class D Notes and senior to the distributions of Proceeds to the Holders of the Income Notes on such Quarterly Payment Date. Payments of interest on the Class B Notes due on any Quarterly Payment Date will be senior to payments of interest on the Class C Notes and the Class D Notes and senior to the distributions of Proceeds to the Holders of the Income Notes on such Quarterly Payment Date. Payments of interest on the Class C Notes due on any Quarterly Payment Date will be senior to payments of interest on the Class D Notes and senior to the distributions of Proceeds to the Holders of the Income Notes on such Quarterly Payment Date. Payments of interest on the Class D Notes due on any Quarterly Payment Date will be senior to the distributions of Proceeds to the Holders of the Income Notes on such Quarterly Payment Date. See "Description of the Notes."

On any Payment Date or Quarterly Payment Date on which certain conditions are satisfied and funds are available therefor, the "shifting principal" method in clause (xii) of the Priority of Payments may permit Holders of the Class B Notes, the Class C Notes and the Class D Notes to receive payments of principal in accordance with the Priority of Payments while more senior Classes of Notes remain outstanding and may permit distributions of Principal Proceeds to the Holders of the Income Notes, to the extent funds are available in accordance with the Priority of Payments, while the more senior Notes are outstanding. Amounts properly paid pursuant to the Priority of Payments to a junior Class of Notes will not be recoverable in the event of a subsequent shortfall in the amount required to pay a more senior Class of Secured Notes.

Holders of the Controlling Class may not be able to effect a liquidation of the Collateral in an Event of Default; Holders of other Classes of Notes may be Adversely Affected by Actions of the Controlling Class. If an Event of Default occurs and is continuing, a Majority of the Controlling Class will be entitled to determine the remedies to be exercised under the Indenture; however, the Majority of the Controlling Class will not be able to direct a sale or liquidation of the Collateral unless, among other things, the Trustee determines (which determination will be based upon a certificate of the Liquidation Agent as to the estimated proceeds) that the anticipated proceeds of such sale or liquidation (after deducting the reasonable expenses of such sale or liquidation) would be sufficient to pay in full the sum of (A) the principal (including any Class C Deferred Interest and Class D Deferred Interest) and accrued interest (including all Defaulted Interest, and interest thereon) and any other amounts due with respect to all the outstanding Notes, (B) unpaid Administrative Expenses, (C) all amounts payable by the Issuer to any Hedge Counterparty (including any applicable termination payments other than Defaulted Hedge Termination Payments), net of all amounts payable to the Issuer by any Hedge Counterparty, and (D) all other items in the Priority of Payments ranking prior to payments on the Notes and a Majority of the Controlling Class agrees with such determination. There can be no assurance that proceeds of a sale and liquidation, together with all other available funds, will be sufficient to pay in full such amount. In addition, even if the anticipated proceeds of such sale or liquidation would not be sufficient to pay in full such amount, the Holders of a Super Majority of the Controlling Class and any Hedge Counterparty (unless any such Hedge Counterparty will be paid in full the amounts due to it other than any Defaulted Hedge Termination Payments at the time of distribution of the proceeds of any sale or liquidation of the Collateral) may direct the sale and liquidation of the Collateral.

Remedies pursued by the Holders of the Class S Notes and Class A Notes could be adverse to the interests of the Holders of the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes. After the Class S Notes and the Class A Notes are no longer outstanding, the Holders of the Class B Notes will be entitled to determine the remedies to be exercised under the Indenture (except as noted above) if an Event of Default occurs. After the Class S Notes, the Class A Notes, and the Class B Notes are no longer outstanding, the Holders of the Class C Notes will be entitled to determine the remedies to be exercised under the Indenture (except as noted above) if an Event of Default occurs. After the Class S Notes, the Class A Notes, the Class B Notes and the Class C Notes are no longer outstanding, the Holders of the Class D Notes will be entitled to determine the remedies to be exercised under the Indenture (except as noted above) if an Event of Default occurs. See "Description of the Notes—The Indenture—Events of Default."

Subordination of the Income Notes; Unsecured Obligations. The Income Notes are limited recourse obligations of the Issuer and are not secured by the Collateral Assets or the other Collateral securing the Secured Notes. As such, the Holders of the Income Notes will rank behind all of the secured creditors and *pari passu* with all unsecured creditors, whether known or unknown, of the Issuer. 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 Income Notes 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 and interest on the Secured Notes and other fees and expenses of the Issuer in accordance with the Priority of Payments, the Issuer will have funds remaining to make payments in respect of the Income Notes. Failure to pay the full principal amount of the Income Notes will in no event constitute an Event of Default. No person or entity other than the Issuer will be required to make any payments on the Income Notes. 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. The funds available to be paid to the Fiscal Agent will depend in part on the weighted average of the Note Interest Rates.

Any amounts that are released from the lien of the Indenture for payment to the Holders of the Income Notes in accordance with the Priority of Payments on any Payment Date or Quarterly Payment Date will not be available to make payments in respect of the Secured Notes on any subsequent Payment Date or Quarterly Payment Date.

Initial Aggregate Outstanding Amount of the Notes May Exceed the Initial Aggregate Principal Amount of the Collateral Assets. A portion of the initial proceeds of the sale of the Notes will be applied to pay expenses incurred by the Issuer in arranging the offering of the Offered Notes rather than to make investments in the Collateral Assets. As a result, the initial Aggregate Outstanding Amount of the Notes may exceed the initial Aggregate Principal Amount of the Collateral Assets. Consequently, after payments on the Secured Notes and the other expenses of the Issuer payable prior to payments to the Fiscal Agent for payments in respect of the Income Notes, it is possible that there will be no Proceeds available to pay to the Fiscal Agent for payments to the Holders of the Income Notes and, even if there are Proceeds available for payment on the Income Notes, it is highly likely that such Proceeds will be insufficient to pay the initial principal amount of the Income Notes. Consequently, purchasers of the Income Notes bear a high risk of losing all or part of their investment.

Leveraged Investment. The Income Notes represent a leveraged investment in the underlying Collateral Assets. The use of leverage generally magnifies an investor's opportunities for gain and risk of loss. Therefore, changes in the market value of the Income Notes can be expected to be greater than changes in the market value of the underlying assets included in the Collateral Assets, which are also subject to credit, liquidity and interest rate risk.

Supplemental Indentures May Modify the Indenture, and Some Supplemental Indentures Do Not Require Consent of Holders of Notes. The Indenture provides that the Issuers and the Trustee may enter into supplemental indentures to modify various provisions of the Indenture. The execution of supplemental indentures is subject to various conditions precedent. In certain cases, the consent of the Holders of the Notes is required, but in certain cases, such consent is not required. Furthermore, if no Holder of a Note of a Class responds to notice of a proposed amendment within the prescribed time period, all Notes of such Class may be deemed not to be adversely or materially adversely affected by the proposed supplemental indenture. See "Description of the Notes—The Indenture—Modification of the Indenture."

Optional Redemption and Tax Redemption of Notes. Subject to the satisfaction of certain conditions, the Secured Notes may be optionally redeemed in whole and not in part (i) on any Payment Date on or after the March 2010 Payment Date at the written direction of, or with the written consent of, Holders of at least a Majority of the Income Notes or (ii) on the date that is 90 days from the date on which the Issuers first become aware of the occurrence of a Tax Event (*provided* that such 90-day period shall be extended by another 90 days if, during the initial 90-day period, the Issuers have notified the Holders of the Notes that the related Issuer expects that it shall have changed its place of residence by the end of the later 90-day period), at the written direction of, or with the written consent of, Holders of at least 66-2/3% of the Income Notes or the Holders of at least a Majority of any Class of Notes, if as a result of an occurrence of a Tax Event, such Class of Notes has not received 100% of the aggregate amount of principal and interest due and payable on such Class of Notes. If an Optional Redemption or Tax Redemption of the Secured Notes occurs, the Income Notes will be redeemed simultaneously.

There can be no assurance that after payment of the redemption prices for the Secured Notes and all other amounts payable in accordance with the Priority of Payments, any Proceeds in excess of the Income Note Rated Amount (or such lesser amount as is agreed to by Holders of 100% of the Aggregate Outstanding Amount of the Income Notes) will remain to distribute to the Holders of the Income Notes upon redemption. See "Description of the Notes—Optional Redemption" and "—Tax Redemption." An Optional Redemption or Tax Redemption of the Notes could require the Liquidation Agent to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the Collateral Assets sold. In addition, the redemption procedures in the Indenture may require the Liquidation Agent to aggregate securities to be sold together in one block transaction, thereby possibly resulting in a lower aggregate realized value for the Collateral Assets sold. In any event, there can be no assurance that the market value of the Collateral Assets will be sufficient for the Holders of the Income Notes to direct an Optional Redemption or, in the case of a Tax Redemption, for the Holders of the affected Class of Secured Notes or Income Notes to direct a Tax Redemption. A decrease in the market value of the Collateral Assets would adversely affect the proceeds that could be obtained upon a sale of the Collateral Assets; consequently, the conditions precedent to the exercise of an Optional Redemption or a Tax Redemption may not be met. The interests of the Holders of the Income Notes in determining whether to elect to effect an Optional Redemption and the interests of the Holders of the affected Class of Secured Notes and the Income Notes with respect to a Tax Redemption may be different from the interests of the Holders of the other Classes of Notes in such respect. The Holders of the Notes also may not be able to invest the proceeds of the redemption of the Notes in one or more investments providing a return equal to or greater than the Holders of the Notes expected to obtain from their investment in the Notes. An Optional Redemption or a Tax Redemption will shorten the average lives of the Notes and the duration of the Notes and may reduce the yield to maturity of the Notes.

Auction. There can be no assurance that an Auction of the Collateral Assets on any Auction Date will be successful. The failure of an Auction may lengthen the expected average lives of the Notes and may reduce the yield to maturity of the Notes. A successful Auction of the Collateral Assets is not required to result in any proceeds in the excess of the Income Note Rated Amount (or such lesser amount as is agreed to by Holders of 100% of the Aggregate Outstanding Amount of the Income Notes) for payment to the Holders of the Income Notes. Accordingly, in the event of an Auction, Holders of Income Notes may have their Income Notes redeemed without receiving any payments on such Income Notes in excess of the Income Note Rated Amount (or such lesser amount as is agreed to by Holders of 100% of the Aggregate Outstanding Amount of the Income Notes). In addition, the success of an Auction will shorten the average lives of the Notes and may reduce the yield to maturity of the Notes.

Mandatory Redemption of Notes. If the Class A/B Overcollateralization Test is not met on the Determination Date immediately preceding a Payment Date or the Class A/B Interest Coverage Test is not met on the Determination Date immediately preceding a Quarterly Payment Date, or if the Class D Overcollateralization Ratio is not at least 75% on the Determination Date immediately preceding a Payment Date, Proceeds that otherwise might have been distributed to the Holders of the Class C Notes, the Class D Notes and the Income Notes will be used to redeem the Class A Notes and the Class B Notes in full in the order described in the Priority of Payments. If the Class C Overcollateralization Test is not met on the Determination Date immediately preceding a Payment Date, the Class C Interest Coverage Test is not met on the Determination Date immediately preceding a Quarterly Payment Date or the Class D Overcollateralization Ratio is not at least 95% on the Determination Date immediately preceding a Payment Date, Proceeds that otherwise might have been distributed to the Holders of the Class D Notes and/or the Holders of the Income Notes will be used to redeem the Class A Notes, the Class B Notes and the Class C Notes in full in the order described in the Priority of Payments. If the Class D Overcollateralization Test is not met

on the Determination Date immediately preceding a Payment Date or the Class D Interest Coverage Test is not met on the Determination Date immediately preceding a Quarterly Payment Date, Proceeds that otherwise might have been distributed to the Holders of the Income Notes will be used to redeem the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes in full in the order described in the Priority of Payments. The foregoing redemptions could result in an elimination, deferral or reduction in the amounts available to make payments to the Holders of the Class C Notes, the Class D Notes and payments to Holders of the Income Notes. See "Security for the Secured Notes—The Coverage Tests." Any such redemptions will shorten the average life of the redeemed Notes, may lower the yield to maturity of the Notes. If a Class C Coverage Test or a Class D Coverage Test is not satisfied or if the Class D Overcollateralization Ratio is less than 95% on any Determination Date related to a Payment Date other than a Quarterly Payment Date, no amounts will be distributed to the Holders of the Class C Notes or the Class D Notes and certain amounts based on the principal balance of such Notes will instead be deposited to the Collection Account for distribution in accordance with the Priority of Payments on the next Payment Date.

Collateral Accumulation. In anticipation of the issuance of the Notes, an affiliate of Goldman, Sachs & Co. has agreed to "warehouse" up to U.S.$1,500,000,000 aggregate principal amount (or, in the case of Synthetic Securities, notional amount) of Collateral Assets, for resale to the Issuer pursuant to the terms of a forward purchase agreement (the "Forward Purchase Agreement"). No collateral manager or other person acting on behalf of the Issuer has reviewed the prices established pursuant to such Forward Purchase Agreement (nor has there been any third party verification of such prices). Of such amount, it is expected that a portion will be purchased from affiliates of Goldman, Sachs & Co. and a portion will be purchased from third parties. It is also expected that a portion of such amount will be represented by one or more Synthetic Securities entered into between the Issuer and Goldman, Sachs & Co. or an affiliate thereof, wherein the Issuer will be selling credit protection. Pursuant to the terms of the Forward Purchase Agreement, the Issuer will be obligated to purchase the "warehoused" assets, *provided* that such Collateral Assets satisfy certain eligibility criteria on the Closing Date for a formula purchase price designed to reflect the yields or spreads (or premiums in the case of Synthetic Securities) at which the Collateral Assets were purchased (using the prepayment speed and other assumptions used to set the initial price of each individual asset), as adjusted for any hedging gain or loss and any loss or gain on any Collateral Assets sold to a party other than the Issuer during the warehousing period. Consequently, the market values of "warehoused" Collateral Assets at the Closing Date may be less than or greater than the formula purchase price paid by the Issuer. In addition, if a Collateral Asset becomes ineligible during the warehousing period and is not purchased by the Issuer on the Closing Date, or if a Collateral Asset is otherwise sold at the direction of Goldman, Sachs & Co. (which sale may only occur with the consent of Goldman, Sachs & Co.'s affiliate), the Issuer will bear the loss or receive the gain on the sale of such Collateral Asset to a third party.

Disposition of Collateral Assets by the Liquidation Agent Under Certain Circumstances. Under the Indenture, the Liquidation Agent will be required to sell, on behalf of the Issuer, all Collateral Assets that are Directed Sale Securities and all Collateral Assets that are determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to meet the definition of Credit Risk Obligations subject to satisfaction of the conditions described herein. The Liquidation Agent will have twelve (12) months to sell such Directed Sale Securities and Credit Risk Obligations. The Liquidation Agent will not have the right, or the obligation, to exercise any discretion with respect to the method or the price of any sale of a Collateral Asset that is a Directed Sale Security or that is determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to be a Credit Risk Obligation; the sole obligation of the Liquidation Agent will be to execute the sale of such Directed Sale Security or Credit Risk Obligation in accordance with the terms of the Liquidation Agency Agreement. There can be no assurance that the Liquidation Agent will be able to sell any such Directed Sale Security or Credit Risk Obligation. Any such sales of Directed Sale Securities and Credit Risk Obligations may result in losses by the Issuer, which losses may result in the reduction or withdrawal of the rating of any or all of the Notes by any of the Rating Agencies. See "—No Collateral Manager."

Average Lives, Duration and Prepayment Considerations. The average lives of the Notes (other than the Class S Notes) are expected to be shorter than the number of years until their Stated Maturity. See "Weighted Average Life and Yield Considerations."

The average lives of the Notes will be affected by the financial condition of the obligors on or issuers of the Collateral Assets and the characteristics of the Collateral Assets, including the existence and frequency of exercise

of any prepayment, optional redemption or sinking fund features, the prepayment speed, the occurrence of any early amortization events, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level of recoveries in respect of any Defaulted Obligations, the frequency of tender or exchange offers for the Collateral Assets and the tenor of any sales of Collateral Assets.

Some or all of the loans underlying the RMBS may be prepaid at any time (although certain of such mortgage loans may have "lockout" periods, defeasance provisions, prepayment penalties or other disincentives to prepayment). Defaults on and liquidations of the loans and other collateral underlying the RMBS or CDO Securities may also lead to early repayment thereof. Prepayments on loans are affected by a number of factors. If prevailing rates for similar loans fall below the interest rates on such loans, prepayment rates would generally be expected to increase. Conversely, if prevailing rates for similar loans rise above the interest rates on such loans, prepayment rates would generally be expected to decrease. The existence and frequency of such prepayments, optional redemptions, defaults and liquidations will affect the average lives of, and credit support for, the Notes. See "—Collateral Assets," "Weighted Average Life and Yield Considerations" and "Security for the Secured Notes."

Projections, Forecasts and Estimates. Estimates of the weighted average lives of, and returns on, the Notes included herein, together with any other projections, forecasts and estimates provided to prospective purchasers of the Notes, are forward looking statements. Such statements are necessarily speculative in nature, as they are based on certain assumptions. It can be expected that some or all of the assumptions underlying such statements will not reflect actual conditions. Accordingly, there can be no assurance that any estimated projections, forecasts or estimates will be realized or that the forward looking statements will materialize, and 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 the Collateral Assets, differences in the actual allocation of the Collateral Assets among asset categories from those assumed, mismatches between the timing of accrual and receipt of Proceeds from the Collateral Assets and the effectiveness of the Hedge Agreements, among others.

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

Static Transaction. The Hudson High Grade Funding 2006-1, Ltd. transaction is a static collateralized debt obligation transaction. As a result, the Collateral Assets held by the Issuer on the Closing Date will be retained by the Issuer even if it would be in the best interests of the Issuer and the Holders of the Notes to dispose of certain Collateral Assets unless (i) those Collateral Assets are designated as Credit Risk Obligations or (ii) those Collateral Assets are designated as Directed Sale Securities and are required to be sold by the Liquidation Agent pursuant to the terms of the Indenture and the Liquidation Agency Agreement. See "Security for the Secured Notes—Designation of Directed Sale Securities." In addition, circumstances may exist under which it is in the best interests of the Issuer or the Holders of the Notes to dispose of a Collateral Asset, but (a) pursuant to the Collateral Administration Agreement, the Collateral Administrator, on behalf of the Issuer, does not determine that such Collateral Asset is a Credit Risk Obligation or (b) the Liquidation Agent is not able to sell, on behalf of the Issuer, such Credit Risk Obligation in accordance with the terms of the Liquidation Agency Agreement. Similarly, the Liquidation Agent may not be able to sell a Directed Sale Security.

Substitution of Default Swap Collateral. From time to time following the Closing Date, any Holder of any Note may submit to the Trustee or the Fiscal Agent, as applicable, a request to substitute one or more BIE Collateral Securities for one or more existing items of Default Swap Collateral, in whole or in part. Such substitution will be subject to the affirmative approval of the Holders of a Majority of each Class of Notes and each Hedge Counterparty. Any such substitution could (i) adversely affect the Issuer and the Issuer's ability to make payments on the Notes, (ii) affect the weighted average lives of the Notes, (iii) adversely affect the returns on the Notes and (iv) increase the frequency of defaults on the Default Swap Collateral or reduce the proceeds following the liquidation of any Default Swap Collateral. On the other hand, it is also possible that a Holder of a Note could propose a substitution which would be beneficial to the Issuer and the Holders of the Notes but such substitution is

not permitted because such proposal is not affirmatively approved by each Hedge Counterparty and the Holders of a Majority of each Class of Notes.

Designation of Directed Sale Securities. From time to time following the Closing Date, any Holder of any Note may submit to the Trustee or the Fiscal Agent, as applicable, a request that one or more Collateral Assets be sold, in whole or in part. The Liquidation Agent will sell any such Collateral Asset, subject to the affirmative approval of the Holders of a Majority of each Class of Notes and each Hedge Counterparty and the satisfaction of certain other conditions. See "Security for the Secured Notes—Designation of Directed Sale Securities." Any such sale could (i) result in such Collateral Asset being sold at a loss, (ii) adversely affect the Issuer and the Issuer's ability to make payments on the Notes, (iii) affect the weighted average lives of the Notes and (iv) adversely affect the returns on the Notes. On the other hand, it is also possible that a Holder of a Note could propose a sale which would be beneficial to the Issuer and the Holders of the Notes but such sale is not permitted because such proposal is not affirmatively approved by each Hedge Counterparty and the Holders of a Majority of each Class of Notes.

No Collateral Manager. The Issuer has not engaged, and will not engage, a collateral manager to select the Collateral Assets (or to verify their prices), to monitor the Collateral Assets on a regular basis or to consult with the Issuer with respect to the Collateral Assets, including the advisability, timing or terms of any disposition thereof. None of the Liquidation Agent or any of their affiliates will provide investment advisory services to or act as an advisor to or an agent for the Issuer or the Holders of the Notes, and they will not have any fiduciary duties to, nor be obligated to consider the interests of the Issuer or the Holders of the Notes. As a result, the Issuer and the Holders of the Notes will not have the benefit of the provisions of the Investment Advisers Act of 1940 which afford certain protections to clients of investment advisors. Furthermore, because there is no collateral manager in the Hudson High Grade Funding 2006-1, Ltd. transaction, the Indenture eliminates the ability of the Issuer to exercise discretion in contexts where a collateral manager in a managed, or static, collateralized debt obligation transaction customarily has discretion to act on behalf of the Issuer. For example, the Indenture provides, among other things, that (i) where the Issuer, as the beneficial owner of a Collateral Asset, or the Trustee, as the registered owner of a Collateral Asset, has the right to exercise a vote or consent to (or otherwise approve of) (a) any action, or inaction, pursuant to the terms of such Collateral Asset and its related underlying documentation or (b) an offer by the issuer of such Collateral Asset or by any other person to purchase or otherwise acquire such Collateral Asset or to convert or exchange such Collateral Asset for cash or any other consideration, the Trustee, as directed by the applicable holders, acting in its capacity as registered owner of such Collateral Asset, shall direct the Issuer's vote be cast in the following manner: (x) if other holders of the class of which such Collateral Asset is a part respond to such solicitation for vote or consent, in the same manner as the votes of a plurality of the other voting holders of such class (based on the Principal Balance of such Collateral Asset), (y) if no other holders of such class exercise a vote or if there are no other holders of such class, but holders of different classes issued under the same governing instrument respond, in the same manner as the votes of a plurality of the voting holders of all classes issued under the governing instrument pursuant to which such Collateral Asset was issued (based on the Principal Balance of all such classes and treated as a single class) or (z) if no holders of any class issued under the same governing instrument respond or if there are no other holders, the Issuer's vote shall be exercised against such action or inaction, (ii) the Issuer will have no discretion with respect to the temporary investment of funds held pending application thereof in accordance with the terms of the Indenture, and (iii) the Issuer will have no discretion under the Hedge Agreements that it enters into. The inability of the Issuer to exercise discretion in these contexts could adversely affect the Issuer and the Holders of the Notes, and it is impossible to quantify the potential magnitude of this impact. Potential investors in the Notes are urged to (a) review carefully this Offering Circular and the related terms of the Indenture, the Fiscal Agency Agreement and other operative documents and (b) take the inability of the Issuer to exercise discretion into account before investing in any of the Notes.

Collateral Assets

General. The following description of the Collateral Assets and the underlying documents and the risks related thereto is general in nature, and prospective purchasers of the Notes should review the descriptions and risk factors relating to each of the Collateral Assets set forth in the related Disclosure Documents on the CD-ROM attached to this Offering Circular and the summaries set forth in Appendix B to this Offering Circular. The Disclosure Documents were completed as of the date of the original offering of each of the Collateral Assets and the information contained in such Disclosure Documents may now be outdated and less relevant to the Collateral Assets. None of the Issuers, the Liquidation Agent, the Trustee, the Collateral Administrator, the Hedge

Counterparty (or any guarantor thereof), the Synthetic Security Counterparty or the Initial Purchaser has independently verified any of the information contained in the Disclosure Documents or is making any representation or warranty regarding, or assumes any responsibility for the accuracy, completeness or applicability of, the information contained therein.

Nature of Collateral. The Collateral is subject to credit, liquidity, prepayment and interest rate risks. The amount and nature of collateral securing the Secured Notes has been established to withstand certain assumed deficiencies in payment occasioned by defaults in respect of the Collateral Assets. See "Ratings of the Notes." If any deficiencies exceed such assumed levels, however, payment of the Notes could be adversely affected. To the extent that any Collateral Asset securing the Secured Notes is (i) determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to be a Credit Risk Obligation or (ii) a Directed Sale Security and the Liquidation Agent, on behalf of the Issuer, sells or otherwise disposes of such Collateral Asset, it is not likely that the proceeds of such sale or other disposition will be equal to the amount of principal and interest owing to the Issuer in respect of such Collateral Asset.

The market value of the Collateral Assets generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of the Collateral Assets, the credit quality of the underlying pool of assets in any Collateral Asset, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. None of the Issuer, the Co-Issuer, the Initial Purchaser, the Liquidation Agent, the Collateral Administrator, the Hedge Counterparty (or any guarantor thereof), the Synthetic Security Counterparty or the Trustee has any liability or obligation to the Holders of Notes as to the amount or value of, or decrease in the value of, the Collateral Assets from time to time, or makes any representation or warranty as to the performance of the Collateral Assets.

If a Collateral Asset is (i) determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to be a Credit Risk Obligation or (ii) a Directed Sale Security, the Liquidation Agent is required, subject to the terms of the Liquidation Agency Agreement, to sell on behalf of the Issuer the affected Collateral Asset. There can be no assurance as to the timing of the Issuer's sale of the affected Collateral Asset, or as to the rates of recovery on such affected Collateral Asset. The inability to realize immediate recoveries at the recovery levels assumed herein may result in lower cash flow and a lower yield to maturity of the Notes.

Residential Mortgage Backed Securities. Approximately 87% of the Collateral Assets (by principal balance) will consist of Residential Mortgage Backed Securities ("RMBS") as of the Closing Date. The types of Residential Mortgage Backed Securities that the Issuer will acquire on the Closing Date are expected to consist of RMBS Prime Mortgage Securities, RMBS Midprime Mortgage Securities and RMBS Subprime Mortgage Securities.

Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one-to-four-family residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by agencies and the securities issued are guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

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 is generally the case for residential mortgage loans. As a result, such portfolio of RMBS may experience increased losses.

Each underlying residential mortgage loan in an issue of RMBS may have a balloon payment due on its maturity date. Balloon residential mortgage loans involve a greater risk to a lender than self-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 residential mortgage loans (giving consideration to the cost of refinancing) and prevailing mortgage rates and the availability of refinancing. In general, if prevailing interest rates fall significantly below the interest rates on the related residential mortgage loans, the rate of prepayment on the underlying residential mortgage loans would be expected to increase. Conversely, if prevailing interest rates rise to a level significantly above the interest rates on the related mortgages, the rate of prepayment would be expected to decrease. Prepayments could reduce the yield received on the related issue of RMBS.

Structural and Legal Risks of RMBS. 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.

RMBS may have structural characteristics that distinguish them from other asset-backed securities. The rate of interest payable on RMBS may be set or effectively capped at the weighted average net coupon of the underlying mortgage loans themselves or a cap based on an asset's designated floating rate index. 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 investors. Federal and state law may also affect the return to investors by capping the interest rates payable by certain mortgagors. The Servicemembers' Civil Relief Act of 2003 (the "Relief Act") provides relief for certain soldiers and members of the reserve called to active duty by capping the interest rates on their mortgage loans at 6% per annum. In addition, pursuant to the laws of various states, under certain circumstances, payments on the underlying mortgage loans by residents in such states who are called into active duty with the National Guard or the reserves will be deferred. These state laws may also limit the ability of the servicer to foreclose on the related mortgaged property. This could result in delays or reductions in payment and increased losses on the underlying mortgage loans which impact the return to investors. Certain RMBS may provide for the payment of only interest for a stated period of time.

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 or could be substantively consolidated with those of the originator or the servicer, 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 RMBS will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans.

CDO Securities. Approximately 13% of the Collateral Assets (by principal balance or, in the case of Synthetic Securities the Reference Obligations of which are CDO Securities, by notional balance) will consist of

CDO Securities as of the Closing Date. CDO Securities generally are limited recourse obligations of the issuer thereof payable solely from the underlying assets of the issuer ("CDO Collateral") or proceeds thereof. Consequently, holders of CDO Securities must rely solely on distributions on the underlying CDO Collateral or proceeds thereof for payment in respect thereof. If distributions on the underlying CDO Collateral are insufficient to make payments on the CDO Securities, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligations of the issuer to pay such deficiency shall be extinguished. Many subordinate classes of CDO Securities provide that a deferral of interest thereon or a write-down does not constitute an event of default and the holders of such securities will not have available to them any associated default remedies. During such periods of non payment or partial non-payment, such non-paid interest will generally be capitalized and added to the outstanding principal balance of the related security. Any such deferral will reduce the amount of current payments made on such CDO Securities.

CDO Securities are subject to credit, liquidity and interest rate risks. The assets backing CDO Securities may consist of high-yield debt securities, loans, trust preferred securities, structured finance securities and other debt instruments. High-yield debt securities are generally unsecured (and loans may be unsecured) and may be subordinated to certain other obligations of the issuer thereof. An increase in the default rates of high-yield corporate debt securities or loans could increase the likelihood that payments may not be made to holders of CDO Securities which are secured by high-yield corporate debt securities and loans.

Issuers of CDO Securities may acquire interests in loans and other debt obligations by way of assignment or participation. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution.

In purchasing participations, an issuer of CDO Securities will usually have a contractual relationship only with the selling institution, and not the borrower. The issuer generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor have the right to object to certain changes to the loan agreement agreed to by the selling institution. The issuer may not directly benefit from the collateral supporting the related loan and may be subject to any rights of set-off the borrower has against the selling institution. In addition, in the event of the insolvency of the selling institution, under the laws of the United States of America and the states thereof, the issuer may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the loan. Consequently, the issuer may be subject to the credit risk of the selling institution as well as of the borrower.

CDO Securities are subject to interest rate risk and day count basis risk. The CDO Collateral of an issuer of CDO Securities may bear interest at a fixed (floating) rate while the CDO Securities issued by such issuer may bear interest at a floating (fixed) rate. As a result, there could be a floating/fixed rate or basis mismatch between such CDO Securities and CDO Collateral which bears interest at a fixed rate and there may be a timing mismatch between the CDO Securities and assets that bear interest at a floating rate as the interest rate on such assets bearing interest at a floating rate 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. In addition, hedges may have been acquired to manage the interest rate risk of such CDO Securities, making such CDO Securities also subject to the credit risk of the applicable hedge counterparty. As of the Closing Date, approximately 6.67% of the Collateral Assets (by principal or notional balance) are expected to consist of Synthetic Securities, 100% of the Reference Obligations of which are expected to consist of CDO Securities. See "Synthetic Securities" for a discussion of the risks associated with Synthetic Securities.

Subordination of Collateral Assets. All of the Collateral Assets to be acquired by the Issuer are investment grade as of the Closing Date. Some of the Collateral Assets owned by the Issuer will be subordinated to one or more other 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. The subordinate classes are more sensitive to risk of loss and writedowns than senior classes of such securities.

Synthetic Securities. As of the Closing Date, approximately 6.67% of the Collateral Assets (by principal or notional balance) are expected to consist of Synthetic Securities, 100% of the Reference Obligations of which are expected to consist of CDO Securities.

The economic return on a Synthetic Security depends substantially upon the performance of the related Reference Obligation and partially upon the performance of the collateral posted by the Issuer to secure its obligations to the Synthetic Security Counterparty on deposit in the Default Swap Collateral Account. Synthetic Securities generally have probability of default, recovery upon default and expected loss characteristics, which are closely correlated to the corresponding Reference Obligation, but may have different maturity dates, coupons, payment dates or other non credit characteristics than the corresponding Reference Obligation. In addition to the credit risks associated with holding the Reference Obligation, with respect to Synthetic Securities, the Issuer will usually have a contractual relationship only with the related Synthetic Security Counterparty, and not with the Reference Obligor of the Reference Obligation. Due to the fact that a Synthetic Security may be illiquid or may not be terminable on demand (or terminable on demand only upon payment of a substantial fee by the Issuer), the Issuer's ability to dispose of a Synthetic Security, if circumstances arise permitting such disposal, may be limited. Any settlement payments and termination payments payable by the Issuer (net of any termination payments owing by the Synthetic Security Counterparty) to the Synthetic Security Counterparty will reduce the amount available to pay the Holders of the Income Notes and the Secured Notes in inverse order of seniority. The Issuer generally will have no right to directly enforce compliance by the Reference Obligor with the terms of the Reference Obligation nor any rights of set off against the Reference Obligor, nor have any voting rights with respect to the Reference Obligation. The Issuer will not directly benefit from the 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.

Because neither the Synthetic Security Counterparty nor the Issuer is required to hold any Reference Obligation, the Issuer will not have any right to obtain from either the Synthetic Security Counterparty or the Reference Obligor information on the Reference Obligations or information regarding any Reference Obligor. The Synthetic Security Counterparty will have no obligation to keep the Issuer, the Trustee, the Liquidation Agent, the Holders of the Secured Notes or the Holders of the Income Notes 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.

In addition, in the event of the insolvency of the Synthetic Security Counterparty, the Issuer will be treated as a general creditor of such Synthetic Security Counterparty, and will not have any claim with respect to the Reference Obligor or the Reference Obligation. Consequently, the Issuer will be subject to the credit risk of the Synthetic Security Counterparty as well as that of the Reference Obligor and the Reference Obligation. As a result, concentrations of Synthetic Securities in any one Synthetic Security Counterparty subject the Notes to an additional degree of risk with respect to defaults by such Synthetic Security Counterparty. It is expected that Goldman Sachs International, an affiliate of Goldman, Sachs & Co., will act as the sole Synthetic Security Counterparty with respect to the Synthetic Securities, which creates concentration risk and may create certain conflicts of interest. In addition, neither the Synthetic Security Counterparty nor its affiliates will be (or will be deemed to be acting as) the agent or trustee of the Issuer, the Holders of the Secured Notes or the Holders of the Income Notes in connection with the exercise of, or the failure to exercise, any of the rights or powers of the Synthetic Security Counterparty and/or its affiliates arising under or in connection with their respective holding of any Reference Obligation. The Synthetic Security Counterparty and its affiliates (i) may deal in any Reference Obligation, (ii) may generally engage in any kind of commercial or investment banking or other business transactions with any issuer of a Reference Obligation, and (iii) may act with respect to transactions described in the preceding clauses (i) and (ii) in the same manner as if the Synthetic Securities and the Notes did not exist and without regard to whether any such action might have an adverse affect on such Reference Obligation, the Issuer, the Holders of the Secured Notes or the Holders of the Income Notes.

All of the Synthetic Securities are expected to be structured as "pay-as-you-go" credit default swaps. The obligation of the Issuer to make payments to a Synthetic Security Counterparty under a Synthetic Security creates credit exposure to the related Reference Obligations (as well as to the default risk of the related Synthetic Security Counterparty). Following the occurrence of a "credit event", the Issuer may be required to pay to the Synthetic Security Counterparty a "physical settlement payment" or a "cash settlement payment." The payment of any such credit protection payments will be funded by the Issuer liquidating Default Swap Collateral chosen by the Synthetic

Security Counterparty. In addition, each Synthetic Security may require the Issuer, in its capacity as protection seller, to pay certain "floating amounts" to the Synthetic Security Counterparty equal to certain principal shortfall amounts, writedown payments and interest shortfalls under the Reference Obligation upon the occurrence thereof. Although the Synthetic Security Counterparty, in its capacity as protection buyer, will be obligated to reimburse all or part of such payments to the Issuer if the writedown payments of the related shortfalls are ultimately paid to Holders of the Reference Obligations or if the related Reference Obligations are written up, the amounts available to the Issuer to make payments in respect of the Secured Notes and Income Notes may be reduced after payment by the Issuer of the relevant payment to the Synthetic Security Counterparty until the Issuer receives such reimbursement, if any, from the Synthetic Security Counterparty. Any "floating payments" or credit protection payments payable by the Issuer, may result in a reduction of the notional amount of the Synthetic Securities, and therefore reduce the amounts payable by the Synthetic Security Counterparty and the amount of interest collections available to pay interest on the Notes. In addition, any "floating payment", "physical settlement payment" or "cash settlement payment" would reduce the amount on deposit in the Default Swap Collateral Account that is available to pay the principal of the Notes.

Determination of the floating amounts and additional fixed amounts (as described in the Confirmation) will depend on the relevant servicer reports being available and on such reports containing adequate information to enable the required calculations to be made. Current private industry investigations of the market practices show that such reports can vary and that not all reports contain adequate information. In addition, access to servicer reports may be limited if such reports are confidential and neither counterparty holds the related Reference Obligation.

The Issuer will be required to purchase Default Swap Collateral and pledge to the Synthetic Security Counterparty a first priority security interest in such Default Swap Collateral. In the event a "credit event" occurs under a Synthetic Security, the item of Default Swap Collateral chosen by the Synthetic Security Counterparty after the application of any cash on deposit in the Default Swap Collateral Account will be sold by the Trustee at the direction of the Liquidation Agent and any loss or write down amount owed to the Synthetic Security Counterparty will be paid by the Issuer from the liquidation proceeds of such Default Swap Collateral. In the event such liquidation proceeds are less than par, the Synthetic Security Counterparty will accept the liquidation proceeds applicable to the face amount of Synthetic Security Collateral sold which is equal to the loss or write down amount. In addition, under certain circumstances upon the occurrence of a "credit event", the Default Swap Collateral chosen by the Synthetic Security Counterparty will instead be delivered to the Synthetic Security Counterparty in exchange for a deliverable obligation. Any deliverable obligation delivered to the Issuer will be sold by the Trustee at the direction of the Liquidation Agent without regard to whether such sale would be permitted as a sale of a Credit Risk Obligation. In the event that no "credit event" under a Synthetic Security occurs prior to the termination or scheduled maturity of such Synthetic Security, the related Default Swap Collateral will be released from the lien of the Synthetic Security Counterparty and will be treated as a Collateral Asset which may only be sold in accordance with the Indenture. If a Synthetic Security is terminated or partially terminated prior to its scheduled maturity, the Synthetic Security Counterparty will choose the Default Swap Collateral to be liquidated to make any termination payments due to the Synthetic Security Counterparty after the application of cash available in the Default Swap Collateral Account and the Trustee will cause such portion of the Default Swap Collateral to be sold at the direction of the Liquidation Agent and the liquidation proceeds equaling any such termination payment will be paid to the Synthetic Security Counterparty. The remaining portion of Default Swap Collateral not required to be pledged to such Synthetic Security Counterparty will be delivered to the Trustee free of such lien. The Default Swap Collateral may be sold or replaced prior to the termination or maturity of the related Synthetic Security at the direction of the Synthetic Security Counterparty. The Issuer may realize a loss upon the sale of any Default Swap Collateral, however, under the terms of the Synthetic Securities, the Synthetic Security Counterparty will bear any market risk on the liquidation of the Default Swap Collateral.

"Pay-as-you-go" credit default swaps are a new type of credit default swap developed to incorporate the unique structures of asset-backed securities. The International Swaps and Derivatives Association, Inc. ("ISDA") has published a form confirmation for "pay-as-you-go" credit default swaps referencing CDO Securities. The form confirmation expected to be used to document the Synthetic Securities is expected to be similar to the CDO "pay-as-you-go" form, but may differ in significant ways. While ISDA has published its form confirmations and has published and supplemented the Credit Derivatives Definitions in order to facilitate transactions and promote uniformity in the credit default swap market, the credit default swap market is expected to change and the "pay-as-you-go" credit default swap forms and the Credit Derivatives Definitions and terms applied to credit derivatives are

subject to interpretation and further evolution. ISDA is currently preparing forms for other types of asset-backed securities. There can be no assurance that such forms will be substantially similar to the form confirmation expected to be used for the Synthetic Security. Past events have shown that the views of market participants may differ as to how the Credit Derivatives Definitions operate or should operate. As a result of the continued evolution of the ISDA "pay-as-you-go" credit default swap forms, the confirmations used to document the Synthetic Securities may differ from the future market standard. Such a result may have a negative impact on the liquidity and market value of the Synthetic Securities.

There can be no assurances that changes to the Credit Derivatives Definitions and other terms applicable to credit derivatives generally will be favorable to the Issuer. Amendments or supplements to the "pay-as-you-go" credit default swap forms and amendments and supplements to the Credit Derivatives Definitions that are published by ISDA will only apply to the Synthetic Securities executed prior to such amendment or supplement if the Issuer and the Synthetic Security Counterparty agree to amend the Synthetic Securities to incorporate such amendments or supplements and the Rating Agency Condition has been satisfied. Markets in different jurisdictions have also already adopted and may continue to adopt different practices with respect to the Credit Derivatives Definitions. Furthermore, the Credit Derivatives Definitions may contain ambiguous provisions that are subject to interpretation and may result in consequences that are adverse to the Issuer. In addition to the credit risk of the Reference Obligations and the credit risk of the Synthetic Security Counterparty, the Issuer is also subject to the risk that the Credit Derivatives Definitions could be interpreted in a manner that would be adverse to the Issuer or that the credit derivatives market generally may evolve in a manner that would be adverse to the Issuer.

PROSPECTIVE PURCHASERS OF THE SECURED NOTES AND THE INCOME NOTES SHOULD CONSIDER AND ASSESS FOR THEMSELVES THE LIKELY LEVEL OF DEFAULTS ON THE COLLATERAL ASSETS, AS WELL AS THE LIKELY LEVEL AND TIMING OF RECOVERIES ON THE COLLATERAL ASSETS.

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

In general, if payments on a Collateral Asset are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured. To the extent that any such payments are recaptured, the resulting loss will be borne first by the Holders of the Income Notes, then by the Holders of the Class D Notes, then by the Holders of the Class C Notes, then by the Holders of the Class B Notes, then by the Holders of the Class A-2 Notes, then by the Holders of the Class A-1 Notes, and finally, by the Holders of the Class S Notes.

Illiquidity of Collateral Assets; Certain Restrictions on Transfer. There may be a limited trading market for many of the Collateral Assets purchased by the Issuer, and in certain instances there may be effectively no trading market therefor.

In addition, it is expected that substantially all of the Collateral Assets will generally not have been registered or qualified under the Securities Act, or the securities laws of any other jurisdiction, and no person or entity will be obligated to register or qualify any such Collateral Assets under the Securities Act or any other securities law. Consequently, the Issuer's transfer of such Collateral Assets will be subject to satisfaction of legal requirements applicable to transfers that do not require registration or qualification under the Securities Act or any applicable state securities laws and upon satisfaction of certain other provisions of the respective agreements pursuant to which the Collateral Assets were issued. It is expected that such transfers will also be subject to satisfaction of certain other restrictions regarding the transfer thereof to, for the benefit of or with assets of, a Plan, as well as certain other transfer restrictions. The existence of such transfer restrictions will negatively affect the liquidity of, and consequently the price that may be realized upon a sale of, such securities.

The Issuer's investment in illiquid Collateral Assets may affect the Issuer's right to sell such investments if they become Credit Risk Obligations or Directed Sale Securities and the timing and price thereof. The value of illiquid Collateral Assets may be less than comparable, more liquid investments. The illiquidity of Collateral Assets and the restrictions on transfer of Collateral Assets, in each case as described above, may also affect the ability of the Issuer to conduct a successful Auction, to exercise redemptions and may also affect the amount and timing of receipt of proceeds from the sale of Collateral Assets in connection with the exercise of remedies following an Event of Default.

Volatility of Market Value of Collateral Assets. The market value of the Collateral Assets will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, developments or trends in any particular industry and the financial condition of the issuers of the Collateral Assets. A decrease in the market value of the Collateral Assets would adversely affect the proceeds that could be obtained upon the sale of the Collateral Assets and could ultimately affect the ability of the Issuer to effect an Auction, an Optional Redemption or a Tax Redemption, or to pay the principal of the Notes upon a liquidation of the Collateral Assets following the occurrence of an Event of Default.

Interest Rate Risk; Hedge Agreements. There will be a floating/fixed rate or basis mismatch between the Notes and those underlying Collateral Assets that bear interest at a fixed rate and there will be a basis and timing mismatch between such Notes and the Collateral Assets which bear interest at a floating rate, since the interest rates on such Collateral Assets bearing interest at a floating rate may adjust more frequently or less frequently, on different dates and based on different indices, than the interest rate on the Notes. The fixed rates and the margins over LIBOR or other floating rates borne by Collateral Assets may be lower than those on sold or amortized Collateral Assets which could cause a significant decline in interest coverage for the Notes. An increase in LIBOR, and therefore in the interest rate borne by the Notes, could adversely impact the interest coverage for the Notes, and a decrease in LIBOR, although also a decrease in the interest rate borne by the Notes, could also adversely impact the interest coverage for the Notes because under the Rate Swap Agreement the Issuer will generally be paying a fixed rate to the Interest Rate Swap Counterparty determined at closing and the fixed rates and spreads of the Collateral Assets may be lower.

On the Closing Date, the Issuer will enter into a Rate Swap Agreement to reduce the impact of the interest rate mismatch, and a Cashflow Swap Agreement to reduce the impact of the timing mismatches between the payments on the Notes and the receipt of payments on the Collateral Assets. Despite the Issuer having the benefit of Hedge Agreements, there can be no assurance that the Collateral Assets and the Eligible Investments will in all circumstances generate sufficient Proceeds to make timely payments of stated interest on the Notes or amounts subordinated thereto. There is no assurance that any interest rate hedge will provide the necessary interest rate protection to the Notes or that the Cashflow Swap Agreement will solve all timing mismatches. After the Closing Date, the Issuer will not enter into any additional Rate Swap Agreements or Cashflow Swap Agreements in order to reduce the impact of any interest rate mismatch or timing mismatch. In addition, each Hedge Agreement may be terminated, whether or not the Notes have been paid in full on or prior to such termination, upon, among other things, (i) certain events of bankruptcy, insolvency, conservatorship, receivership or reorganization of the Issuer or the related Hedge Counterparty, (ii) failure on the part of the Issuer or the related Hedge Counterparty to make any

payment under the Hedge Agreement within the applicable grace period, (iii) certain withholding or other taxes being imposed on payments to be made under the Hedge Agreement as set forth in Sections 5(b)(ii) and (iii) of the ISDA Master Agreement incorporated in the Hedge Agreement, (iv) a change in law making it illegal for either the Issuer or the related Hedge Counterparty to be a party to, or perform an obligation under, the Hedge Agreement, (v) the delivery of a notice of liquidation of the Collateral following an Event of Default under the Indenture *provided* that such notice has not been rescinded or annulled, (vi) an Optional Redemption, a Tax Redemption or an Auction or (vii) in the case of the Cashflow Swap Agreement only, the Net Outstanding Portfolio Collateral Balance is less than $50,000,000. Notwithstanding the foregoing, the Issuer will not optionally terminate any Hedge Agreement unless (a) directed to do so by a Majority of the Income Notes and (b) the Rating Agency Condition is satisfied in connection with such termination.

The notional amounts in the Rate Swap Agreement will be based on amortization schedules derived from the anticipated amortization of those Collateral Assets that bear interest at a fixed rate that the Issuer expects to own as of the Closing Date. There can be no assurance that the actual amortization of the Collateral Assets will correspond to the anticipated amortization on which the Rate Swap Agreement will be based. The Collateral Assets are subject to prepayment and extension risk which may result in a further mismatch between the cash flow anticipated on the Collateral Assets and any Hedge Agreements. Such an imbalance could require the Issuer to make payments to the Interest Rate Swap Counterparties that exceed the amounts earned from the Collateral Assets. The Issuer will not optionally terminate any Hedge Agreement in whole or in part in order to reduce any such imbalance unless (a) directed to do so by a Majority of the Holders of the Income Notes and (b) the Rating Agency Condition is satisfied in connection with such termination.

The Issuer's ability to meet its obligations on the Notes will largely depend on the ability of the Hedge Counterparties to meet their respective obligations under the Hedge Agreements. In the event a Hedge Counterparty defaults or a Hedge Agreement is terminated, there can be no assurance that the amounts received from the Collateral Assets will be sufficient to provide for full payments due and payable on the Notes, or that amounts otherwise distributable to the Holders of the Income Notes will not be reduced.

In the event of the insolvency of a Hedge Counterparty, the Issuer will be treated as a general creditor of such Hedge Counterparty. Consequently, the Issuer will be subject to the credit risk of each Hedge Counterparty. As a result, concentrations of Hedge Agreements in any one Hedge Counterparty subject the Notes to an additional degree of risk with respect to defaults by such Hedge Counterparty.

UBS AG, London Branch will be the initial Interest Rate Swap Counterparty and the initial Cashflow Swap Counterparty.

PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSIDER AND ASSESS FOR THEMSELVES THE LIKELIHOOD OF A DEFAULT BY A HEDGE COUNTERPARTY OR A GUARANTOR OF ITS OBLIGATIONS, AS WELL AS THE OBLIGATIONS OF THE ISSUER UNDER THE HEDGE AGREEMENTS, INCLUDING THE OBLIGATION TO MAKE TERMINATION PAYMENTS TO ANY HEDGE COUNTERPARTY, AND THE INABILITY OF THE ISSUER TO (1) TERMINATE ANY HEDGE AGREEMENTS (OTHER THAN (A) AT THE DIRECTION OF A MAJORITY OF THE HOLDERS OF THE INCOME NOTES AND (B) IF THE RATING AGENCY CONDITION IS SATISFIED) OR (2) REDUCE ANY HEDGE AGREEMENT OR ENTER INTO ADDITIONAL HEDGE AGREEMENTS.

Concentration Risk. The Issuer will invest in the portfolio of Collateral Assets described in Appendix B hereto. Payments on the Notes could be adversely affected by the concentration in the portfolio of any one issuer or any one servicer if such issuer or servicer were to default.

No single issuer will represent as of the Closing Date more than approximately 3.65% of the Collateral Assets by outstanding principal balance. See "Security for the Secured Notes—The Collateral Assets."

Other Considerations

Changes in Tax Law; No Gross-Up. Payments on the Collateral Assets generally are exempt under current United States tax law from the imposition of United States withholding tax. See "Income Tax Considerations — U.S. Federal Income Tax Consequences to the Issuer." However, there can be no assurance that, as a result of any change in any applicable law, treaty, rule or regulation or interpretation thereof, the payments on the Collateral Assets would not in the future become subject to withholding taxes imposed by the United States of America or another jurisdiction. In that event, if the obligors of such Collateral Assets were not then required to make "gross-up" payments that cover the full amount of any such withholding taxes, the amounts available to make payments on, or distributions to, the Holders of the Notes would accordingly be reduced. There can be no assurance that remaining payments on the Collateral would be sufficient to make timely payments of interest on and payment of principal at the Stated Maturity of each Class of the Notes.

In the event that any withholding tax is imposed on payments on the Notes, the Holders of such Notes will not be entitled to receive "grossed-up" amounts to compensate for such withholding tax. In addition, 90 days following the Issuers becoming aware of the occurrence of a Tax Event (which 90-day period may be extended by 90 days), the Issuer will redeem in whole but not in part, at applicable Secured Note Redemption Prices or the Income Note Redemption Price, as applicable, specified herein, the Notes in accordance with the procedures described under "Description of the Notes—Tax Redemption," "—Optional Redemption—Optional Redemption/Tax Redemption Procedures" herein.

Lack of Operating History. Each of the Issuers is a newly organized entity and has no prior operating history. Accordingly, neither of the Issuers has a performance history for a prospective investor to consider.

Investment Company Act. Neither of the Issuers has registered with the United States Securities and Exchange Commission (the "SEC") as an investment company pursuant to the Investment Company Act. The Issuer has not so registered in reliance on an exception for investment companies organized under the laws of a jurisdiction other than the United States whose investors resident in the United States are solely Qualified Purchasers and which do not make a public offering of their securities in the United States. Counsel for the Issuers will opine, in connection with the sale of the Notes by the Initial Purchaser, that neither the Issuer nor the Co-Issuer is on the Closing Date an investment company required to be registered under the Investment Company Act (assuming, for the purposes of such opinion, that the Notes are sold by the Initial Purchaser in accordance with the terms of the Purchase Agreement). No opinion or no-action position has been requested of the SEC.

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

The Notes are only permitted to be transferred to Qualified Institutional Buyers in transactions meeting the requirements of Rule 144A and, solely in the case of the Income Notes, to Accredited Investors having a net worth of not less than U.S.$10 million in transactions exempt from registration under the Securities Act, or in an offshore transaction, to a non-U.S. Person, complying with Rule 903 or Rule 904 of Regulation S. The Notes being offered in the United States are being offered only to persons that are also Qualified Purchasers. Any non-permitted transfer will be voided and the Issuers can require the transferee to sell its Notes to a permitted transferee, with such sale to be effected within 30 days after notice of such sale requirement is given. If such sale is not effected within such 30 day period, upon written direction from the Issuer or the Liquidation Agent, on behalf of the Issuer, will be authorized to conduct a commercially reasonable sale of such Notes to a permitted transferee and pending such transfer, no further payments will be made in respect of such Notes or any beneficial interest therein. See "Description of the Notes—Form of the Notes" and "Notice to Investors."

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.

Document Repository. Pursuant to the Indenture, the Issuer will consent to the posting of this Offering Circular, the Indenture and certain periodic reports required to be delivered pursuant to the Transaction Documents, together with any amendments or modifications thereto, to the internet-based password protected electronic repository of transaction documents relating to privately offered and sold collateralized debt obligation securities located at "www.cdolibrary.com."

Implementation of Securities Regulation in Europe. As part of a coordinated action plan for harmonization of securities markets in Europe, the European Parliament and the Council of the European Union has adopted a series of directives, including the Prospectus Directive (2003/71/EC) the Transparency Directive (2004/109/EC) and the Market Abuse Directive (2003/6/EC) which aim to ensure investor protection and market efficiency in accordance with high regulatory standards across the European community. Pursuant to such directives member states have introduced, or are in the process of introducing, legislation into their domestic markets to implement the requirements of these directives. The introduction of such legislation has effected and will effect the regulation of issuers of securities that are offered to the public or admitted to trading on a European Union regulated market and the nature and content of disclosure required to be made in respect of such issuers and their related securities. The listing of Notes on any European Union stock exchange would subject the Issuers to regulation under these directives, although the requirements applicable to the Issuer are not yet fully clarified. The Indenture will not require the Issuer to apply for, list or maintain a listing for any Class of Notes on a European Union stock exchange if compliance with these directives (or other requirements adopted by the European Parliament and Council of the European Union or a relevant member state) becomes burdensome. Should the Notes be delisted from any exchange, the ability of the holders of such Securities to sell such Securities in the secondary market may be negatively impacted.

EU Savings Directive. If, following implementation of European Council Directive 2003/48/EC, a payment were to be made or collected through a member state that opted for a withholding system and an amount of or in respect of tax were to be withheld from that payment, neither the Issuer nor the Paying Agent nor any other person would be obliged to pay additional amounts as a result of the imposition of such withholding tax. If a withholding tax is imposed on a payment made by a paying agent following implementation of this Directive, the Issuer will be required to maintain a paying agent in a member state that will not be obliged to withhold or deduct tax pursuant to the Directive.

Certain Conflicts of Interest. Various potential and actual conflicts of interest may arise from the overall underwriting, investment and other activities of the Liquidation Agent, its affiliates and its clients and employees and from the overall investment activity of the Initial Purchaser, including in other transactions with the Issuer, including, without limitation, acting as counterparty with respect to any Hedge Agreements. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

The Liquidation Agent. Although the Liquidation Agent will exercise no discretion with respect to the Collateral and the Liquidation Agent is not providing investment advisory servicers to, or acting as an advisor to, the Issuer or the Holders of the Notes, various potential and actual conflicts of interest may arise from the overall underwriting, investment and other activities of the Liquidation Agent, its affiliates and its clients. The Liquidation Agent is also the Initial Purchaser. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

The Liquidation Agent and/or its affiliates have ongoing relationships with, render service to, finance and engage in transactions with, and may own debt or equity securities issued by issuers of certain of the Collateral Assets. The Liquidation Agent, its affiliates and/or its clients may invest in securities that are senior or subordinated to, or have interests different from or adverse to, the Collateral Assets. The interests of such parties may be different than or adverse to the interest of the holders of the Notes. In addition, such persons may possess information relating to the Collateral Assets which is not known to the individuals at the Liquidation Agent responsible for

performing its obligations under the Liquidation Agency Agreement. Such persons will not be required (and may not be permitted) to share such information or pass it along to the Issuer, the Liquidation Agent or any holder of any Notes. Neither the Liquidation Agent nor any of such person will have liability to the Issuer or any holder of any Notes for failure to disclose such information or for taking, or failing to take, any action based upon such information.

In addition, the Liquidation Agent and/or any of its affiliates may engage in any other business and furnish investment banking and other services to others which may include, without limitation, investing in, lending to, being affiliated with or have other ongoing relationships with, other entities organized to issue collateralized debt obligations secured by assets similar to the Collateral Assets, and other trusts and pooled investment vehicles that acquire interests in, provide financing to, or otherwise deal with securities issued by issuers that would be suitable investments for the Issuer. In providing services to other clients, the Liquidation Agent and its affiliates may engage in activities that would compete with or otherwise adversely affect the Issuer. In addition, the Liquidation Agent will be free, in its sole discretion, to 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 Liquidation Agent and/or its affiliates may furnish investment banking or other services to others who may have investment policies similar to those followed by the Issuer and who may own securities of the same class, or which are the same type as, the Collateral Assets on behalf of the Issuer. In addition, under certain circumstances the Liquidation Agent will be required to sell certain Collateral Assets in accordance with the procedures set forth in the Liquidation Agency Agreement. Such sales of Collateral Assets may result in losses by the Issuer, which losses may result in the reduction or withdrawal of the rating of any or all of the Notes by any of the Rating Agencies. In making any such sale, the Liquidation Agent need not take into account the interests of the Issuers, the Holders of the Notes or any other party. The Liquidation Agent and/or its affiliates may at certain times be simultaneously seeking to purchase or dispose of investments for their respective accounts or for another entity at the same time as it is disposing of investments for the Issuer. Accordingly, conflicts may arise regarding the allocation of sale opportunities.

No provision in the Liquidation Agency Agreement prevents the Liquidation Agent or any of its affiliates from rendering services of any kind to the issuer of any Collateral Assets and its affiliates, the Trustee, the holders of the Notes, the Hedge Counterparty or any other entity. Without prejudice to the generality of the foregoing, the Liquidation Agent and its affiliates, directors, officers, employees and agents may, among other things: (a) serve as directors, partners, officers, employees, agents, nominees or signatories for an issuer of any Collateral Assets; (b) receive fees for services rendered to the issuer of any Collateral Assets or any affiliate thereof; (c) be a secured or unsecured creditor of, or hold an equity interest in, any issuer of any Collateral Assets; and (d) serve as a member of any "creditors' board" or "creditors' committee" with respect to any Collateral Assets which has become or may become a Defaulted Obligation.

The Liquidation Agent or any of its affiliates or subsidiaries will be permitted to exercise all voting rights with respect to any Notes which they may acquire (other than with respect to a vote regarding the removal of the Liquidation Agent or the termination or assignment of the Liquidation Agency Agreement).

The Initial Purchaser. Various potential and actual conflicts of interest may arise from the conduct by the Initial Purchaser and its affiliates in other transactions with the Issuer, including, without limitation, acting as counterparty with respect to any Hedge Agreements and Synthetic Securities. GS&Co. will initially act as the Liquidation Agent under the Liquidation Agency Agreement. In addition, the Initial Purchaser and/or its affiliates may act as a Synthetic Security Counterparty. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

It is expected that the Initial Purchaser and/or its affiliates and selling agent will have placed or underwritten certain of the Collateral Assets at original issuance, will own equity or other securities of issuers of or obligors on Collateral Assets and will have provided investment banking services, advisory, banking and other services to issuers of Collateral Assets. The Issuer may invest in the securities of companies affiliated with the Initial Purchaser and/or any of its affiliates or in which the Initial Purchaser and/or any of its affiliates have an equity or participation interest. The purchase, holding and sale of such investments by the Issuer may enhance the profitability of the Initial Purchaser's and/or any of its affiliates' own investments in such companies. In addition, it is expected that one or more affiliates of the Initial Purchaser may also act as counterparty with respect to one or more Synthetic Securities. The Issuer may invest in money market funds that are managed by the Initial Purchaser

or its affiliates; *provided* that such money market funds otherwise qualify as Eligible Investments. GS&Co. and/or a consolidated entity controlled by GS&Co. or an affiliate thereof is providing "warehouse" financing to the Issuer prior to the Closing Date and GS&Co. selected the warehoused Collateral Assets which will be sold to the Issuer on the Closing Date pursuant to the terms of the Forward Purchase Agreement. No collateral manager or other person acting on behalf of the Issuer has reviewed the prices established pursuant to such Forward Purchase agreement (nor has there been any third party verification of such prices). See "—Notes—Collateral Accumulation."

There is no limitation or restriction on the Initial Purchaser or any of its affiliates with regard to acting as investment advisor, initial purchaser or placement agent (or in a similar role) to other parties or persons. This and other future activities of the Initial Purchaser and/or its affiliates may give rise to additional conflicts of interest.

Anti-Money Laundering Provisions. The Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act"), signed into law on and effective as of October 26, 2001, imposes anti money laundering obligations on different types of financial institutions, including banks, broker dealers and investment companies. The USA PATRIOT Act requires the Secretary of the United States Department of the Treasury (the "Treasury") to prescribe regulations to define the types of investment companies subject to the USA PATRIOT Act and the related anti money laundering obligations. It is not clear whether the Treasury will require entities such as the Issuer to enact anti money laundering policies. It is possible that the Treasury will promulgate regulations requiring the Issuers or the Initial Purchaser or other service providers to the Issuers, in connection with the establishment of anti money laundering procedures, to share information with governmental authorities with respect to investors in the Secured Notes and/or the Income Notes. Such legislation and/or regulations could require the Issuers to implement additional restrictions on the transfer of the Secured Notes and/or the Income Notes. As may be required, the Issuer reserves the right to request such information and take such actions as are necessary to enable it to comply with the USA PATRIOT Act.

The Issuer. The Issuer is a recently incorporated Cayman Islands exempted company and has no substantial prior operating history. The Issuer will have no significant assets other than the Collateral Assets, Eligible Investments, rights under the Hedge Agreements, and certain other accounts and agreements entered into as described herein, and proceeds thereof, all of which have been pledged to the Trustee to secure the Issuer's obligations to the Holders of the Secured Notes, and the Hedge Counterparties. The Issuer will not engage in any business activity other than the issuance and sale of the Secured Notes, and the Income Notes as described herein, the issuance of the Ordinary Shares, the acquisition and disposition of the Collateral Assets and Eligible Investments as described herein, the entering into of, and the performance of its obligations under, the Indenture, the Hedge Agreements, the Account Control Agreement, the Liquidation Agency Agreement, the Collateral Administration Agreement, any other applicable Transaction Document, 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, certain activities conducted in connection with the payment of amounts in respect of the Secured Notes and the Income Notes and the management of the Collateral and other activities incidental to the foregoing. Income derived from the Collateral Assets and other Collateral will be the Issuer's only source of cash.

The Co-Issuer. The Co-Issuer is a newly incorporated Delaware corporation and has no prior operating history. The Co-Issuer does not have and will not have any significant assets. The Co-Issuer will not engage in any business activity other than the co-issuance of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes.

Tax. See "Income Tax Considerations."

ERISA. See "ERISA Considerations."

Listing. Application may be made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that any application will be made, 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 Notes are admitted to the official list of the Irish Stock Exchange, the Issuer may at any time terminate the listing of such Notes. If the Issuer terminates the listing, it may, but is under no obligation to, seek a replacement listing on another stock exchange.

DESCRIPTION OF THE NOTES

The Secured Notes will be issued by the Issuers pursuant to the Indenture. The Income Notes will be issued by the Issuer pursuant to the Fiscal Agency Agreement. The following summary describes certain provisions of the Notes, the Indenture and the Fiscal Agency Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Notes, the Indenture and the Fiscal Agency Agreement. Copies of the Indenture may be obtained by prospective purchasers of the Secured Notes upon request in writing to the Trustee at The Bank of New York Trust Company, National Association, 600 Travis Street, 50th Floor, Houston, Texas 77002, Attention: Global Corporate Trust —Hudson High Grade Funding 2006-1, Ltd. (telephone number (713) 216-4181). Copies of the Fiscal Agency Agreement may be obtained by prospective purchasers of Income Notes upon request in writing to the Fiscal Agent at The Bank of New York Trust Company, National Association, 600 Travis Street, 50th Floor, Houston, Texas 77002, Attention: Global Corporate Trust — Hudson High Grade Funding 2006-1, Ltd. (telephone number (713) 216-4181).

Status and Security

The Secured Notes will be limited recourse obligations of the Issuers, secured as described below. The Income Notes will be limited recourse obligations of the Issuer, will not be secured obligations of the Issuer and will only be entitled to receive amounts available for payment to the Holders of the Income Notes after payment of all amounts payable prior thereto under the Priority of Payments. The Class S Notes will be senior in right of payment on each Payment Date to the Class A Notes and the Class B Notes to the extent provided in the Priority of Payments. The Class S Notes will be senior in right of payment on each Quarterly Payment Date to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes to the extent provided in the Priority of Payments. The Class A Notes will be senior in right of payment on each Payment Date to the Class B Notes and will be senior in right of payment on each Quarterly Payment Date to the Class B Notes, the Class C Notes, the Class D Notes and the Income Notes. Interest on the Class A-1 Notes will be *pro rata* with interest on the Class A-2 Notes. Principal on the Class A-1 Notes and the Class A-2 Notes will be paid either *pro rata* or first to the Class A-1 Notes and second to the Class A-2 Notes depending on the circumstances as more fully described in the Priority of Payments. The Class B Notes will be senior in right of payment on each Quarterly Payment Date to the Class C Notes, the Class D Notes and the Income Notes. The Class C Notes will be senior in right of payment on each Quarterly Payment Date to the Class D Notes and the Income Notes. The Class D Notes will be senior in right of payment on each Quarterly Payment Date to the Income Notes. See "—Priority of Payments."

Under the terms of the Indenture, the Issuer will grant to the Trustee, for the benefit and security of the Trustee on behalf of the Secured Notes, the Fiscal Agent, the Liquidation Agent, the Hedge Counterparty and the Synthetic Security Counterparty (but only to the extent of the Default Swap Collateral) (collectively, the "Secured Parties"), a first-priority security interest in (i) the Collateral Assets; (ii) the Collection Account; (iii) the Payment Account; (iv) the Hedge Termination Receipts Account, and the Hedge Collateral Account (subject, in each case, to the rights of the Hedge Counterparty); (v) the Expense Reserve Account; (vi) the Collateral Account; (vii) the Synthetic Security Collateral Account and the Default Swap Collateral Account (subject, in each case, to the rights of the Synthetic Security Counterparty) (items (ii) through (vii), the "Accounts"); (viii) Eligible Investments; (ix) the Issuer's rights under the Hedge Agreements and the Liquidation Agency Agreement and (x) certain other property (collectively, the "Collateral").

Payments of interest on and principal of the Secured Notes, and payments to the Holders of the Income Notes, will be made solely from the proceeds of the Collateral in accordance with the Priority of Payments.

The aggregate amount that will be available for payments required or permitted to be made on the Notes and of certain expenses of the Issuers, the Trustee and the Agents on any Payment Date will be the total amount of payments and collections in respect of the Collateral (including the proceeds of the sale of any Collateral) received during the period (a "Due Period") ending on (and including) the fifth Business Day prior to such Payment Date (or, in the case of a Due Period that is applicable to the Payment Date relating to the Stated Maturity of any Note, ending on (and including) the day preceding such Payment Date) (*provided*, that if the fifth Business Day prior to such Payment Date occurs before the 25th day of any calendar month (or if the 25th day is not a Business Day, the immediately following Business Day), such Due Period shall end on, and include, the 25th day of such calendar month), and commencing immediately following the fifth Business Day prior to the preceding Payment Date (or, in

the case of the Due Period relating to the first Payment Date, on the Closing Date) (*provided*, that if a Due Period ends on the 25th day of a calendar month, the next succeeding Due Period shall commence immediately following the 25th day of such calendar month (or if such day is not a Business Day, the immediately following Business Day)) and any such amounts received in prior Due Periods that were not disbursed on a previous Payment Date.

Interest on the Secured Notes

The Class S Notes will bear interest during each Interest Accrual Period at the Class S Note Interest Rate for such Interest Accrual Period. The Class A-1 Notes will bear interest during each Interest Accrual Period at the Class A-1 Note Interest Rate for such Interest Accrual Period. The Class A-2 Notes will bear interest during each Interest Accrual Period at the Class A-2 Note Interest Rate for such Interest Accrual Period. The Class B Notes will bear interest during each Interest Accrual Period at the Class B Note Interest Rate for such Interest Accrual Period. The Class C Notes will bear interest during each Interest Accrual Period at the Class C Note Interest Rate for such interest Accrual Period. The Class D Notes will bear interest during each Interest Accrual Period at the Class D Note Interest Rate for such Interest Accrual Period. Interest with respect to the Class S Notes, the Class A Notes and the Class B Notes will be payable monthly in arrears on each Payment Date commencing on the February 2007 Payment Date and interest on the Class C Notes and the Class D Notes will be payable quarterly in arrears on each Quarterly Payment Date, commencing on the March 2007 Payment Date. LIBOR for the first Interest Accrual Period with respect to the Notes will be determined as of the second Business Day preceding the Closing Date. Calculations of interest on the Secured Notes will be made based on a 360-day year and the actual number of days in each Interest Accrual Period. The Holders of the Income Notes will receive on each Quarterly Payment Date any amount of Proceeds that are available for distribution thereon in accordance with the Priority of Payments on such Quarterly Payment Date. The "Interest Accrual Period," is with respect to the Class S Notes, the Class A-1 Notes, the Class A-2 Notes and the Class B Notes and any Payment Date, the period commencing on and including the immediately preceding Payment Date (or the Closing Date in the case of the first Interest Accrual Period and ending on and including the day immediately preceding such Payment Date and with respect to the Class C Notes and the Class D Notes and any Quarterly Payment Date, the period commencing on and including the immediately preceding Quarterly Payment Date (or the Closing Date in the case of the first Interest Accrual Period) and ending on and including the day immediately preceding such Quarterly Payment Date.

If funds are not available on any Quarterly Payment Date to pay the full amount of interest on the Class C Notes, or to the extent interest that is due on such Notes is not paid in order to satisfy certain Coverage Tests, the interest not paid (the "Class C Deferred Interest"), will not be due and payable on such Quarterly Payment Date, but will be added to the principal amount of the Class C Notes and, to the extent lawful and enforceable, thereafter shall accrue interest at the Class C Note Interest Rate. If funds are not available on any Quarterly Payment Date to pay the full amount of interest on the Class D Notes, or to the extent interest that is due on such Notes is not paid in order to satisfy certain Coverage Tests, the interest not paid (the "Class D Deferred Interest"), will not be due and payable on such Quarterly Payment Date, but will be added to the principal amount of the Class D Notes and, to the extent lawful and enforceable, thereafter shall accrue interest at the Class D Note Interest Rate. So long as any Class S Notes, Class A Notes or Class B Notes are outstanding, the failure to pay interest to the Holders of the Class C Notes will not be an Event of Default under the Indenture and so long as any Class S Notes, Class A Notes, Class B Notes or Class C Notes are outstanding, the failure to pay interest to the Holders of the Class D Notes will not be an Event of Default under the Indenture. See "—Priority of Payments" and "—The Indenture—Events of Default."

Interest will cease to accrue on each Secured Note from the date of repayment in full or Stated Maturity, or in the case of partial repayment, on such part, unless payment of principal is improperly withheld or unless default is otherwise made with respect to such payments of principal. See "—Principal." To the extent lawful and enforceable, interest on any Defaulted Interest on each Class of Secured Notes entitled thereto will accrue at the interest rate applicable to such Class of Notes, until paid as provided herein. "Defaulted Interest" means any interest due and payable in respect of any Class S Note, Class A Note or Class B Note or if there are no Class S Notes, Class A Notes or Class B Notes outstanding, any Class C Note or if there are no Class S Notes, Class A Notes, Class B Notes or Class C Notes outstanding, any Class D Note which, in any such case, is not punctually paid or duly provided for on the applicable Payment Date, Quarterly Payment Date or at Stated Maturity, as the case may be.

Determination of LIBOR

For purposes of calculating each of the Note Interest Rates, the Issuers will appoint as agent The Bank of New York Trust Company, National Association (in such capacity, the "Note Calculation Agent"). LIBOR shall be determined by the Note Calculation Agent in accordance with the following provisions:

(i) On the second Business Day prior to the commencement of an Interest Accrual Period (each such day, a "LIBOR Determination Date"), LIBOR ("LIBOR") shall equal the rate, as obtained by the Note Calculation Agent, for Eurodollar deposits for, with respect to the Class S Notes, the Class A-1 Notes, the Class A-2 Notes and the Class B Notes, a one-month period (or, in the case of a designated initial payment period of less than 25 days or, in the case of the first Interest Accrual Period, the linear interpolation thereof, calculated in accordance with generally acceptable methodology, and, for the Class C Notes and the Class D Notes, a three-month period (or, in the case of the first Interest Accrual Period, the linear interpolation thereof, calculated in accordance with generally acceptable methodology), which appears on Bridge Telerate Page 3750 (as Telerate is defined in the International Swaps and Derivatives Association, Inc. Annex to the 2000 ISDA Definitions (June 2000 version)), or such page as may replace Bridge Telerate Page 3750, as of 11:00 a.m. (London time) on such LIBOR Determination Date.

(ii) If, on any LIBOR Determination Date, such rate does not appear on Bridge Telerate Page 3750, or such page as may replace Bridge Telerate Page 3750, the Note Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks to leading banks in the London interbank market for Eurodollar deposits for, with respect to the Class S Notes, the Class A-1 Notes, the Class A-2 Notes, and the Class B Notes, a one month period (or, in the case of a designated initial payment period of less than 25 days or, in the case of the first Interest Accrual Period, the linear interpolation thereof, calculated in accordance with generally acceptable methodology, and, for the Class C Notes and the Class D Notes, a three-month period (or, in the case of the first Interest Accrual Period, the linear interpolation thereof, calculated in accordance with generally acceptable methodology) in an amount determined by the Note Calculation Agent by reference to requests for quotations as of approximately 11:00 a.m. (London time) on the LIBOR Determination Date made by the Note 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 of such quotations. If, on any LIBOR Determination Date, only one or none of the Reference Banks provide such quotations, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that leading banks in the City of New York selected by the Note Calculation Agent (after consultation with the Issuer or the Liquidation Agent on behalf of the Issuer) are quoting on the relevant LIBOR Determination Date for Eurodollar deposits for the applicable period in an amount determined by the Note Calculation Agent (after consultation with the Issuer or the Liquidation Agent on behalf of the Issuer) by reference to the principal London offices of leading banks in the London interbank market; *provided, however*, that if the Note Calculation Agent is required but is unable to determine a rate in accordance with at least one of the procedures provided above, LIBOR shall be LIBOR as determined on the most recent date LIBOR was available. As used herein, "Reference Banks" means four major banks in the London interbank market selected by the Note Calculation Agent (after consultation with the Issuer or the Liquidation Agent on behalf of the Issuer).

As soon as possible after 11:00 a.m. (New York 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 Note Calculation Agent will cause notice of each of the Note Interest Rates for the next Interest Accrual Period and the amount of interest for such Interest Accrual Period payable in respect of each U.S.$1,000 principal amount of the Class S Notes (the "Class S Note Interest Amount"), of the Class A-1 Notes (the "Class A-1 Note Interest Amount"), of the Class A-2 Notes (the "Class A-2 Note Interest Amount"), of the Class B Notes (the "Class B Note Interest Amount"), of the Class C Notes (the "Class C Note Interest Amount") and of the Class D Notes (the "Class D Note Interest Amount") (collectively, the "Note Interest Amounts") (each rounded to the nearest cent, with half a cent being rounded upward) on the related Payment Date or Quarterly Payment Date, as applicable, to be communicated to the Issuers, DTC, Euroclear, Clearstream, the Note Paying Agents, the Trustee, the Liquidation Agent, the Securities Intermediary and the Irish Paying Agent (if any) for further delivery to the Irish Stock Exchange (so long as any Class of Notes is listed on such exchange). In the last case, the Note Calculation Agent will furnish such information as soon as possible after its determination to the Irish Paying Agent (if any) as long as any Notes are listed on the Irish Stock Exchange. The Note Calculation Agent will also specify to the Issuers and the Liquidation Agent the quotations upon which each of the Note Interest Rates are based. The Note Calculation Agent shall notify the Issuers and the Liquidation Agent before 12:00 p.m. (New York time) on any

LIBOR Determination Date if it has not determined and is not in the process of determining the applicable Note Interest Rates and Note Interest Amounts (collectively, the "Interest Calculations"), together with its reasons therefor. With respect to the Notes, "Business Day" means any day other than (x) Saturday or Sunday or (y) a day on which commercial banking institutions are authorized or obligated by law, regulation or executive order to close in New York, New York; London, England; or the city of the Corporate Trust Office; *provided, however*, that for the sole purpose of determining LIBOR, "Business Day" shall be defined as any day on which dealings in deposits in U.S. Dollars are transacted in the London interbank market and *provided further*, that to the extent action is required of the Irish Paying Agent (if any), the location of such Irish Paying Agent shall be considered in determining the "Business Day" for purposes of determining when such Irish Paying Agent action is required. As of the Closing Date, the Corporate Trust Office is located in Houston, Texas.

The Note Calculation Agent may not be removed by the Issuers unless the entity that is serving as Trustee is removed as Trustee. If the Note Calculation Agent is unable or unwilling to act as such or, in accordance with the preceding sentence, is removed by the Issuers, or if the Note Calculation Agent fails to determine the applicable Interest Calculations for any Interest Accrual Period, the Issuers will promptly appoint as a replacement Note Calculation Agent a leading bank which is engaged in transactions in Eurodollar deposits in the international Eurodollar market and which does not control or is not controlled by or under common control with the Issuers or their affiliates. The Note Calculation Agent may not resign its duties without a successor having been duly appointed. In addition, if and for so long as any Notes are listed on the Irish Stock Exchange and the rules of such exchange so require, notice of the appointment of any Note Calculation Agent will be furnished to such stock exchange. For so long as any of the Notes remain outstanding, there will at all times be a Note Calculation Agent for the purpose of calculating the applicable Interest Calculations. The determination of the applicable Interest Calculations by the Note Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

Payments on the Income Notes

The Income Notes will not bear interest based upon any fixed or floating rate.

The Fiscal Agent will receive (and make payments to the Holders of the Income Notes) Proceeds to the extent provided in the Indenture, if any available pursuant to clause (xviii) (or pursuant to clause (vii) in the case of the Final Payment Date) under "—Priority of Payments." Such payments will be made on the Income Notes only after all interest and other payments due on the Secured Notes have been made and all expenses of the Issuers have been paid (with such remaining Proceeds referred to as "Excess Amounts"). See "Risk Factors—Notes— Initial Aggregate Outstanding Amount of the Notes May Exceed the Initial Aggregate Principal Amount of the Collateral Assets" and "—Subordination of the Income Notes; Unsecured Obligations."

The rating of the Income Notes by Moody's only addresses the ultimate payment of the Income Note Rated Amount. See "Ratings of the Notes."

Except as permitted pursuant to clause (xviii) of the Priority of Payments, no principal payments will be made on the Income Notes until principal of, and accrued and unpaid interest on, the Secured Notes, and all other payments, certain fees and expenses, have been paid in full in accordance with the Priority of Payments.

Principal

The Notes (other than the Class S Notes) will mature on the Payment Date in March 2042 (the "Stated Maturity" with respect to such Notes) and the Class S Notes will mature on the Payment Date in December 2011 (the "Stated Maturity" with respect to the Class S Notes). The average life of each Class of Notes (other than the Class S Notes) is expected to be substantially shorter than the number of years from issuance until the Stated Maturity for such Class of Notes. See "Risk Factors—Notes—Average Lives, Duration and Prepayment Considerations."

Principal will be payable on the Class S Notes in accordance with the Priority of Payments on each Payment Date commencing on the Payment Date occurring in February 2007 in an amount equal to the Class S

Notes Amortizing Principal Amount with respect to such Payment Date and, if an Event of Default or Tax Event has occurred and is continuing or an Optional Redemption or Auction has occurred and the Collateral Assets are being liquidated pursuant to the terms of the Indenture, the Class S Notes will be paid in full prior to any distributions to any other Notes. Principal will be payable on certain of the Notes on each Payment Date and Quarterly Payment Date, as applicable, in accordance with the Priority of Payments. On any Payment Date or Quarterly Payment Date, as applicable, on which certain conditions are satisfied, principal will be paid to the Holders of the Class A Notes, *pro rata*, only in an amount required to increase (or maintain) the Class A Adjusted Overcollateralization Ratio to a specified target of 108.0%. After achieving and maintaining such target and minimum, the payment of remaining principal will shift to the Holders of the Class B Notes until such Holders have been paid an amount required to increase (or maintain) the Class B Adjusted Overcollateralization Ratio to the specified target of 103.1%. After achieving and maintaining such target level, the payment of remaining principal shifts to the Holders of the Class C Notes which will receive principal only in an amount required to increase (or maintain) the Class C Adjusted Overcollateralization Ratio to a specified target of 101.5%. After achieving and maintaining such target level, the payment of remaining principal shifts to the Holders of the Class D Notes which will receive principal until paid in full. However, if the Net Outstanding Portfolio Collateral Balance is less than U.S.$450,000,000, then only the amount described above to be paid to the Class A Notes will be paid, such amount to be allocated, first, *pro rata*, (1) to the payment of principal of all outstanding Class A-1 Notes, and (2) to the payment of principal of all outstanding Class A-2 Notes, second, to the payment of principal of all outstanding Class B Notes, third, on Quarterly Payment Dates only, to the payment of principal of all outstanding Class C Notes, and fourth, on Quarterly Payment Dates only, to the payment of all outstanding Class D Notes. The foregoing "shifting principal" method permits Holders of the Class B Notes, the Class C Notes and the Class D Notes to receive payments of principal in accordance with the Priority of Payments while more senior Classes of Notes remain outstanding and permits distributions of Principal Proceeds to the Holders of the Income Notes, to the extent funds are available in accordance with the Priority of Payments, while more senior Notes are outstanding. Amounts properly paid pursuant to the Priority of Payments to a junior Class of Secured Notes or to the Income Notes will not be recoverable in the event of a subsequent shortfall in the amount required to pay a more senior Class of Secured Notes.

Subject to the availability of funds therefor in accordance with the Priority of Payments, if any of the Coverage Tests are not satisfied on any applicable Determination Date, the Secured Notes (other than the Class S Notes) will be subject to mandatory redemption on the related Payment Date or, in the case of the Class C Notes and the Class D Notes, on the related Quarterly Payment Date, until paid in full. See "—Mandatory Redemption" and the "—Priority of Payments" for a description of the order in which such Notes are paid in connection with the failure of a Coverage Test.

Scheduled Redemption of Income Notes

On or prior to the date that is one (1) Business Day prior to the end of the Due Period applicable to the Maturity Date, the Liquidation Agent will sell all remaining Collateral Assets. The settlement dates for any such sales shall be no later than one (1) Business Day prior to the end of such Due Period. The proceeds of such sales will be paid to the Fiscal Agent after the payment of amounts senior to the Holders of the Income Notes in the Priority of Payments for deposit into the account maintained therefore by the Fiscal Agent (the "Income Note Payment Account") and payment to the Holders of the Income Notes as the redemption price for the Income Notes upon such payment. Upon such payment, the Issuer shall redeem the Income Notes.

Auction

Sixty (60) days prior to the Payment Date occurring in March of each year (each, an "Auction Date") commencing on the March 2015 Payment Date, the Liquidation Agent will take steps to conduct an auction (the "Auction") of the Collateral Assets in accordance with procedures specified in the Indenture. If the Liquidation Agent receives one or more bids from Eligible Bidders not later than ten (10) Business Days prior to the Auction Date equal to or greater than the Minimum Bid Amount (which includes the Income Note Rated Amount or such lesser amount as is agreed to by Holders of 100% of the Aggregate Outstanding Amount of the Income Notes), the Issuer will sell the Collateral Assets for settlement on or before the fifth Business Day prior to such Auction Date and the Notes and the Income Notes will be redeemed in whole on such Auction Date (any such date, an "Auction Payment Date"). The Liquidation Agent and its affiliates shall be considered Eligible Bidders. If the highest single

bid on the entire portfolio, or the aggregate amount of multiple bids with respect to individual Collateral Assets, does not equal or exceed the Minimum Bid Amount or if there is a failure at settlement, then the redemption of Secured Notes and the Income Notes on the related Auction Date will not occur.

The Secured Notes will be redeemed following a successful Auction in accordance with the Priority of Payments at the applicable Secured Note Redemption Price. The amount distributable as the final payment on the Income Notes following any such redemption will equal the Income Note Redemption Price, but (which shall not be less than the then current Income Note Rated Amount (or such lesser amount as is agreed to by Holders of 100% of the Aggregate Outstanding Amount of the Income Notes) which may be less than the then current Aggregate Outstanding Amount of the Income Notes).

Tax Redemption

Subject to certain conditions described herein, the Secured Notes may be redeemed by the Issuers at any time, in whole but not in part, 90 days following the Issuers becoming aware of the occurrence of a Tax Event (*provided* that such 90-day period shall be extended by another 90 days if, during the initial 90-day period, the Issuers have notified the Holders of the Notes that the related Issuer expects that it shall have changed its place of residence by the end of the later 90-day period) at their Secured Note Redemption Prices or the Income Note Redemption Price, as applicable, at the written direction of, or with the written consent of, (i) the Holders of at least 66-2/3% of the Income Notes or (ii) the Holders of a Majority of any Class of Secured Notes which, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and interest or other amounts then due and payable on such Notes on any Payment Date (such redemption, a "Tax Redemption"); *provided* that no such redemption shall be effected unless the expected Liquidation Proceeds equal or exceed the sum of (a) all amounts due as of the Redemption Date pursuant to clauses (i), (ii), (iii), (iv), (v), (xvi) and (xvii) of the Priority of Payments, (b) the Secured Note Redemption Prices and (c) the Income Note Rated Amount (or such lesser amount as is agreed to by Holders of 100% of the Aggregate Outstanding Amount of the Income Notes) (the "Total Redemption Amount"). If a Tax Redemption occurs, the Income Notes will be redeemed simultaneously.

In connection with a Tax Redemption, the Issuers (in the case of the Secured Notes) and the Issuer (in the case of the Income Notes) shall notify the Trustee and the Fiscal Agent, of such Tax Redemption and the Payment Date which is the date for redemption (the "Tax Redemption Date") and direct the Trustee, in writing, to sell, in the manner determined by the Liquidation Agent, and in accordance with the Indenture, any Collateral Asset and upon any such sale the Trustee shall release the lien upon such Collateral Assets pursuant to the Indenture; *provided, however*, that the Issuer may not direct the Trustee to sell (and the Trustee shall not be obligated to release the lien upon) any Collateral Asset except in accordance with the procedures set forth in the Indenture including, without limitation, the requirement that the Liquidation Agent shall have forwarded to the Trustee binding agreements or certificates evidencing that the Liquidation Proceeds anticipated from the disposition of the Collateral Assets and other assets of the Issuer will equal or exceed the Total Redemption Amount.

The amount payable to the Holders of the Secured Notes in connection with any Tax Redemption of the Secured Notes will equal the Secured Note Redemption Prices thereof. The amount distributable as a final redemption payment on the Income Notes following any redemption of the Secured Notes will equal the Income Note Redemption Price (which shall not be less than the then current Income Note Rated Amount (or such lesser amount as is agreed to by the Holders of 100% of the Aggregate Outstanding Amount of the Income Notes), but which may be less than the then current Aggregate Outstanding Amount of the Income Notes).

Optional Redemption

Subject to certain conditions described herein, the Secured Notes may be redeemed by the Issuers and the Income Notes may be redeemed by the Issuer, in whole but not in part at their Secured Note Redemption Prices or the Income Note Redemption Price, as applicable, on any Payment Date on or after the March 2010 Payment Date, at the written direction of, or with the written consent of, the Holders of at least a Majority of the Income Notes (including Income Notes held by the Liquidation Agent or any affiliate thereof) (such redemption, an "Optional Redemption"); *provided* that no Optional Redemption shall be effected unless the expected Liquidation Proceeds will equal or exceed the Total Redemption Amount (which includes the Income Note Rated Amount (or such lesser amount as is agreed to by the Holders of 100% of the Aggregate Outstanding Amount of the Income Notes), but

which may be less than the then current Aggregate Outstanding Amount of the Income Notes). If the Holders of the Income Notes so elect to cause an Optional Redemption, the Income Notes will be redeemed simultaneously.

In connection with an Optional Redemption, the Issuers (in the case of the Secured Notes) and the Issuer (in the case of the Income Notes) shall notify the Trustee and the Fiscal Agent, as applicable, of such Optional Redemption and the Optional Redemption Date and direct the Trustee, in writing, to sell, in the manner determined by the Liquidation Agent, and in accordance with the Indenture, any Collateral Asset and upon any such sale the Trustee shall release the lien upon such Collateral Assets pursuant to the Indenture; *provided, however*, that the Issuer may not direct the Trustee to sell (and the Trustee shall not be obligated to release the lien upon) any Collateral Asset except in accordance with the procedures set forth in the Indenture including, without limitation, the requirement that the Liquidation Agent shall have forwarded to the Trustee binding agreements or certificates evidencing that the Liquidation Proceeds anticipated from the disposition of the Collateral Assets and other assets of the Issuer will equal or exceed the Total Redemption Amount.

The amount payable to the Holders of the Secured Notes in connection with any Optional Redemption of the Secured Notes will equal the Secured Note Redemption Prices thereof. The amount distributable as a final redemption payment on the Income Notes following any redemption of the Secured Notes will equal the Income Note Redemption Price (which shall not be less than the then current Income Note Rated Amount (or such lesser amount as is agreed to by Holders of 100% of the Aggregate Outstanding Amount of the Income Notes), but which may be less than the then current Aggregate Outstanding Amount of the Income Notes).

Optional Redemption/Tax Redemption Procedures. To conduct an Optional Redemption or a Tax Redemption, the procedures set forth in the Indenture must be followed and any conditions precedent thereto must be satisfied.

If in the case of a Tax Redemption or an Optional Redemption of the Secured Notes and the Income Notes, any Holder of an Income Note or, in the case of a Tax Redemption, any Holder of a Secured Note affected by a Tax Event, desires to direct the Issuers with respect to the Secured Notes and the Issuer with respect to the Income Notes to redeem the Secured Notes and the Income Notes, such person shall notify the Principal Note Paying Agent, in the case of a Holder of Secured Notes or the Fiscal Agent, in the case of a Holder of Income Notes, which in each case will in turn notify the Trustee (with a copy to the Issuer, the Liquidation Agent and each Hedge Counterparty,) of such desire in writing no less than thirty (30) Business Days prior to such Payment Date. Such notice shall be irrevocable.

The Trustee will provide notice of any Optional Redemption or Tax Redemption by first-class mail, postage prepaid, mailed not less than ten (10) Business Days prior to the scheduled Tax Redemption Date or Optional Redemption Date, as applicable, to the Principal Note Paying Agent, to the Fiscal Agent, to each Hedge Counterparty and to each Holder of a Secured Note at such Holder's address in the register maintained by the Note Registrar under the Indenture. The Fiscal Agent will provide the same notice to each Holder of an Income Note at such Holder's address in the Income Notes Register maintained by the Income Notes Transfer Agent pursuant to the Fiscal Agency Agreement. In addition, the Trustee or the Fiscal Agent will, if and for so long as any Class of Secured Notes or the Income Notes to be redeemed is listed on the Irish Stock Exchange, direct the Irish Paying Agent to (i) cause notice of such Optional Redemption or Tax Redemption to be delivered to the Company Announcements Office of the Irish Stock Exchange not less than ten (10) Business Days prior to the Redemption Date and (ii) promptly notify the Irish Stock Exchange of such Optional Redemption or Tax Redemption.

The initial paying agents for the Notes are The Bank of New York Trust Company, National Association, as Principal Note Paying Agent, and, if and so long as any Notes are listed on the Irish Stock Exchange, the Irish Paying Agent.

Secured Notes or Income Notes called for redemption (other than in the case of an Auction) must be surrendered at the office of any paying agent appointed under the Indenture or the Fiscal Agency Agreement, respectively, in order to receive any final payments on the Notes. The initial paying agent for the Secured Notes and Income Notes is The Bank of New York Trust Company, National Association and if and for so long as the any Notes are listed on the Irish Stock Exchange, the Irish Paying Agent.

Any such notice of redemption will be deemed to be withdrawn in its entirety by the Issuers (with respect to the Secured Notes) and the Issuer (with respect to the Income Notes) on the seventh Business Day prior to the scheduled redemption date if the Liquidation Agent shall not have delivered the sale agreement or agreements or certifications, required by the Indenture by such date. In such event, the Trustee shall notify the Fiscal Agent that the notice of redemption has been withdrawn by overnight courier guaranteeing next day delivery sent not later than the sixth Business Day prior to such scheduled redemption date with a copy by facsimile transmission. The Hedge Agreements will not terminate upon notice to the respective counterparties of redemption until the time for withdrawal of notice has expired. The Liquidation Agent shall be liable only for the failure to effect an Optional Redemption or Tax Redemption due to the Liquidation Agent's gross negligence or willful misconduct. Notice of any such withdrawal shall be given at the Issuer's expense by the Trustee or the Fiscal Agent, as applicable, to each Holder of a Note at the address appearing in the applicable register maintained by the Note Transfer Agent under the Indenture or the Income Notes Transfer Agent under the Fiscal Agency Agreement, as applicable, by overnight courier guaranteeing next day delivery sent not later than the third Business Day prior to the scheduled redemption date, with a copy by facsimile transmission to each Hedge Counterparty, the Liquidation Agent and the Rating Agencies (so long as any of the Notes are rated). The Trustee or the Fiscal Agent will also give notice to the Irish Paying Agent if any Notes are then listed on the Irish Stock Exchange.

Mandatory Redemption

On any Payment Date on which the Class A/B Overcollateralization Test was not satisfied on the last Business Day of the immediately preceding Due Period (such Business Day, the "Determination Date"), and on any Quarterly Payment Date on which the Class A/B Interest Coverage Test was not satisfied on the related Determination Date, the Class A Notes and the Class B Notes will be redeemed at par *plus* accrued interest as follows:

If the Class A/B Overcollateralization Test is not satisfied on any Determination Date related to a Payment Date, the Class A/B Interest Coverage Test (together with the Class A/B Overcollateralization Test, the "Class A/B Coverage Tests") is not satisfied on any Determination Date related to a Quarterly Payment Date or the Class D Overcollateralization Ratio is less than 75% on any Determination Date related to a Payment Date, Proceeds net of amounts payable under clauses (i) through (vi) of the Priority of Payments will be used, (i) if the Class A/B Overcollateralization Ratio is greater than or equal to 100% on such Determination Date, to redeem the Class A-1 Notes and the Class A-2 Notes, *pro rata*, until the Class A Notes have been paid in full, and then to redeem the Class B Notes until the Class B Notes have been paid in full and (ii) if the Class A/B Overcollateralization Ratio is less than 100% on such Determination Date, to redeem, the Class A-1 Notes until the Class A-1 Notes have been paid in full, then to redeem the Class A-2 Notes until the Class A-2 Notes have been paid in full, and then to redeem the Class B Notes until the Class B Notes have been paid in full. The Class S Notes, the Class C Notes, the Class D Notes and the Income Notes will not be subject to mandatory redemption as a result of the failure of any Class A/B Coverage Test.

If the Class C Overcollateralization Test is not satisfied on any Determination Date related to a Payment Date, the Class C Interest Coverage Test (together with the Class C Overcollateralization Test, the "Class C Coverage Tests") is not satisfied on any Determination Date related to a Quarterly Payment Date or the Class D Overcollateralization Ratio is less than 95% on any Determination Date related to a Payment Date, Proceeds net of amounts payable under clauses (i) through (viii) of the Priority of Payments will be used to (a) redeem, *pro rata*, from Principal Proceeds only, the Class A-1 Notes, the Class A-2 Notes and the Class B Notes and, on Quarterly Payment Dates, to redeem the Class C Notes and, on Payment Dates (other than Quarterly Payment Dates) to deposit to the Collection Account an amount equal to the outstanding principal amount of the Class C Notes, until the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, and the Class C Notes are paid (or, in the case of the Class C Notes and Payment Dates other than Quarterly Payment Dates amounts equal thereto are paid to the Collection Account), in full; *provided, however*, that if the Net Outstanding Portfolio Collateral Balance is less than U.S.$750,000,000 or if the S&P rating of any Class of Secured Notes has been downgraded by S&P since the Closing Date, then such amount shall be paid *first*, to the payment of principal of all outstanding Class A-1 Notes, *second*, to the payment of principal of all outstanding Class A-2 Notes, *third*, to the payment of principal of all outstanding Class B Notes, and *fourth*, on Quarterly Payment Dates only, to the payment of principal of all outstanding Class C Notes (or, in the case of the Class C Notes and Payment Dates other than Quarterly Payment Dates amounts equal thereto are paid to the Collection Account); and (b) on Quarterly Payment Dates, redeem from

any remaining Proceeds the Class C Notes and, on Payment Dates (other than Quarterly Payment Dates), deposit to the Collection Account from any remaining Proceeds an amount equal to the outstanding principal amount of all Class C Notes taking into account amounts paid to the Collection Account in accordance with clause (a) hereof. The Class S Notes, the Class D Notes and the Income Notes will not be subject to mandatory redemption as a result of the failure of any Class C Coverage Test.

If the Class D Overcollateralization Test is not satisfied on any Determination Date related to a Payment Date or the Class D Interest Coverage Test (together with the Class D Overcollateralization Test, the "Class D Coverage Tests" and, together with the Class A/B Coverage Tests and the Class C Coverage Tests, the "Coverage Tests") is not satisfied on any Determination Date related to a Quarterly Payment Date, Proceeds net of amounts payable under clauses (i) through (x) of the Priority of Payments will be used to (a) redeem, *pro rata*, from Principal Proceeds only, the Class A-1 Notes, the Class A-2 Notes and the Class B Notes and, on Quarterly Payment Dates, to redeem the Class C Notes and the Class D Notes and, on Payment Dates (other than Quarterly Payment Dates) to deposit to the Collection Account an amount equal to the outstanding principal amount of the Class C Notes and the Class D Notes, until the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes (or, in the case of the Class C Notes and the Class D Notes and Payment Dates other than Quarterly Payment Dates amounts equal thereto are paid to the Collection Account) are paid in full; *provided, however*, that if the Net Outstanding Portfolio Collateral Balance is less than U.S.$750,000,000 or if the S&P rating of any Class of Secured Notes has been downgraded by S&P since the Closing Date, then such amount shall be paid *first*, to the payment of principal of all outstanding Class A-1 Notes, *second*, to the payment of principal of all outstanding Class A-2 Notes, *third*, to the payment of principal of all outstanding Class B Notes, *fourth*, on Quarterly Payment Dates only, to payment of principal of all outstanding Class C Notes, and *fifth*, on Quarterly Payment Dates only, to the payment of principal of all outstanding Class D Notes (or, in the case of the Class C Notes and the Class D Notes and Payment Dates other than Quarterly Payment Dates amounts equal thereto are paid to the Collection Account); and (b) on Quarterly Payment Dates, redeem from any remaining Proceeds the Class D Notes and, on Payment Dates (other than Quarterly Payment Dates), deposit to the Collection Account from any remaining Proceeds an amount equal to the outstanding principal amount of all Class D Notes taking into account amounts paid to the Collection Account in accordance with clause (a) hereof. The Class S Notes and the Income Notes will not be subject to mandatory redemption as a result of the failure of any Class D Coverage Test.

If a Class C Coverage Test or a Class D Coverage test is not satisfied or the Class D Overcollateralization Ratio is less than 95% on any Determination Date related to a Payment Date other than a Quarterly Payment Date, no amounts will be distributed to the Holders of the Class C Notes or the Class D Notes and certain amounts based on the principal balance of such Notes will instead be deposited to the Collection Account for distribution in accordance with the Priority of Payments on the next Payment Date.

Cancellation

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

Payments

Payments on any Payment Date in respect of principal of and interest on the Notes issued as Global Notes will be made to the person in whose name the relevant Global Note is registered at the close of business on the Business Day prior to such Payment Date. For the Notes issued in definitive form, payments on any Payment Date in respect of principal, interest and other distributions will be made to the person in whose name the relevant Security is registered as of the close of business 10 Business Days prior to such Payment Date. Payments on the Global Notes will be payable by wire transfer in immediately available funds to a U.S. Dollar account maintained by DTC or its nominee (in the case of the Global Notes) or each Holder (in the case of individual Definitive Notes) to the extent practicable or otherwise by U.S. Dollar check drawn on a bank in the United States sent by mail either to DTC or its nominee (in the case of the Global Notes), or to each Holder at its address appearing in the applicable register. Final payments in respect of principal on the Notes will be made only against surrender of the Notes at the office of any paying agent. None of the Issuers, the Securities Intermediary, the Trustee, the Liquidation Agent or any Hedge Counterparty or any paying agent will have any responsibility or liability for any aspects of the records

maintained by DTC or its nominee or any of its participants relating to, or for payments made thereby on account of beneficial interests in, a Global Note.

The Issuers expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note held by DTC or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in such Global Notes as shown on the records of DTC or its nominee. The Issuers also expect that payments by participants to owners of beneficial interests in such Global Notes 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 names of nominees for such customers. Such payments will be the responsibility of such participants.

If any payment on a Note is due on a day that is not a Business Day, then payment will not be made until the next succeeding Business Day.

If and for so long as the Notes are listed on the Irish Stock Exchange and the rules of such exchange so require, the Issuers will have a paying agent and a transfer agent in accordance with the requirements of the rules of such exchange for such Notes and payments on and transfers or exchanges of interest in such Notes may be effected through the Irish Paying Agent. In the event that the Irish Paying Agent (if any) is replaced at any time during such period, notice of the appointment of any replacement will be given to the Irish Stock Exchange if and as long as any Notes are listed thereon.

Priority of Payments

With respect to any Payment Date (other than a Final Payment Date), all Proceeds received on the Collateral during the related Due Period will be applied by the Trustee in the priority set forth below (the "Priority of Payments"). For purposes of the Priority of Payments, amounts paid as interest, fees or distributions on the Notes on a "*pro rata*" basis shall be *pro rata* based on the amount of interest due on such Class or subclass of Notes or fees, amounts paid as principal shall be paid *pro rata* based on the amount of principal then outstanding on such Class or subclass of Notes and unless stated otherwise, Proceeds not constituting Principal Proceeds will be assumed to be applied prior to any Principal Proceeds.

On the Business Day prior to each Payment Date (other than a Final Payment Date), the Trustee will transfer all funds then on deposit in the Collection Account (other than amounts received after the end of the related Due Period) into the Payment Account. On each Payment Date (other than a Final Payment Date), amounts in the Payment Account will be applied by the Trustee pursuant to the Note Valuation Report in the manner and order of priority set forth below:

i. to the payment of taxes and filing and annual return fees (including, without limitation, return fees) owed by the Issuers, if any;

ii. to the payment of accrued and unpaid fees of the Trustee up to a maximum amount on any Payment Date equal to the greater of U.S.$4,875 and 0.000486117% of the Monthly Asset Amount for the related Due Period (or, in the case of the first Due Period, as such amounts are adjusted based on the number of days in such Due Period);

iii. (a) first, to the payment of any remaining accrued and unpaid Administrative Expenses of the Issuers, excluding any indemnities (and legal expenses related thereto) payable by the Issuers first, to the Trustee, the Collateral Administrator, the Fiscal Agent and the Income Notes Transfer Agent and second, *pro rata*, to any other parties entitled thereto; (b) second, to the payment of any indemnities (and legal expenses related thereto) payable by the Issuers first, to the Trustee, the Collateral Administrator, the Fiscal Agent and the Income Notes Transfer Agent and second, *pro rata*, to any other parties entitled thereto; and (c) third, to the Expense Reserve Account the lesser of U.S.$25,000 and the amount necessary to bring the balance of such account to U.S.$275,000; *provided, however*, that the aggregate payments pursuant to subclauses (a) through (c) of this clause (iii) on any Payment Date shall not exceed U.S.$400,000 and the aggregate payments

pursuant to subclauses (a) and (b) of this clause (iii) and the prior 11 Payment Dates shall not exceed U.S.$533,334;

iv. to the payment of, (a) first, *pro rata* (based on amounts due) and *pari passu* (i) scheduled amounts, if any, to be paid to the Hedge Counterparties pursuant to the Hedge Agreements (other than termination and partial termination payments), (ii) accrued and unpaid interest on the Class S Notes (including Defaulted Interest and interest thereon), (iii) beginning with the Payment Date occurring in February 2007, principal of the Class S Notes in an amount equal to the Class S Notes Amortizing Principal Amount until the Class S Notes are paid in full, and (iv) any termination and partial termination payments (other than Defaulted Hedge Termination Payments payable under clause (xvi) below) and (b) second, if an Event of Default or Tax Event shall have occurred and is continuing or an Optional Redemption or Auction has occurred and the Collateral Assets are being liquidated pursuant to the terms of the Indenture, to the payment of principal to the Class S Notes until the Class S Notes are paid in full prior to any distributions to any other Notes;

v. to the payment to the Liquidation Agent of the accrued and unpaid Liquidation Agent Fee;

vi. to the payment of (a) first, *pro rata* (based on the amounts due), (i) accrued and unpaid interest on the Class A-1 Notes (including any Defaulted Interest and interest thereon) and (ii) accrued and unpaid interest on the Class A-2 Notes (including any Defaulted Interest and interest thereon), and (b) second, accrued and unpaid interest on the Class B Notes (including any Defaulted Interest and any interest thereon);

vii. if the Class A/B Overcollateralization Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal on such Payment Date (without giving effect to any payments pursuant to this clause (vii)), if the Class A/B Interest Coverage Test is not satisfied on the Determination Date with respect to the related Quarterly Payment Date or if the Class D Overcollateralization Ratio is less than 75% on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal on such date (without giving effect to any payments pursuant to this clause (vii)),then (A) if the Class A/B Overcollateralization Ratio is greater than or equal to 100% on the Determination Date with respect to the related Payment Date, first, *pro rata*, (i) to the payment of principal of all outstanding Class A-1 Notes, (ii) to the payment of principal of all outstanding Class A-2 Notes, until the Class A-1 Notes, and the Class A-2 Notes are paid in full, and second, to the payment of principal of all outstanding Class B Notes until the Class B Notes are paid in full and (B) if the Class A/B Overcollateralization Ratio is less than 100% on the Determination Date with respect to the related Payment Date, first, to the payment of principal of all outstanding Class A-1 Notes, until the Class A-1 Notes are paid in full, second, to the payment of principal of all outstanding Class A-2 Notes until the Class A-2 Notes are paid in full, and third, to the payment of principal of all outstanding Class B Notes until the Class B Notes are paid in full;

viii. on Quarterly Payment Dates only, to the payment of accrued and unpaid interest on the Class C Notes (including Defaulted Interest and any interest thereon but not including Class C Deferred Interest);

ix. if the Class C Overcollateralization Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal on such Payment Date (without giving effect to any payments pursuant to this clause (ix)), if the Class C Interest Coverage Test is not satisfied on the Determination Date with respect to the related Quarterly Payment Date or if the Class D Overcollateralization Ratio is less than 95% on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal on such date (without giving effect to any payments pursuant to this clause (ix)), then, (a) *pro rata*, Principal Proceeds only (i) to the payment of principal of all outstanding Class A-1 Notes, (ii) to the payment of principal of all outstanding Class A-2 Notes, (iii) to the payment of principal of all outstanding Class B Notes and (iv) on Quarterly Payment Dates, to the payment of principal of all outstanding Class C Notes and, on Payment Dates (other than Quarterly Payment Dates) to the

Collection Account in an amount equal to the outstanding principal amount of the Class C Notes, until the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, and the Class C Notes are paid (or, in the case of the Class C Notes and Payment Dates other than Quarterly Payment Dates amounts equal thereto are paid to the Collection Account), in full; *provided, however*, that if the Net Outstanding Portfolio Collateral Balance is less than U.S.$750,000,000 or if the S&P rating of any Class of Secured Notes has been downgraded by S&P since the Closing Date, then such amount shall be paid *first*, to the payment of principal of all outstanding Class A-1 Notes, *second*, to the payment of principal of all outstanding Class A-2 Notes, *third*, to the payment of principal of all outstanding Class B Notes, and *fourth*, on Quarterly Payment Dates only, to the payment of principal of all outstanding Class C Notes (or, in the case of the Class C Notes and Payment Dates other than Quarterly Payment Dates amounts equal thereto are paid to the Collection Account); and (b) on Quarterly Payment Dates, any remaining Proceeds to the payment of principal of all outstanding Class C Notes and, on Payment Dates (other than Quarterly Payment Dates) any remaining Proceeds to the Collection Account in an amount equal to the outstanding principal amount of all Class C Notes taking into account amounts paid to the Collection Account in accordance with clause (a) hereof;

x. on Quarterly Payment Dates only, to the payment of accrued and unpaid interest on the Class D Notes (including Defaulted Interest and any interest thereon but not including Class D Deferred Interest);

xi. if the Class D Overcollateralization Test is not satisfied on the Determination Date with respect to the related Payment Date after giving effect to all payments of principal on such Payment Date (without giving effect to any payments pursuant to this clause (xi)) or if the Class D Interest Coverage Test is not satisfied on the Determination Date with respect to the related Quarterly Payment Date, then, (a) *pro rata*, from Principal Proceeds only (i) to the payment of principal of all outstanding Class A-1 Notes, (ii) to the payment of principal of all outstanding Class A-2 Notes, (iii) to the payment of principal of all outstanding Class B Notes, (iv) on Quarterly Payment Dates, to the payment of principal of all outstanding Class C Notes and, on Payment Dates (other than Quarterly Payment Dates) to the Collection Account in an amount equal to the outstanding principal amount of the Class C Notes and (v) on Quarterly Payment Dates, to the payment of principal of all outstanding Class D Notes and, on Payment Dates (other than Quarterly Payment Dates) to the Collection Account in an amount equal to the outstanding principal amount of the Class D Notes, until the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes (or, in the case of the Class C Notes and the Class D Notes and Payment Dates other than Quarterly Payment Dates amounts equal thereto are paid to the Collection Account) are paid in full; *provided, however*, that if the Net Outstanding Portfolio Collateral Balance is less than U.S.$750,000,000 or if the S&P rating of any Class of Secured Notes has been downgraded by S&P since the Closing Date, then such amount shall be paid *first*, to the payment of principal of all outstanding Class A-1 Notes, *second*, to the payment of principal of all outstanding Class A-2 Notes, *third*, to the payment of principal of all outstanding Class B Notes, *fourth*, on Quarterly Payment Dates only, to payment of principal of all outstanding Class C Notes, and *fifth*, on Quarterly Payment Dates only, to the payment of principal of all outstanding Class D Notes (or, in the case of the Class C Notes and the Class D Notes and Payment Dates other than Quarterly Payment Dates amounts equal thereto are paid to the Collection Account); and, (b) on Quarterly Payment Dates, any remaining Proceeds to the payment of principal of all outstanding Class D Notes and, on Payment Dates (other than Quarterly Payment Dates) any remaining Proceeds to the Collection Account in an amount equal to the outstanding principal amount of all Class D Notes taking into account amounts paid to the Collection Account in accordance with clause (a) hereof;

xii. to the payment of principal of first, the Class A-1 Notes, and the Class A-2 Notes, *pro rata* based on their respective principal amounts, up to the amount specified in clause (b)(1) below, second, the Class B Notes up to the amount specified in clause (b)(2) below, third, on Quarterly Payment Dates only, the Class C Notes up to the amount specified in clause (b)(3) below, and fourth, on Quarterly Payment Dates only, the Class D Notes up to the amount specified in clause (b)(4)

below in an aggregate amount equal to the lesser of (a) Principal Proceeds received or held during the related Due Period, and (b) the sum of (1) the amount necessary to increase the Class A Adjusted Overcollateralization Ratio to or maintain it at 108.0%, *plus* (2) the amount necessary to increase the Class B Adjusted Overcollateralization Ratio to or maintain it at 103.1%, *plus* (3) on Quarterly Payment Dates only, the amount necessary to increase the Class C Adjusted Overcollateralization Ratio to or maintain it at 101.5%, *plus* (4) on Quarterly Payment Dates only, to the Class D Notes in full; *provided, however*, that if the Net Outstanding Portfolio Collateral Balance is less than U.S.$450,000,000, then only the amount described in sub-clause (a) of this clause (xii) will be paid, such amount to be allocated, first, *pro rata*, (1) to the payment of principal of all outstanding Class A-1 Notes, and (2) to the payment of principal of all outstanding Class A-2 Notes, second, to the payment of principal of all outstanding Class B Notes, third, on Quarterly Payment Dates only, to the payment of principal of all outstanding Class C Notes, and fourth, on Quarterly Payment Dates only, to the payment of all outstanding Class D Notes;

xiii. on Quarterly Payment Dates only, first, to the payment of principal of the Class C Notes in an amount equal to that portion of the principal of the Class C Notes comprised of Class C Deferred Interest unpaid after giving effect to payments under clauses (ix), (xi) and (xii) above (amounts will be considered unpaid for this purpose if the principal balance of the Class C Notes after giving effect to clauses (ix), (xi) and (xii) above exceeds any previous lowest amount outstanding) and second, to the payment of principal of the Class D Notes in an amount equal to that portion of the principal of the Class D Notes comprised of Class D Deferred Interest unpaid after giving effect to payments under clauses (xi) and (xii) above (amounts will be considered unpaid for this purpose if the principal balance of the Class D Notes after giving effect to clauses (xi) and (xii) above exceeds any previous lowest amount outstanding);

xiv. on Quarterly Payment Dates only, first to the payment of principal to the Class D Notes in an amount equal to the Class D Notes Amortizing Principal Amount; *provided, however*, that Principal Proceeds may only be applied to the extent that, after such application, the Class A Adjusted Overcollateralization Ratio, the Class B Adjusted Overcollateralization Ratio, and the Class C Adjusted Overcollateralization Ratio, in each case, is at least maintained at the level required in clause (xii) above;

xv. on Quarterly Payment Dates after the Quarterly Payment Date occurring in March 2015, first, to the payment of principal of all outstanding Class C Notes until the Class C Notes are paid in full, second, to the payment of principal of all outstanding Class D Notes until the Class D Notes are paid in full; *provided, however*, that Principal Proceeds may only be applied to the extent that, after such application, the Class A Adjusted Overcollateralization Ratio, the Class B Adjusted Overcollateralization Ratio, and the Class C Adjusted Overcollateralization Ratio, in each case, is at least maintained at the level required in clause (xii) above;

xvi. on Quarterly Payment Dates only, to the payment of any Defaulted Hedge Termination Payments, with respect to the Hedge Agreements, *pro rata*, based on the amount owed;

xvii. on Quarterly Payment Dates only, first (a) to the payment of any remaining accrued and unpaid Administrative Expenses of the Issuers not paid pursuant to clauses (ii) and (iii) above (as the result of the limitations on amounts set forth therein) in the same order of priority set forth above in clause (ii) and (iii) excluding any indemnities (and legal expenses related thereto) payable by the Issuers; second, (b) to the payment, of any indemnities (and legal expenses related thereto) payable by the Issuers not paid pursuant to clause (iii) above (as the result of the limitation on amounts set forth therein) in the same order of priority set forth above in clause (iii); and third, (c) to the Expense Reserve Account until the balance of such account reaches U.S.$275,000 (after giving effect to any deposits made therein on such Quarterly Payment Date under clause (iii) above); *provided, however*, that the aggregate payments pursuant to subclause (c) of this clause (xvii) and subclause (c) of clause (iii) on any Payment Date shall not exceed U.S.$25,000;

xviii. on Quarterly Payment Dates only, any remaining amount to the payment to the Fiscal Agent for deposit into the Income Note Payment Account for payment to the Holders of the Income Notes; and

xix. on each Payment Date, any remaining amount to be deposited to the Collection Account for distribution on the next Payment Date.

On the Business Day prior to the Final Payment Date, the Trustee will transfer all funds then on deposit in the Collection Account into the Payment Account. On the Final Payment Date, amounts in the Payment Account will be applied by the Trustee pursuant to the Note Valuation Report in the manner and order of priority set forth below:

i. to the payment of the amounts referred to in clauses (i) through (vi) of the Priority of Payments for Payment Dates which are not Final Payment Dates, in that order (without regard to the limitations in clause (iii)); *provided* that no deposit shall be made to the Expense Reserve Account pursuant to subclause (iii);

ii. first, to the payment to the Class A-1 Notes and second, to the payment to the Class A-2 Notes, in each case, the amount necessary to pay the outstanding principal amounts of such Notes, in full;

iii. to the payment to the Class B Notes, the amount necessary to pay the outstanding principal amount of such Notes in full;

iv. to the payment to the Class C Notes, the amount necessary to pay accrued and unpaid interest on and the outstanding principal amount of such Notes (including any Deferred Interest and Defaulted Interest and any interest thereon) in full;

v. to the payment to the Class D Notes, the amount necessary to pay accrued and unpaid interest on and the outstanding principal amount of such Notes (including any Deferred Interest and Defaulted Interest and any interest thereon) in full;

vi. to the payment of the amounts referred to in clause (xvi) of the Priority of Payments for Payment Dates that are not Final Payment Dates; and

vii. to the payment of the amounts referred to in clause (xviii) of the Priority of Payments for Payment Dates which are not Final Payment Dates.

Upon payment in full of the last outstanding Secured Note, the Issuer (or the Liquidation Agent acting pursuant to the Liquidation Agency Agreement on behalf of the Issuer) will liquidate any remaining Collateral Assets, Eligible Investments, the Hedge Agreements and any other items comprising the Collateral and deposit the proceeds thereof in the Collection Account. The net proceeds of such liquidation and all available cash (other than the U.S.$250 of capital contributed by the owners of the Issuer Ordinary Shares in accordance with the Issuer's Memorandum and Articles of Association and U.S.$250 representing a transaction fee to the Issuer and any interest income earned on such amounts) will be distributed in accordance with the Priority of Payments for Final Payment Dates and all amounts remaining thereafter will be distributed to the Holders of the Income Notes as a redemption payment whereupon all of the Notes and the Income Notes will be canceled.

Income Notes

The final payment on the Income Notes will be made by the Issuer on the Maturity Date, unless redeemed or retired prior thereto in accordance with the Priority of Payments.

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" under the Indenture includes:

i. a default in the payment, when due and payable, of any interest on any Class S Note, Class A Note or Class B Note or, if there are no Class S Notes, Class A Notes or Class B Notes outstanding, any Class C Note or, if there are no Class S Notes, Class A Notes, Class B Notes or Class C Notes outstanding, any Class D Note and a continuation of such default, in each case, for a period of 7 days (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, any Note Paying Agent or the Note Registrar, such default continues for a period of 7 days after the Trustee is made aware of such administrative error or omission);

ii. a default in the payment of principal due on any Secured Note at its Stated Maturity or on any Redemption Date (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, any Note Paying Agent or the Note Registrar, such default continues for a period of 7 days after the Trustee is made aware of such administrative error or omission);

iii. the failure on any Payment Date to disburse amounts (other than in payment of interest on any Secured Note or principal of any Secured Note at its Stated Maturity or any date set for redemption as described in (i) and (ii) above) available in the Payment Account in excess of $500 in accordance with the Priority of Payments and a continuation of such failure for a period of 7 days after such failure has been recognized;

iv. the failure on any Determination Date of the Class A/B Overcollateralization Ratio to be greater than or equal to 93%;

v. a circumstance in which either of the Issuers or the Collateral or any portion thereof becomes an investment company required to be registered under the Investment Company Act;

vi. a default, which has a material adverse effect on the Holders of the Secured Notes (as determined by at least a Majority of the Controlling Class), in the performance, or breach, of any covenant, representation, warranty or other agreement of the Issuers in the Indenture (it being understood that a failure to satisfy a Coverage Test is not a default or breach) or in any certificate or writing delivered pursuant to the Indenture, or if any representation or warranty of the Issuers made in the Indenture or in any certificate or writing delivered pursuant thereto proves to be incorrect in any material respect when made, and the continuation of such default or breach for a period of 30 days after notice thereof shall have been given to the Issuers and the Liquidation Agent by the Trustee or to the Issuers, the Liquidation Agent and the Trustee by the Holders of at least a Majority of the Controlling Class; and

vii. certain events of bankruptcy, insolvency, receivership or reorganization of either of the Issuers.

If an Event of Default should occur and be continuing, the Trustee may and will at the direction of the Holders of at least a Majority of the Controlling Class declare the principal of and accrued and unpaid interest on all Secured Notes to be immediately due and payable (except that in the case of an Event of Default described in clause (vii) above, such an acceleration will occur automatically and shall not require any action by the Trustee or any Secured Noteholder).

If an Event of Default should occur and be continuing, the Trustee is required to 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 (which determination will be based upon a certificate from

the Liquidation Agent) that the anticipated proceeds of a sale or liquidation of the Collateral based on an estimate obtained from a nationally recognized investment banking firm (which estimate takes into account the time elapsed between such estimate and the anticipated sale of the Collateral) would equal the amount necessary to pay in full (after deducting the reasonable expenses of such sale or liquidation) the sum of (i) the principal (including any Class C Deferred Interest and Class D Deferred Interest) and accrued interest (including all Defaulted Interest, and interest thereon) and any other amounts due with respect to all the outstanding Secured Notes; (ii) the Income Note Rated Amount; (iii) all Administrative Expenses; (iv) all amounts payable by the Issuer to the Hedge Counterparty net of all amounts payable to the Issuer by any Hedge Counterparty; and (v) all other items in the Priority of Payments ranking prior to payments on the Secured Notes, and, in any case, the Holders of a Majority of the Controlling Class agree with such determination or (b) the Holders of a Super Majority of the Controlling Class and each Hedge Counterparty (other than any Hedge Counterparty which will be paid in full the amounts due to it, including in any applicable termination payments other than Defaulted Hedge Termination Payments at the time of distribution of the proceeds of any sale or liquidation of the Collateral) direct, subject to the provisions of the Indenture, the sale and liquidation of the Collateral.

The Holders of a Majority of the Controlling Class will have the right to direct the Trustee in writing in the conduct of any proceedings or in the sale of any or all of the Collateral, but only if (i) such direction will not conflict with any rule of law or the Indenture (including the limitations described in the paragraph above), (ii) the Trustee determines that such action will not involve it in liability (unless the Trustee has received an indemnity which is reasonably acceptable to the Trustee against any such liability) and (iii) any direction to the Trustee to undertake a sale of the Collateral shall be by at least a Super Majority of the Controlling Class.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default with respect to the Secured Notes occurs and is continuing, the Trustee is under no obligation to exercise any of the rights or powers under the Indenture at the request of any Holders of Secured Notes, unless such Holders have offered to the Trustee reasonable security or an indemnity which is reasonably acceptable to the Trustee. The Holders of a Majority of the Controlling Class may waive any default with respect to the Secured Notes, except (a) a default in the payment of principal or interest on any Secured Note; (b) failure on any Payment Date to disburse amounts available in the Payment Account in accordance with the Priority of Payments and continuation of such failure for a period of seven (7) days; (c) certain events of bankruptcy or insolvency with respect to the Issuers; or (d) a default 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 adversely affected thereby.

Furthermore, any declaration of acceleration of maturity of the Secured Notes may be revoked and annulled by the Holders of a Majority of the Controlling Class before a judgment or decree for the payment of money has been obtained by the Trustee or the Collateral has been sold or foreclosed in whole or in part, by notice to the Issuers, the Trustee and any Hedge Counterparty, if (a) the Issuer has paid or deposited with the Trustee a sum sufficient to pay, in accordance with the Priority of Payments, the principal and accrued interest (including all Defaulted Interest and the interest thereon), discount or other unpaid amounts with respect to the outstanding Secured Notes and any other administrative expenses, fees or other amounts that, under the Transaction Documents and pursuant to the Priority of Payments, are payable prior to the payment of the principal of and interest on the outstanding Secured Notes, and (b) the Trustee has determined that all Events of Default, other than the non-payment of the interest on or principal of the outstanding Secured Notes that have become due solely by such acceleration, have been cured and the Holders of a Majority of the Controlling Class by notice to the Trustee have agreed with such determination (which agreement shall not be unreasonably withheld) or waived such Event of Default in accordance with the provisions set forth in the Indenture.

Only the Trustee may pursue the remedies available under the Indenture, the Secured Notes and no Holder of a Secured Note will have the right to institute any proceeding with respect to the Indenture, its Note, or otherwise unless (i) such Holder previously has given to the Trustee written notice of a continuing Event of Default; (ii) except in the case of a default in the payment of principal or interest, the Holders of at least 25%, by Aggregate Outstanding Amount, of the Controlling Class have made a written request upon the Trustee to institute such proceedings in its own name as Trustee and such Holders have offered the Trustee an indemnity which is reasonably acceptable to the Trustee; (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 of the Controlling Class.

In determining whether the Holders of the requisite percentage of Secured Notes have given any direction, notice or consent, Secured Notes owned by the Issuer, the Co-Issuer or any affiliate thereof shall be disregarded and deemed not to be outstanding. In addition, Holders of Income Notes will not be considered to be affiliates of the Issuer or Co-Issuer by virtue of such ownership of Income Notes.

Notices. Notices to the Holders of the Secured Notes shall be given by first-class mail, postage prepaid, to each Noteholder at the address appearing in the applicable note register. In addition, if and for so long as any of the Secured Notes are listed on the Irish Stock Exchange and so long as the rules of such exchange so require, notices to the Holders of such Secured Notes shall also be published by the Irish Listing Agent in the official list thereof or as otherwise required by the rules of such exchange.

Modification of the Indenture. Without obtaining the consent of Holders of the Notes (other than the Holders of the Class A-1 Notes, but with the consent of the Holders of at least a Majority, by Aggregate Outstanding Amount, of the Class A-1 Notes (such consent not to be unreasonably withheld)), the Issuers and the Trustee may enter into one or more supplemental indentures for any of the following purposes:

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

(ii) to add to the covenants of the Issuers or the Trustee for the benefit of the Holders of the Notes or to surrender any right or power conferred upon the Issuers;

(iii) to convey, transfer, assign, mortgage or pledge any property to the Trustee, or add to the conditions, limitations or restrictions on the authorized amount, terms and purposes of the issue, authentication and delivery of the Notes;

(iv) to 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) to correct or amplify the description of any property at any time subject to the security interest created by the Indenture, or to better assure, convey, and confirm unto the Trustee any property subject or required to be subject to the security interest created by the Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations) or subject to the security interest created by the Indenture any additional property;

(vi) to cure any ambiguity or manifest error or correct or supplement any provisions contained in the Indenture which may be defective or inconsistent with any provision contained in the Indenture or make any modification that is of a formal, minor or technical nature or which is made to correct a manifest error;

(vii) to take any action necessary or advisable to prevent the Issuer, the Trustee, any Note Paying Agents or the Fiscal Agent from becoming subject to withholding or other taxes, fees or assessments or to prevent the Issuer from being treated as engaged in a United States trade or business or otherwise being subject to United States federal, state or local income tax on a net income basis;

(viii) to conform the Indenture to the descriptions contained in this Offering Circular;

(ix) to comply with any reasonable requests made by the Irish Stock Exchange in order to list or maintain the listing of any Notes on such stock exchange; or

(x) to make any other change for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture or any other Transaction Document; provided

however that such changes would have no material adverse effect on any of the Notes (which may be evidenced by an Opinion of Counsel or a Noteholder Poll (as hereinafter defined)).

With the written consent of the Holders of (a) at least a Majority, by Aggregate Outstanding Amount, of the Class A-1 Notes, (b) at least a Majority, by Aggregate Outstanding Amount, of the Secured Notes (other than the Class A-1 Notes) materially adversely affected thereby (voting together as a single class) and (c) at least a Majority of the Income Notes materially adversely affected thereby, the Trustee and the Issuers may execute a supplemental indenture 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.

Notwithstanding anything in the Indenture to the contrary, without the written consent of each Noteholder of each Class adversely affected thereby no supplemental indenture may:

(i) change the Stated Maturity of the principal of or the due date of any installment of interest or discount on a Note; reduce the principal amount thereof or the rate of interest thereon, or the applicable Secured Note Redemption Price, the Income Note Redemption Price or the Income Note Rated Amount with respect thereto; change the earliest date on which a Note may be redeemed; change the provisions of the Indenture relating to the application of proceeds of any Collateral to the payment of principal of or interest on Notes or change any place where, or the coin or currency in which, Notes or the principal thereof or interest thereon are payable; or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof or other due date thereof (or, in the case of redemption, on or after the Redemption Date);

(ii) reduce the percentage in aggregate principal amount of Holders of the 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 under the Indenture or their consequences;

(iii) impair or adversely affect the Collateral except as otherwise permitted by the Indenture;

(iv) permit the creation of any security interest ranking prior to or on a parity with the security interest created by the Indenture with respect to any part of the Collateral (it being understood that the addition of the Hedge Counterparties having the benefit of the Indenture pursuant to the terms of the Indenture does not require consent under this clause (iv)) or terminate such security interest on any property at any time subject thereto or deprive the Holder of any Note, the Trustee or any other Secured Party of the security afforded by the lien of the Indenture;

(v) reduce the percentage of Holders of the Notes of each Class whose consent is required to request the Trustee to preserve the Collateral or rescind the Trustee's election to preserve the Collateral or to sell or liquidate the Collateral pursuant to the Indenture;

(vi) modify any of the provisions of the Indenture with respect to supplemental indentures, 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 adversely affected thereby;

(vii) modify the definition of the term "Outstanding," or the Priority of Payments set forth in the Indenture;

(viii) modify any of the provisions of the Indenture in such a manner as to affect the calculation of the amount of any payment of interest on or principal of any Secured Note or modify any amount distributable to the Fiscal Agent for payment to the Holders of the Income Notes on any Quarterly Payment Date or to affect the right of the Holders of the Notes or the Trustee to the benefit of any provisions for the redemption of such Notes contained therein;

(ix) amend any provision of the Indenture or any other agreement entered into by the Issuer with respect to the transactions contemplated by the Indenture relating to the institution of proceedings for the Issuer or the Co-Issuer to be adjudicated as bankrupt or insolvent, or the consent of the Issuer or the Co-Issuer to the institution of bankruptcy or insolvency proceedings against it, or the filing with respect to the Issuer or the Co-Issuer of a petition or answer or consent seeking reorganization, arrangement, moratorium or liquidation proceedings, or other proceedings under the United States Bankruptcy Code or any similar laws, or the consent of the Issuer or the Co-Issuer to the filing of any such petition or the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Issuer or the Co-Issuer or any substantial part of its property, respectively;

(x) increase the amount of the Liquidation Agent Fees payable to the Liquidation Agent beyond the amount provided for in the original Liquidation Agency Agreement;

(xi) amend any provision of the Indenture or any other agreement entered into by the Issuer with respect to the transactions contemplated thereby that provides that the obligations of the Issuers or the Issuer, as the case may be, are limited recourse obligations of the Issuers or the Issuer, respectively, payable solely from the Collateral in accordance with the terms of the Indenture;

(xii) at the time of execution of such supplemental indenture, cause payments made by or to the Issuer, any Hedge Counterparty, the Liquidation Agent or any Paying Agents to become subject to withholding or other taxes, fees or assessments or cause the Issuer to be treated as engaged in a United States trade or business or otherwise be subject to United States federal, state or local income tax on a net income basis; or

(xiii) at the time of the execution of such supplemental indenture, result in a deemed sale or exchange of any of the Notes under Section 1001 of the Code (items (i) through (xiii) above collectively, the "Reserved Matters").

Under the Indenture, in making the determination of whether a proposed amendment has or would have no material adverse effect on any of the Notes, which Notes are materially adversely affected by a proposed amendment or which Classes of Notes are adversely affected by any Reserved Matter (each such determination, an "Amendment Determination"), the Trustee may rely on an opinion of counsel. If no opinion of counsel is provided with respect to a proposed amendment and the Trustee determines (in its sole discretion) that it does not have the information necessary to be able to make an Amendment Determination with respect to such proposed amendment, the Trustee shall be entitled to conclusively rely on a Noteholder Poll in order to make such Amendment Determination. The results of such Noteholder Poll shall be conclusive and binding on the Issuer and all present and future Noteholders.

"Noteholder Poll" with respect to a proposed supplemental indenture means the following:

The Trustee will (at the expense of the Issuer) give written notice of such proposed supplemental indenture to the Holders of the Secured Notes and to the Fiscal Agent for notification by the Fiscal Agent to the Holders of the Income Notes. If any Holder of a Note of a Class delivers a written objection to any portion of such supplemental indenture to the Trustee, in the case of the Secured Notes, and the Fiscal Agent, in the case of the Income Notes, within 20 Business Days after the date on which such notice was given by the Trustee or the Fiscal Agent, as applicable, each Note of such Class will be deemed to be both adversely affected and materially and adversely affected. If no Holder of a Note of a Class delivers a written objection to the Trustee or the Fiscal Agent, as applicable, within such period, all Notes of such Class shall be deemed not to be materially and adversely affected and not to be adversely affected by such supplemental indenture. The Fiscal Agent will promptly communicate to the Trustee the receipt of any such written objection from a Holder of an Income Note or if no such written objection is received within the prescribed time period, that no written objections were received from any Income Noteholder.

Under the Indenture, the Trustee will deliver a copy of any proposed supplemental indenture to the Holders of the Secured Notes, the Fiscal Agent, the Rating Agencies (for so long as any of the Notes are outstanding and rated by the Rating Agencies), each Synthetic Security Counterparty, each Hedge Counterparty and the Liquidation Agent not later than 20 Business Days prior to execution of a proposed supplemental indenture. The Fiscal Agent

will deliver a copy of the same to the Holders of the Income Notes. For so long as any of the Notes are outstanding and rated by the Rating Agencies, no supplemental indenture shall be entered into unless the Rating Agency Condition is met; *provided* that the Trustee shall, with the consent of the Holders of 100% of the Aggregate Outstanding Amount of Secured Notes of each Class and the Income Notes, whose consent, in the case of the Income Notes, will be communicated to the Fiscal Agent for notice to the Trustee, the Liquidation Agent, each Synthetic Security Counterparty and each Hedge Counterparty, enter into any such supplemental indenture notwithstanding any potential reduction or withdrawal of the ratings of any outstanding Class of Notes. The Trustee must provide notice of any amendment or modification of the Indenture (whether or not required to be approved by such parties) to the Holders of the Secured Notes, the Fiscal Agent, the Liquidation Agent, each Hedge Counterparty, each Synthetic Security Counterparty and if and for so long as any Secured Notes are listed on the Irish Stock Exchange, the Irish Paying Agent promptly upon the execution of such supplemental indenture. The Fiscal Agent will provide notice of any such amendment or modification of the Indenture to the Holders of the Income Notes and if and for so long as any Income Notes are listed on the Irish Stock Exchange, the Irish Paying Agent promptly upon the execution of such supplemental indenture.

In connection with any amendment, the Trustee may require the delivery of an opinion of counsel satisfactory to it (which opinion of counsel may rely on an officer's certificate from the Initial Purchaser or the Liquidation Agent), at the expense of the Issuer, that such amendment is permitted under the terms of the Indenture.

No amendment to the Indenture or any other Transaction Document will be effective until the consent of (i) the Liquidation Agent (which shall not be unreasonably withheld or delayed) has been obtained to the extent required under the Liquidation Agency Agreement, or (ii) each Hedge Counterparty (which shall not be unreasonably withheld or delayed) has been obtained to the extent required under the Hedge Agreements. To the extent required by the terms of any Synthetic Security, the Issuers will not consent to any supplemental indenture that would affect the provisions of such Synthetic Security governing the rights of a Synthetic Security Counterparty and which has a material adverse effect on such Synthetic Security Counterparty without the consent of such Synthetic Security Counterparty (such consent not to be unreasonably withheld or delayed).

The Issuer will not consent to any modification of any modification of the Transaction Documents (other than the Indenture and the Fiscal Agency Agreement), and, in the case of the Memorandum and Articles of Association of the Issuer, shall procure that its shareholders shall not so consent, (i) unless the Rating Agency Condition has been satisfied with respect to such modification of such Transaction Document if the Rating Agency Condition is required to be satisfied with respect to any such modification of such Transaction Document and (ii) with the consent of at least a Majority, by the Aggregate Outstanding Amount of the Class A-1 Notes (which consent shall not be unreasonably withheld).

In addition, the Issuers and the Trustee may enter into any additional agreements not expressly prohibited by the Indenture or any other Transaction Document.

Jurisdictions of Incorporation and Formation. Under the Indenture, the Issuer and the Co-Issuer will be required to maintain their rights and franchises as a company incorporated under the laws of the Cayman Islands and a corporation formed under laws of the State of Delaware, respectively, to comply with the provisions of their respective organizational documents and to obtain and preserve their qualification to do business as foreign corporations in each jurisdiction in which such qualifications are or shall be necessary to protect the validation and enforceability of the Indenture, the Secured Notes, or any of the Collateral; *provided, however*, that the Issuers shall be entitled to change their jurisdictions of incorporation from the Cayman Islands or Delaware, as applicable, to any other jurisdiction reasonably selected by such Issuer or Co-Issuer, as applicable, and approved by its common shareholders, so long as (i) the Issuer or Co-Issuer, as applicable, does not believe such change is disadvantageous in any material respect to such entity or the Holders of any Class of Secured Notes or any Hedge Counterparty; (ii) written notice of such change shall have been given by the Issuer or Co-Issuer, as applicable to the other of the Issuer or Co-Issuer, as applicable, the Trustee, the Note Paying Agent, the Liquidation Agent, each Hedge Counterparty, the Holders of each Class of Notes and each of the Rating Agencies at least thirty (30) Business Days prior to such change of jurisdiction; and (iii) on or prior to the 25th Business Day following such notice the Trustee shall not have received written notice from Holders of a Majority of the Controlling Class, the Liquidation Agent or any Counterparty or, if and so long as any Notes are listed thereon, the Irish Stock Exchange objecting to such change.

Petitions for Bankruptcy. The Indenture will provide that neither (i) any Hedge Counterparty, the Paying Agents, the Liquidation Agent, the Note Registrar, or the Trustee, in its own capacity, or on behalf of any Secured Noteholder, nor (ii) the Secured Noteholders may, prior to the date which is one year and one day (or, if longer, the applicable preference period then in effect) after the payment in full of all Notes, institute against, or join any other person in instituting against, the Issuer or Co-Issuer any bankruptcy, reorganization, arrangement, moratorium, liquidation or similar proceedings under the laws of any jurisdiction.

Satisfaction and Discharge of the Indenture. The Indenture will be discharged with respect to the Collateral securing the Secured Notes upon delivery to the Note Paying Agent for cancellation all of the Secured Notes and the payment in full of the Secured Notes, or, within certain limitations (including the obligation to pay principal and interest), upon deposit with the Trustee of funds sufficient for the payment or redemption thereof and the payment by the Issuers of all other amounts due under the Indenture.

Trustee. The Bank of New York Trust Company, National Association will be the Trustee under the Indenture. The Issuers and their 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 relating to the Secured Notes is solely the obligation of the Issuers. The Trustee and/or its affiliates may receive compensation in connection with the Trustee's investment of trust assets in certain Eligible Investments as provided in the Indenture and in connection with the Trustee's administration of any securities lending activities of the Issuer.

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. The Trustee will not be bound to take any action unless indemnified for such action. The Secured Noteholders shall together have the power, exercisable by the Controlling Class, to remove the Trustee as set forth in the Indenture. The removal of the Trustee shall not become effective until the later of the effective date of the appointment of a successor trustee and the acceptance of appointment by a successor trustee. If the Trustee is removed without cause, costs and expenses of the Trustee incurred in connection with the transfer to the successor Trustee shall be paid by the successor Trustee or the Issuer.

Agents. The Bank of New York Trust Company, National Association will be the Note Paying Agent, the Note Registrar, the Note Calculation Agent and the Note Transfer Agent under the Indenture. The Issuers and their affiliates may maintain other banking relationships in the ordinary course of business with The Bank of New York Trust Company, National Association. The payment of the fees and expenses of The Bank of New York Trust Company, National Association, as the Paying Agent, the Note Registrar, the Note Calculation Agent and the Note Transfer Agent relating to the Notes is solely the obligation of the Issuers. The Indenture contains provisions for the indemnification of The Bank of New York Trust Company, National Association for any loss, liability or expense incurred without gross negligence, willful misconduct, default or bad faith on its part arising out of or in connection with the acceptance or administration of the Indenture.

Irish Paying Agent. If and for so long as any of the Secured Notes or the Income Notes are listed on the Irish Stock Exchange, and the rules of such exchange shall so require, the Issuers will have an Irish Paying Agent in accordance with the requirements of the rules of such exchange for the Notes. The Issuers and their affiliates may maintain other relationships in the ordinary course of business with the Irish Paying Agent. The payment of the fees and expenses of the Irish Paying Agent relating to the Notes is solely the obligation of the Issuers.

Status of the Income Notes. The Holders of the Income Notes will have certain rights to vote with respect to limited matters arising under the Indenture and the Liquidation Agency Agreement including, without limitation, in connection with certain modifications to the Indenture. However, the Holders of the Income Notes will have no right to vote in connection with the realization of the Collateral or certain other matters under the Indenture.

Fiscal Agency Agreement

The Income Notes will be issued by the Issuer and administered in accordance with a Fiscal Agency Agreement (the "Fiscal Agency Agreement") between The Bank of New York Trust Company, National Association, as fiscal agent (in such capacity, the "Fiscal Agent"). The following summary describes certain provisions of the Income Notes and the Fiscal Agency Agreement. This summary does not purport to be complete

and is subject to, and qualified in its entirety by reference to, the provisions of the Fiscal Agency Agreement. After the closing, copies of the Fiscal Agency Agreement may be obtained by prospective investors upon request in writing to the Fiscal Agent at 600 Travis Street, 50th Floor, Houston, Texas 77002, Attention: Global Corporate Trust —Hudson High Grade Funding 2006-1, Ltd. (telephone number (713) 216-4181).

Pursuant to the Fiscal Agency Agreement, the Fiscal Agent and the Income Notes Transfer Agent will perform various fiscal services on behalf of the Holders of the Income Notes. The payment of the fees and expenses of the Fiscal Agent and Income Notes Transfer Agent is solely the obligation of the Issuer. The Fiscal Agency Agreement contains provisions for the indemnification of the Fiscal Agent and Income Notes Transfer Agent for any loss, liability or expense incurred without gross negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Fiscal Agency Agreement.

Status. The Income Notes are not secured by the Collateral Assets or any other Collateral securing the Secured Notes. There can be no assurance that, after payment of principal and interest on the Secured Notes and other fees and expenses of the Issuers in accordance with the Priority of Payments, the Issuer will have funds remaining to make payments in respect of the Income Notes. As a result, the rights of the Income Note holders to receive payments will rank (i) behind the rights of all secured creditors of the Issuer, whether known or unknown, including the Holders of the Secured Notes, the Liquidation Agent and any Hedge Counterparty and (ii) *pari passu* with all unsecured creditors of the Issuer, whether known or unknown. 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 Income Notes as and when such proceeds are released from the lien of the Indenture in accordance with the Priority of Payments. See "—Priority of Payments."

Payment. On each Quarterly Payment Date, to the extent funds are available therefor, and after the Secured Notes and certain other amounts due and payable on such Quarterly Payment Date that rank senior to payments on the Income Notes have been paid in full, Proceeds will be released from the lien of the Indenture in accordance with the Priority of Payments and paid to the Fiscal Agent on such Quarterly Payment Date for payment to the Holders of the Income Notes. See "—Status and Security", "—Interest on the Secured Notes" and "—Principal."

Payments on any Income Note will be made to the person in whose name such Income Note is registered 10 Business Days' prior to the applicable Payment Date. Payments will be made by wire transfer in immediately available funds to a U.S. Dollar account maintained by the Holder thereof appearing in the Income Notes Register in accordance with wire transfer instructions received from such Holder by the Fiscal Agent on or before the Record Date or, if no wire transfer instructions are received by the Fiscal Agent, by a U.S. Dollar check drawn on a bank in the United States. Final distributions or payments made in the course of a winding up of the Issuer will be made only against surrender of the certificate representing such Income Notes at the office of the Income Notes Transfer Agent. The Income Notes Transfer Agent will communicate or cause communications of such distributions and payments and the related Payment Date to the Issuer, the Fiscal Agent, Euroclear and Clearstream.

Modification of the Fiscal Agency Agreement. The Fiscal Agency Agreement may be amended by the Issuer and the Fiscal Agent without the consent of any of the Income Noteholders for any of the following purposes: (i) to evidence the succession of any person to either the Issuer or Co-Issuer and the assumption by any such successor of the covenants of the Issuer or Co-Issuer in the Notes, the Fiscal Agency Agreement and the Indenture; (ii) to add to the covenants of the Issuers or the Fiscal Agent for the benefit of the Holders of the Notes or to surrender any right or power conferred upon the Issuers; (iii) to cure any ambiguity or manifest error or correct or supplement any provisions contained herein which may be defective or inconsistent with any provision contained herein or make any modification that is of a formal, minor or technical nature or which is made to correct a manifest error; (iv) to take any action necessary or advisable to prevent the Issuer, the Trustee, any Note Paying Agents or the Fiscal Agent from becoming subject to withholding or other taxes, fees or assessments or to prevent the Issuer from being treated as engaged in a United States trade or business or otherwise being subject to United States federal, state or local income tax on a net income basis; (v) to conform the Fiscal Agency Agreement to the descriptions contained in this Offering Circular; (vi) to comply with any reasonable requests made by the Irish Stock Exchange in order to list or maintain the listing of any Notes on such stock exchange; or (vii) to make any other change for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Fiscal

Agency Agreement; *provided, however* that such changes would have no material adverse effect on any of the Notes.

The Fiscal Agency Agreement may also be amended from time to time by the Issuer and the Fiscal Agent with the consent of a Majority of Income Noteholders for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Fiscal Agency Agreement, or of modifying in any manner the rights of the Income Noteholders; *provided*, that no such amendment shall (i) reduce in any manner the amount of, or delay the timing of, or change the allocation of, the payments on the Income Notes or (ii) reduce the voting percentage of the Income Noteholders required to consent to any amendment to the Fiscal Agency Agreement, in each case without the consent of the Income Noteholders of all of the Income Notes.

Income Notes Register. The Fiscal Agent will initially be appointed as Income Notes Transfer Agent (in such capacity, the "Income Notes Transfer Agent") for the purpose of registering and administrating the transfer of Income Notes. The Income Notes Transfer Agent shall maintain at its offices, a register (the "Income Notes Register") in which it shall provide for the registration of Income Notes and the registration of transfers of Income Notes in accordance with the Fiscal Agency Agreement.

Notices. Notices to the Income Note holders will be given by first class mail, postage prepaid, to the registered holders of the Income Notes at their addresses appearing in the Income Notes Register. In addition, if and for so long as any of the Income Notes are listed on the Irish Stock Exchange and so long as the rules of such exchange so require, notices to the Holders of such Income Notes shall also be published by the Irish Listing Agent in the official list thereof as otherwise required by the rules of such exchange.

Governing Law of the Indenture, the Notes, the Fiscal Agency Agreement, the Hedge Agreements and the Liquidation Agency Agreement

The Indenture, the Fiscal Agency Agreement, the Notes, the Hedge Agreements and the Liquidation Agency Agreement will be governed by, and construed in accordance with, the laws of the State of New York applicable to agreements made and to be performed therein without regard to the conflict of laws principles thereof. Under the Indenture, the Fiscal Agency Agreement, the Hedge Agreements and the Liquidation Agency Agreement the Issuers have submitted irrevocably to the non-exclusive jurisdiction of the courts of the State of New York and the courts of the United States of America in the State of New York (in each case sitting in the County of New York) for the purposes of hearing and determining any suit, action or proceedings or settling any disputes arising out of or in connection with the Indenture, the Notes, the Fiscal Agency Agreement, the Hedge Agreements and the Liquidation Agency Agreement.

Form of the Notes

The Notes. Each Class of Notes (other than the Income Notes) sold in reliance on Rule 144A under the Securities Act will be represented by one or more Rule 144A Global Notes and will be deposited with The Bank of New York Trust Company, National Association as custodian for DTC and registered in the name of Cede & Co., a nominee of DTC. Each of the Income Notes which are sold either to (1) a qualified institutional buyer as defined in Rule 144A under the Securities Act purchasing for its own account or for the account of a Qualified Institution Buyer or (2) an Accredited Investor who has a net worth of not less than U.S.$10 million will be issued in definitive, fully registered form, registered in the name of the owner thereof ("Definitive Notes"). The Rule 144A Global Notes and the Definitive Notes (and any Notes issued in exchange therefor) will be subject to certain restrictions on transfer as set forth under "Notice to Investors."

Each Class of Notes sold in offshore transactions in reliance on Regulation S will initially be represented by a Temporary Regulation S Global Note deposited on the Closing Date with The Bank of New York Trust Company, National Association as custodian for DTC and registered in the name of Cede & Co., a nominee of DTC, for the respective accounts of Euroclear and Clearstream. Beneficial interests in a Temporary Regulation S Global Note may be held only through Euroclear or Clearstream. Beneficial interests in a Temporary Regulation S Global Note will be exchanged for beneficial interests in a permanent Regulation S Global Note (the "Regulation S Global Note") for the related Class of Notes in definitive, fully registered form upon the later of (i) the expiration of the Distribution Compliance Period and (ii) the first date on which the requisite certifications (in the form provided in

the Indenture) are provided to the Trustee. The Regulation S Global Note will be registered in the name of Cede & Co., a nominee of DTC, and deposited with The Bank of New York Trust Company, National Association as custodian for DTC for credit to the accounts of Euroclear and Clearstream for the respective accounts of the Holders of such Notes. Beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream.

A beneficial interest in a Regulation S Global Note or a Temporary Regulation S Global Note may be transferred, whether before or after the expiration of the Distribution Compliance Period, to a U.S. person only, with respect to the Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes, in the form of a beneficial interest in a Rule 144A Global Note, and, with respect to any Regulation S Income Notes, in the form of a definitive Income Note, and only upon receipt by the Income Notes Transfer Agent, of a written certification from the transferor (in the form provided in the Indenture or the Fiscal Agency Agreement, as applicable) to the effect that the transfer is being made to a person the transferor reasonably believes is (a) a Qualified Institutional Buyer or, solely in the case of the Income Notes, an Accredited Investor who has a net worth of not less than U.S.$10 million and (b) a Qualified Purchaser. In addition, transfers of a beneficial interest in a Regulation S Global Note or Temporary Regulation S Global Note to a person who takes delivery in the form of an interest in a Rule 144A Global Note or, a Definitive Note in the case of the Income Notes, may occur only in denominations greater than or equal to the minimum denominations applicable to the Rule 144A Global Notes or in a principal amount of not less than $250,000.

A beneficial interest in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Temporary Regulation S Global Note or a Regulation S Global Note, as the case may be, whether during or after the expiration of the Distribution Compliance Period, only upon receipt by the Note Registrar or Income Notes Transfer Agent, as applicable, of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made to a non U.S. Person in accordance with Rule 903 or 904 of Regulation S.

Any beneficial interest in one of the Global Notes that is transferred to the person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such interest.

Except in the limited circumstances described below, owners of beneficial interests in any Global Note will not be entitled to receive a Definitive Note. The Notes are not issuable in bearer form.

Each Note will be issued in minimum denominations of U.S.$250,000 (in the case of Rule 144A Notes and in the case of Income Notes sold to Accredited Investors) and U.S.$100,000 (in the case of Regulation S Notes) and integral multiples of U.S.$1 in excess thereof.

Global Notes. Upon the issuance of the Global Notes, DTC or its custodian will credit, on its internal system, the respective aggregate original principal amount of the individual beneficial interests represented by such Global Notes to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the Initial Purchaser. Ownership of beneficial interests in Global Notes will be limited to persons who have accounts with DTC ("participants") or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

So long as DTC, or its nominee, is the registered owner or Holder of the Global Notes, DTC or such nominee, as the case may be, will be considered the sole owner or Holder of each Class of the Notes represented by such Global Notes for all purposes under the Indenture and such Notes. Unless DTC notifies the Issuers that it is unwilling or unable to continue as depositary for a global note or ceases to be a "Clearing Agency" registered under the Exchange Act, owners of the beneficial interests in the Global Notes will not be entitled to have any portion of such Global Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in certificated form and will not be considered to be the owners or Holders of any Notes under the Indenture. In addition, no beneficial owner of an interest in the Global Notes will be able to transfer that interest except in

accordance with DTC's applicable procedures (in addition to those under the Indenture referred to herein and, if applicable, those of Euroclear and Clearstream).

Investors may hold their interests in a Regulation S Global Note or a Temporary Regulation S Global Note directly through Clearstream or Euroclear, if they are participants in these systems, or indirectly through organizations which are participants in these systems. Clearstream and Euroclear will hold interests in the Regulation S Global Notes on behalf of their participants through their respective depositaries, which in turn will hold the interests in the Regulation S Global Notes and Temporary Regulation S Global Notes in customers' securities accounts in the depositories' names on the books of DTC. Investors may hold their interests in a Rule 144A Global Note directly through DTC if they are participants in the system, or indirectly through organizations which are participants in the system.

Payments of the principal of and interest on the Global Notes will be made to DTC or its nominee, as the registered owner thereof. Neither the Issuers, the Trustee nor 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 the Global Notes or for any notice permitted or required to be given to Holders of Notes or any consent given or actions taken by DTC as Holder of Notes. The Issuers expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note representing any Notes held by it or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective interests in the principal amount of such Global Notes as shown on the records of DTC or its nominee. The Issuers also expect that payments by participants to owners of interests in such Global Notes 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 names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in Global Notes to these persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in Global Notes to pledge its interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of its interest, may be affected by the lack of a physical certificate of the interest. Transfers between account holders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described above, cross-market transfers between DTC participants, on the one hand, and, directly or indirectly through Euroclear or Clearstream account holders, 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, these cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in the 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 Temporary Regulation S Global Note or a Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for a same-day funds settlement applicable to DTC. Clearstream and Euroclear account holders may not deliver instructions directly to the depositaries for Clearstream or Euroclear.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a DTC participant will be credited during the securities settlement processing day (which must be a Business Day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date and the credit of any transactions in interests in a Global Note settled during the processing day will be reported to the relevant Euroclear or Clearstream participant on that day. Cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note 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 Issuers that it will take any action permitted to be taken by a Holder of the Notes (including the presentation of the applicable Notes for exchange as described below) only at the direction of one or more participants to whose account with DTC interests in a Global Note are credited and only in respect of that portion of the aggregate principal amount of the Notes as to which the participant or participants has or have given direction.

The giving of notices and other communications by DTC to participants, by participants to persons who hold accounts with them and by such persons to Holders of beneficial interests in a Global Note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised the Issuers as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the 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").

Clearstream. Clearstream Banking, société anonyme, was incorporated as a limited liability company under Luxembourg law. Clearstream is owned by Cedel International, société anonyme, and Deutsche Börse AG. The shareholders of these two entities are banks, securities dealers and financial institutions.

Clearstream holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream customers through electronic book-entry changes in accounts of Clearstream customers, thus eliminating the need for physical movement of certificates. Clearstream provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities, securities lending and borrowing and collateral management. Clearstream interfaces with domestic markets in a number of countries. Clearstream has established an electronic bridge with Euroclear Bank S.A./N.V., the operator of the Euroclear System, to facilitate settlement of trades between Clearstream and Euroclear.

As a registered bank in Luxembourg, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. Clearstream customers are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. In the United States, Clearstream customers are limited to securities brokers and dealers and banks and may include the Initial Purchaser. Other institutions that maintain a custodial relationship with a Clearstream customer may obtain indirect access to Clearstream. Clearstream is an indirect participant in DTC.

Distributions with respect to the Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by Clearstream.

The Euroclear System. The Euroclear System was created in 1968 to hold securities for participants of the Euroclear System and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thus eliminating the need for physical movement of certificates and risk from lack of simultaneous transfers of securities and cash. Transactions may now be settled in many currencies, including U.S. Dollars and Japanese Yen. The Euroclear System provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above.

The Euroclear System is operated by Euroclear Bank S.A./N.V. (the "Euroclear Operator"), under contract with Euroclear Clearance System plc, a U.K. corporation (the "Euroclear Clearance System"). The Euroclear Operator conducts all operations, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Euroclear Clearance System. The Euroclear Clearance System establishes policy for the Euroclear System on behalf of Euroclear participating organizations. Euroclear

participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Initial Purchaser. Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly. Euroclear is an indirect participant in DTC.

The Euroclear Operator is a Belgian bank. The Belgian Banking Commission regulates and examines the Euroclear Operator.

The Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law govern securities clearance accounts and cash accounts with the Euroclear Operator. Specifically, these terms and conditions govern:

(a) transfers of securities and cash within the Euroclear System;

(b) withdrawal of securities and cash from the Euroclear System; and

(c) receipts of payments with respect to securities in the Euroclear System.

All securities in the Euroclear System are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the terms and conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding securities through Euroclear participants.

Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participating organizations in accordance with the Euroclear Terms and Conditions, to the extent received by the Euroclear Operator and by Euroclear.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Notes and in the Rule 144A Global Notes among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures, and the procedures may be discontinued at any time. Neither the Issuers nor the Trustee will have any responsibility for the performance by DTC, Clearstream, Euroclear or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Payments; Certifications by Holders of Temporary Regulation S Global Notes. A Holder of a beneficial interest in a Temporary Regulation S Global Note must provide Clearstream or Euroclear, as the case may be, with a certificate in the form required by the Indenture certifying that the beneficial owner of the interest in such Global Note is not a U.S. Person (as defined in Regulation S), and Clearstream or Euroclear, as the case may be, must provide to the Trustee a certificate in the form required by the Indenture prior to (i) the payment of interest or principal with respect to such Holder's beneficial interest in the Temporary Regulation S Global Note and (ii) any exchange of such beneficial interest for a beneficial interest in a Regulation S Global Note.

Individual Definitive Notes. The Class S Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Regulation S Income Notes will be initially issued in global form. The Income Notes (other than the Regulation S Income Notes) will not be global and will be represented by one or more Definitive Notes. If DTC or any successor to DTC advises the Issuer in writing that it is at any time unwilling or unable to continue as a depositary for the reasons described in "—Global Notes" and a successor depositary is not appointed by the Issuers within 90 days or as a result of any amendment to or change in, the laws or regulations of the Cayman Islands or the State of Delaware, as applicable, or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which become effective on or after the Closing Date, the Issuers, the Note Paying Agent or the Fiscal Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required if the Notes were in definitive form and the Issuers will issue Definitive Notes in registered form in exchange for the Regulation S Global Notes and the Rule 144A Global Notes, as the case may be. Upon receipt of such notice from DTC, the Issuers will use their best efforts to make arrangements with DTC for the exchange of interests in the Global Notes for individual Definitive Notes and

cause the requested individual Definitive Notes to be executed and delivered to the Note Registrar or Income Notes Transfer Agent, as applicable, in sufficient quantities and authenticated by or on behalf of the Note Transfer Agent or Income Notes Transfer Agent, as applicable, for delivery to Holders of the Notes. Persons exchanging interests in a Global Note for individual Definitive Notes will be required to provide to the Note Transfer Agent or the Income Notes Transfer Agent, as applicable, through DTC, Clearstream or Euroclear, (i) written instructions and other information required by the Issuers, the Note Transfer Agent and the Income Notes Transfer Agent to complete, execute and deliver such individual Definitive Notes, (ii) in the case of an exchange of an interest in a Rule 144A Global Note, such certification as to (a) Qualified Institutional Buyer status or, solely in the case of the Income Notes, as to Accredited Investor status and (b) that such Holder is a Qualified Purchaser, as the Issuers shall require and (iii) in the case of an exchange of an interest in a Regulation S Global Note, such certification as the Issuers shall require as to non-U.S. Person status. In all cases, individual Definitive Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in denominations in compliance with the minimum denominations specified for the applicable Global Notes, requested by DTC.

Individual Definitive Notes will bear, and be subject to, such legend as the Issuers require in order to assure compliance with any applicable law. Individual Definitive Notes will be transferable subject to the minimum denomination applicable to the Rule 144A Global Notes and Regulation S Global Notes, in whole or in part, and exchangeable for individual Definitive Notes of the same Class at the office of the Note Paying Agent, Note Transfer Agent, Income Notes Transfer Agent or the office of any transfer agent, upon compliance with the requirements set forth in the Indenture or the Fiscal Agency Agreement, as applicable. Individual Definitive Notes may be transferred through any transfer agent upon the delivery and duly completed assignment of such Notes. Upon transfer of any individual Definitive Note in part, the Note Transfer Agent or Income Notes Transfer Agent, as applicable, will issue in exchange therefor to the transferee one or more individual Definitive Notes in the amount being so transferred and will issue to the transferor one or more individual Definitive Notes in the remaining amount not being transferred. No service charge will be imposed for any registration of transfer or exchange, but payment of a sum sufficient to cover any tax or other governmental charge may be required. The Holder of a restricted individual Definitive Note may transfer such Note, subject to compliance with the provisions of the legend thereon. Upon the transfer, exchange or replacement of Notes bearing the legend, or upon specific request for removal of the legend on a Note, the Issuer will deliver only Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act. Payments of principal and interest on individual Definitive Notes shall be payable by the Note Paying Agents or the Fiscal Agent, as applicable, by U.S. Dollar check drawn on a bank in the United States of America and sent by mail to the registered Holder thereof, by wire transfer in immediately available funds. In addition, if and for so long as any Notes are listed on the Irish Stock Exchange and the rules of such exchange shall so require, in the case of a transfer or exchange of individual Definitive Notes, a Holder thereof may effect such transfer or exchange by presenting such Notes at, and obtaining a new individual Definitive Note from the office of the Irish Paying Agent, in the case of a transfer of only a part of an individual Definitive Note, a new individual Definitive Note in respect of the balance of the principal amount of the individual Definitive Note not transferred will be delivered at the office of the Irish Stock Exchange and in the case of a replacement of any lost, stolen, mutilated or destroyed individual Definitive Notes, a Holder thereof may obtain a new individual Definitive Note from the Irish Paying Agent.

The Income Notes. The Regulation S Income Notes will initially be in global form. The Income Notes (other than Regulation S Income Notes) will not be global and will be represented by one or more Income Note Certificates in definitive form. All Income Notes will be subject to certain restrictions on transfer as set forth under "Notice to Investors."

Income Notes may be transferred only (i) upon receipt by the Issuer and Income Notes Transfer Agent of an Income Notes Purchase and Transfer Letter to the effect that the transfer is being made (a) to a Qualified Institutional Buyer that has acquired an interest in the Income Notes in a transaction meeting the requirements of Rule 144A or (b) to an Accredited Investor having a net worth of not less than U.S.$10 million in a transaction exempt from registration under the Securities Act, who is a Qualified Purchaser or (ii) to a non-U.S. Person in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S. The transferee of an Income Note (other than a Regulation S Income Note) must also make certain other representations applicable to such transferee, as set forth in the Income Notes Purchase and Transfer Letter.

Each Purchaser of a Regulation S Income Note will be deemed by its purchase to have represented and warranted as set forth under "Notice to Investors."

Payments on the Income Notes on any Quarterly Payment Date will be made to the person in whose name the relevant Income Note is registered in the Income Notes Register as of the close of business 10 Business Days prior to such Quarterly Payment Date.

USE OF PROCEEDS

The gross proceeds associated with the offering of the Notes are expected to equal approximately U.S.$1,511,650,000. Approximately U.S.$4,750,000 of such gross proceeds will be applied by the Issuer to pay upfront fees and expenses associated with the offering of the Notes. On the Closing Date, approximately U.S.$275,000 of the gross proceeds from the issuance of the Notes will be deposited into the Expense Reserve Account and approximately U.S.$625,000 of the gross proceeds will be deposited into the Collection Account. On the Closing Date or promptly thereafter as is consistent with customary settlement procedures, pursuant to agreements to purchase entered into on or before the Closing Date, the Issuer will apply the net proceeds to purchase the Collateral Assets described herein having an aggregate Principal Balance of approximately U.S.$1,500,000,000 and will have entered into the Hedge Agreements.

RATINGS OF THE NOTES

It is a condition to the issuance of the Notes that the Class S Notes, the Class A-1 Notes, and the Class A-2 Notes be rated "Aaa" by Moody's and "AAA" by S&P, that the Class B Notes be rated at least "Aa2 by Moody's and at least "AA" by S&P, that the Class C Notes be rated at least "A2 by Moody's and at least "A" by S&P, that the Class D Notes be rated at least "Baa2 by Moody's and at least "BBB" by S&P and that the Income Notes be issued with a rating of at least "Ba2 by Moody's (which rating addresses the ultimate payment of the Income Note Rated Amount only). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

If and for so long as any Class of Notes is listed on the Irish Stock Exchange, the Trustee will inform the Irish Paying Agent if any rating assigned to any Class of Notes is reduced or withdrawn.

Moody's Ratings

The ratings assigned to the Secured Notes by Moody's are based upon its assessment of the probability that the Collateral Assets will provide sufficient funds to pay such Secured Notes, based largely upon Moody's statistical analysis of historical default rates on debt obligations with various ratings, expected recovery rates on the Collateral Assets, the asset and interest coverage required for such Secured Notes (which is achieved through the subordination of more junior Notes), and the diversification requirements that the Collateral Assets must satisfy.

Moody's rating of (i) the Class S Notes, the Class A Notes and the Class B Notes addresses the ultimate cash receipt of all required principal payments and the timely cash receipt of all interest payments as provided in the governing documents, (ii) the Class C Notes and the Class D Notes addresses the ultimate cash receipt of all required interest and principal payments as provided in the governing documents and (iii) the Income Notes addresses the ultimate payment of the Income Note Rated Amount only. Moody's ratings are based on the expected loss posed to the Holders of the Notes relative to the promise of receiving the present value, calculated using a discounted rate equal to the promised interest rate of such payments. Moody's analyzes the likelihood that each debt obligation included in the portfolio will default, based on historical default rates for similar debt obligations, the historical volatility of such default rates (which increases as securities with lower ratings are added to the portfolio) and an additional default assumption to account for future fluctuations in defaults. Moody's then determines the level of credit protection necessary to achieve the expected loss associated with the rating of the structured securities, taking into account the potential recovery value of the Collateral Assets and the expected volatility of the default rate of the portfolio based on the level of diversification by issuer and industry.

In addition to these quantitative tests, Moody's ratings take into account qualitative features of a transaction, including the experience of the Liquidation Agent, the legal structure and the risks associated with such structure, its view as to the quality of the participants in the transaction and other factors that it deems relevant.

The rating assigned by Moody's to the Income Notes addresses only the likelihood of the ultimate recovery of the Income Note Rated Amount with respect thereto.

S&P Ratings

S&P will rate the Secured Notes in a manner similar to the manner in which it rates other structured issues. The ratings assigned to the Class S Notes, the Class A Notes and the Class B Notes by S&P address the likelihood of the timely payment of interest and the ultimate payment of principal on such Secured Notes. The ratings assigned to the Class C Notes and the Class D Notes by S&P address the likelihood of the ultimate payment of interest and principal on such Secured Notes. This requires an analysis of the following: (i) credit quality of the Collateral Assets securing the Secured Notes; (ii) cash flow used to pay liabilities and the priorities of these payments; and (iii) legal considerations. Based on these analyses, S&P determines the necessary level of credit enhancement needed to achieve a desired rating.

S&P's analysis includes the application of its proprietary default expectation computer model, the Standard & Poor's CDO Monitor (which will be provided to the Issuer), which is used to estimate the default rate the portfolio is likely to experience. The Standard & Poor's CDO Monitor calculates the projected cumulative default rate of a pool of Collateral Assets consistent with a specified benchmark rating level based upon S&P's proprietary corporate debt default studies. The Standard & Poor's CDO Monitor takes into consideration the rating of each issuer or obligor, the number of issuers or obligors, the issuer or obligor industry concentration and the remaining weighted average maturity of each of the Collateral Assets and Eligible Investments included in the portfolio. The risks posed by these variables are accounted for by effectively adjusting the necessary default level needed to achieve a desired rating. The higher the desired rating, the higher the level of defaults the portfolio must withstand.

Credit enhancement to support a particular rating is then provided based, in part, on the results of the Standard & Poor's CDO Monitor, as well as other more qualitative considerations such as legal issues and management capabilities. Credit enhancement is typically provided by a combination of overcollateralization/subordination, cash collateral/reserve account, excess spread/interest and amortization. A transaction-specific cash flow model (the "Transaction-Specific Cash Flow Model") is used to evaluate the portfolio and determine whether it can withstand an estimated level of default while fully repaying the class of debt under consideration.

There can be no assurance that actual loss on the Collateral Assets will not exceed those assumed in the application of the Standard & Poor's CDO Monitor or that recovery rates and the timing of recovery with respect thereto will not differ from those assumed in the Transaction-Specific Cash Flow Model. The Issuers make no representation as to the expected rate of defaults on the portfolio or as to the expected timing of any defaults that may occur.

S&P's rating of the Notes will be established under various assumptions and scenario analyses. There can be no assurance, and no representation is made, that actual defaults on the Collateral Assets will not exceed those in S&P's analysis, or that recovery rates with respect thereto (and, consequently, loss rates) will not differ from those in S&P's analysis.

SECURITY FOR THE SECURED NOTES

Under the terms of the Indenture, the Issuer will grant to the Trustee, for the benefit of the Secured Parties (but not the Holders of the Income Notes), a first priority perfected security interest in the Collateral, including the Collateral Assets, that is free of any adverse claim, to secure the Issuers' obligations under the Indenture, the Secured Notes, the Liquidation Agency Agreement and the Hedge Agreements.

On the Closing Date, the Issuer expects to acquire approximately U.S.$1,500,000,000 in aggregate principal balance of Collateral Assets. The Collateral Assets will consist of Residential Mortgage-Backed Securities, CDO Securities and Synthetic Securities. Certain information with respect to the Collateral Assets is included herein (including in Appendix B) on the CD-ROM attached to this Offering Circular. This information was provided by or derived from information provided by the issuers, underwriters and/or the servicers for each underlying Collateral Asset. In addition, the prospectus supplements, private placement memoranda, offering circulars or similar disclosure documents with respect to the Collateral Assets for which such documents are available, together with the most recently available investor or trustee reports with respect to Collateral Assets issued six months prior to the Closing Date (such documents and reports, the "Disclosure Documents"), are included on the CD-ROM attached hereto. None of the Issuers, the Initial Purchaser, the Liquidation Agent, the Hedge Counterparty (or any guarantor thereof), the Trustee or any party on their behalf has made any independent review or verification as to the accuracy and completeness of the information contained below or is making any representation or warranty regarding, or assuming any responsibility for, the accuracy, completeness, or applicability of such information. Accordingly, prospective purchasers must make their own evaluation regarding the extent to which they will rely on such information in making an investment decision. **None of the issuers of the Collateral Assets makes any representation or warranty as to the appropriateness of any Disclosure Document for use in connection with the offering of the Offered Notes or takes any responsibility for such use. None of the Issuers, the Initial Purchaser, the Liquidation Agent, the Hedge Counterparty, or any guarantor thereof, the Trustee, any of their affiliates or any party on their behalf takes responsibility for, or makes any representation or warranty as to the accuracy or completeness of any of the Disclosure Documents.**

The Collateral Assets

The Collateral Assets had an aggregate principal balance (an aggregate "Collateral Asset Principal Balance") on or about October 26, 2006 (the "Reference Date") of approximately U.S.$1,500,000,000. The Reference Date balances of the Collateral Assets reflect their principal balances after giving effect to distributions received on or before October 26, 2006 and (without duplication) after application of all payments due on the Collateral Assets before the Reference Date, whether or not received. However, the first distributions on the Collateral Assets available to make payments on the Notes will be those made from November 1, 2006 to the end of the first Due Period. The use of a later Reference Date would result in a lower Reference Date balance for certain Collateral Assets and, consequently, a lower aggregate Collateral Asset Principal Balance. The Collateral Assets consist of:

(i) 84 issues across three categories of RMBS constituting approximately 87% of the Collateral Assets (by principal balance), and

(ii) 14 issues in two categories of CDO Securities constituting approximately 13% of the Collateral Assets (by principal balance),

100% of the Synthetic Securities, constituting approximately 6.67% of the Collateral Assets (by principal balance) have Reference Obligations which are CDO Securities and, for the purposes of the information set forth herein, unless otherwise specified, such Synthetic Securities are treated as CDO Securities.

RMBS. The Collateral Assets include 108 whole and partial classes of residential mortgage pass-through certificates. The following is a list of the respective classes and series of RMBS included in the Collateral Assets:

Collateral Asset	RMBS Category	Principal Balance	Percentage of RMBS	Ratings (Moody's/S&P)	Coupon Index	Weighted Average Life (years)
FHLT 2005E M2	RMBS Subprime	30,000,000	2.30%	Aa2/AA	LIBOR01M	4.6
PPSI 2005WHQ4 M3	RMBS Subprime	27,775,000	2.13%	Aa3/AA	LIBOR01M	4.0
ARSI 2005W5 M3	RMBS Subprime	27,000,000	2.07%	Aa3/AA	LIBOR01M	5.3
NHELI 2006HE3 M2	RMBS Subprime	23,309,000	1.79%	Aa2/AA	LIBOR01M	6.4
SABR 06HE1 M1	RMBS Subprime	20,580,000	1.58%	Aa2/AA	LIBOR01M	4.6
ACE 2006HE3 M5	RMBS Subprime	18,740,000	1.44%	A2/AA	LIBOR01M	4.4
CARR 2006 NC3 M2	RMBS Subprime	17,400,000	1.33%	Aa2/AA	LIBOR01M	6.5
RASC 2005EMX3 M3	RMBS Subprime	15,750,000	1.21%	Aa3/AA	LIBOR01M	3.5

Collateral Asset	RMBS Category	Principal Balance	Percentage of RMBS	Ratings (Moody's/S&P)	Coupon Index	Weighted Average Life (years)
NCHET 2005D M3	RMBS Subprime	15,000,000	1.15%	Aa3/AA	LIBOR01M	3.6
RASC 2005KS11 M5	RMBS Subprime	15,000,000	1.15%	A2/AA	LIBOR01M	3.6
ABSHE 2006HE1 M6	RMBS Subprime	15,000,000	1.15%	A3/A+	LIBOR01M	4.6
SASC 2005WF4 M5	RMBS Subprime	15,000,000	1.15%	A2/A	LIBOR01M	3.6
SAIL 0603 M6	RMBS Subprime	15,000,000	1.15%	A3/A-	LIBOR01M	4.4
ARSI 2006-M2 M3	RMBS Subprime	14,351,000	1.10%	Aa3/AA-	LIBOR01M	6.9
AMSI 2005R8 M2	RMBS Subprime	14,240,000	1.09%	Aa2/AA	LIBOR01M	5.4
GSAMP 06HE5 M3	RMBS Subprime	13,265,000	1.02%	Aa3/AA	LIBOR01M	4.5
INABS 2005D M6	RMBS Subprime	13,050,000	1.00%	A3/A+	LIBOR01M	3.4
ACE 05HE1 M6	RMBS Subprime	13,016,000	1.00%	A3/A-	LIBOR01M	3.1
SABR 2005OP2 M3	RMBS Subprime	13,000,000	1.00%	Aa3/AA-	LIBOR01M	5.3
INABS 2006 D M3	RMBS Subprime	12,475,000	0.96%	Aa3/AA-	LIBOR01M	4.5
ARSI 2005W3 M6	RMBS Subprime	12,000,000	0.92%	A3/A+	LIBOR01M	4.9
ARSI 2006-M2 M2	RMBS Subprime	12,000,000	0.92%	Aa2/AA	LIBOR01M	6.9
SASC 2005AR1 M3	RMBS Subprime	11,770,000	0.90%	Aa3/AA-	LIBOR01M	4.5
RASC 06KS7 M3	RMBS Subprime	11,275,000	0.86%	Aa3/AA-	LIBOR01M	6.4
NHELI 2005HE1 M4	RMBS Subprime	10,152,000	0.78%	A1/A+	LIBOR01M	3.4
ARSI 2006W2 M4	RMBS Subprime	10,000,000	0.77%	A1/A+	LIBOR01M	4.7
GSAMP 06HE5 M6	RMBS Subprime	10,000,000	0.77%	A3/A	LIBOR01M	4.4
CWL 200513 MV5	RMBS Subprime	9,000,000	0.69%	A2/A+	LIBOR01M	4.5
SVHE 063 M3	RMBS Subprime	8,653,000	0.66%	Aa3/AA	LIBOR01M	4.5
NCHET 062 M2	RMBS Subprime	7,866,000	0.60%	Aa2/AA	LIBOR01M	4.4
GSAMP 06HE5 M1	RMBS Subprime	6,536,000	0.50%	Aa1/AA+	LIBOR01M	4.8
RASC 06EMX7 M2	RMBS Subprime	6,000,000	0.46%	Aa2/AA	LIBOR01M	4.7
INABS 05D M3	RMBS Subprime	5,800,000	0.44%	Aa3/AA	LIBOR01M	4.6
CARR 2006 NC3 M1	RMBS Subprime	5,000,000	0.38%	Aa1/AA+	LIBOR01M	6.5
SVHE 063 M2	RMBS Subprime	5,000,000	0.38%	Aa2/AA	LIBOR01M	4.5
HASC 2006OPT2 M4	RMBS Subprime	4,151,000	0.32%	A1/AA-	LIBOR01M	4.0
RASC 06EMX7 M3	RMBS Subprime	3,500,000	0.27%	Aa3/AA-	LIBOR01M	4.6
WFHET 062 M5	RMBS Subprime	3,474,000	0.27%	A2/A	LIBOR01M	4.5
CBASS 2006-CB6 M3	RMBS Subprime	3,250,000	0.25%	Aa3/AA-	LIBOR01M	4.5
RASC 05KS12 M4	RMBS Subprime	2,000,000	0.15%	A1/AA	LIBOR01M	3.9
RASC 05KS7 M4	RMBS Subprime	2,000,000	0.15%	A1/AA-	LIBOR01M	3.1
ARSI 05W5 M4	RMBS Subprime	1,000,000	0.08%	A1/AA	LIBOR01M	3.8
WMALT 20065 3A6	RMBS Midprime	39,693,842	3.04%	Aaa/AAA	fixed	6.1
SAIL 2005HE3 M2	RMBS Midprime	26,000,000	1.99%	Aa2/AA	LIBOR01M	4.6
GSAA 20057 AF5	RMBS Midprime	25,754,000	1.97%	Aaa/AAA	fixed	5.0
RAMP 2005EFC3 M2	RMBS Midprime	17,000,000	1.30%	Aa2/AA+	LIBOR01M	4.3
MSAC 2005HE7 M4	RMBS Midprime	15,000,000	1.15%	A1/AA-	LIBOR01M	3.8
FFML 2005FF8 M3	RMBS Midprime	15,000,000	1.15%	A2/AA	LIBOR01M	4.4
LBMLT 20061 M4	RMBS Midprime	15,000,000	1.15%	A1/AA	LIBOR01M	3.7
SABR 2006WM1 M1	RMBS Midprime	15,000,000	1.15%	Aa2/AA	LIBOR01M	4.7
AMSI 2005R10 M6	RMBS Midprime	15,000,000	1.15%	A3/A	LIBOR01M	5.3
SABR 2005FR4 M2	RMBS Midprime	15,000,000	1.15%	A2/A	LIBOR01M	4.0
SAIL 200510 M5	RMBS Midprime	15,000,000	1.15%	A2/A	LIBOR01M	3.7
SAIL 20058 M4	RMBS Midprime	14,255,000	1.09%	A1/A+	LIBOR01M	3.5
LBMLT 2006WL3 M5	RMBS Midprime	13,000,000	1.00%	A2/A	LIBOR01M	3.8
POPLR 20055 MV2	RMBS Midprime	12,172,000	0.93%	A2/A	LIBOR01M	4.5
SASCO 06GEL3 M1	RMBS Midprime	11,000,000	0.84%	Aa2/AA	LIBOR01M	4.7
GSAMP 2005WMC3 M3	RMBS Midprime	10,604,000	0.81%	A2/AA-	LIBOR01M	3.6
GSAMP 2005HE4 M4	RMBS Midprime	10,000,000	0.77%	A1/AA-	LIBOR01M	3.8
FFML 06FF9 M5	RMBS Midprime	10,000,000	0.77%	A2/AA-	LIBOR01M	4.2
GEWMC 061 M1	RMBS Midprime	10,000,000	0.77%	Aa1/AA+	LIBOR01M	4.7
JPMAC 06NC2 M2	RMBS Subprime	10,000,000	0.77%	Aa2/AA	LIBOR01M	5.3
ACE 2006-FM1 M2	RMBS Midprime	9,867,000	0.76%	Aa2/AA	LIBOR01M	4.6
MSIX 061 M5	RMBS Midprime	9,853,000	0.76%	A2/A	LIBOR01M	5.0
JPMAC 06WMC3 M3	RMBS Midprime	9,765,000	0.75%	Aa3/AA-	LIBOR01M	6.5
ACCR 20054 M6	RMBS Midprime	8,329,000	0.64%	A3/A-	LIBOR01M	4.7
MSHEL 20054 M4	RMBS Midprime	8,000,000	0.61%	A1/AA-	LIBOR01M	3.8

Collateral Asset	RMBS Category	Principal Balance	Percentage of RMBS	Ratings (Moody's/S&P)	Coupon Index	Weighted Average Life (years)
JPMAC 06WMC3 M2	RMBS Midprime	8,000,000	0.61%	Aa2/AA	LIBOR01M	4.6
ACCR 20062 M3	RMBS Midprime	7,800,000	0.60%	Aa3/AA	LIBOR01M	4.5
GSAMP 2005HE5 M5	RMBS Midprime	7,599,000	0.58%	A2/AA-	LIBOR01M	3.8
INDB 061 M3	RMBS Midprime	6,572,000	0.50%	Aa3/AA-	LIBOR01M	5.3
SASCO 06GEL3 M2	RMBS Midprime	6,333,000	0.49%	Aa3/AA-	LIBOR01M	4.6
INDB 061 M4	RMBS Midprime	5,776,000	0.44%	A1/AA	LIBOR01M	5.3
IMSA 062 1M1	RMBS Midprime	5,600,000	0.43%	Aa1/AA+	LIBOR01M	4.1
JPMAC 06NC2 M3	RMBS Subprime	5,000,000	0.38%	Aa3/AA-	LIBOR01M	5.2
ACE 2006-FM1 M3	RMBS Midprime	4,000,000	0.31%	Aa3/AA-	LIBOR01M	4.6
CWALT 06OC5 M4	RMBS Midprime	3,300,000	0.25%	A1/A+	LIBOR01M	5.1
BSABS 06IM1 M2	RMBS Midprime	3,300,000	0.25%	Aa2/AA	LIBOR01M	4.0
IMSA 062 1M2	RMBS Midprime	2,873,000	0.22%	Aa2/AA	LIBOR01M	4.1
ACE 06 ASP4 M3	RMBS Midprime	2,500,000	0.19%	Aa3/AA+	LIBOR01M	4.5
IMSA 062 1M3	RMBS Midprime	2,118,000	0.16%	Aa3/AA-	LIBOR01M	4.1
ACE 06 ASP4 M5	RMBS Midprime	2,000,000	0.15%	A2/AA	LIBOR01M	4.4
CWALT 06OC5 M5	RMBS Midprime	1,961,000	0.15%	A2/A	LIBOR01M	5.1
CWALT 06OC5 M6	RMBS Midprime	1,961,000	0.15%	A3/A-	LIBOR01M	5.1
IMSA 062 1M4	RMBS Midprime	1,462,000	0.11%	A1/A+	LIBOR01M	4.1
IMSA 062 1M5	RMBS Midprime	1,462,000	0.11%	A2/A	LIBOR01M	4.1
CWALT 2006OC8 M3	RMBS Midprime	12,499,286	0.96%	Aa3/AA-	LIBOR01M	4.2
CWALT 2006OC8 M4	RMBS Midprime	8,516,000	0.65%	A1/A+	LIBOR01M	4.2
NAA 2006AR3 M2	RMBS Prime	5,476,000	0.42%	A1/AA-	LIBOR01M	4.4
WFMBS 2006-8 A15	RMBS Prime	45,000,000	3.45%	Aaa/-	fixed	9.5
GSAA 200610 AF6	RMBS Prime	34,679,000	2.66%	Aaa/AAA	fixed	6.1
FHR 3172 DF	RMBS Prime	32,852,694	2.52%	Aaa/AAA	LIBOR01M	8.5
RAST 06A10 A7	RMBS Prime	23,690,000	1.82%	-/AAA	fixed	7.4
FHR 3172 CF	RMBS Prime	21,901,525	1.68%	Aaa/AAA	LIBOR01M	8.5
FHR 3185 FA	RMBS Prime	22,216,331	1.70%	Aaa/AAA	LIBOR01M	8.7
CWALT 06OA11 M2	RMBS Prime	21,266,000	1.63%	Aa1/AA	LIBOR01M	5.9
INDX 2005AR18 B4	RMBS Prime	14,372,909	1.10%	A2/A+	LIBOR01M	6.9
FHR 3193 FD	RMBS Prime	14,251,579	1.09%	Aaa/AAA	LIBOR01M	6.0
SACO 069 M1	RMBS Prime	12,808,000	0.98%	Aa1/AA+	LIBOR01M	3.7
GSAA 0614 M1	RMBS Prime	12,000,000	0.92%	Aa1/AA+	LIBOR01M	4.3
GSAA 0614 A3B	RMBS Prime	10,000,000	0.77%	Aaa/AAA	LIBOR01M	5.4
GSAA 200511 M1	RMBS Prime	9,000,000	0.69%	Aa2/AA	LIBOR01M	3.7
GSAA 0611 M5	RMBS Prime	7,719,000	0.59%	A2/A-	LIBOR01M	4.2
BALTA 2006-5 1M1	RMBS Prime	6,000,000	0.46%	Aa2/AA	LIBOR01M	3.7
NAA 2006-AF2 5M1	RMBS Prime	3,155,000	0.24%	Aa2/AA	LIBOR01M	4.3
CWALT 2006OA9 M6	RMBS Prime	2,371,334	0.18%	A1/A-	LIBOR01M	4.4
FNR 06107 CF	RMBS Prime	22,587,141	1.73%	Aaa/AAA	LIBOR01M	10.1
FNR 06107 DF	RMBS Prime	22,412,859	1.72%	Aaa/AAA	LIBOR01M	10.1

The RMBS evidence direct and indirect interests in 84 separate segregated pools (each, an "Underlying RMBS Trust Fund") of residential mortgage loans and/or participations and other certificated interests in residential mortgage loans (the "Residential Mortgage Loans"). The Residential Mortgage Loans are secured by liens on the respective borrowers' fee and/or leasehold interests in residential mortgaged properties (each, a "Residential Mortgaged Property"). Each series of certificates of which a RMBS included in the Collateral Assets is a part (each, an "Underlying RMBS Series") collectively represents the entire beneficial ownership interest in, or is secured by, an Underlying RMBS Trust Fund. Each Residential Mortgage Loan is evidenced by a promissory note, bond or other evidence of indebtedness of the related borrower (as to such loan, the "Residential Mortgagor") and is secured by one or more mortgages, deeds of trust or similar security instruments (each, a "Residential Mortgage") that, in each case, creates a lien on a fee simple or leasehold interest of the related Residential Mortgagor in the related Residential Mortgaged Property. As described below and in the corresponding Disclosure Documents referred to herein, any particular Residential Mortgage Loan: (i) may provide for the accrual of interest thereon at an interest rate that is fixed over its remaining term or that adjusts in relation to an index; (ii) may provide for level Monthly Payments to maturity or (iii) may be fully amortizing over its term to maturity or, alternatively, may provide for an amortization schedule that is longer than its remaining term. The Residential Mortgage Loans generally do not

restrict prepayments or require the payment of prepayment penalties. The origination and servicing of the Residential Mortgage Loans may be subject to various federal and state laws and regulations with respect to interests rates and other charges, or may require certain disclosures, required licensing of originators and regulate debt collection practices.

Each Underlying RMBS Series included in the Collateral Assets is serviced by a primary servicer. As of the Closing Date, Wells Fargo Bank, N.A. is the primary servicer with respect to approximately 10.74%, by principal balance, of the Collateral Assets and Countrywide Home Loans Servicing LP is the primary servicer with respect to approximately 8.96%, by principal amount, of the Collateral Assets.

For further information about the RMBS included in the Collateral Assets, investors should refer to the information in Appendix B to this Offering Circular, and to the Disclosure Documents set forth on the CD-ROM attached to this Offering Circular.

Additional Credit Support of RMBS. While each of the RMBS included in the Collateral Assets is rated investment grade as of the date hereof, certain of the RMBS are subordinate to one or more senior classes of the same Underlying RMBS Series, which classes have not been included in the Collateral Assets, for purposes of, among other things, offsetting losses and other shortfalls with respect to the related Underlying RMBS Trust Fund. In addition, all of the RMBS included in the Collateral Assets are senior to one or more junior classes of Certificates of the same Underlying RMBS Series, which classes have not been included in the Collateral Assets, for purposes of, among other things, offsetting losses and other shortfalls with respect to the related Underlying RMBS Trust Fund. None of the Residential Mortgage Loans or the RMBS is insured or guaranteed by the United States, any governmental agency or instrumentality, or any other person.

CDO Securities. The Collateral Assets include 14 whole and partial classes of CDO Securities, representing approximately 13% of the principal balance of the Collateral Assets as of the Reference Date. The following is a list of the respective classes and series of CDO Securities included in the Collateral Assets:

Collateral Asset	Asset Type	Principal Balance	Percentage of CDO Securities	Ratings (Moody's/S&P)	Coupon Index	Weighted Average Life (years)
KKR 2006-1A C	CLO	15,000,000	7.66%	A2/A	LIBOR03M	7.4
CARL 2006-9A C	CLO	12,000,000	6.12%	A2/A	LIBOR03M	10.3
FLAGS 2006-1A C	CLO	10,000,000	5.10%	A2/A	LIBOR03M	11.2
WOODS 067A C	CLO	10,000,000	5.10%	A2/A	LIBOR03M	10.0
DVSQ 2006-6A B	CDO RMBS	30,000,000	15.31%	Aa2/AA	synthetic sprd	8.2
ABAC 2006-11 A2S2	CDO RMBS	25,937,500	13.24%	Aa1/AAA	LIBOR01M	6.8
ADROC 2005-1A C	CDO RMBS	15,000,000	7.66%	A2/A	synthetic sprd	4.8
ADROC 2005-2A C	CDO RMBS	15,000,000	7.66%	A2/A	synthetic sprd	4.4
BWIC 2006-1A C	CDO RMBS	15,000,000	7.66%	A2/A	synthetic sprd	4.7
ALTS 2005-1A C	CDO RMBS	15,000,000	7.66%	A2/A	synthetic sprd	6.6
WESTC 2006-1A C	CDO RMBS	10,000,000	5.10%	A2/A	LIBOR01M	6.2
GRAND 2005-1A C	CDO RMBS	10,000,000	5.10%	A2/A	synthetic sprd	8.0
BUCK 2006-3A C	CDO RMBS	7,500,000	3.83%	Aa2/AA	LIBOR01M	7.5
CRNMZ 2006-1A 4	CDO RMBS	5,500,000	2.81%	Aa3/AA-	LIBOR03M	8.0

Each of the CDO Securities are debt securities issued by a special purpose issuer, all of the assets of which are pledged to repay the CDO Securities and other classes of securities issued by such issuer. Certain of the CDO Securities provide for a revolving period during which certain proceeds of the underlying assets are reinvested in additional assets, and for a lockout period during which the CDO Securities will be redeemed or receive principal payments only in limited circumstances. While the classes of CDO Securities included in the Collateral Assets are each rated investment grade as of the date hereof, certain of the CDO Securities are subordinate in right of payment and rank junior to other securities in the same issuance, and all of the CDO Securities are senior to other more subordinate securities of the same issuance. Ten (10) of the classes of CDO Securities included in the Collateral Assets provide for the deferral of interest under certain circumstances and the failure to pay current interest on such classes of CDO Securities generally will not be an event of default so long as any more senior classes of securities are outstanding. The deferral of interest payments, if it occurs, would adversely affect the cash flow available to the

Issuer. The RMBS underlying certain of the CDO Securities have characteristics similar to the characteristics of the RMBS described herein.

Underlying Instruments and Offers Relating to Collateral Assets. Under the Indenture, where the Issuer, as the beneficial owner of a Collateral Asset, or the Trustee, as the registered owner of a Collateral Asset, has the right to exercise a vote or consent to (or otherwise approve of) (i) any action, or inaction, pursuant to the terms of such Collateral Asset and its related underlying documentation or (ii) an offer by the issuer of such Collateral Asset or by any other person to purchase or otherwise acquire such Collateral Asset or to convert or exchange such Collateral Asset for cash or any other consideration, the Trustee, as directed by the applicable holders, acting in its capacity as registered owner of such Collateral Asset, shall direct the Issuer's vote be cast in the following manner: (x) if other holders of the class of which such Collateral Asset is a part respond to such solicitation for vote or consent, in the same manner as the votes of a plurality of the other voting holders of such class (based on the Principal Balance of such Collateral Asset), (y) if no other holders of such class exercise a vote or if there are no other holders of such class, but holders of different classes issued under the same governing instrument respond, in the same manner as the votes of a plurality of the voting holders of all classes issued under the governing instrument pursuant to which such Collateral Asset was issued (based on the Principal Balance of all such classes and treated as a single class) or (z) if no holders of any class issued under the same governing instrument respond or if there are no other holders, the Issuer's vote shall be exercised against such action or inaction.

Appendix B. The information included in Appendix B to this Offering Circular and elsewhere herein does not purport to be complete and is subject to and qualified in its entirety by reference to, the provisions of the various agreements pursuant to which each of the Collateral Assets was issued and as to the other documents referred to herein pursuant to which certain classes of the Collateral Assets were originally offered. As set forth herein, the Disclosure Documents relating to certain of the Collateral Assets are set forth on the CD-ROM attached to this Offering Circular. Prospective investors are strongly urged to read them in their entirety to obtain material information concerning the Collateral Assets. Investors should note, however, that, although they are substantially consistent in their overall presentation of information, this Offering Circular and such Disclosure Documents may vary in their use of defined terms, and any particular defined term should be read in the context of the document in which it is contained. Notwithstanding the foregoing, none of the respective issuers of the Collateral Assets has passed on the accuracy or completeness of this Offering Circular or is in any way associated with the offering of the Secured Notes or the Income Notes, nor does any such issuer make any representation or warranty as to the appropriateness of any document for use in connection with the offering of the Secured Notes, or the Income Notes or take any responsibility for such use. None of the Issuers, the Initial Purchaser, the Liquidation Agent or the Trustee takes any responsibility for, or makes any representation or warranty as to the accuracy or completeness of, any of the Disclosure Documents used in connection with the original offerings of the Collateral Assets.

All numerical information provided herein with respect to the Collateral Assets is provided on an approximate basis as of, unless otherwise specified, the Reference Date. All weighted average information provided herein with respect to the Collateral Assets reflects weighting by the related Reference Date Balance.

The information contained herein with respect to the Collateral Assets has been derived from a variety of sources including the disclosure documents, and reports from and communications with the related trustee, servicer, master servicer or special servicer. The Issuers, the Liquidation Agent, the Initial Purchaser and the Trustee are limited in their ability to independently verify the information obtained from the above-referenced sources.

The information set forth in the related Disclosure Documents on the CD-ROM attached to this Offering Circular is furnished on a confidential basis solely for the purpose of evaluating the investment offered hereby and may not be reproduced in whole or in part or used for any other purpose. None of the Issuers, the Initial Purchaser, the Trustee, the Hedge Counterparty (or any guarantor thereof) or the Liquidation Agent make any representation or warranty as to the accuracy or completeness of the information contained in such CD-ROM and such summaries and nothing herein shall be deemed to constitute such a representation or warranty. None of the Issuers, the Initial Purchaser, the Trustee, the Hedge Counterparty (or any guarantor thereof) or the Liquidation Agent make any representation or warranty that the information contained in the related Disclosure Documents on the attached CD-ROM is current or that current information, if provided, would not be materially different. Each of the Issuers, the Liquidation Agent, the Trustee and the Initial Purchaser expressly disclaims any obligation or undertaking to release

publicly any updates or revisions to any statement contained in the Offering Memorandum to reflect any changes in events, conditions or circumstances on which any such statement is based.

Substitution of Default Swap Collateral

From time to time following the Closing Date, any Holder of any Note may submit to the Trustee or the Fiscal Agent, as applicable, a Default Swap Collateral Substitution Request Notice requesting substitution of one or more securities for one or more existing items of Default Swap Collateral, in whole or in part. Following receipt of such request, pursuant to the Collateral Administration Agreement, the Collateral Administrator, on behalf of the Issuer, will determine the BIE Transaction Cost. Upon such determination by the Trustee, the Trustee or the Fiscal Agent, as applicable, will deliver a Default Swap Collateral Substitution Information Notice to the Originating Noteholder.

Within five Business Days of receiving a Default Swap Collateral Substitution Information Notice, the Originating Noteholder must (i) notify the Trustee or the Fiscal Agent, as applicable, whether it wishes to proceed with the proposed substitution and, if so (ii) agree to pay any BIE Transaction Cost (regardless of whether the Holders of a Majority of the Notes of each Class and each Hedge Counterparty consent to such proposed substitution) (the occurrence of subclauses (i) and (ii), a "Substitution Confirmation"). If a Substitution Confirmation is not received by the Trustee or the Fiscal Agent, as applicable, within the time period specified above, the related request will be deemed to be void and of no further effect. Upon the receipt of a Substitution Confirmation, the Trustee or the Fiscal Agent, as applicable, will deliver a BIE Consent Solicitation Notice to all Holders of Notes, including the Originating Noteholder and each Hedge Counterparty. Upon receipt of such BIE Consent Solicitation Notice, each Holder of a Note and each Hedge Counterparty may, on or prior to the BIE Notification Date, submit written notice to the Trustee or the Fiscal Agent, as applicable, indicating either (1) approval or (2) disapproval of any proposed BIE Consent Solicitation Notice by the BIE Notification Date. If the BIE Consent Solicitation Notice fails to receive the affirmative approval of the Holders of a Majority of each Class of Notes by the BIE Notification Date or any Hedge Counterparty does not approve the BIE Consent Solicitation Notice by the BIE Notification Date, the Trustee or the Fiscal Agent will deliver a Default Swap Collateral Substitution Noteholder Refusal Notice to the Originating Noteholder and the related Default Swap Collateral Substitution Request Notice will be deemed void and of no further effect. If the BIE Consent Solicitation Notice receives the approval of each of (1) Holders of a Majority of each Class of Notes and (2) each Hedge Counterparty, it will deliver a BIE Acceptance Notice to the Originating Noteholder and the Liquidation Agent.

Upon receipt of the BIE Acceptance Notice and confirmation from the Trustee (1) that the Originating Noteholder has paid the BIE Transaction Cost to the Trustee and (2) that the relevant BIE Collateral Securities have been Delivered to the Trustee, and the par amount of such delivered BIE Collateral Securities is at least equal to each of the par amount of the items of Default Swap Collateral to be substituted, the Trustee shall release its lien on the par amount of the relevant existing Default Swap Collateral to be substituted and deliver the par amount of such substituted Default Swap Collateral to such Originating Noteholder.

If (i) any BIE Collateral Security is not delivered to the Issuer or (ii) the Issuer is not paid the BIE Transaction Cost, in each case by the end of the BIE Exercise Period identified in the BIE Acceptance Notice, the BIE Acceptance Notice and the Default Swap Collateral Substitution Request Notice will be deemed void and of no further effect.

Designation of Directed Sale Securities

From time to time following the Closing Date, any Holder of any Note may submit to the Trustee or the Fiscal Agent, as applicable, in writing, a request that one or more Collateral Assets be sold, in whole or in part. Following receipt of such request pursuant to the Collateral Administration Agreement, the Collateral Administrator, on behalf of the Issuer, will determine the Directed Sale Transaction Cost after consultation with the Liquidation Agent. Upon such determination pursuant to the Collateral Administration Agreement, by the Collateral Administrator, on behalf of the Issuer, the Trustee or the Fiscal Agent, as applicable, will deliver a Directed Sale Information Notice to the Originating Noteholder.

Within five Business Days of receiving a Directed Sale Information Notice, the Originating Noteholder must (i) notify the Trustee or the Fiscal Agent, as applicable, whether it wishes to proceed with the proposed sale and, if so (ii) agree to pay any Directed Sale Transaction Cost (regardless of whether the Holders of a Majority of the Notes of each Class and each Hedge Counterparty consent to such sale) (the occurrence of subclauses (i) and (ii), a "Directed Sale Confirmation"). If a Directed Sale Confirmation is not received by the Trustee or the Fiscal Agent, as applicable, within the time period specified above, the related request will be deemed to be void and of no further effect. Upon the receipt of a Directed Sale Confirmation, the Trustee or the Fiscal Agent, as applicable, will deliver a Directed Sale Consent Solicitation Notice to all Holders of Notes, including the Originating Noteholder and each Hedge Counterparty. Upon receipt of such Directed Sale Consent Solicitation Notice, each Holder of a Note and each Hedge Counterparty may, on or prior to the Directed Sale Notification Date, submit written notice to the Trustee or the Fiscal Agent, as applicable, indicating either (1) approval or (2) disapproval of any proposed Directed Sale Consent Solicitation Notice by the Directed Sale Notification Date. If pursuant to the Collateral Administration Agreement, the Collateral Administrator, on behalf of the Issuer, determines that the Directed Sale Consent Solicitation Notice failed to receive the affirmative approval of the Holders of a Majority of each Class of Notes by the Directed Sale Notification Date or any Hedge Counterparty does not approve the Directed Sale Consent Solicitation Notice by the Directed Sale Notification Date, the Trustee or the Fiscal Agent will deliver a Directed Sale Noteholder Refusal Notice to the Originating Noteholder and the related Directed Sale Request Notice will be deemed void and of no further effect. If pursuant to the Collateral Administration Agreement, the Collateral Administrator, on behalf of the Issuer, determines that the Directed Sale Consent Solicitation Notice received the approval of (1) the Holders of a Majority of each Class of Notes and (2) each Hedge Counterparty, the Trustee will deliver a Directed Sale Acceptance Notice to the Originating Noteholder and the Liquidation Agent.

Upon receipt of the Directed Sale Acceptance Notice and confirmation from the Trustee that the Originating Noteholder has paid the Directed Sale Transaction Cost to the Issuer, the Liquidation Agent will sell the related Directed Sale Securities as described under "Security for the Notes—Disposition of Collateral Assets", and the Trustee shall release its lien on the relevant Directed Sale Securities. The proceeds of any such sale the Directed Sale Securities (exclusive of any accrued interest) will be applied as Principal Proceeds on the next succeeding Payment Date.

If the Issuer is not paid the Directed Sale Transaction Cost by the end of the Directed Sale Exercise Period identified in the Directed Sale Acceptance Notice, the Directed Sale Acceptance Notice and the Directed Sale Request Notice will be deemed void and of no further effect.

The Coverage Tests

The Coverage Tests will be used primarily to determine whether interest may be paid on the Class C Notes and the Class D Notes and whether Proceeds will be distributed to the Holders of the Income Notes, and whether Proceeds must be used to make mandatory redemptions of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes. See "Description of the Notes—Principal" and "—Priority of Payments." The Coverage Tests will consist of the Class A/B Overcollateralization Test, the Class A/B Interest Coverage Test, the Class C Overcollateralization Test, the Class C Interest Coverage Test, the Class D Overcollateralization Test and the Class D Interest Coverage Test. For purposes of the Coverage Tests, (i) unless otherwise specified, a Synthetic Security shall be included as a Collateral Asset having the characteristics of the Reference Obligation and not of the Synthetic Security; *provided*, that if such Synthetic Security Counterparty is in default under the related Synthetic Security, such Synthetic Security shall not be included as a Collateral Asset for purposes of the Coverage Tests or such Synthetic Security will be treated in such a way that will satisfy the Rating Agency Condition, (ii) the calculation of the Class A/B Overcollateralization Ratio, the Class C Overcollateralization Ratio and the Class D Overcollateralization Ratio on any Determination Date that such Coverage Test is applicable shall be made by giving effect to all payments scheduled or expected to be made pursuant to the Priority of Payments on the Payment Date following such Determination Date, and (iii) the calculation of the Class A/B Interest Coverage Ratio, the Class C Interest Coverage Ratio and the Class D Interest Coverage Ratio on any Determination Date that such Coverage Test is applicable shall be made without giving effect to payments scheduled or expected to be made pursuant to the Priority of Payments on the Payment Date following such Determination Date. For purposes of each of the Class A/B Overcollateralization Test, the Class C Overcollateralization Test and the Class D Overcollateralization Test, notwithstanding the definition of Principal Balance contained herein, the Principal Balance of any security that is not currently paying cash interest (excluding

any security that is, in accordance with its terms, making payments due thereon "in kind") shall be the accreted value of such security as of the date on which it was purchased by the Issuer; *provided*, that such accreted value shall not exceed the par amount of such security.

The Class A/B Overcollateralization Test

The "Class A/B Overcollateralization Ratio" as of any Determination Date will equal the ratio (expressed as a percentage) obtained by dividing (i) the Net Outstanding Portfolio Collateral Balance on such Determination Date (provided that such amount shall exclude Principal Proceeds held as cash and Eligible Investments) by (ii) the sum of the Aggregate Outstanding Amount of the Class A Notes and the Class B Notes, *minus* Principal Proceeds expected to be available prior to clause (xii) of the Priority of Payments on the related Payment Date assuming that the Coverage Tests are satisfied.

The "Class A/B Overcollateralization Test" will be satisfied on any Determination Date on which any Class A Notes or Class B Notes remain outstanding if the Class A/B Overcollateralization Ratio on such Determination Date is equal to or greater than 101.5%. As of the Closing Date, the Class A/B Overcollateralization Ratio is expected to be equal to 102.8%.

The Class A/B Interest Coverage Test

The "Class A/B Interest Coverage Test" will be satisfied as of any Determination Date if the Class A/B Interest Coverage Ratio is equal to or greater than 102.0%. As of the Closing Date, the Class A/B Interest Coverage Ratio is expected to be equal to 107.5%.

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

(A) the sum of (a) the cash interest payments (or any purchase discount in the case of Eligible Investments or premiums in the case of Synthetic Securities) received in the related Due Period on the Collateral Assets and the Eligible Investments (other than Defaulted Obligations and Deferred Interest PIK Bonds) held in any of the Accounts, *plus* (b) prepayment premiums received, *plus* (c) without duplication, amounts scheduled to be received by the Issuer from any Hedge Counterparty under any Hedge Agreement less any amounts scheduled to be paid to any Hedge Counterparty (in each case, other than termination payments and termination receipts related to such Hedge Agreements), *minus* (d) any amounts scheduled to be paid to the Holders of the Class S Notes as interest or principal under clause (iv) of the Priority of Payments, *minus* (e) the excess of amounts expected to be paid on the related Payment Date under clauses (i), (ii), (iii) and (v) of the Priority of Payments over amounts on deposit in the Expense Reserve Account on the Determination Date; by

(B) an amount not less than U.S.$1.00 equal to the sum of the interest payments due on the Class A Notes and the Class B Notes, on the related Payment Date.

For purposes of calculating the Class A/B Interest Coverage Ratio, amounts scheduled to be received under any Hedge Agreement during the applicable Due Period will be included.

The Class C Overcollateralization Test

The "Class C Overcollateralization Ratio" as of any Determination Date will equal the ratio (expressed as a percentage) obtained by dividing (i) the Net Outstanding Portfolio Collateral Balance on such Determination Date (*provided* that such amount shall exclude Principal Proceeds held as cash and Eligible Investments) by (ii) the sum of the Aggregate Outstanding Amount of the Notes (other than the Class S Notes and the Class D Notes and the Income Notes and including Class C Deferred Interest), *minus* Principal Proceeds expected to be available prior to clause (xii) of the Priority of Payments on the related Payment Date assuming that the Coverage Tests are satisfied.

The "Class C Overcollateralization Test" will be satisfied on any Determination Date on which any Class C Notes remain outstanding if the Class C Overcollateralization Ratio on such Determination Date is equal to or greater than 100.4%. As of the Closing Date, the Class C Overcollateralization Ratio is expected to be equal to 101.4%.

The Class C Interest Coverage Test

The "Class C Interest Coverage Test" will be satisfied as of any Determination Date if the Class C Interest Coverage Ratio is equal to or greater than 101.0%. As of the Closing Date, the Class C Interest Coverage Ratio is expected to be equal to 105.8%.

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

(A) the sum of (a) the cash interest payments (or any purchase discount in the case of Eligible Investments) received in the related Due Period on the Collateral Assets and the Eligible Investments (other than Defaulted Obligations and Deferred Interest PIK Bonds) held in any of the Accounts, *plus* (b) prepayment premiums received, *plus* (c) without duplication, amounts scheduled to be received by the Issuer from any Hedge Counterparty under any Hedge Agreement less any amounts scheduled to be paid to any Hedge Counterparty (in each case, other than termination payments and termination receipts related to such Hedge Agreements), *minus* (d) any amounts scheduled to be paid to the Holders of the Class S Notes as interest or principal under clause (iv) of the Priority of Payments, *minus* (e) the excess of amounts expected to be paid on the related Payment Date under clauses (i), (ii), (iii) and (v) of the Priority of Payments over amounts on deposit in the Expense Reserve Account on the Determination Date; by

(B) an amount not less than U.S.$1.00 equal to the sum of interest payments due on the Class A Notes, the Class B Notes and the Class C Notes on the related Payment Date.

For purposes of calculating the Class C Interest Coverage Ratio, amounts scheduled to be received under any Hedge Agreement during the related Due Period will be included.

The Class D Overcollateralization Test

The "Class D Overcollateralization Ratio" as of any Determination Date will equal the ratio (expressed as a percentage) obtained by dividing (i) the Net Outstanding Portfolio Collateral Balance on such Determination Date (*provided* that such amount shall exclude Principal Proceeds held as cash and Eligible Investments) by (ii) the sum of the Aggregate Outstanding Amount of the Notes (other than the Class S Notes and Income Notes and including Class C Deferred Interest and Class D Deferred Interest), *minus* Principal Proceeds expected to be available prior to clause (xii) of the Priority of Payments on the related Payment Date assuming that the Coverage Tests are satisfied.

The "Class D Overcollateralization Test" will be satisfied on any Determination Date on which any Class D Notes remain outstanding if the Class D Overcollateralization Ratio on such Determination Date is equal to or greater than 100.2%. As of the Closing Date, the Class D Overcollateralization Ratio is expected to be equal to 100.5%.

Class D Interest Coverage Test

The "Class D Interest Coverage Test" will be satisfied as of any Determination Date if the Class D Interest Coverage Ratio is equal to or greater than 100.0%. As of the Closing Date, the Class D Interest Coverage Ratio is expected to be equal to 104.4%.

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

(A) the sum of (a) the cash interest payments (or any purchase discount in the case of Eligible Investments) received in the related Due Period on the Collateral Assets and the Eligible Investments (other than Defaulted Obligations and Deferred Interest PIK Bonds) held in any of the Accounts, *plus* (b) prepayment premiums received, *plus* (c) without duplication, amounts scheduled to be received by the Issuer from any Hedge Counterparty under any Hedge Agreement less any amounts scheduled to be paid to any Hedge Counterparty (in each case, other than termination payments and termination receipts related to such Hedge Agreements), *minus* (d) any amounts scheduled to be paid to the Holders of the Class S Notes or interest or principal paid under clause (iv) of the Priority of Payments, *minus* (e) the excess of amounts expected to be paid on the related Payment Date under clauses (i), (ii), (iii) and (v) of the Priority of Payments over amounts on deposit in the Expense Reserve Account on the Determination Date; by

(B) an amount not less than U.S.$1.00 equal to the sum of interest payments due on the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes on the related Payment Date.

For purposes of calculating the Class D Interest Coverage Ratio, amounts scheduled to be received under any Hedge Agreement will be included.

Disposition of Collateral Assets

The Collateral Assets 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 Assets. The Issuer will not have the authority to sell any Collateral Asset on a discretionary basis. The only Collateral Assets that shall be sold by the Issuer are Collateral Assets that are Directed Sale Securities or that are determined pursuant to the Collateral Administration Agreement by the Collateral Administrator, on behalf of the Issuer, to be Credit Risk Obligations. Pursuant to the terms of the Indenture and subject to the restrictions contained therein and in the Liquidation Agency Agreement, the Liquidation Agent shall sell, on behalf of the Issuer, (i) any such Directed Sale Securities within one (1) year from the date on which the Liquidation Agent receives confirmation from the Trustee of the receipt of the applicable Directed Sale Transaction Cost and (ii) any such Credit Risk Obligation within one (1) year from the date on which the Collateral Administrator, on behalf of the Issuer, pursuant to the Collateral Administration Agreement, identifies a Collateral Asset as a Credit Risk Obligation. The sale price for any such disposition of a Directed Sale Security or a Credit Risk Obligation will equal the fair market value of such Directed Sale Security or Credit Risk Obligation. The fair market value of any such Directed Sale Security or Credit Risk Obligation will be the highest bid received by the Liquidation Agent after attempting to solicit a bid from up to three independent third parties making a market in such Directed Sale Security or Credit Risk Obligation, at least one of which is not from the Liquidation Agent or an affiliate thereof; *provided* that, if upon commercially reasonable efforts of the Liquidation Agent, bids from three independent third parties making a market in such Directed Sale Security or Collateral Asset are not available, the higher of the bids from two such third parties may be used; *provided, further* that, if upon commercially reasonable efforts of the Liquidation Agent, bids from two independent third parties making a market in such Directed Sale Security or Credit Risk Obligation are not available, one such bid may be used. See "Risk Factors—Notes—Static Transaction" and "—No Collateral Manager." The proceeds from any such sale of a Directed Sale Security or Credit Risk Obligation (exclusive of any accrued interest) will be applied as Principal Proceeds on the next succeeding Payment Date. A "Credit Risk Obligation" is a Collateral Asset (i) the rating of which has been (a) downgraded to below "BBB-" or "Baa3 by any Rating Agency (but not including any Collateral Assets which are rated "BBB-" or "Baa3 and on credit watch for possible downgrade) or (b) withdrawn or, (ii) that is a Defaulted Obligation or (iii) that is a PIK Bond that has been deferring interest for at least twelve consecutive months. The proceeds from the disposition of a Collateral Asset may not be reinvested in other Collateral Assets.

The Issuer may also (i) in the case of an Auction direct the Trustee to sell, and the Trustee shall sell in the manner directed by the Liquidation Agent in writing, the Collateral Assets and liquidate the remaining Collateral in connection with an Auction; *provided*, that the criteria for an Auction can be demonstrably met prior to any such

sale and that the expected Liquidation Proceeds equal or exceed the Minimum Bid Amount; (ii) in the case of a Tax Redemption on any Payment Date, direct the Trustee to sell, and the Trustee shall sell in the manner directed by the Liquidation Agent in writing, the Collateral Assets and liquidate the remaining Collateral in connection with a Tax Redemption; *provided* that the criteria for a Tax Redemption can be demonstrably met prior to any such sale and that the expected Liquidation Proceeds equal or exceed the Total Redemption Amount; and (iii) in the case of an Optional Redemption direct the Trustee to sell, and the Trustee shall sell in the manner directed by the Liquidation Agent in writing, the Collateral Assets and liquidate the remaining Collateral in connection with an Optional Redemption; *provided* that the criteria for an Optional Redemption can be demonstrably met prior to any such sale and that the expected Liquidation Proceeds equal or exceed the Total Redemption Amount. See "Description of the Notes—Auction," "—Tax Redemption" and "–Optional Redemption."

Accounts

Pursuant to the Indenture, the Issuer shall cause there to be opened and at all times maintained the Collection Account, the Payment Account, the Expense Reserve Account, the Collateral Account, the Hedge Termination Receipts Account, the Hedge Collateral Account, the Default Swap Collateral Account and the Synthetic Security Collateral Account (each as hereinafter defined), each of which shall be a segregated account or sub-account established with the Securities Intermediary in the name of the Trustee for the benefit of the Secured Parties as further described in the Indenture. Each Account is required to be maintained by the Trustee or by another financial institution that is an Eligible Depositary.

All distributions on the Collateral Assets and any proceeds received from the disposition of any Collateral Assets, all net proceeds from, and associated with the issuance of the Secured Notes, and the Income Notes not used on the Closing Date to purchase Collateral Assets, to pay for expenses, to enter into Hedge Agreements or to be deposited to the Default Swap Collateral Account, the initial payment pursuant to the Rate Swap Agreement, any Hedge Termination Amount received prior to the Business Day prior to a Payment Date and any other amounts transferred to the Collection Account from other Accounts as provided for in the Indenture will be remitted to an account (the "Collection Account") and will be available, together with reinvestment earnings thereon, for application in accordance with the Priority of Payments.

On the Business Day prior to each Payment Date other than a Final Payment Date (the "Transfer Date"), the Trustee will deposit into a separate account (the "Payment Account") all funds (including any reinvestment income) in the Collection Account (to the extent received prior to the end of the related Due Period) and any Hedge Receipt Amount received on the Transfer Date related to such Payment Date for application in accordance with the Priority of Payments.

Principal Proceeds shall be deposited in the Collection Account and applied in accordance with the Priority of Payments.

On the Closing Date, U.S.$ 275,000 from the proceeds of the offering of the Notes will be deposited by the Trustee into a single, segregated account established and maintained by the Trustee under the Indenture (the "Expense Reserve Account"). On each Payment Date, to the extent that funds are available for such purpose in accordance with and subject to the limitations of the Priority of Payments, the Trustee will deposit into the Expense Reserve Account an amount from Proceeds such that the amount on deposit in the Expense Reserve Account (after giving effect to such deposit) will equal U.S.$275,000. Amounts on deposit in the Expense Reserve Account may be withdrawn from time to time to pay accrued and unpaid Administrative Expenses of the Issuers. With respect to the first Payment Date, funds on deposit in the Expense Reserve Account in excess of U.S.$275,000 will be transferred by the Trustee to the Payment Account for application as interest proceeds. All funds on deposit in the Expense Reserve Account at the time when substantially all of the Issuer's assets have been sold or otherwise disposed of will be transferred by the Trustee to the Payment Account for application as Proceeds on the immediately succeeding Payment Date.

The Synthetic Securities will require that the Issuer purchase or post Default Swap Collateral as security for its obligations under such Synthetic Security which either complies with the Default Swap Eligibility Criteria or has been consented to by the Synthetic Security Counterparty. The Default Swap Collateral shall be deposited in a

segregated trust account (the "Default Swap Collateral Account"). The Default Swap Collateral Account shall be established in the name of the Trustee.

In the event any Hedge Counterparty fails to maintain the ratings required under the Hedge Agreement, such Hedge Counterparty will be required to (i) post collateral under the terms of the related Hedge Agreement; (ii) transfer its rights and obligations to a replacement Hedge Counterparty having the required ratings in accordance with the related Hedge Agreement subject to satisfaction of the Rating Agency Condition; (iii) obtain a guarantor for such Hedge Counterparty's obligations meeting the ratings requirements set forth in the related Hedge Agreement; or (iv) take such other steps as each Rating Agency may require. The Hedge Collateral pledged by such Hedge Counterparty will be deposited by the Trustee into a segregated account (the "Hedge Collateral Account") established in the name of the Trustee and held therein pursuant to the terms of the related Hedge Agreement. Each item of collateral deposited in the Hedge Collateral Account will be deposited in a separate subaccount relating to the Hedge Agreement for which the related Hedge Counterparty has pledged such collateral.

Under certain conditions described in the Synthetic Securities, the Synthetic Security Counterparty may be required to post collateral ("Synthetic Security Collateral") under the terms of the related Synthetic Security Agreement. The Synthetic Security Collateral pledged by such Synthetic Security Counterparty will be deposited by the Trustee into a segregated account (the "Synthetic Security Collateral Account") established in the name of the Trustee and held therein pursuant to the terms of the related Synthetic Security. A separate sub-account of the Synthetic Security Collateral Account shall be established for each Synthetic Security Counterparty.

Amounts retained in the Accounts during a Due Period will be invested in Eligible Investments.

Synthetic Securities

Approximately 6.67% of the principal balance of the Collateral Assets as of the Reference Date are Synthetic Securities, 100% of the Reference Obligations of which are CDO Securities.

The following description of the Synthetic Securities consists of a summary of certain provisions of the Synthetic Securities but does not purport to be complete and prospective investors must refer to the Synthetic Securities for more detailed information regarding the Synthetic Securities. Copies of the Master Agreement and the Confirmation will be available to investors from the Trustee. Capitalized terms not otherwise defined in this section will have the meanings set forth in the Master Agreement and Confirmation.

Each Synthetic Security is expected to be structured as a "pay-as-you-go" credit default swap and will be made pursuant to a 1992 ISDA Master Agreement (Multicurrency-Cross Border), including the Schedule thereto (the "Master Agreement"), between the Issuer and the Synthetic Security Counterparty, and a confirmation or confirmations of transaction (a "Confirmation") evidencing the Synthetic Securities thereunder. It is expected that the Issuer will enter into a Confirmation referencing CDO Securities. The Confirmation is expected to evidence multiple Synthetic Securities, each of which is separate and distinct from all others documented under such Confirmation and relates to an individual Reference Obligation. The 2003 ISDA Credit Derivatives Definitions will apply to, and be incorporated by reference into, each such Confirmation.

Each Synthetic Security is expected to have a specified Reference Obligation Notional Amount which represents the dollar amount of the credit exposure which the Issuer is assuming thereunder with respect to the Reference Obligation related to such Synthetic Security. The "Aggregate Reference Obligation Notional Amount" is the sum of the Reference Obligation Notional Amounts of all Synthetic Securities. On the Closing Date, the Issuer expects to enter into Synthetic Securities with the Synthetic Security Counterparty referencing the Reference Obligations described herein having an Aggregate Reference Obligation Notional Amount of approximately U.S.$100,000,000. In accordance with the terms of the Synthetic Securities, the Reference Obligation Notional Amount of each Synthetic Security is expected after the Closing Date to be: (i) decreased on each day on which a Principal Payment is made by the relevant Principal Payment Amount; (ii) decreased on each day on which a Failure to Pay Principal occurs by the relevant Principal Shortfall Amount; (iii) decreased on each day on which a Writedown occurs by the relevant Writedown Amount; (iv) increased on each day on which a Writedown Reimbursement occurs by any Writedown Reimbursement Amount in respect of a Writedown Reimbursement within paragraphs (ii) or (iii) of the definition of "Writedown Reimbursement"; and (v) decreased on each Delivery

Date by an amount equal to the relevant Exercise Amount *minus* the relevant amount determined pursuant to paragraph (b) under the heading, "Physical Settlement Amount" in the Confirmation; *provided* that, in accordance with the Confirmation, if any Relevant Amount is applicable, the Exercise Amount will also be deemed to be decreased by such Relevant Amount (or increased by the absolute value of such Relevant Amount if such Relevant Amount is negative) with effect from such Delivery Date.

Each Synthetic Security will terminate by its terms no later than the scheduled legal final maturity of the related Reference Obligation unless a credit event occurs with respect to such Synthetic Security and the cash settlement date is scheduled to occur after such date.

Synthetic Security Counterparty Payments

Pursuant to each Synthetic Security, the Synthetic Security Counterparty will make a fixed rate payment to the Issuer within five Business Days of each scheduled distribution date for the related Reference Obligation. Upon the occurrence of any interest shortfall with respect to any Reference Obligation, the fixed rate amount payable under such Synthetic Security by the Synthetic Security Counterparty to the Issuer will be reduced by an amount equal to such interest shortfall, such amount not to exceed the fixed rate payment. If any amount in satisfaction of any such interest shortfall, is later paid with respect to a Reference Obligation, the Synthetic Security Counterparty will pay such amount, or in certain circumstances a portion of such amount, to the Issuer as a reimbursement of such interest shortfall. Payments from the Synthetic Security Counterparty to the Issuer will be deposited into the Collection Account and distributed in accordance with the Priority of Payments. The Synthetic Security Counterparty will also pay to the Issuer certain interest shortfall reimbursement amounts, writedown reimbursement amounts and principal shortfall reimbursement amounts, if any, in accordance with the terms of each Synthetic Security.

So long as the long-term ratings (or, in the case of clause (ii)(b) of this paragraph only, the short-term rating) of the guarantor of the Synthetic Security Counterparty's obligation under a Synthetic Security are equal to or higher than (i) "A1 by Moody's (and, if rated "A1 by Moody's, is not on watch for possible downgrade) and (ii)(a) "A" by S&P (and, if rated "A" by S&P, is not on watch for possible downgrade) or (b), if Goldman Sachs International is not the Synthetic Security Counterparty, "A-1+" by S&P (and, if rated "A-1+" by S&P, is not on watch for possible downgrade), the fixed payment due by the Synthetic Security Counterparty will be payable in arrears. However, if the long-term ratings (or the short-term rating, as applicable) of the Synthetic Security Counterparty fall below any such levels, the Synthetic Security Counterparty will be required to pay the fixed payment due under the Synthetic Security in advance. The failure of any Synthetic Security Counterparty to make the fixed payment in advance if such rating levels are no longer satisfied will constitute a termination event under the terms of the related Synthetic Security with such Synthetic Security Counterparty as the sole "Affected Party" under such Synthetic Security.

Issuer Synthetic Security Payments

The Issuer will be required to make certain floating payments to the Synthetic Security Counterparty under the Synthetic Securities. Following the occurrence of a credit event (a "Credit Event") with respect to a Reference Obligation, the Issuer may be required to make a credit protection payment to the Synthetic Security Counterparty. In addition, the Issuer will be required to pay floating amounts to the Synthetic Security Counterparty upon the occurrence of a writedown, a principal shortfall or an interest shortfall. The Issuer may also be required to make termination payments to the Synthetic Security Counterparty upon termination of a Synthetic Security.

Upon the occurrence of a Credit Event with respect to a Reference Obligation, the Synthetic Security Counterparty may choose physical delivery in which case it will deliver a deliverable obligation to the Issuer and the Issuer will pay to the Synthetic Security Counterparty a credit protection payment which will generally be equal to the notional amount of the related Reference Obligation. Under certain circumstances, the Synthetic Security Counterparty may elect not to deliver a deliverable obligation and choose cash settlement upon the occurrence of a credit event, in which case, the Issuer will pay to the Synthetic Security Counterparty a credit protection payment.

The Reference Obligation Notional Amount of the Synthetic Securities will be reduced by any credit protection payments paid by the Issuer, by any principal shortfall payment paid by the Issuer and by any writedown

payment paid by the Issuer. The Reference Obligation Notional Amount of each Synthetic Security will be increased by any principal shortfall reimbursement payment or writedown reimbursement payment paid by the Synthetic Security Counterparty to the Issuer.

The Issuer will obtain the funds to make any payments due to the Synthetic Security Counterparty under a Synthetic Security by liquidating Default Swap Collateral as described below under "—Default Swap Collateral." The amount payable by the Issuer to the Synthetic Security Counterparty under the Synthetic Securities shall not exceed the amount the Issuer receives upon liquidation of the Default Swap Collateral.

Credit Events

A Credit Event with respect to any Synthetic Security and any Reference Obligation means the occurrence of any of the events specified in such Synthetic Security as a Credit Event on or before the scheduled termination date for such Synthetic Security. The Credit Events with respect to Reference Obligations which are CDO Securities are expected to be Failure to Pay Principal, Writedown, Failure to Pay Interest and Distressed Ratings Downgrade. Under the Confirmation, a Failure to Pay Interest will not constitute a Credit Event if the Reference Obligation has a deferrable interest feature until 360 calendar days has elapsed sine the occurrence of the Credit Event and the relevant Interest Shortfall has not been reimbursed in full. The Confirmation may alter the standard definitions of such terms and the actual Synthetic Securities should be consulted for the details of the Credit Events applicable thereto. The capitalized terms used in this section and not otherwise defined, have the meanings set forth in the related Synthetic Securities.

A "Credit Event" is the occurrence of any of the following (however caused, directly or indirectly), as applicable:

(i) Failure to Pay Principal

"Failure to Pay Principal" means (i) a failure by the Reference Entity (or any Insurer) to pay an Expected Principal Amount on the Final Amortization Date or the Legal Final Maturity Date, as the case may be or (ii) payment on any such day of an Actual Principal Amount that is less than the Expected Principal Amount; *provided* that the failure by the Reference Entity (or any Insurer) to pay any such amount in respect of principal in accordance with the foregoing shall not constitute a Failure to Pay Principal if such failure has been remedied within any grace period applicable to such payment obligation under the underlying instruments or, if no such grace period is applicable, within three Business Days after the day on which the Expected Principal Amount was scheduled to be paid.

(ii) Writedown

"Writedown" means the occurrence at any time on or after the Effective Date of: (i)(A) a writedown or applied loss (however described in the underlying instruments) resulting in a reduction in the Outstanding Principal Amount (other than as a result of a scheduled or unscheduled payment of principal); or (B) the attribution of a principal deficiency or realized loss (howsoever described in the underlying instruments) to the Reference Obligation resulting in a reduction of the current interest payable on the Reference Obligation; (ii) the forgiveness of any amount of principal by the holders of the Reference Obligation pursuant to an amendment to the underlying instruments resulting in a reduction in the Outstanding Principal Amount; or (iii) if the underlying instruments do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in (i) above to occur in respect of the Reference Obligation, an Implied Writedown Amount being determined in respect of the Reference Obligation by the Calculation Agent, as applicable.

(iii) Distressed Ratings Downgrade:

"Distressed Ratings Downgrade" means, with respect to a Reference Obligation:

(i) if publicly rated by Moody's, (A) is downgraded to "Caa2 or below by Moody's or (B) has the rating assigned to it by Moody's withdrawn and, in either case, not reinstated within five Business Days of such

downgrade or withdrawal; *provided* that if such Reference Obligation was assigned a public rating of "Baa3" or higher by Moody's immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "Caa1 by Moody's within three calendar months after such withdrawal; or

(ii) if publicly rated by Standard & Poor's, (A) is downgraded to "CCC" or below by Standard & Poor's or (B) has the rating assigned to it by Standard & Poor's withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; *provided* that if such Reference Obligation was assigned a public rating of "BBB-" or higher by Standard & Poor's immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "CCC+" by Standard & Poor's within three calendar months after such withdrawal; or

(iii) if publicly rated by Fitch, (A) is downgraded to "CCC") or below by Fitch or (B) has the rating assigned to it by Fitch withdrawn and, in either case, not reinstated within five Business Days of such downgrade or withdrawal; *provided* that if such Reference Obligation was assigned a public rating of "BBB-" or higher by Fitch immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "CCC+" by Fitch within three calendar months after such withdrawal.

(iv) Failure to Pay Interest

"Failure to Pay Interest" means with respect to any Reference Obligation, the occurrence of an Interest Shortfall Amount or Interest Shortfall Amounts (calculated on a cumulative basis) in excess of the relevant Payment Requirement.

In respect of the Failure to Pay Interest Credit Event, if the Reference Obligation is a PIK Bond, it shall be a Condition to Settlement that a period of at least 360 calendar days has elapsed since the occurrence of the Credit Event without the relevant Interest Shortfall having been reimbursed in full.

Early Credit Default Swap Termination

All Synthetic Securities will be subject to early termination by the Issuer in the event of an "Event of Default" or "Termination Event" by the Synthetic Security Counterparty or any guarantor under the Synthetic Securities, including, but not limited to, (a) payment defaults by such Synthetic Security Counterparty and any guarantor lasting a period of at least three local business days, (b) the failure by such Synthetic Security Counterparty or any guarantor to comply with or perform any agreement or obligation (other than payment defaults by such Synthetic Security Counterparty or any guarantor) under the Synthetic Securities if such failure is not remedied on or before the thirtieth day after notice of such failure is given, (c) a material misrepresentation by such Synthetic Security Counterparty or any guarantor in the Synthetic Security, (d) a default by such Synthetic Security Counterparty or any guarantor on specific financial agreements as specified in the Confirmation, (e) a cross default by such Synthetic Security Counterparty or any guarantor for borrowed money in excess of a threshold amount, (f) bankruptcy-related events applicable to such Synthetic Security Counterparty or any guarantor, (g) any redemption of the Notes in whole, (h) a liquidation of all the Collateral following the occurrence of an Event of Default under the Indenture or (i) certain reductions to the rating of the Synthetic Security Counterparty or the failure of the Synthetic Security Counterparty to post collateral if required under the Master Agreement.

All Synthetic Securities are also subject to early termination by the Synthetic Security Counterparty in the event of an "Event of Default" or "Termination Event" by the Issuer under the Synthetic Securities, including, but not limited to (a) any redemption of the Notes in whole and (b) a liquidation of all the Collateral following the occurrence of an Event of Default under the Indenture. The Synthetic Security Counterparty may also terminate the Synthetic Securities if, as a result of any change in applicable tax law or action taken by a taxing authority or court, such Synthetic Security Counterparty will, or there is a substantial likelihood such Synthetic Security Counterparty will, be required to (i) gross-up any Fixed Amounts in respect of any withholding or other tax (provided that such Synthetic Security Counterparty shall first make reasonable efforts to assign the Synthetic Securities to an affiliate) or (ii) receive a Physical Settlement Amount from which an amount is required to be deducted or withheld by the Issuer for or on account of any tax. If the Master Agreement and the Synthetic Securities made thereunder are

terminated, the Issuer will no longer receive payments from such Synthetic Security Counterparty and will likely not have sufficient funds to make payments when due on the Securities and may not have sufficient funds to redeem the Securities in full.

If an Event of Default or a Termination Event occurs under the Master Agreement and the non-defaulting party or the non-affected party designates an early termination date, such party will apply "Market Quotation" and "Second Method," as set forth in the Master Agreement, to value the Synthetic Securities under the Master Agreement unless fewer than three quotations are provided, in which case the method of valuation under the Master Agreement will be "Loss". "Loss" means the amount that the non-defaulting party or non-affected party determines in good faith to be its total losses and costs (or gain).

There can be no assurance that, upon early termination by the Issuer or the Synthetic Security Counterparty, either the Synthetic Security Counterparty would be required to make any termination payment to the Issuer or, if it did make such a payment, the amount of the termination payment made by the Synthetic Security Counterparty would be sufficient to pay any amounts due in respect of the Securities. If the Issuer is required to make a Synthetic Security Termination Payment to the Synthetic Security Counterparty, such termination payment may be substantial and may result in losses to the holders of the Securities.

Default Swap Collateral

As part of the purchase of the Synthetic Securities, the Issuer (at the direction of the Synthetic Security Counterparty) will be required to purchase Default Swap Collateral for the benefit of the Synthetic Security Counterparty which satisfies the criteria described in such definition.

The Default Swap Collateral is expected to be purchased in a face amount equal to the initial notional amount of all the Synthetic Securities. Under the terms of the Indenture, all Default Swap Collateral is required to be deposited in the Default Swap Collateral Account for the benefit of the Synthetic Security Counterparty. The Issuer will also grant to the Trustee for the benefit of the Secured Parties, a security interest in the Default Swap Collateral, subject to the lien of the related Synthetic Security Counterparty, and shall notify the Synthetic Security Counterparty of such security interest. The Issuer must obtain the consent of the Synthetic Security Counterparty with respect to any initial Default Swap Collateral purchased by the Issuer and any Default Swap Collateral purchased thereafter or substituted therefor. The amount payable by the Issuer to the Synthetic Security Counterparty under a Synthetic Security shall not exceed the Default Swap Collateral.

Interest payments, redemption premiums, payment distributions, investment earnings on and any fees paid with respect to any Default Swap Collateral will constitute property of the Issuer and will be paid to the Trustee and deposited into the Collection Account and treated as Proceeds unless such amounts are required to be paid to the related Synthetic Security Counterparty under the terms of the related Synthetic Security. Principal payments on the Default Swap Collateral prior to the termination of the Synthetic Security shall be held in accordance with such Synthetic Security in the Default Swap Collateral Account and invested in Eligible Investments until reinvested in Default Swap Collateral with the consent of the Synthetic Security Counterparty.

In the event a Synthetic Security is terminated prior to its scheduled maturity without the occurrence of a "credit event," the Trustee shall cause such portion of the related Default Swap Collateral chosen by the Synthetic Security Counterparty as may be required to make any required termination payment owed to the Synthetic Security Counterparty, to be liquidated in a sale arranged by the Liquidation Agent and any such termination payments paid to the Synthetic Security Counterparty. The remaining related Default Swap Collateral to the extent not required to be pledged to the related Synthetic Security Counterparty shall be released from the lien of the Synthetic Security Counterparty and delivered to the Trustee free of such lien. In the event that no "credit event" under a Synthetic Security has occurred prior to the scheduled maturity of the Synthetic Security, upon the scheduled maturity of the Synthetic Security, the Synthetic Security Counterparty's lien on the Default Swap Collateral shall be released and delivered to the Trustee free of such lien. Upon release of the lien of the Synthetic Security Counterparty, the Issuer or the Trustee on behalf of the Issuer, based upon an opinion of counsel, shall take any specific actions necessary to create in its favor a valid, perfected, first priority security interest in such Default Swap Collateral under applicable law and regulations for the benefit of the Secured Parties. Any Default Swap Collateral released from the lien of the Synthetic Security Counterparty shall be treated as a Collateral Asset and will be retained by the Trustee unless such

sale would be otherwise permitted by the Indenture. Any Proceeds net of purchase accrued interest or interest payments received upon the maturity or liquidation of the Default Swap Collateral released from the lien of the Synthetic Security Counterparty shall be deemed to be Principal Proceeds.

Upon the occurrence of a "credit event" under a Synthetic Security, the Default Swap Collateral chosen by the Synthetic Security Counterparty after the application of any cash on deposit in the Default Swap Collateral Account will be sold by the Trustee in a sale arranged by the Liquidation Agent and any loss or writedown owed to the Synthetic Security Counterparty will be paid by the Issuer from the liquidation proceeds of such Default Swap Collateral. In the event such liquidation proceeds are less than par, the Synthetic Security Counterparty will accept the liquidation proceeds applicable to the face amount of Default Swap Collateral sold which is equal to the loss or write-down amount. In addition, under certain circumstances upon the occurrence of a "credit event", the Default Swap Collateral chosen by the Synthetic Security Counterparty will instead be delivered to the Synthetic Security Counterparty in exchange for a deliverable obligation. Any deliverable obligation delivered to the Issuer will be sold by the Trustee in a sale arranged by the Liquidation Agent without regard to whether such sale would be permitted as a sale of a Credit Risk Obligation. In the event such liquidation proceeds are less than par, the Synthetic Security Counterparty will accept the liquidation proceeds applicable to the face amount of Synthetic Security Collateral sold which is equal to the loss or write down amount. In the event a "credit event" has occurred and the Issuer is required to liquidate Default Swap Collateral and deliver cash to the Synthetic Security Counterparty, the Synthetic Security Counterparty will bear any market risk on the liquidation of the Default Swap Collateral.

The Synthetic Security Counterparty has the right to purchase any Default Swap Collateral being sold for less than its par amount at a price equal to the highest bid received for such Default Swap Collateral. The Trustee, after having actual notice thereof, shall provide the Synthetic Security Counterparty prior notice of the price at which any Default Swap Collateral is being sold prior to such sale.

For purposes of the Coverage Tests and for purposes of determining whether a Synthetic Security is a Defaulted Obligation or a Credit Risk Obligation, a Synthetic Security shall be included as a Collateral Asset having the characteristics of the Reference Obligation and not of the Synthetic Security; *provided*, that if such Synthetic Security Counterparty is in default under the related Synthetic Security, such Synthetic Security shall not be included in the Coverage Tests or such Synthetic Security will be treated in such a way that will satisfy the Rating Agency Condition.

Initial Synthetic Security Counterparty

The initial Synthetic Security Counterparty under the Synthetic Securities will be Goldman Sachs International. The swap guarantor with respect to the initial Synthetic Securities is The Goldman Sachs Group, Inc., a Delaware corporation (the "GS Group"), which is an affiliate of the Synthetic Security Counterparty. Goldman Sachs International is located at Peterborough Court 133 Fleet Street, London EC4A 2BB.

The Annual Report on Form 10-K for the fiscal year ended November 30, 2005 filed by GS Group with the SEC (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules) will not form part of a prospectus prepared for the purposes of admission to the official list of the Irish Stock Exchange and to trading on its regulated market should any Notes be listed on such exchange.

GS Group, together with its subsidiaries, is a global investment banking, securities and investment management firm that provides financial services worldwide to clients that includes corporations, financial institutions, governments and high net-worth individuals.

Any statement contained in a document incorporated or deemed to be incorporated by reference into this Offering Circular, or contained in this Offering Circular, will be deemed to be modified or superseded for purposes of this Offering Circular to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular. GS Group's filings with the SEC are available to the public through the SEC's Internet site at

http://www.sec.gov, and through the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which GS Group's common stock is listed.

The Notes do not represent an obligation of, and will not be insured or guaranteed by, GS Group or any of its subsidiaries and investors will have no rights or recourse against GS Group or any of its subsidiaries.

Reports

A report will be made available to the Holders of the Secured Notes and Holders of the Income Notes and will provide information on the Collateral Assets as well as information with respect to payments made on the related Payment Date (each, a "Note Valuation Report"), beginning in February, 2007.

The information in each Note Valuation Report will be prepared as of the Determination Date preceding the related Payment Date and will set out, among other things, the amounts payable in accordance with the Priority of Payments on such Payment Date. The Issuer will instruct the Trustee to transfer the amounts set forth in such Note Valuation Report in the manner specified in, and in accordance with, the Priority of Payments.

Hedge Agreements

General. On the Closing Date, the Issuer will enter into a Rate Swap Agreement and a Cashflow Swap Agreement (collectively, the "Hedge Agreements") with UBS AG, London Branch ("UBS AG") as initial Cashflow Swap Counterparty and initial Interest Rate Swap Counterparty. The Issuer shall not enter into any additional Rate Swap Agreements or Cashflow Swap Agreements after the Closing Date.

The Issuer shall ensure that each Hedge Agreement shall provide that (i) the Hedge Counterparty will agree (a) that the Issuer's obligations under the Hedge Agreements are limited recourse obligations of the Issuer payable solely from the Collateral and subordinated as set forth in the Priority of Payments and (b) to a standard non-petition clause, and (ii) such Hedge Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Payments (other than Defaulted Hedge Termination Payments) due to any Hedge Counterparty under any Hedge Agreement shall be paid, in accordance with the Priority of Payments, prior to any payments on the Notes, from Proceeds available therefor on each Payment Date. The claims of each Hedge Counterparty shall rank equally and *pari passu* with the claims of other Hedge Counterparties entitled to receive payments at the same level of priority within the Priority of Payments. Defaulted Hedge Termination Payments shall be paid after payment of Principal Proceeds to the Notes in accordance with the Priority of Payments.

Each Hedge Agreement entered into by the Issuer shall generally provide that if (A)(i) the short-term issuer rating (the "Short-Term Rating") of the Hedge Counterparty is reduced below "A-1" or (ii) if the Hedge Counterparty does not have a Short-Term Rating by S&P, the Hedge Counterparty's long-term issuer rating (the "Long-Term Rating") is reduced below "A+" by S&P, (B) the Hedge Counterparty's Short-Term Rating is reduced below "P-1" by Moody's or the Hedge Counterparty's Long-Term Rating is reduced below "A2" by Moody's, or (C) if the Hedge Counterparty does not have a short-term rating by Moody's ("Moody's Short-Term Rating"), the Hedge Counterparty's Long-Term Rating by Moody's ("Moody's Long-Term Rating") is reduced below "A1" (any such event, a "Collateralization Event"), then the Hedge Counterparty shall generally be required to within thirty (30) days, (i) provide sufficient collateral as required under the Hedge Agreement, (ii) transfer its rights and obligations to a replacement Hedge Counterparty who satisfies the Hedge Counterparty Ratings Requirement, *provided* that (1) the Rating Agency Condition is satisfied and (2) certain other requirements set forth in the Hedge Agreement are satisfied, or (iii) take such other steps to allow the Issuer to satisfy conditions of the Rating Agencies. If the Hedge Counterparty fails to comply with at least one of the obligations as set forth in clauses (i)-(iii) of the preceding sentence, or if certain further downgrades occur, a substitution event shall have occurred (a "Hedge Substitution Event"). Upon the occurrence of a Hedge Substitution Event, the Hedge Counterparty will generally be required to assign its rights and obligations under such Hedge Agreement to a new Hedge Counterparty in accordance with the terms of the Hedge Agreement, *provided* that such substitute Hedge Counterparty or its

guarantor satisfies the Hedge Counterparty Ratings Requirement and the Rating Agency Condition is satisfied with respect to such assignment.

Each Hedge Agreement may be terminated, whether or not the Notes have been paid in full on or prior to such termination, upon, among other things, (i) certain events of bankruptcy, insolvency, conservatorship, receivership or reorganization of the Issuer or the related Hedge Counterparty, (ii) failure on the part of the Issuer or the related Hedge Counterparty to make any payment under the Hedge Agreement within the applicable grace period, (iii) certain withholding or other taxes being imposed on payments to be made under the Hedge Agreement as set forth in Sections 5(b)(ii) and (iii) of the ISDA Master Agreement incorporated in the Hedge Agreement, (iv) a change in law making it illegal for either the Issuer or the related Hedge Counterparty to be a party to, or perform an obligation under, the Hedge Agreement, (v) the delivery of a notice of liquidation of the Collateral following an Event of Default under the Indenture *provided* that such notice has not been rescinded or annulled or (vi) in the case of the Cashflow Swap Agreement only, the Net Outstanding Portfolio Collateral Balance is less than $50,000,000. Notwithstanding the foregoing, the Issuer will not optionally terminate any Hedge Agreement unless (a) directed to do so by a Majority of the Income Notes and (b) the Rating Agency Condition is satisfied in connection with such termination.

A termination of a Hedge Agreement will not constitute an Event of Default under the Indenture. If a Hedge Agreement is terminated, the Issuer shall not enter into a substitute Hedge Agreement. Interest due on the Secured Notes will be paid from amounts received on the Collateral Assets without the benefit of any Hedge Agreement. There can be no assurance that such amounts will be sufficient to provide for the full payment of interest on the Secured Notes, or that amounts that would otherwise be payable to the Holders of the Income Notes will not be reduced.

In the event of any early termination of a Hedge Agreement (i) any hedge termination receipts paid to the Issuer will be deposited in a single, segregated trust account held in the name of the Trustee (the "Hedge Termination Receipts Account") for the benefit of the Secured Parties and such amounts will be transferred to the Collection Account on the next following Transfer Date and will be treated as Principal Proceeds and distributed in accordance with the Priority of Payments on the next Payment Date (or on such Final Payment Date, in the event the Notes are redeemed in full thereon).

In order to effect an Optional Redemption or Tax Redemption, Auction or liquidation of the Collateral following an Event of Default, the Hedge Agreements must be terminated and, in the case of an Optional Redemption, Tax Redemption or Auction, the proceeds from such termination and from the liquidation of the remaining Collateral must be sufficient to pay any termination payment owing to the Hedge Counterparties in addition to any amounts owing under the Notes and certain other expenses. The Indenture will not permit the termination of a Hedge Agreement in connection with the liquidation of Collateral following an Optional Redemption, Tax Redemption or Auction prior to the time that the Liquidation Agent shall have furnished to the Trustee evidence that the Issuer has entered into one or more binding agreements with purchasers whose short term debt obligations are rated at least "P-1 by Moody's and "A-1+" by S&P, to purchase such Collateral on a date not later than ten (10) days after such termination and that such redemption or liquidation is non-revocable.

Each Hedge Agreement will provide that the related Hedge Counterparty may assign its obligations under a Hedge Agreement to any institution which satisfies the Rating Agency Condition with respect to such assignment and the Hedge Counterparty Ratings Requirement.

In connection with a Mandatory Redemption, the Hedge Counterparty may terminate a portion of any Hedge Agreement in accordance with the terms thereof upon satisfaction of the Rating Agency Condition.

The initial Interest Rate Swap Counterparty and the initial Cashflow Swap Counterparty is UBS AG. Affiliates of the Initial Purchaser or the Liquidation Agent may also act as Hedge Counterparties from time to time, which may create certain conflicts of interest. See "Risk Factors—Other Considerations—Certain Conflicts of Interest."

The Hedge Counterparty ratings requirements and the required consents and actions described herein are subject to modification prior to the Closing Date, and may be revised thereafter upon satisfaction of the Rating Agency Condition.

Rate Swap Agreement. As of the Closing Date, the Issuer will enter into a Rate Swap Agreement with UBS AG as initial Interest Rate Swap Counterparty that will provide for the Issuer to pay the initial Interest Rate Swap Counterparty an amount equal to 5.27255% per annum from the March 2007 Payment Date in exchange for payments equal to LIBOR on an initial notional amount of U.S.$162,000,000. The Rate Swap Agreement will have a notional amount which decreases based on a fixed amortization schedule derived from the anticipated amortization of the Collateral Assets that bear interest at a fixed rate that the Issuer expects to own as of the Closing Date. However, there can be no assurance that the actual amortization of the Collateral Assets will correspond to the anticipated amortization on which the Rate Swap Agreement will be based. The Issuer may not enter into additional Rate Swap Agreements after the Closing Date.

Cashflow Swap Agreement. As of the Closing Date, the Issuer will enter into a Cashflow Swap Agreement with UBS AG (a "Cashflow Swap Counterparty") (a "Cashflow Swap Agreement"), in order to manage mismatches between the timing of payment receipts on the Collateral Assets and Eligible Investments and the timing of payments due on Payment Dates in accordance with the Priority of Payments. Pursuant to this Cashflow Swap Agreement, the Issuer will receive a payment from the related Cashflow Swap Counterparty on dates relating to each Payment Date in exchange for the Issuer's obligations to make payments to the Cashflow Swap Counterparty, relating to interest payments on Collateral Assets which pay less frequently than monthly, out of Proceeds to the extent available in accordance with the Priority of Payments. The Cashflow Swap Agreement will be reduced automatically for any Collateral Assets which prepay or default or which are sold and will be increased for any Collateral Assets which are purchased.

The Issuer shall not enter into any additional Cashflow Swap Agreements after the Closing Date.

WEIGHTED AVERAGE LIFE AND YIELD CONSIDERATIONS

The Stated Maturity of the Notes (other than the Class S Notes) is the Payment Date in March 2042. However, the principal of the Notes (other than the Class S Notes) is expected to be paid in full prior to the Stated Maturity. Average life refers to the average amount of time 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 average lives of the Notes will be determined by the amount of principal payments which are dependent on a number of factors, including when the Collateral Assets are repaid.

Weighted Average Life. Weighted average life refers to the average amount of time 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 weighted average lives of the Notes of each Class will be determined by the amount and frequency of principal payments, which are dependent upon, among other things, the amount of payments received at or in advance of the scheduled maturity of the Collateral Assets (whether through sale, maturity, redemption, prepayment, default or other liquidation or disposition). The actual weighted average lives and actual maturities of the Notes will be affected by the financial conditions of the obligors on or the issuers of the Collateral Assets or the obligors on the underlying assets, and the characteristics of such securities and assets, including the existence and frequency of exercise of any optional or mandatory redemption features, the prevailing level of interest rates, the redemption price, prepayment rates, any lockout periods or prepayment premiums or penalties, the actual default rate and the actual level of recoveries on any Defaulted Obligations, and the frequency of tender or exchange offers for such Collateral Assets. Any disposition of a Collateral Asset will change the composition and characteristics of the Collateral Assets and the scheduled payments and payment characteristics thereon, and, accordingly, may affect the actual weighted average lives of the Notes. The rate of future defaults and the amount and timing of any cash realization from Credit Risk Obligations and Directed Sale Securities also will affect the maturity and weighted average lives of the Notes. The weighted average life of the Notes of each Class may also vary depending on whether or not the Notes are redeemed. The weighted average lives of the Notes are expected to be shorter, and may be substantially shorter, than the Stated Maturity of the Notes.

The table set forth below indicates the percentage of the initial balance of each Class of Notes that would be outstanding on each Payment Date assuming no prepayments or losses and the weighted average life of each Class of Notes and principal window of each Class based on the assumptions (the "Collateral Assets Assumptions") set forth below. The table set forth below is included only for illustrative purposes, and none of the Issuers, the Liquidation Agent, the Trustee or the Initial Purchaser makes any representation as to whether such assumptions will be realized.

i. Forward 1-month LIBOR curve and 3-month LIBOR curve as of October 24, 2006 are assumed;

ii. the Closing Date is November 1, 2006 and the first Payment Date is February 2, 2007 and the first Quarterly Payment Date is March 2, 2007;

iii. all of the net proceeds of the offering of the Notes are invested as of the Closing Date in the Collateral Assets;

iv. the Coverage Tests are satisfied as of the Closing Date;

v. expenses due under clauses (i), (ii) and (iii) of the Priority of Payments are paid on each Payment Date and will be 0.01% per annum of the outstanding Principal Balance of the Collateral Assets, the Liquidation Agent Fee is 0.04% per annum of the Aggregate Principal Amount;

vi. each Collateral Asset will pay monthly and receipts will be reinvested for 7.5 days at a rate equal to one-month LIBOR *minus* 0.25%;

vii. asset payments are fully paid out in accordance with the Priority of Payments on the 2nd day of the month (each of which is assumed to be a Business Day), commencing February, 2007;

viii. failure to pay interest to the Holders of the Class A Notes and the Class B Notes is not an Event of Default;

ix. all unpaid Class C Note and Class D Note interest is Deferred Interest;

x. there are no sales;

xi. no rating change occurs on any Collateral Asset or the Notes;

xii. there is no Optional Redemption, Tax Redemption or Auction (except in the computation of the DEC table and sensitivity of Principal Payments table below);

xiii. all Classes of Notes are issued at par;

xiv. defaults are incurred at the constant annual default rates and are applied on each Payment Date to the outstanding Principal Balance of the Collateral Assets as of such Payment Date commencing on the Payment Date in August 2008;

xv. each Hedge Counterparty makes all required payments to the Issuer on a timely basis;

xvi. Clause (A)(e) of the definitions of the Class A/B Interest Coverage Ratio, the Class C Interest Coverage Ratio and the Class D Interest Coverage Ratio is assumed to equal $0.00 for each Payment Date;

xvii. Amounts retained in the Collection Account pursuant to clause (xix) of the Priority of Payments are reinvested at a rate equal to one-month LIBOR *minus* 0.25% until applied on the following Payment Date.

	Class A-1	Class A-2	Class B	Class C	Class D
Closing Date	100.00%	100.00%	100.00%	100.00%	100.00%
February 2, 2007	99.95%	99.95%	100.00%	100.00%	100.00%
February 2, 2008	98.99%	98.99%	100.00%	100.00%	97.65%
February 2, 2009	95.91%	95.91%	100.00%	100.00%	96.08%
February 2, 2010	78.61%	78.61%	86.02%	93.47%	79.18%
February 2, 2011	64.51%	64.51%	70.59%	75.94%	50.69%
February 2, 2012	52.17%	52.17%	57.09%	61.53%	27.13%
February 2, 2013	42.18%	42.18%	46.16%	49.80%	7.55%
February 2, 2014	32.75%	32.75%	35.84%	39.00%	0.00%
February 2, 2015	18.78%	18.78%	33.40%	35.87%	0.00%
February 2, 2016	0.00%	0.00%	0.00%	0.00%	0.00%
Expected Principal Window(1)	February 2, 2007 to March 2, 2015	February 2, 2007 to March 2, 2015	June 2, 2009 to March 2, 2015	September 2, 2009 to March 2, 2015	March 2, 2007 to June 2, 2013
Expected Weighted Average Life(2)	5.62 years	5.62 years	6.01 years	6.21 years	4.35 years

(1) The "Expected Principal Window" for a Class of Notes is the period in which (a) the initial principal payment of the Class is expected to be made and (b) the final payment of principal of the Class is expected to be made under the Collateral Assets Assumptions (assuming no defaults).

(2) The "Expected Weighted Average Life" of each Class of Notes is determined by (i) multiplying the amount of each principal distribution on such Class that would result under the Collateral Assets Assumptions (assuming no defaults) by the number of years from the date of determination to the related Payment Date (assuming 30 days in each month and a 360-day year), (ii) adding the results and (iii) dividing the sum by the aggregated principal distributions referred to in clause (i).

The following table shows the "Expected Weighted Average Life" and the "Expected Principal Window" for each Class of Notes under various constant default rates. The "Expected Weighted Average Life" of each Class of Notes is determined by (i) multiplying the amount of each principal distribution on such Class that would result under the Collateral Assets Assumptions by the number of years from the Closing Date to the related Payment Date (assuming 30 days in each month and a 360-day year), (ii) adding the results and (iii) dividing the sum by the aggregated principal distributions referred to in clause (i). The "Expected Principal Window" for a Class of Notes is when the first and last payments of principal are expected to be made under the Collateral Assets Assumptions. The loss severity is assumed to be 40%.

Sensitivity of Principal Payments to CDR

	0.0% CDR		0.1% CDR		0.25% CDR		0.5% CDR	
Class	Expected Weighted Average Life	Expected Principal Window	Expected Weighted Average Life	Expected Principal Window	Expected Weighted Average Life	Expected Principal Window	Expected Weighted Average Life	Expected Principal Window
A-1	5.62 years	February 2, 2007 to March 2, 2015	5.61 years	February 2, 2007 to March 2, 2015	5.60 years	February 2, 2007 to March 2, 2015	5.49 years	February 2, 2007 to March 2, 2015
A-2	5.62 years	February 2, 2007 to March 2, 2015	5.61 years	February 2, 2007 to March 2, 2015	5.60 years	February 2, 2007 to March 2, 2015	6.02 years	February 2, 2007 to March 2, 2015
B	6.01 years	June 2, 2009 to March 2, 2015	6.00 years	June 2, 2009 to March 2, 2015	5.99 years	July 2, 2009 to March 2, 2015	6.40 years	July 2, 2009 to March 2, 2015
C	6.21 years	September 2, 2009 to March 2, 2015	6.20 years	September 2, 2009 to March 2, 2015	6.21 years	September 2, 2009 to March 2, 2015	7.19 years	March 2, 2010 to March 2, 2015
D	4.35 years	March 2, 2007 to June 2, 2013	4.85 years	March 2, 2007 to March 2, 2015	5.96 years	March 2, 2007 to March 2, 2015	7.17 years	March 2, 2007 to March 2, 2015

The table set forth below entitled "Class A-1, A-2, B, C and D Note Constant Default Rate Stress Tests" shows the Constant Default Rate ("CDR") and Cumulative Defaults for each Class of Notes under three stress scenarios, assuming a 40% loss severity on defaulted Collateral Assets. In column one ("First Dollar of Loss"), CDR represents the CDR starting on the August 2008 Payment Date that would result in the first dollar of principal loss to the respective Class of Notes. Cumulative Defaults represent the sum of such defaults divided by the aggregate principal balance of the Collateral Assets as of the Closing Date. In column two ("Flat Return"), CDR represents the CDR starting on the August 2008 Payment Date that would result in a yield equivalent to a zero discount margin over one-month LIBOR for the Class A-1 Notes, the Class A-2 Notes and the Class B Notes, and zero discount margin over three-month LIBOR for the Class C Notes and the Class D Notes. Cumulative Defaults represent the sum of such defaults divided by the aggregate principal balance of the Collateral Assets as of the Closing Date. In column three ("Return of Investment, (0% return)"), the CDR represents the CDR starting on the August 2008 Payment Date that would result in an approximate 0.0% return for the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes. Cumulative Defaults represent the sum of such defaults divided by the aggregate principal balance of the Collateral Assets as of the Closing Date.

Class A-1, A-2, B, C and D Note Constant Default Rate Stress Tests

	First Dollar of Loss		Flat Return		Return of Investment (0% return)	
Constant Annual Default Rate at 40% Loss Severity	CDR	Cumulative Defaults	CDR	Cumulative Defaults	CDR	Cumulative Defaults
Class A-1	6.69%	24.220%	8.01%	28.090%	30.70%	68.270%
Class A-2	2.95%	11.728%	3.20%	12.643%	6.41%	23.360%
Class B	1.83%	7.487%	2.04%	8.279%	4.16%	16.025%
Class C	0.68%	2.867%	1.07%	4.468%	1.42%	5.881%
Class D	0.34%	1.451%	0.60%	2.522%	0.74%	3.098%

Yield. The yield to maturity of the Notes of each Class will also be affected by the rate of repayment of the Collateral Assets, as well as by the redemption of the Notes in an Auction, an Optional Redemption or Tax Redemption (and upon the Note Redemption Price or Income Note Redemption Price, as applicable, then payable). The Issuer is not required to repay the Notes on any date prior to their Stated Maturity. The receipt of principal payments on the Notes at a rate slower than the rate anticipated by investors purchasing the Notes at a discount will result in an actual yield that is lower than anticipated by such investors.

The yield to maturity of the Notes may also be affected by the rate of delinquencies and defaults on and liquidations of the Collateral Assets, to the extent not absorbed by the Income Notes; sales of Collateral Assets;

and/or purchases of Collateral Assets having different scheduled payments and payment characteristics and the effect of the Coverage Tests on payments under the Priority of Payments. The yield to investors in the Notes will also be adversely affected to the extent that the Issuers incur certain expenses that are not absorbed by the Income Notes.

THE LIQUIDATION AGENCY AGREEMENT

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

General

The Liquidation Agent will, on behalf of the Issuer, pursuant to the Liquidation Agency Agreement, (i) liquidate Collateral Assets (a) determined pursuant to the Collateral Administration Agreement, by the Collateral Administrator, on behalf of the Issuer, to be Credit Risk Obligations or (b) that are Directed Sale Securities, (ii) liquidate the Collateral Assets and Eligible Investments of the Issuer in connection with (a) a redemption of the Notes as a result of an Optional Redemption, a Tax Redemption, an Auction or as otherwise required under the Indenture as described therein and (b) an acceleration of the Notes as a result of an Event of Default as required under the Indenture as described therein and (iii) perform certain other functions, as described herein. The Liquidation Agent will have no ability or authority to direct the disposition of any Collateral Assets. The Liquidation Agent will not provide investment advisory services to the Issuer or act as the "collateral manager" for the Collateral Assets. The Liquidation Agent will not have fiduciary duties to the Issuer or to the holders of the Notes.

The Liquidation Agent

The Liquidation Agent is Goldman, Sachs & Co. ("GS&Co."). GS&Co. is a New York limited partnership and a registered U.S. broker-dealer. The Notes do not represent an obligation of, and will not be insured or guaranteed by GS&Co., its parent or any of its subsidiaries or its affiliates and investors will have no rights or recourse against GS&Co., its parent or any of its subsidiaries or affiliates.

Compensation

As compensation for the performance of its obligations under the Liquidation Agency Agreement, the Liquidation Agent will be entitled to receive a fee in accordance with the Priority of Payments, payable in arrears on each Payment Date, of 0.04% per annum (the "Liquidation Agent Fee") times the Aggregate Principal Amount, measured as of the beginning of the Due Period preceding such Payment Date.

If amounts distributable on any Payment Date in accordance with the Priority of Payments are insufficient to pay the Liquidation Agent Fee in full, then the shortfall will be deferred and will be payable on subsequent Payment Dates on which funds are available therefor according to the Priority of Payments.

The Liquidation Agent Fee will be calculated on the basis of a 360 day year consisting of twelve 30-day months. All fees payable to the Liquidation Agent on a Payment Date are subject to payment only in accordance with the Priority of Payments.

The Liquidation Agent may, at its election and upon notice to the Issuer and the Trustee, direct for a predetermined period of time that all or a portion of the amount that is due to it as the Liquidation Agent Fee be paid directly to a third party; *provided*, that the Liquidation Agent will not (unless it is assigning all of its rights and obligations in accordance with the Liquidation Agency Agreement) be relieved of any of its duties under the Liquidation Agency Agreement or the Indenture as a result of the redirection of its right to receive all or a portion of the Liquidation Agent Fee.

Procedure for Sale of Collateral

Pursuant to the Liquidation Agency Agreement, whenever the sale of Collateral Assets is required under the Indenture, as described under "Security for the Secured Notes—Disposition of Collateral Assets", the Liquidation Agent will use commercially reasonable efforts to solicit bids from at least three independent market makers, at least one of which is not the Liquidation Agent or an affiliate thereof. If after such commercially reasonable efforts, bids from three independent market makers are not available, the higher of two such bids may be used and if bids from two such independent market makers are not available, one such bid may be used. Assuming at least one bid is received in accordance with the preceding sentence, the applicable Collateral Assets shall be sold at the highest bid price. The Liquidation Agent or an affiliate of the Liquidation Agent may purchase a Collateral Asset sold as described above. Notwithstanding the foregoing, any Auction shall be conducted in accordance with the auction procedures set forth in the Indenture.

Removal

If the Liquidation Agency Agreement is terminated for any reason or the entity then serving as Liquidation Agent resigns or is removed, the Liquidation Agent Fee owing to such entity will be prorated for any partial periods between Payment Dates and such prorated amount will be due and payable on the first Payment Date following the date of such termination, subject to the priority of payments.

The Liquidation Agent may resign, upon 60 days' (or such shorter notice as is acceptable to the Issuer) written notice to the Issuer, the Trustee and the Rating Agencies. If the Liquidation Agent resigns, the Issuer agrees to use its best efforts to appoint a successor Liquidation Agent, and the effectiveness of such resignation will be conditioned upon the appointment of such successor.

The Liquidation Agent may be removed for "cause" (i) by the Issuer or the Trustee; *provided* that written notice thereof shall have been given to the holders of the Notes and each Rating Agency stating that such termination shall be effective only if directed in writing within 30 days after the date of such notice by the holders of at least a Super Majority of the Income Notes and a Super Majority of the Controlling Class, but excluding in any such calculation any Notes held by the Liquidation Agent or any Notes over which the Liquidation Agent has discretionary voting authority, (ii) in the case of an event described in clause (3) below, by the Issuer or the Trustee upon 10 days' prior written notice to the Liquidation Agent, or (iii) by the holders of at least a Super Majority of the Income Notes and a Super Majority of the Controlling Class, but excluding in any such calculation any Income Notes or Notes held by the Liquidation Agent or any Notes over which the Liquidation Agent has discretionary voting authority, upon 10 days' prior written notice to the Liquidation Agent.

For purposes of determining "cause" with respect to any such termination of the Liquidation Agency Agreement, such term shall mean the occurrence and continuation of any one of the following events: (1) the Liquidation Agent willfully violates, or takes any action that it knows breaches, any provision of the Liquidation Agency Agreement or the Indenture applicable to it; (2) the Liquidation Agent breaches in any material respect any provision of the Liquidation Agency Agreement or any terms of the Indenture applicable to it, which breach (i) has a material adverse effect on the holders of the Notes and (ii) within 30 days of its becoming aware (or receiving notice from the Trustee) of such breach, the Liquidation Agent fails to cure such breach; (3) the Liquidation Agent is wound up or dissolved or there is appointed over it or over all or substantially all of its assets a receiver, administrator, administrative receiver, trustee or similar officer; or the Liquidation Agent (w) ceases to, or admits in writing its inability to, pay its debts as they become due and payable, or makes a general assignment for the benefit of or enters into any composition or arrangement with, its creditors generally; (x) applies for or consents (by admission of material allegations of a petition or otherwise) to the appointment of a receiver, trustee, assignee, custodian, liquidator or sequestrator (or other similar official) of the Liquidation Agent or of all or substantially all of its properties or assets, or authorizes such an application or consent, or proceedings seeking such appointment are commenced without such authorization, consent or application against the Liquidation Agent and continue undismissed for 60 consecutive days; (y) authorizes or files a voluntary petition in bankruptcy, or applies for or consents (by admission of material allegations of a petition or otherwise) to the application of any bankruptcy, reorganization, arrangement, readjustment of debt, insolvency or dissolution, or authorizes such application or consent, or proceedings to such end are instituted against the Liquidation Agent without such authorization, application or consent and are approved as properly instituted and remain undismissed for 60 consecutive days or

result in adjudication of bankruptcy or insolvency; or (z) permits or suffers all or substantially all of its properties or assets to be sequestered or attached by court order and the order remains undismissed for 60 consecutive days; or (4) the Issuer, the Co-Issuer or the Collateral has become required to be registered as an investment company under the provisions of the Investment Company Act, as a result of a material breach by the Liquidation Agent in violation of the Liquidation Agency Agreement. The Liquidation Agent shall notify the Trustee, each Rating Agency (to the extent any Secured Notes outstanding are rated by such Rating Agency) the Fiscal Agent and the holders of the Income Notes if a "cause" event, or an event which with the giving of notice or the lapse of time (or both) becomes "cause," occurs.

Any resignation or removal of the Liquidation Agent will be effective only upon (i) the appointment by the holders of a Super Majority of the Income Notes (including any Income Notes owned by the Liquidation Agent, any Affiliate of the Liquidation Agent, and any account over which the Liquidation Agent has discretionary authority) (or if such holders fail to make such appointment within 30 days after any such resignation or removal, by the Issuer, as directed by a Super Majority of the Controlling Class) of a successor Liquidation Agent that is an established institution with experience servicing assets similar to the Collateral Assets that (1) has demonstrated an ability to professionally and competently perform duties similar to those imposed upon the Liquidation Agent under the Liquidation Agency Agreement, (2) is legally qualified and has the capacity to act as Liquidation Agent under the Liquidation Agency Agreement as successor to the Liquidation Agent under the Liquidation Agency Agreement, (3) has agreed in writing to assume all of the responsibilities, duties and obligations of the Liquidation Agent under the Liquidation Agency Agreement and under the applicable terms of the Indenture, (4) shall not cause the Issuer, the Co-Issuer or the pool of Collateral Assets to become required to register as an investment company under the Investment Company Act and (5) has been approved by the Issuer, upon the direction of a Majority of each Class of Notes and (ii) satisfaction of the Rating Agency Condition with respect to such appointment. Notwithstanding the foregoing, if no successor has been appointed as aforesaid within 120 days after resignation of the Liquidation Agent, the Liquidation Agent may appoint a successor satisfying the requirements of the Liquidation Agency Agreement without consent of any other party or confirmation by the Rating Agencies. The Issuer, the Trustee and the successor Liquidation Agent shall take such action (or cause the outgoing Liquidation Agent to take such action) consistent with the Liquidation Agency Agreement and the terms of the Indenture applicable to the Liquidation Agent as shall be necessary to effectuate any such succession. If the Liquidation Agent shall resign or be removed but a successor Liquidation Agent shall not have assumed all of the Liquidation Agent's duties and obligations under the Liquidation Agency Agreement within 90 days after such resignation or removal, then the Issuer, the Trustee, any holder of Notes or the resigning or terminated Liquidation Agent may petition any court of competent jurisdiction for the appointment of a successor Liquidation Agent. The compensation payable to a successor Liquidation Agent from payments on the Collateral Assets shall not exceed the compensation payable to the Liquidation Agent under the Liquidation Agency Agreement without the approval of the holders of a Majority of the Aggregate Principal Amount of each Class of Notes.

Any Notes held by the Liquidation Agent or any Notes over which the Liquidation Agent has discretionary voting authority, in each case will have no voting rights with respect to any vote in connection with the removal of the Liquidation Agent or the sale of any Collateral Assets and will be deemed not to be outstanding in connection with any such vote; *provided, however*, that any such Notes will have voting rights and will be deemed outstanding with respect to all other matters as to which holders of Notes are entitled to vote.

The Liquidation Agent may assign the Liquidation Agency Agreement, in whole or in part, to an affiliate of the Liquidation Agent without the consent of the Issuer, any Class of Secured Notes or the Income Notes and without satisfaction of the Rating Agency Condition. In the event of any such assignment, Goldman Sachs & Co. will have no further obligations to the Issuer.

Except for the assignment to an affiliate, the Liquidation Agency Agreement may not be assigned by the Liquidation Agent, in whole or in part, without (i) the prior written consent of the Issuer, (ii) the prior written consent of or affirmative vote by a Majority of the Controlling Class and the holders of a Majority of the Income Notes and (iii) satisfaction of the Rating Agency Condition with respect to such assignment or delegation.

The Liquidation Agency Agreement will terminate when the earliest of the following occurs: (i) the payment in full of the Notes; (ii) the liquidation of the Trust Estate and the final distribution of the proceeds of such

liquidation to the Holders of the Notes or (iii) the termination thereof due to the resignation or removal of the Liquidation Agent in accordance with the Liquidation Agency Agreement.

The Liquidation Agency Agreement may not be amended or modified or any provision thereof waived (other than in connection with an assignment to an affiliate of the Liquidation Agent) except by (i) an instrument in writing signed by the parties thereto, (ii) the prior written consent of a Majority of the Controlling Class and (iii) written confirmation from each Rating Agency to the effect that such amendment, modification or waiver will not cause a qualification, downgrade or withdrawal of its then current ratings of any Class of Notes rated by such Rating Agency unless the holders of 100% of each Class of Notes that would be qualified, reduced or withdrawn due to an amendment, modification or waiver approves such amendment, modification or waiver.

The Liquidation Agent, its affiliates and their respective members, principals, partners, managers, directors, officers, stockholders, partners, agents and employees will not be liable to the Co-Issuers, the Trustee, the Fiscal Agent, the holders of the Notes or any other Person for any losses, claims, damages, demands, charges, judgments, assessments, costs or other liabilities incurred by the Co-Issuers, the Trustee, the Fiscal Agent, the holders of the Notes or any other Person that arise out of or in connection with the performance by the Liquidation Agent of its duties under the Liquidation Agency Agreement or the Indenture, or for any decrease in the value of the Trust Estate; *provided* that the Liquidation Agent shall be subject to liability by reason of acts or omissions of the Liquidation Agent constituting bad faith, willful misconduct or gross negligence in the performance, or reckless disregard, of the obligations of the Liquidation Agent under the Liquidation Agency Agreement and under the terms of the Indenture applicable to the Liquidation Agent; *provided* that in no event shall the Liquidation Agent or any of its affiliates be liable for consequential, special, exemplary or punitive damages. Subject to the priority of payments described herein, the Liquidation Agent will be entitled to indemnification by the Issuer under certain circumstances.

Various potential and actual conflicts of interest may arise from the overall activities of the Liquidation Agent and its affiliates. In certain circumstances, the interests of the Issuer and/or the holders of the Notes with respect to matters as to which the Liquidation Agent is advising the Issuer may conflict with the interests of the Liquidation Agent or its affiliates. See "Risk Factors—Other Considerations—Certain Conflicts of Interest" and "—The Liquidation Agent."

THE ISSUERS

General

The Issuer was incorporated on August 14, 2006 in the Cayman Islands with the registered number 172419. The registered office of the Issuer is at the offices of Maples Finance Limited, P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands. Maples Finance Limited's telephone number is (345) 945-7099. The Issuer has no prior operating history. The Issuer's Memorandum of Association sets out the objects of the Issuer, which include the business to be carried out by the Issuer in connection with the Notes.

The Co-Issuer was incorporated on September 15, 2006 under the laws of the State of Delaware with the registered number 4220406. The registered office of the Co-Issuer is at Donald J. Puglisi, Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware, 19711. The Co-Issuer's telephone number is (302) 738-6680. The Co-Issuer has no prior operating history. Article 3 of the Co-Issuer's Certificate of Incorporation sets out the purposes 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 Secured Notes are obligations only of the Issuers and Income Notes are obligations only of the Issuer, and not of the Trustee, the Liquidation Agent, the Initial Purchaser, the Administrator, the Agents, the Share Trustee or any directors, managers or officers of the Issuers or any of their respective affiliates.

The authorized share capital of the Issuer consists of 250 ordinary shares, U.S.$1.00 par value per share (the "Issuer Ordinary Shares"). All of the Issuer Ordinary Shares will be issued on or prior to the Closing Date. All of the outstanding Issuer Ordinary Shares will be held by the Share Trustee pursuant to the terms of a declaration of

trust for the benefit of charitable and similar purposes. All of the outstanding common equity of the Co-Issuer will be held by the Issuer. For so long as any of the Notes are outstanding, no beneficial interest in the ordinary shares of the Issuer or of the common equity of the Co-Issuer shall be registered to a U.S. Person.

Capitalization of the Issuer

The initial proposed capitalization of the Issuer as of the Closing Date after giving effect to the issuance of the Notes and the Issuer Ordinary Shares and entry into the Hedge Agreement before deducting expenses of the offering of the Notes is as set forth below.

	Amount
Class S Notes	$ 11,650,000
Class A-1 Notes	$ 1,275,000,000
Class A-2 Notes	$ 123,750,000
Class B Notes	$ 60,750,000
Class C Notes	$ 20,250,000
Class D Notes	$ 12,750,000
Income Notes	$ 7,500,000
Total Debt	$ 1,511,650,000
Issuer Ordinary Shares	250
Total Equity	$ 250
Total Capitalization	$ 1,511,650,250

Capitalization of the Co-Issuer

The Co-Issuer will be capitalized only to the extent of its common equity of U.S.$10, will have no assets other than its equity capital and will have no debt other than as Co-Issuer of the Secured Notes. The Co-Issuer has agreed to co-issue the Secured Notes as an accommodation to the Issuer, and the Co-Issuer is receiving no remuneration for so acting. Because the Co-Issuer has no assets, and is not permitted to have any assets, Holders of Notes will not be able to exercise their rights against any assets of the Co-Issuer. Holders of Secured Notes must rely on the Collateral held by the Issuer and pledged to the Trustee for payment on their respective Secured Notes in accordance with the Priority of Payments.

Flow of funds

The approximate flow of funds of the Issuer from the gross proceeds of the offering of the Notes on the Closing Date is as set forth below:

Gross Proceeds		
Class S Notes	$	11,650,000
Class A-1 Notes	$	1,275,000,000
Class A-2 Notes	$	123,750,000
Class B Notes	$	60,750,000
Class C Notes	$	20,250,000
Class D Notes	$	12,750,000
Income Notes	$	7,500,000
Total:	$	1,511,650,000
Expenses		
Third Party Expenses	$	1,600,000
Goldman, Sachs & Co.	$	3,150,000
Expense Reserve Accounts	$	275,000
First Period Interest Reserve	$	625,000
Total:	$	5,650,000
Collateral Assets		
Net Proceeds	$	1,506,000,000
Par Value of Collateral Assets	$	1,500,000,000
Clean Price of Collateral Assets*	$	1,504,000,000
Purchase Accrued Interest on Collateral Assets	$	2,000,000
Total: Approximately 100.40%		

*Synthetic Securities are Collateral with cash Collateral Assets.

Business

The Issuers will not undertake any business other than the issuance of the Secured Notes and, in the case of the Issuer, the issuance of the Income Notes, the acquisition and management of the Collateral and, in each case, other related transactions described under the "Summary — The Issuers". Neither of the Issuers will have any subsidiaries other than the Co-Issuer in the case of the Issuer.

The Administrator will act as 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 to be dated on or about the Closing Date by and between the Administrator and the Issuer (as amended, supplemented or otherwise modified from time to time, the "Administration Agreement"), the Administrator will perform various management functions on behalf of the Issuer, including communications with shareholders and 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 agreed upon from time to time plus expenses. The directors of the Issuer listed below are also officers and/or employees of the Administrator and may be contacted at the address of the Administrator.

The Administrator will be subject to the overview of the Issuer's Board of Directors. The Administration Agreement may be terminated by either the Issuer or the Administrator upon 30 days' written notice.

The Administrator's principal office is: Maples Finance Limited, P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.

Directors

The Directors of the Issuer are: Andrew Millar and Guy Major, each having an address at Maples Finance Limited, P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The director of the Co-Issuer is Donald Puglisi who may be contacted at the address of the Co-Issuer.

INCOME TAX CONSIDERATIONS

Circular 230

Any discussion of U.S. federal tax matters set forth in this Offering Circular was written in connection with the promotion and marketing by the Issuer and the Initial Purchaser of the Notes (as defined herein). Such discussion was not intended or written to be legal or tax advice to any person and was not intended or written to be used, and it cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

United States Tax Considerations

The following is a summary of certain of the United States federal income tax consequences of an investment in the Notes by purchasers that acquire their Notes in their 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 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 deal with all United States federal income tax consequences applicable to any given investor; nor does it address (except, in some instances, in very general terms) the United States federal income tax considerations applicable to all categories of investors, some of which may be subject to special rules, such as Non-U.S. Holders (defined below), banks, regulated investment companies, real estate investment trusts, 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 the Notes as part of a hedge, straddle, or an integrated or conversion transaction, or investors whose "functional currency" is not the United States dollar. Furthermore, it does not address alternative minimum tax consequences or the indirect effects on the investors of equity interests in either a U.S. Holder (defined below) or a Non-U.S. Holder. In addition, this summary is generally limited to investors that will hold the Notes as "capital assets" within the meaning of section 1221 of the Internal Revenue Code 1986 (the "Code"). Investors should consult their own tax advisors to determine the United States federal, state, local and other tax consequences of the purchase, ownership and disposition of the Notes.

As used herein, "U.S. Holder" means any holder (or beneficial holder) of a Note that is an individual citizen or resident of the United States for U.S. federal income tax purposes, a corporation or partnership or other entity treated as a corporation or partnership for U.S. federal income tax purposes 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 U.S. 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 U.S. 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 holds the Notes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partners of

partnerships holding the Notes should consult their own tax advisors. "Non-U.S. Holder" means any holder (or beneficial holder) of a Security that is not a U.S. Holder.

U.S. Federal Income Tax Consequences to the Issuer

Upon the issuance of the Notes, Sidley Austin 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 GS&Co., 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 United States trade or business. If the IRS were to successfully characterize the Issuer as engaged in such a trade or business, among other consequences, the Issuer would be subject to net income taxation in the United States (as well as the branch profits tax) on its income that is effectively connected to such United States trade or business. The levying of such taxes would materially affect the Issuer's financial ability to pay principal and interest on the Notes.

The Issuer intends to acquire Collateral Assets 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 Assets 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 (defined below), the Issuer would incur U.S. withholding tax on interest received from a related United States person. Under current law, payments received on the Hedge Agreements are not subject to U.S. federal withholding tax.

In addition, it is not expected that the Issuer will derive material amounts of any other items of income that would be subject to United States withholding taxes.

If withholding or deduction of any taxes from payments is required by law in any jurisdiction, the Issuer shall be under no obligation to make any additional payments to the holders of any Notes in respect of such withholding or deduction.

Notwithstanding the foregoing, any commitment or facility fee (or other similar fee) that the Issuer earns may be subject to a 30% withholding tax.

Classification and Tax Treatment of the Secured Notes. The Issuer has agreed and, by its acceptance of a Secured Note, each such Noteholder will be deemed to have agreed, to treat each of the Secured Notes as debt of the Issuer for U.S. federal income tax purposes except to the extent such a Noteholder makes a protective QEF election (described below). On the Closing Date, Sidley Austin LLP will deliver an opinion generally to the effect that assuming compliance with Indenture (and certain other documents) and based on certain factual representations made by the Issuer and GS&Co. the Class S Notes, the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes and the Class D Notes will be characterized as debt of the Issuer for U.S. 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 any Class of Secured Notes as other than indebtedness. Except as provided under "—Alternative Characterization of the Secured Notes" below, the balance of this discussion assumes that the Secured Notes will be characterized as debt of the Issuer for federal income tax purposes.

For U.S. 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 method of tax accounting as ordinary interest income.

While not absolutely certain, it appears that the Class C Notes and the Class D Notes will be issued with original issue discount ("OID", and such a Note, 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 will be deferred in the event that certain overcollateralization tests are not met and failure to pay interest will not, in certain circumstances, be an event of default. 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 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 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, effective for debt instruments issued after August 12, 1996. If any Class of Notes were considered such instruments, among other consequences, gain on the sale of such Notes that might otherwise be capital gain would be ordinary income. Prospective investors should consult their own tax advisors regarding the possible characterization of the 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 original issue discount, 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 § 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 tax basis in such Note equal to the cost of such Note increased by 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 (including redemption or retirement), 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 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. 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 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 Notes would be as described under "—United States Tax Treatment of Holders of Income Notes." In addition, in order to avoid one application of the PFIC rules, each U.S. Holder 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 "—United States Tax Treatment of Holders of Income Notes—Status of the Issuer as a PFIC" and "—QEF Election."

Information Reporting Requirements. Under United States federal income tax law and regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. These reporting requirements apply to both taxable and tax-exempt U.S. Holders. Penalties for failure to file certain of these information returns are severe. Purchasers of the Secured Notes should consult with their own tax advisors regarding the necessity of filing information returns.

If requested by the Issuer, each Holder will be required to provide the Issuer with the name and status of each beneficial owner of a Secured Note that is a U.S. Holder.

Prospective investors should consult with their own tax advisors with respect to whether they are required to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Non-U.S. Holders

A Non-U.S. Holder of a Secured Note that has no connection with the United States will not be subject to U.S. withholding tax on interest payments. Non-U.S. Holders may be required to make certain tax representations regarding the identity of the beneficial owner of the Notes in order to receive payments free of withholding.

United States Tax Treatment of Holders of Income Notes

General. Prospective investors of the Income Notes should not rely on this summary only and should consult their own tax advisors regarding alternative characterizations of the Income Notes and the consequences of their acquiring, holding, and disposing of the Income Notes, including the possibility that the Income Notes will be treated as contingent payment debt instruments. Subject to the anti-deferral rules discussed below, payments on Income Notes paid 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 payment to the extent of the current and accumulated earnings and profits of the Issuer. Dividends will not be eligible for the dividends received deduction allowable to corporations. 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 Income Notes. Distributions in excess of earnings and profits and the U.S. Holder's tax basis will be taxable as gain from the sale or exchange of property.

The tax consequences discussed in the second preceding paragraph 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"). In addition, each U.S. Holder's investment in the Issuer may be taxed as an investment in a 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) and the Liquidation Agent's interest in certain portions of its fee and certain classes of Secured Notes 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 Income Notes and in any given year may be substantially greater. Such an excess will arise, among other circumstances, when Collateral Assets are purchased at a discount, or interest or other income on the Collateral Assets (which is included in gross income) is used to acquire other Collateral Assets or to repay principal on the Secured Notes (which does not give rise to a deduction).

Status of the Issuer as a PFIC. The Issuer will be treated as a "passive foreign investment company" or "PFIC" for United States 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 percent of the average distribution in respect of the Income Notes during the three preceding taxable years (or, if shorter, the investor's holding period for the Income Notes). As indicated above, any gain recognized upon disposition (or deemed disposition) of the Income Notes 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 an Income Note as security for an obligation may be treated as having disposed of the Income Note.

QEF Election. If a U.S. Holder (including certain U.S. Holders indirectly owning Income Notes) 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 of the Issuer's ordinary income and net capital gains (unreduced by any prior year losses) in income (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 will not be deductible by such U.S. Holder. A U.S. Holder that makes the QEF election, may, however (in general) elect to defer the payment of tax on undistributed income (until such income is distributed or the Income Note is transferred), *provided* it agrees to pay interest on such deferred tax liability. For this purpose, a U.S. Holder that uses an Income Note as security for an obligation may be treated as having transferred such Income Note. 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 Income Notes 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 Income Notes, 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 Income Notes. Such gain or loss generally will be long term capital gain or loss if the U.S. Holder held the Income 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.

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 an Income Note.

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 Income Notes, 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 Income Notes 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 controlled foreign corporations ("CFC"). A U.S. holder (or any other holder of an interest treated as voting equity in the foreign corporation that would meet the definition of U.S. Holders but for the fact that such holder does not hold Income Notes) that owns (directly or indirectly) at least 10 percent of the voting stock of a foreign corporation, the U.S. Holder 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 as income of the U.S. Holder 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 holder of an Income Note will agree, by its acquisition of the Income Notes, 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.

Information Reporting. In general, U.S. Holders that acquire any Income Notes (or any Class of Notes recharacterized as equity in the Issuer) for cash may be required to file an IRS 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 Income Notes) 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.

Prospective investors should consult with their own tax advisors with respect to whether they are required to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

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 stock in the Issuer is not debt-financed, and such investor does not own more than 50% of the Issuer's equity (here, the Income Notes and any Class of Secured Notes (if any) that is recharacterized as equity).

Tax-Exempt Investors should consult their own tax advisors regarding an investment in the Issuer.

Taxation of Non-U.S. Holders. Dividends on, and gain from the sale, exchange or redemption of, Income Notes 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 Income Notes.

Cayman Islands Tax Considerations

The following discussion of certain Cayman Islands income tax consequences of an investment in the Notes is based on the advice of Maples and Calder as to Cayman Islands law. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It assumes that the Issuer will conduct its affairs in accordance with assumptions made by, and representations made to, counsel. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws:

(i) payments of principal and interest in respect of the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any Holder of a Note and gains derived from the sale of Notes will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax; and

(ii) No stamp duty is payable in respect of the issue of the Notes. The Notes themselves will be stampable if they are executed in or brought into the Cayman Islands. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has applied for and obtained an undertaking from the Governor In Cabinet of the Cayman Islands in the following form:

THE TAX CONCESSIONS LAW
(1999 REVISION)
UNDERTAKING AS TO TAX CONCESSIONS

In accordance with Section 6 of the Tax Concessions Law (1999 Revision) the Governor in Cabinet undertakes with Hudson High Grade Funding 2006-1, Ltd. (the "Company"):

(a) that no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to 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 Company; or

(ii) by way of the withholding in whole or in part of any relevant payment 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 22nd day of August, 2006.

ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" as defined in and 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 such 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 Notes.

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" under ERISA or "disqualified persons" under the Code (collectively, "Parties in Interest")) having certain relationships to such Plans, unless a statutory, regulatory or administrative exemption is applicable to the transaction. A Party in Interest 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.

The United States Department of Labor ("DOL") has promulgated a regulation, 29 C.F.R. Section 2510.3-101 (the "Plan Asset Regulation"), as modified by Section 3(42) of ERISA, describing what constitutes the assets of a Plan ("Plan Assets") with respect to the Plan's investment in an entity for purposes of applying ERISA and Section 4975 of the Code. Under the Plan Asset Regulation, 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 that equity participation in the entity by Benefit Plan Investors is not "significant."

Prohibited transactions may arise under Section 406 of ERISA or Section 4975 of the Code if Notes are acquired with Plan Assets with respect to which the Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee, the Fiscal Agent or any of their respective affiliates, is a Party in Interest. 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 a Security and the circumstances under which such decision is made. Included among these exemptions are: DOL Prohibited Transaction Class Exemption ("PTCE") 96-23, regarding transactions effected by "in-house asset managers"; PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers;" and the service provider exemption under new Section 408(b)(17) of ERISA and new Section 4975(d)(20) of the Code (the "Service Provider Exemption"). There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Notes, or that, if available, the exemption would cover all possible prohibited transactions.

Governmental plans and certain church and other plans, while not necessarily subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state 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 Notes.

Any insurance company proposing to invest assets of its general account in the Notes should consider the extent to which such investment would be subject to the requirements of ERISA 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. In particular, such an insurance company should consider the retroactive and prospective exemptive relief granted by the DOL for transactions involving insurance company general accounts in PTCE 95-60 and the regulations issued by the DOL, 29 C.F.R. Section 2550.401c-1 (January 5, 2000). Certain additional information regarding general accounts is set forth below.

Any Plan fiduciary or other person who proposes to use Plan Assets to purchase any Notes 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 Security to a Plan, or to a person using Plan Assets to effect its purchase of any Security, is in no respect a representation by the Issuers, the Initial Purchaser, the Liquidation Agent, the Trustee or the Fiscal Agent that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

Class S Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes

For purposes of the Plan Asset Regulation, an equity interest includes 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. Because the Secured Notes (a) are expected to be treated as indebtedness under local law and for federal tax purposes (see "Income Tax Considerations" herein), and (b) should not be deemed to have any "substantial equity features," purchases of the Secured Notes with Plan Assets should not be treated as equity investments and, therefore, the Collateral Assets should not be deemed to be Plan Assets of the investing Plans. Those conclusions are based, in part, upon the traditional debt features of the Secured Notes, including the reasonable expectation of purchasers of the Secured Notes that the Secured Notes will be repaid when due, as well as the absence of conversion rights, warrants and other typical equity features. However, if the Secured Notes were nevertheless treated as equity interests for purposes of the Plan Asset Regulation and if the assets of the Issuers were deemed to constitute Plan Assets of an investing Plan, (i) transactions involving the assets of the Issuers could be subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code, (ii) the assets of the Issuers could be subject to ERISA's reporting and disclosure requirements, and (iii) the fiduciary causing the Plan to make an investment in the Notes could be deemed to have delegated its responsibility to manage Plan Assets.

By its purchase of any Class S Note, Class A Note, Class B Note, Class C Note or Class D Note, the purchaser thereof will be deemed to have represented and warranted either that (i) it is not and will not be a Plan or an entity whose underlying assets include Plan Assets by reason of any Plan's investment in the entity, or an employee benefit plan which is subject to any federal, state, local or foreign law ("Similar Law") that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code; or (ii) its purchase and holding of a Class S Note, Class A Note, Class B Note, Class C Note or Class D Note are eligible for the exemptive relief available under PTCE 84-14, 90-1, 91-38, 95-60, 96-23, the Service Provider Exemption, or a similar exemption or, in the case of a plan subject to Similar Law, do not and will not constitute or result in a prohibited transaction under Similar Law for which an exemption is not available.

Income Notes

Equity participation in an entity by Benefit Plan Investors is "significant" under the Plan Asset Regulation (see above) if 25% or more of the total value of any class of equity interest in the entity is held by Benefit Plan Investors. If equity participation in either Issuer by Benefit Plan Investors is "significant," the assets of such Issuer could be deemed to be Plan Assets of Plans investing in the equity. If the assets of either Issuer were deemed to constitute Plan Assets of an investing Plan, (i) transactions involving the assets of such Issuer could be subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code, (ii) the assets of the Issuer could be subject to ERISA's reporting and disclosure requirements, and (iii) the fiduciary causing the Plan to make an equity investment in the Issuer could be deemed to have delegated its responsibility to manage Plan Assets. The term "Benefit Plan Investor" includes (i) an employee benefit plan as defined in and subject to the provisions of Title I of ERISA, (ii) a plan as described in and subject to Section 4975(e)(1) of the Code and (iii) any entity whose underlying assets include Plan Assets by reason of any such employee benefit plan's or plan's investment in the entity. For purposes of making the 25% determination, the value of any equity interests in the Issuer held by a person (other than a Benefit Plan Investor) who has discretionary authority or control with respect to the assets of the Issuer, any person who provides investment advice for a fee (direct or indirect) with respect to such assets, or any affiliate of such a person (any of the foregoing, a "Controlling Person"), are 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. If the equity participation in an entity by Benefit Plan Investors is significant, then the entity's assets will be deemed to constitute Plan Assets to the extent of such investor's interest in the entity.

The Income Notes will be equity interests for purposes of applying ERISA and Section 4975 of the Code. Accordingly, purchases and transfers of Income Notes will be limited, so that less than 25% of the total value of all the Income Notes will be held by Benefit Plan Investors, by requiring each purchaser or transferee of an Income Note (other than a Regulation S Income Note) to make (or, in the case of a Regulation S Income Note, to be deemed to have made, certain representations and agree to additional transfer restrictions described under "Notice to Investors." No purchase of an Income Note by, or proposed transfer to, a person that has represented that it is a Benefit Plan Investor or a Controlling Person will be permitted to the extent that such purchase or transfer would result in persons that have represented that they are Benefit Plan Investors owning 25% or more of the total value of the outstanding Income Notes immediately after such purchase or proposed transfer (determined in accordance with the Plan Asset Regulation and the Fiscal Agency Agreement), based upon the representations made by investors. In addition, the Initial Purchaser, the Liquidation Agent, the Trustee and the Fiscal Agent agree that neither they nor any of their respective affiliates will acquire any Income Notes unless such acquisition would not, as determined by the Trustee or the Fiscal Agent, result in persons that have acquired Income Notes and represented that they are Benefit Plan Investors owning 25% or more of the total value of the outstanding Income Notes immediately after such acquisition by the Initial Purchaser, the Liquidation Agent, the Trustee or the Fiscal Agent. Income Notes held as principal by the Initial Purchaser, the Liquidation Agent, the Trustee, the Fiscal Agent, any of their respective affiliates and 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 the 25% limitation to the extent that such a Controlling Person is not a Benefit Plan Investor. Any Benefit Plan Investor that acquires Income Notes (other than the Regulation S Income Notes) will be required to represent and agree (or, in the case of the Regulation S Income Notes, will be deemed to have represented and agreed) that the acquisition and holding of the Income Notes do not and will not constitute a prohibited transaction under ERISA or Section 4975 of the Code, for which an exemption is not available. If any purchaser or transferee of Income Notes is an employee benefit plan subject to Similar Law,

such purchaser or transferee will be deemed to have represented and warranted that its purchase and holding of the Income Notes do not and will not constitute or result in a violation of any Similar Law for which an exemption is not available.

Any entity using Plan Assets to purchase Notes, including an insurance company using general account assets, may be asked (i) to identify the maximum percentage of the assets of such entity or general account that may be or become Plan Assets, (ii) whether it is a "Controlling Person" (defined above), and (iii) without limiting the remedies that may be available in the event that the maximum percentage is thereafter exceeded, to agree to notify the Issuer, and dispose of certain Notes as instructed by the Issuer, before the specified maximum percentage is exceeded.

CERTAIN LEGAL INVESTMENT CONSIDERATIONS

Institutions whose investment activities are subject to legal investment laws and regulations or to review by certain regulatory authorities may be subject to restrictions on investments in the Secured Notes and the Income Notes. Any such institution should consult its legal advisors in determining whether and to what extent there may be restrictions on its ability to invest in the Secured Notes and the Income Notes. Without limiting the foregoing, any financial institution that is subject to the jurisdiction of the Comptroller of Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, any state insurance commission, or any other federal or state agencies with similar authority should review any applicable rules, guidelines and regulations prior to purchasing the Secured Notes or the Income Notes. Depository institutions should review and consider the applicability of the Federal Financial Institutions Examination Council Supervisory Policy Statement on Securities Activities, which has been adopted by the respective federal regulators.

None of the Issuers or the Initial Purchaser make any representation as to the proper characterization of the Secured Notes or Income Notes for legal investment or other purposes, or as to the ability of particular investors to purchase the Secured Notes or Income Notes for legal investment or other purposes, or as to the ability of particular investors to purchase the Secured Notes or Income Notes under applicable investment restrictions. The Issuers understand that certain state insurance regulators, in response to a request for guidance, may be 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 guidance 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 Secured Notes or Income Notes) may affect the liquidity of the Secured Notes or Income Notes. Accordingly, all institutions whose activities 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 Secured Notes or Income Notes are subject to investment, capital or other restrictions.

LEGAL MATTERS

Certain legal matters will be passed upon for the Issuer and the Initial Purchaser by Sidley Austin LLP. Certain matters with respect to Cayman Islands law will be passed upon for the Issuer by Maples and Calder, Grand Cayman, Cayman Islands.

UNDERWRITING

The Offered Notes will be offered by Goldman, Sachs & Co. (the "Initial Purchaser"), from time to time at varying prices in negotiated transactions subject to prior sale, when, as and if issued. Subject to the terms and conditions set forth in the Purchase Agreement (the "Purchase Agreement") dated as of October 18, 2006 among Goldman, Sachs & Co. and the Issuers, the Issuers have agreed to sell to Goldman, Sachs & Co. and Goldman, Sachs & Co. has agreed to purchase all of the Secured Notes and the Income Notes.

Under the terms and conditions of the Purchase Agreement, the Initial Purchaser is committed to take and pay for all the Offered Notes to be offered by it, if any are taken. Furthermore, under the terms and conditions of the

Purchase Agreement, the Initial Purchaser will be entitled to an underwriting discount on the Offered Notes purchased by it and a fixed structuring fee based upon the aggregate principal amount of the Notes.

The Offered Notes purchased from the Issuers by the Initial Purchaser will be offered by it from time to time for sale in negotiated transactions or otherwise at varying prices to be determined at the time of sale *plus* accrued interest, if any, from the Closing Date.

The Notes have not been and will not be registered under the Securities Act for offer or sale as part of their distribution and may not be offered or sold within the United States or to, or for the account or benefit of, a U.S. Person or a U.S. resident (as determined for purposes of the Investment Company Act, a "U.S. Resident") except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act.

The Issuers have been advised by (a) the Initial Purchaser that it proposes to resell the Offered Notes (a) outside the United States (in part, by Goldman, Sachs & Co., through its selling agent) in offshore transactions in reliance on Regulation S and in accordance with applicable law and (b) in the United States only to (1) Qualified Institutional Buyers in reliance on Rule 144A purchasing for their own accounts or for the accounts of Qualified Institutional Buyers or (2) in the case of the Income Notes only, Accredited Investors, which have a net worth of not less than U.S.$10 million, each of which purchasers or accounts is a Qualified Purchaser. The Initial Purchaser's discount will be the same for the Regulation S Notes and the Rule 144A Notes offered hereby and for the Income Notes within each Class of Notes.

The Initial Purchaser has acknowledged and agreed that it will not offer, sell or deliver any Regulation S Notes purchased by it to, or for the account or benefit of, any U.S. Person or U.S. Resident (as determined for purposes of the Investment Company Act) as part of its distribution at any time and that it will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Regulation S Notes purchased by it a confirmation or other notice setting forth the prohibition on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, any U.S. Person or U.S. Resident.

With respect to the Notes initially sold pursuant to Regulation S, until the expiration of (x) forty (40) days after the commencement of the distribution of the offering of the Secured Notes by Goldman, Sachs & Co., with respect to offers or sales of the Secured Notes and (y) one year after the commencement of the distribution of the Income Notes, with respect to offers or sales of the Income Notes purchased by the Initial Purchaser, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

The Initial Purchaser has represented, warranted and agreed that: (i) it has not made or will not make an offer of shares to the public in the United Kingdom within the meaning of section 102B of the Financial Services and Markets Act 2000 (as amended) ("FSMA") except 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 or otherwise in circumstances which do not require the publication by the company of a prospectus pursuant to the Prospectus Rules of the Financial Services Authority (FSA); (ii) 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) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 or in circumstances in which section 21 of the FSMA does not apply to the Issuer; and (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Notes may not be offered or sold by means of any document other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to the Notes may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are

intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation or subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the Securities and Exchange Law) and the Initial Purchaser has agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit 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 resale, 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 laws, regulations and ministerial guidelines of Japan.

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 Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of 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 €43,000,000 and (3) an annual net turnover of more than €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 Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The Initial Purchaser has agreed that it has not made and will not make any invitation to the public in the Cayman Islands to purchase any of the Offered Notes.

Buyers of Regulation S Securities sold by the selling agent of Goldman, Sachs & Co. may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the purchase price.

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

The Notes are a new issue of securities with no established trading market. The Issuers have been advised by Goldman, Sachs & Co. that it may make a market in the Notes it is offering but is not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Notes. There can be no assurance that any secondary market for any of the Notes will develop, or, if a secondary market does develop, that it will provide the Holders of the Notes with liquidity of investment or that it will continue for the life of the Notes.

Application may be made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. There can be no assurance that any such application will be made or that any such listing will be obtained.

The Issuers have agreed to indemnify the Initial Purchaser, the Liquidation Agent, the Administrator and the Trustee and their respective directors, officers, employees and agents against certain liabilities, including in the case of the Initial Purchaser, liabilities under the Securities Act, or to contribute to payments they may be required to make in respect thereof. In addition, the Issuers have made certain representations and warranties to the Initial Purchaser and have agreed to reimburse the Initial Purchaser for certain of its expenses.

The Initial Purchaser may, from time to time as principal or through one or more investment funds that it manages, make investments in the equity securities of one or more of the issuers of Collateral Assets with the result that one or more of such issuers may be or may become controlled by the Initial Purchaser.

INDEX OF DEFINED TERMS

Certain Definitions

"Accounts" means collectively, the Collection Account, the Payment Account, the Expense Reserve Account, the Hedge Termination Receipts Account, the Hedge Collateral Account, the Default Swap Collateral Account, the Synthetic Security Collateral Account and the Collateral Account.

"Actual Rating" means with respect to any Collateral Asset or Eligible Investment, the actual expressly monitored outstanding public rating assigned by a Rating Agency without reference to any other rating by another Rating Agency, and which rating by its terms addresses the full scope of the payment promise of the obligor on such Collateral Asset or Eligible Investment, after taking into account any applicable guarantee or insurance policy or if no such rating is available from a Rating Agency, any "credit estimate" or "shadow rating" assigned by such Rating Agency. For purposes of this definition, (i) the rating of "Aaa" assigned by Moody's to a Collateral Asset or an Eligible Investment placed on watch for possible downgrade by Moody's will be deemed to have been downgraded by Moody's by one subcategory and any other rating assigned by Moody's to a Collateral Asset or an Eligible Investment placed on watch for possible downgrade by Moody's will be deemed to have been downgraded by Moody's by two subcategories, (ii) the rating assigned by S&P to a Collateral Asset or an Eligible Investment placed on watch for possible downgrade by S&P will be deemed to have been downgraded by S&P by one subcategory, (iii) the rating assigned by Moody's to a Collateral Asset or Eligible Investment placed on watch for possible upgrade by Moody's will be deemed to have been upgraded by Moody's by two subcategories and (iv) the rating assigned by S&P to a Collateral Asset or Eligible Investment placed on watch for possible upgrade by S&P will be deemed to have been upgraded by S&P by one subcategory.

"Adjusted Net Outstanding Portfolio Collateral Balance" means, on any Determination Date, the Net Outstanding Portfolio Collateral Balance reduced by the excess, if any, of (i) the product of (a) the Statistical Loss Amount and (b) the lesser of 1 and a fraction the numerator of which is U.S.$1,500,000,000 and the denominator of which is the Net Outstanding Portfolio Collateral Balance as of such Determination Date over (ii) the product of (a) U.S.$1,900,000 and (b) the lesser of 1 and a fraction the numerator of which is the Net Outstanding Portfolio Collateral Balance as of such Determination Date and denominator of which is U.S.$1,500,000,000.

"Administrative Expenses" means amounts (including indemnities) due or accrued with respect to any Payment Date and payable by the Issuer and/or the Co-Issuer to (i) the Trustee pursuant to the Indenture or any co-trustee appointed pursuant to the Indenture; (ii) the Administrator pursuant to the Administration Agreement; (iii) the independent accountants, agents (including the Note Agents under the Indenture, the Fiscal Agent and Income Notes Transfer Agent as defined under the Fiscal Agency Agreement and the Collateral Administrator under the Collateral Administration Agreement) and counsel of the Issuer for fees and expenses (including amounts payable in connection with the preparation of tax forms on behalf of the Issuers); (iv) the Liquidation Agent pursuant to the Liquidation Agency Agreement (other than the Liquidation Agent Fee); (v) the Rating Agencies for fees and expenses in connection with any rating or credit estimate (including the fees payable to the Rating Agencies for the monitoring of any rating or credit estimate) of the Notes, including fees and expenses, if any, due or accrued in connection with any rating of the Collateral Assets; (vi) any other person in respect of any governmental fee, charge or tax in relation to the Issuer or the Co-Issuer; (vii) to the liquidator(s) of the Issuer for the fees and expenses of liquidating the Issuer following the redemption of all of the Notes; (viii) the Irish Stock Exchange listing any Notes at the request of the Issuer; and (ix) any other person in respect of any other fees or expenses (including indemnities and fees relating to the provision of the Issuer's registered office) permitted under the Transaction Documents; *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 and the Income Notes, (c) amounts payable under any Hedge Agreement and (d) any Liquidation Agent Fee payable pursuant to the Liquidation Agency Agreement.

"Aggregate Calculation Amount of Defaulted Obligations and Deferred Interest PIK Bonds" means the least of (a) the Aggregate Moody's Recovery Value of all Defaulted Obligations and Deferred Interest PIK Bonds, (b) the Aggregate S&P Recovery Value of all Defaulted Obligations and Deferred Interest PIK Bonds, and (c) the aggregate of the Market Values of all Defaulted Obligations and Deferred Interest PIK Bonds.

"Aggregate Moody's Recovery Value" means, with respect to Defaulted Obligations and Deferred Interest PIK Bonds, the aggregate of (a) the Moody's Recovery Rate for each such asset multiplied by (b) the Principal Balance of such asset.

"Aggregate Outstanding Amount" means, with respect to any of the Secured Notes or Income Notes, the aggregate principal amount of such Secured Notes or Income Notes outstanding at the date of determination.

"Aggregate Principal Amount" means the aggregate of the Principal Balances of all Collateral Assets and Eligible Investments purchased with Principal Proceeds and the amount of any cash which constitutes Principal Proceeds.

"Aggregate S&P Recovery Value" means the sum of, with respect to each Defaulted Obligation and each Deferred Interest PIK Bond of the lesser of (a) the Market Value for such Defaulted Obligation or Deferred Interest PIK Bond, as applicable, and (b) the S&P Recovery Rate for such Collateral Asset multiplied by the Principal Balance of such Collateral Asset.

"Applicable Recovery Rate" means, with respect to any Collateral Asset on any Determination Date, the lesser of the Moody's Recovery Rate and the S&P Recovery Rate.

"Asset-Backed Securities" or "ABS Securities" means structured finance securities which have the benefit of a financial guarantee insurance policy, or surety bond or corporate guarantee insuring or guaranteeing the timely payment of interest or the ultimate payment of interest and the ultimate payment of principal.

"Auction Payment Date" means the Auction Date on which the Secured Notes and Income Notes are redeemed in connection with a successful Auction.

"BIE Acceptance Notice": A notice from the Trustee or the Income Notes Transfer Agent, as applicable, to an Originating Noteholder specifying (i) each BIE Collateral Security that will be substituted for an existing item of Default Swap Collateral, (ii) each such item of Default Swap Collateral to be substituted, (iii) the BIE Exercise Period, (iv) the BIE Transaction Cost and (v) account information of the Issuer for such Originating Noteholder to deliver such BIE Collateral Security to the Issuer and to present payment of the BIE Transaction Cost to the Issuer.

"BIE Collateral Security": Any security that any Holder of a Note proposes to substitute for part or all of an existing item of Default Swap Collateral pursuant to the Indenture.

"BIE Consent Solicitation Notice": A notice from the Trustee or the Income Notes Transfer Agent, as applicable, to each Holder of a Note, including the Originating Noteholder, each Hedge Counterparty and the related Synthetic Security Counterparty specifying (i) each proposed BIE Collateral Security and its par amount, (ii) each Default Swap Collateral to be substituted and its par amount and (iii) the BIE Notification Date.

"BIE Exercise Period": The period from and including the delivery of a BIE Acceptance Notice to but excluding the day that is three Business Days thereafter.

"BIE Notification Date": The Business Day by which a Holder of a Note must respond to a BIE Consent Solicitation Notice, which date shall be 20 Business Days from the date of such BIE Consent Solicitation Notice.

"BIE Transaction Cost": An amount, as determined pursuant to the Collateral Administration Agreement, by the Collateral Administrator, on behalf of the Issuer, equal to the aggregate amount of the expenses of the Issuer and the Trustee that would be incurred as a result of the proposed substitution of each BIE Collateral Security for part or all of an existing item of Default Swap Collateral.

"Board of Directors" means, with respect to the Issuer or the Co-Issuer, the directors of the Issuer or the Co-Issuer, as applicable, duly appointed by the shareholders or the directors of the Issuer or the Co-Issuer, as applicable.

"Calculation Amount" means, with respect to any Defaulted Obligation or Deferred Interest PIK Bond at any time, the lesser of (a) the Market Value of such Defaulted Obligation or Deferred Interest PIK Bond or (b) the Applicable Recovery Rate multiplied by the Principal Balance of such Defaulted Obligation or Deferred Interest PIK Bond. For purposes of determining the Calculation Amount, the Principal Balance of a Defaulted Obligation shall be deemed to be its outstanding principal amount and the Principal Balance of a Deferred Interest PIK Bond shall be deemed to be its outstanding principal amount without regard to any deferred or capitalized interest.

"CDO RMBS Securities" means CDO Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such CDO Securities) on the cash flow from (and not the market value of) a portfolio of at least 80% by principal balance of RMBS Securities.

"CDO Securities" means collateralized debt obligations (including, without limitation, any synthetic collateralized debt obligations or collateralized loan obligations) which may be categorized as CDO Structured Product Securities, CDO RMBS Securities, Collateralized Loan Securities and CDO Trust Preferred Securities.

"CDO Structured Product Securities" means CDO Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such CDO Securities) on the cash flow from a portfolio diversified among categories of Residential Mortgage-Backed Securities, Commercial Mortgage-Backed Securities, REIT Debt Securities, Asset-Backed Securities and CDO Securities or any combination of more than one of the foregoing or solely of CDO Securities (and which may include limited amounts of corporate securities), generally having the following characteristics: (i) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual debt securities depending on numerous factors specific to the particular issuers or obligors and upon whether, in the case of loans or securities bearing interest at a fixed rate, such loans or securities include an effective prepayment premium, and (ii) proceeds from such repayments can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional loans and/or debt securities.

"CDO Trust Preferred Securities" means CDO Securities that entitle the holder thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such CDO Securities) on the cash flow from a portfolio of trust preferred securities issued by bank, thrift, other depository institutions or trust subsidiaries.

"Class" means each class of Secured Notes having the same Stated Maturity and same alphabetical (but not necessarily numerical) designation of any of "S", "A", "B", "C" or "D" as a single class and the Income Notes as a single class.

"Class A Adjusted Overcollateralization Ratio" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance (for the purposes of such calculation, the Adjusted Net Outstanding Portfolio Collateral Balance will not include Principal Proceeds held as cash and Eligible Investments) *divided* by the Aggregate Outstanding Amount of the Class A Notes, after giving effect to payments to be made on the succeeding Payment Date in accordance with the Priority of Payments.

"Class A Note Redemption Price" shall equal the Class A-1 Note Redemption Price and the Class A-2 Note Redemption Price.

"Class A Overcollateralization Ratio" as of any Determination Date will equal the ratio (expressed as a percentage) obtained by dividing (i) the Net Outstanding Portfolio Collateral Balance on such Determination Date calculated (x) without including Double B Rated Assets and Single B Rated Assets in the calculation of the amount subtracted under clause (iii) of the definition thereof and (y) without including the Double B Calculation Amount and the Single B Calculation Amount in the calculation of the amount added under clause (iv) of the definition thereof and (z) without excluding Double B Rated Assets and Single B Rated Assets from the calculation of the amount subtracted under clause (v) of the definition thereof (*provided* that such amount shall exclude Principal Proceeds held as cash and Eligible Investments) by (ii) the Aggregate Outstanding Amount of the Class A Notes, *minus* Principal Proceeds expected to be available prior to clause (xii) of the Priority of Payments on the related Payment Date assuming that the Coverage Tests are satisfied.

"Class A-1 Note Redemption Price" shall equal (i) the outstanding principal amount of the Class A-1 Notes *plus* (ii) accrued and unpaid interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class A-2 Note Redemption Price" shall equal (i) the outstanding principal amount of the Class A-2 Notes *plus* (ii) accrued and unpaid interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class B Adjusted Overcollateralization Ratio" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance (for the purposes of such calculation, the Adjusted Net Outstanding Portfolio Collateral Balance will not include Principal Proceeds held as cash and Eligible Investments) divided by the sum of the Aggregate Outstanding Amount of the Class A Notes and the Class B Notes, after giving effect to payments, as applicable to be made on the succeeding Payment Date in accordance with the Priority of Payments.

"Class B Note Redemption Price" shall equal (i) the outstanding principal amount of the Class B Notes, *plus* (ii) accrued interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to, but excluding, the Redemption Date.

"Class C Adjusted Overcollateralization Ratio" means, with respect to any Determination Date, the Adjusted Net Outstanding Portfolio Collateral Balance (for the purposes of such calculation, the Adjusted Net Outstanding Portfolio Collateral Balance will not include Principal Proceeds held as cash and Eligible Investments) *divided by* the sum of the Aggregate Outstanding Amount of the Class A Notes, the Class B Notes and the Class C Notes, after giving effect to payments to be made on the succeeding Payment Date in accordance with the Priority of Payments.

"Class C Note Redemption Price" shall equal the sum of (i) the outstanding principal amount of the Class C Notes (including any Class C Deferred Interest) *plus* (ii) accrued interest thereon (including any Defaulted Interest and any interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class D Note Redemption Price" shall equal the sum of (i) the outstanding principal amount of the Class D Notes (including any Class D Deferred Interest) *plus* (ii) accrued interest thereon (including any Defaulted Interest and any interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class D Notes Amortizing Principal Amount" means an amount equal to the lesser of (a) with respect to the first Quarterly Payment Date, any amounts remaining after payment of all amounts payable under clauses (i) through (xiii) of the Priority of Payments *minus* U.S.$150,000, with respect to each Quarterly Payment Date in or after June 2007 and before March 2008, U.S.$75,000, and with respect to any other Quarterly Payment Date, U.S.$50,000 and (b) the remaining principal balance of the Class D Notes (including any Deferred Interest and any Defaulted Interest and interest thereon).

"Class S Note Redemption Price" means (i) the outstanding principal amount of the Class S Notes *plus* (ii) accrued and unpaid interest thereon (including Defaulted Interest and interest on Defaulted Interest, if any) to but excluding the Redemption Date.

"Class S Notes Amortizing Principal Amount" means an amount equal to the lesser of (a) the sum of (i) with respect to each Payment Date in or after February 2007 and before April 2007, U.S.$0, and with respect to any other Payment Date, U.S.$ 204,386 and (ii) the aggregate amount of any Class S Notes Amortizing Principal Amounts that were due on any prior Payment Date and not paid on one or more prior Payment Dates, and (b) the remaining principal balance of the Class S Notes.

"CMBS Conduit Securities" means Commercial Mortgage 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 such Commercial Mortgage Backed Securities) on the cash flow from a pool of commercial mortgage loans.

"CMBS Credit Tenant Lease Securities" means Commercial Mortgage 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 such Commercial Mortgage 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).

"CMBS Large Loan Securities" means Commercial Mortgage 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 such Commercial Mortgage Backed Securities) on the cash flow from a commercial mortgage loan or a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties. Generally, five or fewer commercial mortgage loans shall account for more than 20% of the aggregate principal balance of the entire pool of commercial mortgage loans supporting payments on the securities.

"CMBS Repackaging Securities" means a security that entitles the holders thereof to receive payments that depend on the cash flow from a portfolio of all (100%) CMBS Securities, REIT Debt Securities and other interests in commercial mortgage loans or similar commercial real estate interests

"Collateral Account" means a segregated non-interest bearing trust account, including all sub-accounts thereof, held in the name of the Trustee into which Collateral will be deposited from time to time.

"Collateral Administration Agreement" means the Collateral Administration Agreement, dated as of the Closing Date, between the Issuer and the Collateral Administrator, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

"Collateral Administrator" means The Bank of New York Trust Company, National Association, or any successor Collateral Administrator under the Collateral Administration Agreement.

"Collateralized Loan Securities" means CDO Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from (and not the market value of) a portfolio of at least 80% by principal balance of commercial loans.

"Commercial Mortgage-Backed Securities" or "CMBS" means securities backed by obligations (including certificates of participation in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, nursing homes and senior living centers and shall include, without limitation, CMBS Conduit Securities, CMBS Credit Tenant Lease Securities, CMBS Large Loan Securities and CMBS Repackaging Securities.

"Controlling Class" will be the Class S Notes and the Class A Notes (the Class A-1 Notes and the Class A-2 Notes voting together as a single class), for so long as any Class S Notes or Class A Notes are outstanding; if no Class S Notes or Class A Notes are outstanding, then the Class B Notes, so long as any Class B Notes are outstanding; if no Class S Notes, Class A Notes or Class B Notes are outstanding, then the Class C Notes, so long as any Class C Notes are outstanding; and if no Class S Notes, Class A Notes, Class B Notes or Class C Notes are outstanding, then the Class D Notes, so long any Class D Notes are outstanding.

"Default" means any Event of Default or any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

"Default Swap Collateral" means cash, securities or other collateral purchased or posted by the Issuer for the benefit of the Synthetic Security Counterparties and the other Secured Parties to the extent described in the Indenture in connection with the purchase of a Synthetic Security, including without limitation an up-front payment of cash or delivery of securities by the Issuer.

"Default Swap Collateral Substitution Information Notice": A notice from the Trustee or the Fiscal Agent, as applicable, to an Originating Noteholder notifying such Originating Noteholder of the BIE Transaction Cost relating to each proposed BIE Collateral Security.

"Default Swap Collateral Substitution Noteholder Refusal Notice": A notice from the Trustee or the Fiscal Agent, as applicable, to an Originating Noteholder notifying such Originating Noteholder that a Hedge Counterparty, the related Synthetic Security Counterparty or the Holders of a Majority of a Class of Notes did not approve of one or more proposed BIE Collateral Securities by the BIE Notification Date.

"Default Swap Collateral Substitution Request Notice": A notice from an Originating Noteholder to the Trustee or the Fiscal Agent, as applicable, (i) requesting the substitution of one or more BIE Collateral Securities for one or more existing items of Default Swap Collateral, (ii) identifying each item of Default Swap Collateral and the par amount to be substituted, (iii) identifying each proposed BIE Collateral Security and the par amount and (iv) any other information that such Originating Noteholder deems relevant.

"Default Swap Eligibility Criteria" means, with respect to the acquisition of Default Swap Collateral, eligibility criteria which will be satisfied with respect to such acquisition if, at the time of purchase, such Default Swap Collateral satisfies the following criteria: (a) it is a Residential Mortgage-Backed Security or a CDO Security, other than CDO Securities that are CDO Trust Preferred Securities or CDO Securities having exposure to corporate debt securities; (b) it is rated "AAA" or "A-1+" by S&P; (c) it is rated "AAA" or "Aaa", as applicable, by Moody's, or it is rated "P-1 or "F-1 , as applicable, by Moody's; (d) after giving effect to the acquisition of such security, the expected weighted average life of all the Default Swap Collateral does not exceed 3.25 years as determined by the Synthetic Security Counterparty; (e) it is scheduled to mature prior to the Payment Date in March 2042; and (f) after giving effect to the acquisition of such security, no more than 50% of the Default Swap Collateral by principal balance has single counterparty exposure including servicer, issuer and put swap counterparty exposure.

"Defaulted Hedge Termination Payments" means any termination payment required to be made by the Issuer to the Hedge Counterparty pursuant to a Hedge Agreement in the event of a termination of a Hedge Agreement in respect of which such Hedge Counterparty is the sole Defaulting Party or the sole Affected Party (as defined in the Hedge Agreement), other than with respect to "Illegality" or "Tax Event" (as defined in the Hedge Agreement).

"Defaulted Obligation" means any Collateral Asset with respect to which:

(i) there has occurred and is continuing for the lesser of three (3) Business Days and any applicable grace period, a default with respect to the payment of interest or principal on such Collateral Asset in accordance with its terms; *provided* that, the Collateral Asset shall not constitute a Defaulted Obligation if and when such default has been cured through the payment of all past due interest and principal or waived;

(ii) the Principal Balance of such Collateral Asset has been written down;

(iii) the Trustee has received notice of any bankruptcy, insolvency or receivership proceeding has been initiated in connection with the issuer of such Collateral Asset and is unstayed and undismissed; *provided*, that, if such proceeding is an involuntary proceeding, the condition of this clause (iii) will not be satisfied until the earliest of the following: (I) the issuer consents to such proceeding, (II) an order for relief under the United States Bankruptcy Code, or any similar order under a proceeding not taking place under the United States Bankruptcy Code, has been entered, and (III) such proceeding remains unstayed and undismissed for 60 days; or

(iv) such Collateral Asset has an S&P Rating of "CC" or lower, "D" or "SD" or, if S&P withdraws its rating and the S&P Rating at the time of withdrawal is "CCC" or below or such Collateral Asset has a Moody's Rating of "C" or lower or "Ca."

Any Synthetic Security shall be a Defaulted Obligation if (A) the related Reference Obligation would constitute a "Defaulted Obligation" under clause (i), (ii), (iii) or (iv) above or (B) the related Synthetic Security Counterparty is in default with respect to its payment obligations thereunder and such default is continuing for the lesser of three (3) Business Days and any applicable grace period.

"Deferred Interest PIK Bond" means a PIK Bond with respect to which interest thereon has been deferred or capitalized more than once in the last 12 monthly periods, but only until such time as payment of interest on such PIK Bond has resumed and all capitalized or deferred interest has been paid in full in accordance with the underlying documents at which point such PIK Bond will no longer be considered a Deferred Interest PIK Bond.

"Directed Sale Acceptance Notice": A notice from the Trustee or the Income Notes Transfer Agent, as applicable, to an Originating Noteholder specifying (i) each proposed Directed Sale Security, (ii) the Directed Sale Exercise Period, (iii) the Directed Sale Transaction Cost and (iv) the account information of the Issuer for such Originating Noteholder to present payment of the Directed Sale Transaction Cost to the Issuer.

"Directed Sale Consent Solicitation Notice": A notice from the Trustee or the Income Notes Transfer Agent, as applicable, to each Holder of a Note, including the Originating Noteholder and each Hedge Counterparty specifying (i) each proposed Directed Sale Security and (ii) the Directed Sale Notification Date.

"Directed Sale Exercise Period": The period from and including the delivery of a Directed Sale Acceptance Notice to but excluding the day that is three Business Days thereafter.

"Directed Sale Information Notice": A notice from the Trustee or the Fiscal Agent, as applicable, to an Originating Noteholder notifying such Originating Noteholder of the Directed Sale Transaction Cost relating to each proposed Directed Sale Security.

"Directed Sale Noteholder Refusal Notice": A notice from the Trustee or the Fiscal Agent, as applicable, to an Originating Noteholder notifying such originating Noteholder that a Hedge Counterparty or the Holders of a Majority of a Class of Notes did not approve of one or more proposed Directed Sale Securities by the Directed Sale Notification Date.

"Directed Sale Notification Date": The Business Day by which a Holder of a Note must respond to a Directed Sale Consent Solicitation Notice, which date shall be 20 Business Days from the date of such Directed Sale Consent Solicitation Notice.

"Directed Sale Request Notice": A notice from an Originating Noteholder to the Trustee or the Fiscal Agent, as applicable, (i) requesting the sale of one or more Collateral Assets, (ii) identifying each proposed Directed Sale Security and (iii) any other information that such Originating Noteholder deems relevant.

"Directed Sale Security": A Collateral Asset that any Holder of a Note proposes to sell with respect to which a Directed Sale Acceptance Notice has been delivered and the related Directed Sale Transaction Cost has been paid pursuant to the Indenture.

"Directed Sale Transaction Cost": An amount, as determined pursuant to the Collateral Administration Agreement, by the Collateral Administrator, on behalf of the Issuer, after consultation with the Liquidation Agent equal to the aggregate amount of the expenses of the Issuer and the Trustee that would be incurred as a result of the proposed sale of each Directed Sale Security.

"Distribution Compliance Period" with respect to the Notes, the period that ends 40 days after the later of (i) the commencement of the offering of the Notes and (ii) the Closing Date.

"Double B Calculation Amount" means the sum of the products of (a) the Principal Balance of each Double B Rated Asset and (b) 90% .

"Double B Rated Asset" means any Collateral Asset with an Actual Rating or Implied Rating from S&P less than "BBB-" but with an Actual Rating greater than "B+" or with an Actual Rating or Implied Rating from Moody's less than "Baa3 but with an Actual Rating greater than "B1."

"Eligible Bidders" are (i) any institutions, which may include affiliates of the Initial Purchaser or the Liquidation Agent and Holders of the Secured Notes and the Income Notes, whose short-term unsecured debt obligations have a rating of at least "P-1 by Moody's or "A-1+" by S&P and (ii) the Liquidation Agent.

"Eligible Depositary" shall be a financial institution organized under the laws of the United States or any state thereof, authorized to accept deposits, having a combined capital and surplus of at least U.S.$200,000,000, and having (or if its obligations are guaranteed by its parent company, its parent having), a long term debt rating of at least "Baa1 by Moody's (and if rated "Baa1 , such rating is not on watch for downgrade) and "BBB+" by S&P and a short term debt rating of "P-1 by Moody's (and not on watch for downgrade) and at least "A-1 by S&P.

"Eligible Investment" means any U.S. Dollar-denominated investment that, at the time it is delivered to the Trustee, is one or more of the following obligations or securities (including security entitlements with respect thereto): (i) direct Registered obligations of, and Registered obligations fully 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; (ii) demand and time deposits in, certificates of deposit of, or banker's acceptances issued by, any depository institution or trust company incorporated in the United States or any state thereof, which depository institution or trust company is subject to supervision and examination by federal or state authorities, with a maturity not in excess of 183 days; and with a credit rating by S&P of at least "A-1+" or at least "AA-", as applicable, a credit rating by Moody's of at least "P-1 or at least "Aa3 (and if rated "Aa3 , not on watch for downgrade), as applicable, in the case of a maturity in excess of 30 days, or a credit rating by S&P of at least "A-1 and a credit rating by Moody's of at least "P-1 (and not on watch for downgrade) in the case of a maturity of less than 30 days; (iii) repurchase obligations with respect to (a) any security described in clause (i) above or (b) any other security issued or guaranteed by an agency or instrumentality of the United States, entered into with a depository institution or trust company described in clause (ii) above or entered into with a corporation whose long-term senior unsecured rating is at least "A1 (and if rated "A1 , not on watch for downgrade) by Moody's and "AA-" by S&P and whose short-term credit rating is "P-1 (and not on watch for downgrade) by Moody's and "A-1 by S&P at the time of such investment, with a term not in excess of 91 days; (iv) 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 at least "Aa3 (and if rated "Aa3 , not on watch for downgrade) or "P-1 (and not on watch for downgrade) by Moody's and "AA-" or "A-1 by S&P; (v) commercial paper or other short-term obligations of a corporation, partnership, limited liability company or trust, or any branch or agency thereof located in the United States or any of its territories, such commercial paper or other short-term obligations having a credit rating of "P-1 (and not on watch for downgrade) by Moody's and "A-1 by S&P, and that are Registered and either are interest bearing or are sold at a discount from the face amount thereof and have a maturity of not more than 91 days from their date of issuance; and (vi) offshore money market funds which have a credit rating of not less than "Aaa/MR1+" by Moody's and "AAA" or "AAAm" or "AAAm-G" by S&P, *provided however*, that each rating in clauses (iii) through (vi) above by Moody's or S&P shall be an Actual Rating and *provided further*, that any such investment purchased on the basis of S&P's short-term rating of "A-1 shall mature no later than 30 days after the date of purchase and may not, other than overnight investments from The Bank of New York Trust Company, National Association (so long as The Bank of New York Trust Company, National Association (1) is the Trustee under the Indenture and (2) has a short-term rating from S&P of at least "A-1), exceed 20% of the Aggregate Outstanding Amount of the Notes rated by S&P. Eligible Investments shall not include any RMBS, CMBS, any inverse floater, any security subject to withholding tax if owned by the Issuer, any security subject to an offer, any interest only security, any principal only security (other than treasury bills or commercial paper) or any security with a price in excess of 100% of par. Each such Eligible Investment shall mature no later than the second Business Day immediately preceding the Payment Date next following the Due Period in which the date of investment occurs, unless such Eligible Investment is issued by the institution acting as Securities Intermediary, in which event such Eligible Investment may mature on the Business Day preceding such Payment Date. Eligible Investments may include those investments with respect to which the Securities Intermediary, the Trustee, the Liquidation Agent or the Initial Purchaser or an affiliate of the Trustee, the Liquidation Agent or the Initial Purchaser provides services. As used in this definition, ratings may not include ratings with an "r", "p", "q", "pi" or "t" subscript.

"Final Payment Date" means a Payment Date with respect to an Optional Redemption, a Payment Date in connection with the Stated Maturity, Tax Redemption, an Auction or redemption due to an Event of Default resulting in acceleration of the Secured Notes and liquidation of the Collateral.

"Hedge Collateral" means, any cash, securities or other collateral delivered and/or pledged by the Hedge Counterparty to or for the benefit of the Issuer, including, without limitation, any upfront payment of cash or delivery of securities made by the Hedge Counterparty to satisfy or secure its payment obligations pursuant to the terms of the related Hedge Agreement.

"Hedge Counterparty" means Rate Swap Counterparties and Cashflow Swap Counterparties; UBS AG, London Branch shall be the initial Interest Rate Swap Counterparty and the initial Cashflow Swap Counterparty.

"Hedge Counterparty Ratings Requirement" means (i) with respect to the rating of a Hedge Counterparty or its guarantor (or any replacement pursuant to the relevant Hedge Agreement), as an issuer or with respect to (A) the long-term senior unsecured debt of such party, "Aa3 (and not on credit watch for possible downgrade) or better by Moody's, if such party has a long-term rating only or (B) the long-term senior unsecured debt of such party, as applicable, "A1 (and not on credit watch for possible downgrade) or better by Moody's; (ii) with respect to the short-term debt of a Hedge Counterparty or its guarantor (or any replacement pursuant to the relevant Hedge Agreement), "P-1 (and not on credit watch for possible downgrade) by Moody's, or, if no such rating is available, a guaranteed affiliate thereof from Moody's, if so rated by Moody's; and (iii) with respect to a Hedge Counterparty or its guarantor (or any replacement pursuant to the relevant Hedge Agreement) as an issuer or with respect to the short-term unsecured debt of such party, "A-1 by S&P or, if no such short-term rating is available, the long-term senior unsecured debt of such party, "A+" by S&P (so long as any of the Notes outstanding hereunder are rated by such Rating Agency); *provided*, that should a Rating Agency effect an overall downward adjustment of its required ratings for hedge counterparties in collateralized debt obligation transactions, then the applicable Hedge Counterparty Ratings Requirement shall be adjusted downward accordingly; *provided further*, that any adjustment to the Hedge Counterparty Ratings Requirement will be subject to the satisfaction of the Rating Agency Condition with respect to the applicable Rating Agency.

"Hedge Receipt Amount" means, with respect to the Hedge Agreements and any Payment Date, any hedge receipts, including any other amounts so payable in respect of a termination of any Hedge Agreement.

"Holder" or "Noteholder" means, with respect to any Note the person in whose name such Note is registered, or, for purposes of voting, the granting of consents and other similar determinations under the Indenture or Fiscal Agency Agreement, as applicable, with respect to any Notes in global form, a beneficial owner thereof. "Secured Noteholder" means, with respect to any Secured Note, the Holder of such Secured Note.

"Implied Rating" means, in the case of a rating on a Collateral Asset, a rating that is determined by reference to any publicly available, fully monitored rating by another Rating Agency that, by its terms, addresses the full scope of the payment promise of the obligor.

"Income Notes Documents" means the resolutions of the Board of Directors of the Issuer authorizing the execution and delivery of the Indenture, the Memorandum and Articles of Association and the Fiscal Agency Agreement.

"Income Note Rated Amount" means, with respect to any Income Note, as of any date of determination, the initial principal amount of such Income Note, less the aggregated amount of all payments made on such Income Note on or prior to such date; *provided* that, the Income Note Rated Amount shall not be less than U.S.$1.00.

"Interest Coverage Tests" means the Class A/B Interest Coverage Test, the Class C Interest Coverage Test and the Class D Interest Coverage Test.

"Interest Proceeds" means Proceeds other than Principal Proceeds.

"Issue" of a Collateral Asset means any such Collateral Asset issued by the same issuer, having the same terms and conditions (as to, among other things, coupon, maturity, security and subordination) and otherwise being fungible with one another.

"Liquidation Proceeds" with respect to any Optional Redemption or Tax Redemption including, without duplication, (i) all Sale Proceeds from Collateral Assets sold in connection with such redemption, (ii) the aggregate amount received by the Issuer on or prior to the Business Day immediately preceding the relevant Payment Date from the termination of any Hedge Agreement in connection with such redemption, and (iii) cash and Eligible Investments on deposit in the Accounts, to the extent available therefor, including any amounts designated by the Liquidation Agent as retained for reinvestment in Eligible Investments (and also including any payments received under any Hedge Agreements on or prior to the day preceding the Payment Date, but only to the extent that such payments are required to be paid as a result of an Optional Redemption or Tax Redemption of Notes), in each case as determined by the Liquidation Agent.

"Majority" means (i) with respect to any Class or Classes of Secured Notes, the Holders of more than 50% of the Aggregate Outstanding Amount of such Class or Classes of Secured Notes and (ii) with respect to the Income Notes, the Holders of more than 50% of the outstanding Income Notes, calculated on the basis of the Aggregate Outstanding Amount (or, if the Aggregate Outstanding Amount has been paid in full, based on the original Aggregate Outstanding Amount) of the Income Notes held by each Income Noteholder.

"Market Value" means, with respect to the Collateral Assets and/or Eligible Investments, (i) the average of three bona fide bids for such Collateral Asset or Eligible Investment obtained by the Liquidation Agent at such time from any three nationally recognized dealers, which dealers are independent from one another and from the Liquidation Agent, or (ii) if the Liquidation Agent is unable to obtain three such bids, the lesser of two bona fide bids for such Collateral Asset or Eligible Investment obtained by the Liquidation Agent at such time from any two nationally recognized dealers acceptable to the Liquidation Agent, which dealers are Independent from one another and from the Liquidation Agent, or (iii) if the Liquidation Agent is unable to obtain two such bids, one bona fide bid for such Collateral Asset or Eligible Investment obtained by the Liquidation Agent at such time from any nationally recognized dealer acceptable to the Liquidation Agent, which dealer is Independent from the Liquidation Agent, or (iv) in the event the Liquidation Agent is unable to obtain one such bid, the price on such date provided to the Liquidation Agent by an independent pricing service, or (v) in the event the Liquidation Agent cannot in good faith determine the market value of such Collateral Asset or Eligible Investment using commercially reasonable efforts to apply the methods specified in clauses (i) through (iv) above, the lesser of (1) the product of (a) the Principal Balance of such Collateral Asset or Eligible Investment and (b) the Applicable Recovery Rate and (2) the Market Value as determined in good faith by the Liquidation Agent using commercially reasonable efforts to apply its reasonable business judgment. If the method of determining Market Value is based solely on clause (v) above, such Market Value shall be considered zero after 30 days until such time as the Market Value for such Collateral Asset or Eligible Investment may be determined applying the methods specified in clauses (i) through (iv) above.

"Minimum Bid Amount" is an amount equal to the sum of (a) the Secured Note Redemption Price with respect to the Auction Payment Date, (b) the Income Note Rated Amount (or such lesser amount as is agreed to by Holders of 100% of the Aggregate Outstanding Amount of the Income Notes), (c) any amount payable by the Issuer to the Hedge Counterparties upon termination of the Hedge Agreements assuming the Issuer is the defaulting or affected party less any amounts payable by the Hedge Counterparty to the Issuer upon the termination of the Hedge Agreements, (d) accrued and unpaid Liquidation Agent Fees and (e) 101% of all unpaid expenses of the Issuer, less amounts on deposit in the Accounts which are available to redeem the Notes.

"Monthly Asset Amount" means, with respect to any Payment Date, the Aggregate Principal Amount on the first day of the related Due Period.

"Moody's Rating" means the rating determined in accordance with the methodology described in the Indenture.

"Moody's Recovery Rate" means, with respect to a Collateral Asset, an amount equal to the percentage for such Collateral Asset set forth in the recovery rate assumptions for Moody's attached as Part I of Schedule C to the Indenture; *provided, however*, that (A) Defaulted Obligations which exceed 2.5% of the Aggregate Principal

Amount and have been defaulted for more than one year will be deemed to have a Moody's Recovery Rate of 0%, (B) Defaulted Obligations which exceed 1.00% of the Aggregate Principal Amount and have been defaulted for more than 2 years shall be deemed to have a Moody's Recovery Rate of 0%; and (C) Defaulted Obligations which have been defaulted for more than 3 years shall be deemed to have a Moody's Recovery Rate of 0%.

"Negatively Amortizing RMBS Asset" means a Residential Mortgage-Backed Security which is an adjustable rate mortgage loan that entitles the obligor thereunder to make minimum payments in an amount less than the accrued interest thereon and, in which case, amortizes negatively.

"Negatively Amortizing RMBS Calculation Amount" means the sum of the products of (i) the Principal Balance of each Negatively Amortizing RMBS Asset and (ii) with respect to each such Negatively Amortizing RMBS Asset, (A) if the Principal Balance of such Negatively Amortizing RMBS Asset is equal to or less than 105% of the original Principal Balance of such Negatively Amortizing RMBS Asset, 100% or (B) if the Principal Balance of such Negatively Amortizing RMBS Asset exceeds 105% of the original Principal Balance of such Negatively Amortizing RMBS Asset, 100% *minus* the percentage amount of such excess over such original Principal Balance.

"Net Outstanding Portfolio Collateral Balance" means, on any Determination Date, an amount equal to (i) the aggregate Principal Balance on such Determination Date of all Collateral Assets, *plus* (ii) the aggregate Principal Balance of all Principal Proceeds held as cash and Eligible Investments purchased with Principal Proceeds, *minus* (iii) the aggregate Principal Balance on such date of determination of all Collateral Assets that are (A) Defaulted Obligations, (B) Deferred Interest PIK Bonds, (C) Double B Rated Assets, (D) Single B Rated Assets, (E) Triple C Rated Assets and (F) Negatively Amortizing RMBS Assets, *plus* (iv) the Aggregate Calculation Amount of Defaulted Obligations and Deferred Interest PIK Bonds, the Double B Calculation Amount, the Single B Calculation Amount, the Triple C Calculation Amount and Negatively Amortizing RMBS Calculation Amount, *minus* (v) 25% of the projected Principal Balance of each Collateral Asset other than a Defaulted Obligation, Deferred Interest PIK Bond, Double B Rated Asset, Single B Rated Asset, Triple C Rated Asset or Negatively Amortizing RMBS Asset that is expected to be paid after the Stated Maturity of the Class B Notes.

"Non-Monthly Pay Securities" means Collateral Assets which under their terms are not scheduled to pay periodic interest at least once every month, irrespective of any defaults or otherwise.

"Noteholder Communication Notice" means a notice from an Originating Noteholder to the Trustee or the Fiscal Agent, as applicable, the contents of which are to be delivered by the Trustee or the Fiscal Agent, as applicable to all other Holders of Notes in accordance with the Indenture or the Fiscal Agency Agreement, as applicable.

"Originating Noteholder" means with respect to (i) any Default Swap Collateral Substitution Request Notice, the Holder(s) of a Note submitting such Default Swap Collateral Substitution Request Notice, (ii) any Directed Sale Request Notice, the Holder(s) of a Note submitting such Directed Sale Request Notice and (iii) any Noteholder Communication Notice, the Holder(s)of a Note submitting such Noteholder Communication Notice.

"Outstanding" or "outstanding" means (i) with respect to each Class of Secured Notes, as of any date of determination, all of such Class of Secured Notes theretofore authenticated and delivered under the Indenture and registered in the Note Register as outstanding except:

(a) Notes theretofore canceled by the Note Registrar or delivered to the Note Registrar for cancellation;

(b) Notes or portions thereof for whose payment or Redemption funds in the necessary amount have been theretofore irrevocably deposited with the Trustee or any Paying Agent in trust for the Holders of such Notes; *provided* that, if such Notes or portions thereof are to be redeemed, notice of such Redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(c) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Indenture, unless proof satisfactory to the Trustee is presented that any such Notes are held by a Holder in due course;

(d) Notes alleged to have been mutilated, destroyed, lost or stolen for which replacement Notes have been issued as provided in the Indenture;

(e) in connection with any waiver, (i) all Notes (if any) held by the Trustee and its affiliates if the relevant waiver relates to a Default or an Event of Default arising primarily from any act or omission of the Trustee and, (ii) all Notes (if any) held by the Liquidation Agent and its affiliates if the relevant waiver relates to a Default or an Event of Default arising primarily from any act or omission of the Liquidation Agent; and

(f) in connection with the termination of the Trustee or the Liquidation Agent, as applicable, (i) all Notes (if any) held by the Trustee and its affiliates if the termination relates to a Default or an Event of Default arising primarily from any act or omission of the Trustee and (ii) all Notes (if any) held by the Liquidation Agent and its affiliates if the relevant termination relates to a Default or an Event of Default arising primarily from any act or omission of the Liquidation Agent;

(ii) with respect to the Income Notes, as of any date of determination, all of the Income Notes issued pursuant to the Income Notes Documents and indicated in the Income Notes Register as Outstanding except in connection with the termination of the Trustee or the Liquidation Agent, as applicable:

(a) all Income Notes (if any) held by the Trustee and its affiliates if the termination relates to a Default or an Event of Default arising primarily from any act or omission of the Trustee, and

(b) all Income Notes (if any) held by the Liquidation Agent and its affiliates if the relevant termination relates to a Default or an Event of Default arising primarily from any act or omission of the Liquidation Agent and

provided that in determining whether the Holders of the requisite Aggregate Outstanding Amount of the Secured Notes or Income Notes have given any request, demand, authorization, direction, notice, consent or waiver, Secured Notes or Income Notes owned by the Issuer or the Co-Issuer or any other obligor upon the Secured Notes or Income Notes or any affiliate thereof shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Issuer and the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Secured Notes and Income Notes that the Issuer or Trustee knows to be so owned shall be so disregarded. Secured Notes or Income Notes so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Issuer and the Trustee the pledgee's right so to act with respect to such Secured Notes or Income Notes and that the pledgee is not the Issuer, the Co-Issuer, the Liquidation Agent or any other obligor upon the Secured Notes or Income Notes or any affiliate of the Issuer, the Co-Issuer, the Liquidation Agent or such other obligor.

"Overcollateralization Tests" means the Class A/B Overcollateralization Test, the Class C Overcollateralization Test and the Class D Overcollateralization Test.

"PIK Bond" means a CDO Security on which the deferral of interest does not constitute an event of default pursuant to the terms of the related underlying instruments (while any other senior debt obligation is outstanding if so provided by the related indenture or other underlying instruments).

"Principal Balance" means, with respect to any Collateral Asset or Eligible Investment, as of any date of determination, the outstanding principal amount of such Collateral Asset or Eligible Investment; subject to the following exceptions: (i) the Principal Balance of a Collateral Asset received upon acceptance of an offer to exchange a Collateral Asset for such Collateral Asset shall be deemed to be the percentage of the outstanding principal amount equal to the least of (a) the Moody's Recovery Rate and (b) the S&P Recovery Rate for such Collateral Asset until such time as Proceeds are first received when due with respect to such Collateral Asset; (ii) the

Principal Balance of each Defaulted Obligation shall be deemed to be zero, except (A) for purposes of the calculation of the Coverage Tests, in which case, the Principal Balance of Defaulted Obligations shall equal their respective outstanding principal amount (unless otherwise indicated in such tests), (B) for purposes of determining whether an Event of Default described in clause (vi) of the definition thereof has occurred, Defaulted Obligations shall be included at their Applicable Recovery Rate, (C) for purposes of calculating any trustee fees and the Liquidation Agent Fee, the Principal Balance of each Defaulted Obligation shall equal the Calculation Amount for such Defaulted Obligations and (D) as otherwise expressly indicated; (iii) the Principal Balance of any cash shall be the amount of such cash; (iv) the Principal Balance of any Collateral Assets and any Eligible Investments in which the Trustee does not have a perfected security interest shall be deemed to be zero; (v) the Principal Balance of a Synthetic Security shall be the notional amount of such Synthetic Security; (vi) the Principal Balance of any Default Swap Collateral shall be deemed to be zero as long as the related Synthetic Security is outstanding; and (vii) for purposes of calculating the Class A Overcollateralization Ratio, the Class A/B Overcollateralization Ratio, the Class C Overcollateralization Ratio and the Class D Overcollateralization Ratio, the Principal Balance of any RMBS Security that is experiencing negative amortization shall be deemed to be its outstanding principal amount without regard to any deferred or capitalized interest.

"Principal Proceeds" means, with respect to any Due Period, the sum (without duplication) of: (i) all payments of principal on the Collateral Assets and Eligible Investments 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 (other than payments of principal of Eligible Investments acquired with Proceeds other than Principal Proceeds), recoveries on Defaulted Obligations up to the par amount of such Defaulted Obligation and principal payments received on any Default Swap Collateral if the related Synthetic Security has terminated and the Issuer has no further payment obligations thereunder; (ii) Sale Proceeds received by the Issuer during such Due Period (excluding accrued interest on sold or disposed Collateral Assets or Eligible Investments); (iii) all amendment, waiver, late payment fees, restructuring and other fees and commissions collected during the related Due Period in respect of Defaulted Obligations up to the par amount; (iv) any proceeds resulting from the termination and liquidation of any Hedge Agreement; and (v) all payments received in cash by the Issuer during such Due Period that represent call, prepayment or redemption premiums but not in excess of the purchase premium paid thereon; *provided, however*, that Principal Proceeds shall not include any accrued interest or any funds from the Income Note Payment Account and all funds deposited in or credited thereto, transaction fees payable to the Issuer and its share capital on account of its ordinary shares held in its account in the Cayman Islands.

"Proceeds" means, with respect to any Due Period, without duplication, (i) all amounts received by the Trustee with respect to the Collateral Assets (excluding principal payments received on any related Default Swap Collateral for so long as the related Synthetic Security remains outstanding unless otherwise provided in the Indenture but including all investment income on Default Swap Collateral and excluding any payments of interest on Collateral Assets subject to the Cashflow Swap Agreement which are Non-Monthly Pay Securities), (ii) all amounts received as amendment, waiver, late payment fees and commissions collected during the Due Period on Collateral Assets, (iii) all amounts received with respect to Eligible Investments in the Accounts, (iv) any amounts to be released or withdrawn on the related Payment Date from the Expense Reserve Account and (v) all amounts received under any Hedge Agreements relating to the Due Period, including Principal Proceeds.

"Quarterly Payment Date" means the 2nd day of every March, June, September, and December, or if any such date is not a Business Day, the immediately following Business Day, commencing on March 2, 2007.

"Rating Agency Condition" means, with respect to any action taken or to be taken under the Transaction Documents, a condition that is satisfied when each Rating Agency has confirmed in writing to the Issuer and the Trustee that such action will not result in the immediate withdrawal, reduction or other adverse action with respect to any then-current rating of any Class of Notes.

"Redemption Date" means any Tax Redemption Date or Optional Redemption Date.

"Reference Obligation" means a CDO Security upon which a Synthetic Security is based and that satisfies the criteria set forth in the definition of Synthetic Security.

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

"Registered" means, with respect to any debt obligation or debt security, a debt obligation or debt security that is issued after July 18, 1984, and that is in registered form within the meaning of Section 881(c)(2)(B)(i) of the Code and the Treasury regulations promulgated thereunder.

"REIT Debt Security" means a security issued by publicly held real estate investment trusts (as defined in Section 856 of the Code or any successor provision).

"Residential Mortgage-Backed Securities" or "RMBS" means securities that represent interests in pools of residential mortgage loans secured by 1 to 4 family residential mortgage loans and shall include, without limitation, RMBS Prime Mortgage Securities, RMBS Midprime Mortgage Securities and RMBS Subprime Mortgage Securities.

"RMBS Midprime Mortgage Securities" means Residential Mortgage-Backed Securities (other than RMBS Subprime Mortgage Securities and RMBS Prime Mortgage Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Residential Mortgage-Backed Securities) on the cash flow from midprime residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by 1- to 4-family residential real estate, the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used). At issuance, the loans in the portfolio underlying each such RMBS Midprime Mortgage Security will have a weighted average FICO Score greater than 625, but less than 700.

"RMBS Prime Mortgage Securities" means Residential Mortgage-Backed Securities (other than RMBS Subprime Mortgage Securities and RMBS Midprime Mortgage Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Residential Mortgage-Backed Securities) on the cash flow from prime residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by 1- to 4-family residential real estate, the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used). At issuance, the loans in the portfolio underlying each such RMBS Prime Mortgage Security will have a weighted average FICO Score of at least 700.

"RMBS Subprime Mortgage Securities" means Residential Mortgage-Backed Securities (other than RMBS Prime Mortgage Securities and RMBS Midprime Mortgage Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such Residential Mortgage-Backed Securities) on the cash flow from subprime residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by 1- to 4-family residential real estate, the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used). At issuance, the loans in the portfolio underlying each such RMBS Subprime Mortgage Security will have a weighted average FICO Score of 625 or below.

"S&P Rating" means the rating determined in accordance with the methodology described in the Indenture.

"S&P Recovery Rate" means, with respect to a Collateral Asset on any Determination Date, an amount equal to the percentage for such Collateral Asset set forth in the S&P Recovery Rate Matrix attached as a schedule to the Indenture (determined in accordance with procedures prescribed by S&P for such Collateral Asset on the date of its purchase by the Issuer or, in the case of a Defaulted Obligation, the S&P Rating immediately prior to default).

"Sale Proceeds" means all amounts representing Proceeds (including accrued interest) from the sale or other disposition of any Collateral Asset or Eligible Investment received during such Due Period, net of any reasonable amounts expended by the Liquidation Agent or the Trustee in connection with such sale or other disposition.

"Secured Note Redemption Price" is the Class S Note Redemption Price, the Class A Note Redemption Price, the Class B Note Redemption Price, the Class C Note Redemption Price and the Class D Note Redemption Price, as applicable.

"Servicer" means, with respect to any Issue of Collateral Assets, the entity that, absent any default, event of default or similar condition (however described), is primarily responsible for monitoring and otherwise administering the cash flows from which payments to investors in such Collateral Assets are made.

"Single B Calculation Amount" means the sum of the products of (a) the Principal Balance of each Single B Rated Asset and (b) 70%.

"Single B Rated Asset" means any Collateral Asset, that is not a Triple C Rated Asset, with an Actual Rating from S&P less than "BB-" or with an Actual Rating from Moody's less than "Ba3."

"Statistical Loss Amount" means, as of any Determination Date, the sum of, for each Collateral Asset, the product of (i) the Principal Balance of such Collateral Asset and (ii) the Moody's "Idealized" Cumulative Expected Loss Rate as set forth in the Indenture for such Collateral Asset. For purposes of the calculation of the Statistical Loss Amount on any Determination Date with respect to Single B Rated Assets, Deferred Interest PIK Bonds, Double B Rated Assets, Triple C Rated Assets, Defaulted Obligations and the principal amount of any Collateral Assets expected to be paid in full after the March 2, 2042 Payment Date, the principal amount thereof expected to be paid after the Payment Date related to such Determination Date shall be excluded.

"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 calculation.

"Super Majority" means with respect to any Class of Notes, the Holders of more than 66-2/3% of the Aggregate Outstanding Amount of such Class of Notes.

"Synthetic Security" means the credit default swaps entered into by the Issuer and Goldman Sachs International on the Closing Date, evidenced by an ISDA Master Agreement (Multicurrency Cross Border) and one or more confirmations.

"Synthetic Security Counterparty" means Goldman Sachs International and, if Goldman Sachs International is no longer the Synthetic Security Counterparty, any entity required to make payments on a Synthetic Security pursuant to the terms of such Synthetic Security or any guarantee thereof.

"Tax Event" means (i) the adoption of, or a change in, any tax statute (including the Code), treaty, regulation (whether temporary or final), rule, ruling, practice, procedure or judicial decision or interpretation which results or will result in withholding tax payments representing in excess of 3% of the aggregate interest due and payable on the Collateral Assets during the Due Period in which such event occurs as a result of the imposition of U.S. or other withholding tax with respect to which the obligors are not required to make gross-up payments that cover the full amount of such withholding taxes on an after-tax basis or (ii) the adoption of, or change in, any tax statute (including the Code), treaty, regulation (whether temporary or final), rule, ruling, practice, procedure or judicial decision or interpretation which results or will result in taxation of the Issuer's net income in an amount equal to 3% or more of the net income of the Issuer during any Due Period in which such event occurs.

"Total Redemption Amount" means the sum of (a) all amounts due as of the Redemption Date pursuant to clauses (i), (ii), (iii), (iv), (v), (xvi) and (xvii) of the Priority of Payments, (b) the Secured Note Redemption Prices and (c) the Income Note Rated Amount (or such lesser amount as is agreed to by Holders of 100% of the Aggregate Outstanding Amount of the Income Notes).

"Treasury" means the United States Department of the Treasury.

"Triple C Calculation Amount" means the sum of the products of (a) the Principal Balance of each Triple C Rated Asset and (b) 50%.

"Triple C Rated Asset" mean any Collateral Asset (other than a Defaulted Obligation) with an Actual Rating from S&P of less than "B-" or with an Actual Rating from Moody's of less than "B3."

Collateral Asset Descriptions and Transaction Summaries

RMBS Assets

CUSIP	Name	Issuer	Original Face	Factor	Current Face	Total Deal Par	Tranche Par	Issue Date	Coupon Index	Coupon/Margin	Maturity
35729PNE6	FHLT 2005E M2	FHLT 2005-E	30,000,000	1.0000	30,000,000	2,196,001,896	80,154,000	12/20/2005	LIBOR01M	0.46%	1/25/2036
70069FMU8	PPSI 2005WHQ4 M3	PPSI 2005-WHQ4	27,775,000	1.0000	27,775,000	2,275,008,853	47,775,000	8/30/2005	LIBOR01M	0.52%	9/25/2035
040104QS3	ARSI 2005W5 M3	ARSI 2005-W5	27,000,000	1.0000	27,000,000	2,000,000,246	46,000,000	12/28/2005	LIBOR01M	0.50%	1/25/2036
65536QAG3	NHELI 2006HE3 M2	NHELI 2006-HE3	23,309,000	1.0000	23,309,000	1,074,928,098	40,309,000	8/31/2006	LIBOR01M	0.33%	7/25/2036
81376YAF8	SABR 06HE1 M1	SABR 2006-HE1	20,580,000	1.0000	20,580,000	768,771,113	59,580,000	8/31/2006	LIBOR01M	0.30%	7/25/2036
00441TAK9	ACE 2006HE3 M5	ACE 2006-HE3	18,740,000	1.0000	18,740,000	1,121,121,333	20,740,000	6/27/2006	LIBOR01M	0.41%	6/25/2036
144528AF3	CARR 2006 NC3 M2	CARR 2006-NC3	17,400,000	1.0000	17,400,000	1,592,991,978	82,836,000	8/10/2006	LIBOR01M	0.31%	8/25/2036
75405MAH7	RASC 2005EMX3 M3	RASC 2005-EMX3	15,750,000	1.0000	15,750,000	700,000,169	15,750,000	9/23/2005	LIBOR01M	0.46%	9/25/2035
64352VPS4	NCHET 2005D M3	NCHET 2005-D	15,000,000	1.0000	15,000,000	1,450,077,693	31,902,000	12/28/2005	LIBOR01M	0.48%	2/25/2036
76110W7H3	RASC 2005KS11 M5	RASC 2005-KS11	15,000,000	1.0000	15,000,000	1,380,000,196	22,770,000	11/29/2005	LIBOR01M	0.63%	12/25/2035
04541GVR0	ABSHE 2006HE1 M6	ABSHE 2006-HE1	15,000,000	1.0000	15,000,000	1,101,821,450	17,078,000	2/6/2006	LIBOR01M	0.71%	1/25/2036
863576DK7	SASC 2005WF4 M5	SASC 2005-WF4	15,000,000	1.0000	15,000,000	1,962,205,522	22,565,000	11/23/2005	LIBOR01M	0.62%	11/25/2035
863587AM3	SAIL 0603 M6	SAIL 2006-3	15,000,000	1.0000	15,000,000	2,730,175,981	35,492,000	5/26/2006	LIBOR01M	0.46%	6/25/2036
04013bag7	ARSI 2006-M2 M3	ARSI 2006-M2	14,351,000	1.0000	14,351,000	1,700,078,853	26,351,000	8/29/2006	LIBOR01M	0.34%	9/25/2036
03072SL94	AMSI 2005R8 M2	AMSI 2005-R8	14,240,000	1.0000	14,240,000	1,416,191,359	38,240,000	9/28/2005	LIBOR01M	0.49%	10/25/2035
362437AH8	GSAMP 06HE5 M3	GSAMP 2006-HE5	13,265,000	1.0000	13,265,000	1,037,282,078	22,820,000	8/25/2006	LIBOR01M	0.32%	8/25/2036
456606JU7	INABS 2005D M6	INABS 2005-D	13,050,000	1.0000	13,050,000	899,998,685	13,050,000	12/23/2005	LIBOR01M	0.80%	3/25/2036
004421KZ5	ACE 05HE1 M6	ACE 2005-HE1	13,016,000	1.0000	13,016,000	1,539,718,109	20,016,000	1/31/2005	LIBOR01M	0.85%	2/25/2035
81375WGW0	SABR 2005OP2 M3	SABR 2005-OP2	13,000,000	1.0000	13,000,000	1,008,164,920	19,659,000	12/28/2005	LIBOR01M	0.48%	10/25/2035
43709LAG2	INABS 2006 D M3	INABS 2006-D	12,475,000	1.0000	12,475,000	949,997,358	19,475,000	9/13/2006	LIBOR01M	0.32%	11/25/2036
040104PH8	ARSI 2005W3 M6	ARSI 2005-W3	12,000,000	1.0000	12,000,000	2,000,000,394	29,000,000	10/28/2005	LIBOR01M	0.70%	11/25/2035
04013baf9	ARSI 2006-M2 M2	ARSI 2006-M2	12,000,000	1.0000	12,000,000	1,700,078,853	73,953,000	8/29/2006	LIBOR01M	0.33%	9/25/2036
86359DVY0	SASC 2005AR1 M3	SASC 2005-AR1	11,770,000	1.0000	11,770,000	1,049,807,167	26,770,000	11/30/2005	LIBOR01M	0.50%	9/25/2035
75406XAG4	RASC 06KS7 M3	RASC 2006-KS7	11,275,000	1.0000	11,275,000	550,000,049	11,275,000	8/28/2006	LIBOR01M	0.33%	9/25/2036
65536HBF4	NHELI 2005HE1 M4	NHELI 2005-HE1	10,152,000	1.0000	10,152,000	1,150,121,445	24,152,000	10/31/2005	LIBOR01M	0.59%	9/25/2035
040104SA0	ARSI 2006W2 M4	ARSI 2006-W2	10,000,000	1.0000	10,000,000	1,600,001,722	28,000,000	2/27/2006	LIBOR01M	0.56%	3/25/2036
362437AL9	GSAMP 06HE5 M6	GSAMP 2006-HE5	10,000,000	1.0000	10,000,000	1,037,282,078	17,634,000	8/25/2006	LIBOR01M	0.48%	8/25/2036
126670HN1	CWL 200513 MV5	CWL 2005-13	9,000,000	1.0000	9,000,000	1,700,000,000	28,050,000	11/21/2005	LIBOR01M	0.65%	4/25/2036
83612HAG3	SVHE 063 M3	SVHE 2006-3	8,653,000	1.0000	8,653,000	1,050,115,031	24,153,000	8/17/2006	LIBOR01M	0.33%	11/25/2036
64360YAE5	NCHET 062 M2	NCHET 2006-2	7,866,000	1.0000	7,866,000	1,192,746,592	54,866,000	6/29/2006	LIBOR01M	0.32%	8/25/2036
362437AF2	GSAMP 06HE5 M1	GSAMP 2006-HE5	6,536,000	1.0000	6,536,000	1,037,282,078	41,491,000	8/25/2006	LIBOR01M	0.30%	8/25/2036
74924TAF1	RASC 06EMX7 M2	RASC 2006-EMX7	6,000,000	1.0000	6,000,000	520,000,106	22,620,000	8/25/2006	LIBOR01M	0.31%	8/25/2036
456606JR4	INABS 05D M3	INABS 2005-D	5,800,000	1.0000	5,800,000	899,998,685	19,800,000	12/23/2005	LIBOR01M	0.48%	3/25/2036
144528AE6	CARR 2006 NC3 M1	CARR 2006-NC3	5,000,000	1.0000	5,000,000	1,592,991,978	90,004,000	8/10/2006	LIBOR01M	0.30%	8/25/2036
83612HAF5	SVHE 063 M2	SVHE 2006-3	5,000,000	1.0000	5,000,000	1,050,115,031	39,379,000	8/17/2006	LIBOR01M	0.30%	11/25/2036
40430HED6	HASC 2006OPT2 M4	HASC 2006-OPT2	4,151,000	1.0000	4,151,000	1,410,043,699	26,790,000	2/28/2006	LIBOR01M	0.52%	1/25/2036
74924TAG9	RASC 06EMX7 M3	RASC 2006-EMX7	3,500,000	1.0000	3,500,000	520,000,106	11,180,000	8/25/2006	LIBOR01M	0.33%	8/25/2036
9497EAAJ0	WFHET 062 M5	WFHET 2006-2	3,474,000	1.0000	3,474,000	810,847,087	12,974,000	6/29/2006	LIBOR01M	0.40%	7/25/2036
14986pah6	CBASS 2006-CB6 M3	CBASS 2006-CB6	3,250,000	1.0000	3,250,000	780,713,464	12,101,000	7/31/2006	LIBOR01M	0.31%	7/25/2036
753910AG3	RASC 05KS12 M4	RASC 2005-KS12	2,000,000	1.0000	2,000,000	1,150,000,143	20,125,000	12/28/2005	LIBOR01M	0.64%	1/25/2036
76110W3A2	RASC 05KS7 M4	RASC 2005-KS7	2,000,000	1.0000	2,000,000	400,000,858	7,401,000	7/28/2005	LIBOR01M	0.58%	8/25/2035
040104QT1	ARSI 05W5 M4	ARSI 2005-W5	1,000,000	1.0000	1,000,000	2,000,000,246	33,000,000	12/28/2005	LIBOR01M	0.65%	1/25/2036
93935BAH3	WMALT 20065 3A6	WMALT 2006-5	39,693,842	1.0000	39,693,842	655,790,498	59,693,842	6/29/2006	fixed	6.27%	7/25/2036
86358EWY8	SAIL 2005HE3 M2	SAIL 2005-HE3	26,000,000	1.0000	26,000,000	2,370,277,347	63,997,000	8/30/2005	LIBOR01M	0.49%	9/25/2035
362341AR0	GSAA 20057 AF5	GSAA 2005-7	25,754,000	1.0000	25,754,000	695,530,043	64,754,000	6/29/2005	fixed	4.61%	5/25/2035
76112BYU8	RAMP 2005EFC3 M2	RAMP 2005-EFC3	17,000,000	1.0000	17,000,000	759,646,826	27,347,000	8/30/2005	LIBOR01M	0.46%	8/25/2035
61744CWP7	MSAC 2005HE7 M4	MSAC 2005-HE7	15,000,000	1.0000	15,000,000	1,363,813,302	23,184,000	12/21/2005	LIBOR01M	0.58%	11/25/2035
362341QT9	FFML 2005FF8 M3	FFML 2005-FF8	15,000,000	1.0000	15,000,000	1,444,458,562	46,945,000	9/29/2005	LIBOR01M	0.63%	9/25/2035
542514RR7	LBMLT 20061 M4	LBMLT 2006-1	15,000,000	1.0000	15,000,000	2,499,990,025	42,500,000	2/7/2006	LIBOR01M	0.55%	2/25/2036
81375WKE5	SABR 2006WM1 M1	SABR 2006-WM1	15,000,000	1.0000	15,000,000	721,736,085	61,708,000	2/28/2006	LIBOR01M	0.40%	12/25/2035
03072ST39	AMSI 2005R10 M6	AMSI 2005-R10	15,000,000	1.0000	15,000,000	2,006,425,509	26,084,000	11/23/2005	LIBOR01M	0.69%	12/25/2035
81375WFJ0	SABR 2005FR4 M2	SABR 2005-FR4	15,000,000	1.0000	15,000,000	1,098,257,690	71,387,000	9/29/2005	LIBOR01M	0.64%	1/25/2036
86358EZC3	SAIL 200510 M5	SAIL 2005-10	15,000,000	1.0000	15,000,000	1,661,016,889	24,085,000	11/30/2005	LIBOR01M	0.65%	12/25/2035
86358EXT8	SAIL 20058 M4	SAIL 2005-8	14,255,000	1.0000	14,255,000	2,241,129,598	30,255,000	9/30/2005	LIBOR01M	0.60%	10/25/2035
542514TB0	LBMLT 2006WL3 M5	LBMLT 2006-WL3	13,000,000	1.0000	13,000,000	1,917,874,233	28,768,000	1/30/2006	LIBOR01M	0.58%	1/25/2036
73316PGW4	POPLR 20055 MV2	POPLR 2005-5	12,172,000	1.0000	12,172,000	229,818,023	29,672,000	10/21/2005	LIBOR01M	0.63%	11/25/2035
86360XAD2	SASCO 06GEL3 M1	SASC 2006-GEL3	11,000,000	1.0000	11,000,000	342,330,415	21,910,000	7/31/2006	LIBOR01M	0.35%	7/25/2036

RMBS Assets

CUSIP	Name	Issuer	Original Face	Factor	Current Face	Total Deal Par	Tranche Par	Issue Date	Coupon Index	Coupon/Margin	Maturity
362341L80	GSAMP 2005WMC3 M3	GSAMP 2005-WMC3	10,604,000	1.0000	10,604,000	735,312,672	26,104,000	12/28/2005	LIBOR01M	0.64%	12/25/2035
362341KF5	GSAMP 2005HE4 M4	GSAMP 2005-HE4	10,000,000	1.0000	10,000,000	1,465,342,417	26,376,000	8/25/2005	LIBOR01M	0.59%	8/25/2035
320276AL2	FFML 06FF9 M5	FFML 2006-FF9	10,000,000	1.0000	10,000,000	1,684,714,854	25,271,000	7/7/2006	LIBOR01M	0.43%	6/25/2036
36829JAD3	GEWMC 061 M1	GEWMC 2006-1	10,000,000	1.0000	10,000,000	902,258,035	28,808,000	8/21/2006	LIBOR01M	0.27%	8/25/2036
46629FAF7	JPMAC 06NC2 M2	JPMAC 2006-NC2	10,000,000	1.0000	10,000,000	948,076,340	47,877,000	8/23/2006	LIBOR01M	0.30%	7/25/2036
00441VAG3	ACE 2006-FM1 M2	ACE 2006-FM1	9,867,000	1.0000	9,867,000	1,451,859,623	52,267,000	8/25/2006	LIBOR01M	0.32%	7/25/2036
61749QAK6	MSIX 061 M5	MSIX 2006-1	9,853,000	1.0000	9,853,000	1,285,145,406	21,853,000	6/30/2006	LIBOR01M	0.38%	7/25/2036
46629kaj8	JPMAC 06WMC3 M3	JPMAC 2006-WMC3	9,765,000	1.0000	9,765,000	959,177,770	17,265,000	9/14/2006	LIBOR01M	0.32%	8/25/2036
004375EQ0	ACCR 20054 M6	ACCR 2005-4	8,329,000	1.0000	8,329,000	1,195,114,021	17,329,000	11/23/2005	LIBOR01M	0.67%	12/25/2035
61744CVM5	MSHEL 20054 M4	MSHEL 2005-4	8,000,000	1.0000	8,000,000	964,540,874	17,844,000	11/29/2005	LIBOR01M	0.59%	9/25/2035
46629kah2	JPMAC 06WMC3 M2	JPMAC 2006-WMC3	8,000,000	1.0000	8,000,000	959,177,770	28,775,000	9/14/2006	LIBOR01M	0.30%	8/25/2036
00437NAG7	ACCR 20062 M3	ACCR 2006-2	7,800,000	1.0000	7,800,000	1,400,000,000	23,800,000	6/29/2006	LIBOR01M	0.33%	9/25/2036
362341ZF9	GSAMP 2005HE5 M5	GSAMP 2005-HE5	7,599,000	1.0000	7,599,000	922,198,672	16,599,000	11/22/2005	LIBOR01M	0.63%	11/25/2035
45661JAG8	INDB 061 M3	INDB 2006-1	6,572,000	1.0000	6,572,000	398,322,093	6,572,000	6/29/2006	LIBOR01M	0.37%	7/25/2036
86360XAE0	SASCO 06GEL3 M2	SASC 2006-GEL3	6,333,000	1.0000	6,333,000	342,330,415	6,333,000	7/31/2006	LIBOR01M	0.40%	7/25/2036
45661JAH6	INDB 061 M4	INDB 2006-1	5,776,000	1.0000	5,776,000	398,322,093	5,776,000	6/29/2006	LIBOR01M	0.41%	7/25/2036
45256VAF4	IMSA 062 1M1	IMSA 2006-2	5,600,000	1.0000	5,600,000	584,813,749	11,404,000	6/29/2006	LIBOR01M	0.33%	8/25/2036
46629FAG5	JPMAC 06NC2 M3	JPMAC 2006-NC2	5,000,000	1.0000	5,000,000	948,076,340	13,747,000	8/23/2006	LIBOR01M	0.32%	7/25/2036
00441VAH1	ACE 2006-FM1 M3	ACE 2006-FM1	4,000,000	1.0000	4,000,000	1,451,859,623	26,133,000	8/25/2006	LIBOR01M	0.33%	7/25/2036
02147HAK8	CWALT 06OC5 M4	CWALT 2006-OC5	3,300,000	1.0000	3,300,000	792,249,711	6,734,000	6/29/2006	LIBOR01M	0.43%	6/25/2036
07387UFG1	BSABS 06IM1 M2	BSABS 2006-IM1	3,300,000	1.0000	3,300,000	1,067,806,366	16,551,000	4/25/2006	LIBOR01M	0.41%	4/25/2036
45256VAG2	IMSA 062 1M2	IMSA 2006-2	2,873,000	1.0000	2,873,000	584,813,749	7,310,000	6/29/2006	LIBOR01M	0.36%	8/25/2036
00441UAH3	ACE 06 ASP4 M3	ACE 2006-ASP4	2,500,000	1.0000	2,500,000	567,565,684	11,919,000	7/31/2006	LIBOR01M	0.33%	8/25/2036
45256VAH0	IMSA 062 1M3	IMSA 2006-2	2,118,000	1.0000	2,118,000	584,813,749	4,678,000	6/29/2006	LIBOR01M	0.38%	8/25/2036
00441UAK6	ACE 06 ASP4 M5	ACE 2006-ASP4	2,000,000	1.0000	2,000,000	567,565,684	9,932,000	7/31/2006	LIBOR01M	0.40%	8/25/2036
02147HAL6	CWALT 06OC5 M5	CWALT 2006-OC5	1,961,000	1.0000	1,961,000	792,249,711	3,961,000	6/29/2006	LIBOR01M	0.45%	6/25/2036
02147HAM4	CWALT 06OC5 M6	CWALT 2006-OC5	1,961,000	1.0000	1,961,000	792,249,711	3,961,000	6/29/2006	LIBOR01M	0.50%	6/25/2036
45256VAJ6	IMSA 062 1M4	IMSA 2006-2	1,462,000	1.0000	1,462,000	584,813,749	2,924,000	6/29/2006	LIBOR01M	0.48%	8/25/2036
45256VAK3	IMSA 062 1M5	IMSA 2006-2	1,462,000	1.0000	1,462,000	584,813,749	2,924,000	6/29/2006	LIBOR01M	0.51%	8/25/2036
232434AH3	CWALT 2006OC8 M3	CWALT 2006-OC8	12,499,286	1.0000	12,499,286	1,703,054,106	13,626,000	9/29/2006	LIBOR01M	0.33%	11/25/2036
232434AJ9	CWALT 2006OC8 M4	CWALT 2006-OC8	8,516,000	1.0000	8,516,000	1,703,054,106	8,516,000	9/29/2006	LIBOR01M	0.38%	11/25/2036
65537EAH7	NAA 2006AR3 M2	NAA 2006-AR3	5,476,000	1.0000	5,476,000	476,229,351	5,476,000	9/29/2006	LIBOR01M	0.39%	10/25/2036
94983SAS1	WFMBS 2006-8 A15	WFMBS 2006-8	45,000,000	1.0000	45,000,000	1,400,281,557	276,462,000	6/29/2006	fixed	6.00%	7/25/2036
362375AF4	GSAA 200610 AF6	GSAA 2006-10	34,679,000	1.0000	34,679,000	704,515,509	64,679,000	6/29/2006	fixed	6.12%	6/25/2036
31396RXH5	FHR 3172 DF	FHR 3172	35,196,740	0.9334	32,852,694	150,000,001	35,196,740	6/30/2006	LIBOR01M	0.70%	6/15/2036
76113LAG2	RAST 06A10 A7	RAST 2006-A10	23,690,000	1.0000	23,690,000	252,544,726	23,690,000	7/27/2006	fixed	6.50%	9/25/2036
31396RXE2	FHR 3172 CF	FHR 3172	23,464,222	0.9334	21,901,525	100,000,001	23,464,222	6/30/2006	LIBOR01M	0.70%	6/15/2036
31396UBU3	FHR 3185 FA	FHR 3185	22,827,214	0.9732	22,216,331	125,000,001	22,827,214	7/28/2006	LIBOR01M	0.80%	7/15/2036
02147DAG6	CWALT 06OA11 M2	CWALT 2006-OA11	21,266,000	1.0000	21,266,000	1,250,968,035	21,266,000	6/30/2006	LIBOR01M	0.41%	9/25/2046
45660LWM7	INDX 2005AR18 B4	INDX 2005-AR18	14,470,000	0.9933	14,372,909	2,411,782,116	14,470,000	9/7/2005	LIBOR01M	0.94%	10/25/2036
31396UJG6	FHR 3193 FD	FHR 3193	14,361,571	0.9923	14,251,579	250,000,001	20,861,571	7/28/2006	LIBOR01M	0.85%	7/15/2036
78577RAB5	SACO 069 M1	SACO 2006-9	12,808,000	1.0000	12,808,000	462,245,009	20,108,000	8/30/2006	LIBOR01M	0.35%	8/25/2036
36298YAE0	GSAA 0614 M1	GSAA 2006-14	12,000,000	1.0000	12,000,000	1,332,768,190	19,325,000	8/25/2006	LIBOR01M	0.29%	9/25/2036
36298YAD2	GSAA 0614 A3B	GSAA 2006-14	10,000,000	1.0000	10,000,000	1,332,768,190	30,837,000	8/25/2006	LIBOR01M	0.28%	9/25/2036
362341PB9	GSAA 200511 M1	GSAA 2005-11	9,000,000	1.0000	9,000,000	910,324,643	23,668,000	9/29/2005	LIBOR01M	0.48%	10/25/2035
362367AK0	GSAA 0611 M5	GSAA 2006-11	7,719,000	1.0000	7,719,000	1,543,644,769	7,719,000	6/30/2006	LIBOR01M	0.45%	7/25/2036
073873AC5	BALTA 2006-5 1M1	BALTA 2006-5	6,000,000	1.0000	6,000,000	1,038,129,833	31,144,000	7/31/2006	LIBOR01M	0.33%	8/25/2036
65536XAQ6	NAA 2006-AF2 5M1	NAA 2006-AF2	3,155,000	1.0000	3,155,000	200,350,034	6,311,000	7/28/2006	LIBOR01M	0.36%	8/25/2036
02146YAR7	CWALT 2006OA9 M6	CWALT 2006-OA9	2,379,000	0.9968	2,371,334	950,774,710	4,754,000	5/30/2006	LIBOR01M	0.65%	7/20/2046
31396LUZ1	FNR 06107 CF	FNR 06107	22,587,141	1.0000	22,587,141	250,000,000	22,587,141	10/30/2006	LIBOR01M	0.60%	11/30/2036
31396LVG2	FNR 06107 DF	FNR 06107	22,412,859	1.0000	22,412,859	250,000,000	28,747,144	10/30/2006	LIBOR01M	0.60%	11/30/2036

RMBS Assets

CUSIP	Name	Mdy	Mdy Notch	SP	SP Notch	Asset Type	Avg Life	Servicer
35729PNE6	FHLT 2005E M2	Aa2	Aa2	AA	AA	RMBS Subprime	4.6	Wells Fargo Bank, N.A.
70069FMU8	PPSI 2005WHQ4 M3	Aa3	Aa3	AA	AA	RMBS Subprime	4.0	HomEq Servicing Corp
040104QS3	ARSI 2005W5 M3	Aa3	Aa3	AA	AA	RMBS Subprime	5.3	Ameriquest Mortgage Company
65536QAG3	NHELI 2006HE3 M2	Aa2	Aa2	AA	AA	RMBS Subprime	6.4	Ocwen Loan Servicing, LLC
81376YAF8	SABR 06HE1 M1	Aa2	Aa2	AA	AA	RMBS Subprime	4.6	HomEq Servicing Corporation
00441TAK9	ACE 2006HE3 M5	A2	A2	AA	AA	RMBS Subprime	4.4	Ocwen Loan Servicing, LLC
144528AF3	CARR 2006 NC3 M2	Aa2	Aa2	AA	AA	RMBS Subprime	6.5	New Century Mortgage Corporation
75405MAH7	RASC 2005EMX3 M3	Aa3	Aa3	AA	AA	RMBS Subprime	3.5	Mortgage Lenders Network USA, Inc.
64352VPS4	NCHET 2005D M3	Aa3	Aa3	AA	AA	RMBS Subprime	3.6	JPMorgan Chase Bank, National Association
76110W7H3	RASC 2005KS11 M5	A2	A2	AA	AA	RMBS Subprime	3.6	Residential Funding Corporation
04541GVR0	ABSHE 2006HE1 M6	A3	A3	A+	A+	RMBS Subprime	4.6	Select Portfolio Servicing, Inc.
863576DK7	SASC 2005WF4 M5	A2	A2	A	A	RMBS Subprime	3.6	Aurora Loan Services LLC
863587AM3	SAIL 0603 M6	A3	A3	A-	A-	RMBS Subprime	4.4	Wells Fargo Bank, N.A.
04013bag7	ARSI 2006-M2 M3	Aa3	Aa3	AA-	AA-	RMBS Subprime	6.9	Ameriquest Mortgage Company
03072SL94	AMSI 2005R8 M2	Aa2	Aa2	AA	AA	RMBS Subprime	5.4	Ameriquest Mortgage Company
362437AH8	GSAMP 06HE5 M3	Aa3	Aa3	AA	AA	RMBS Subprime	4.5	Litton Loan Servicing LP
456606JU7	INABS 2005D M6	A3	A3	A+	A+	RMBS Subprime	3.4	IndyMac Bank, F.S.B.
004421KZ5	ACE 05HE1 M6	A3	A3	A-	A-	RMBS Subprime	3.1	Saxon Mortgage Services, Inc.
81375WGW0	SABR 2005OP2 M3	Aa3	Aa3	AA-	AA-	RMBS Subprime	5.3	Option One Mortgage Corporation
43709LAG2	INABS 2006 D M3	Aa3	Aa3	AA-	AA-	RMBS Subprime	4.5	IndyMac MBS, Inc
040104PH8	ARSI 2005W3 M6	A3	A3	A+	A+	RMBS Subprime	4.9	Ameriquest Mortgage Company
04013baf9	ARSI 2006-M2 M2	Aa2	Aa2	AA	AA	RMBS Subprime	6.9	Ameriquest Mortgage Company
86359DVY0	SASC 2005AR1 M3	Aa3	Aa3	AA-	AA-	RMBS Subprime	4.5	Aurora Loan Services LLC
75406XAG4	RASC 06KS7 M3	Aa3	Aa3	AA-	AA-	RMBS Subprime	6.4	HomeComings Financial Network, Inc.
65536HBF4	NHELI 2005HE1 M4	A1	A1	A+	A+	RMBS Subprime	3.4	Select Portfolio Servicing, Inc.
040104SA0	ARSI 2006W2 M4	A1	A1	A+	A+	RMBS Subprime	4.7	Ameriquest Mortgage Company
362437AL9	GSAMP 06HE5 M6	A3	A3	A	A	RMBS Subprime	4.4	Litton Loan Servicing LP
126670HN1	CWL 200513 MV5	A2	A2	A+	A+	RMBS Subprime	4.5	Countrywide Home Loans Servicing LP
83612HAG3	SVHE 063 M3	Aa3	Aa3	AA	AA	RMBS Subprime	4.5	Wells Fargo Bank, N.A.
64360YAE5	NCHET 062 M2	Aa2	Aa2	AA	AA	RMBS Subprime	4.4	New Century Mortgage Corporation
362437AF2	GSAMP 06HE5 M1	Aa1	Aa1	AA+	AA+	RMBS Subprime	4.8	Litton Loan Servicing LP
74924TAF1	RASC 06EMX7 M2	Aa2	Aa2	AA	AA	RMBS Subprime	4.7	Residential Funding Corporation
456606JR4	INABS 05D M3	Aa3	Aa3	AA	AA	RMBS Subprime	4.6	IndyMac Bank, F.S.B.
144528AE6	CARR 2006 NC3 M1	Aa1	Aa1	AA+	AA+	RMBS Subprime	6.5	New Century Mortgage Corporation
83612HAF5	SVHE 063 M2	Aa2	Aa2	AA	AA	RMBS Subprime	4.5	Wells Fargo Bank, N.A.
40430HED6	HASC 2006OPT2 M4	A1	A1	AA-	AA-	RMBS Subprime	4.0	Option One Mortgage Corporation
74924TAG9	RASC 06EMX7 M3	Aa3	Aa3	AA-	AA-	RMBS Subprime	4.6	Residential Funding Corporation
9497EAAJ0	WFHET 062 M5	A2	A2	A	A	RMBS Subprime	4.5	Wells Fargo Bank, N.A.
14986pah6	CBASS 2006-CB6 M3	Aa3	Aa3	AA-	AA-	RMBS Subprime	4.5	Litton Loan Servicing LP
753910AG3	RASC 05KS12 M4	A1	A1	AA	AA	RMBS Subprime	3.9	Residential Funding Corporation
76110W3A2	RASC 05KS7 M4	A1	A1	AA-	AA-	RMBS Subprime	3.1	Residential Funding Corporation
040104QT1	ARSI 05W5 M4	A1	A1	AA	AA	RMBS Subprime	3.8	Ameriquest Mortgage Company
93935BAH3	WMALT 20065 3A6	Aaa	Aaa	AAA	AAA	RMBS Midprime	6.1	Washington Mutual Bank
86358EWY8	SAIL 2005HE3 M2	Aa2	Aa2	AA	AA	RMBS Midprime	4.6	Option One Mortgage Corporation
362341AR0	GSAA 20057 AF5	Aaa	Aaa	AAA	AAA	RMBS Midprime	5.0	Wells Fargo Bank, N.A., Countrywide, ABN AMRO, Greenpoint, and others
76112BYU8	RAMP 2005EFC3 M2	Aa2	Aa2	AA+	AA+	RMBS Midprime	4.3	Residential Funding Corporation
61744CWP7	MSAC 2005HE7 M4	A1	A1	AA-	AA-	RMBS Midprime	3.8	JPMorgan Chase & Co.
362341QT9	FFML 2005FF8 M3	A2	A2	AA	AA	RMBS Midprime	4.4	National City Home Loan Services, Inc.
542514RR7	LBMLT 20061 M4	A1	A1	AA	AA	RMBS Midprime	3.7	Long Beach Mortgage Company
81375WKE5	SABR 2006WM1 M1	Aa2	Aa2	AA	AA	RMBS Midprime	4.7	Wells Fargo Bank, N.A.
03072ST39	AMSI 2005R10 M6	A3	A3	A	A	RMBS Midprime	5.3	Ameriquest Mortgage Company
81375WFJ0	SABR 2005FR4 M2	A2	A2	A	A	RMBS Midprime	4.0	Countrywide Home Loans Servicing LP
86358EZC3	SAIL 200510 M5	A2	A2	A	A	RMBS Midprime	3.7	Aurora Loan Services LLC
86358EXT8	SAIL 20058 M4	A1	A1	A+	A+	RMBS Midprime	3.5	Option One Mortgage Corporation
542514TB0	LBMLT 2006WL3 M5	A2	A2	A	A	RMBS Midprime	3.8	Long Beach Mortgage Company
73316PGW4	POPLR 20055 MV2	A2	A2	A	A	RMBS Midprime	4.5	Equity One, Inc
86360XAD2	SASCO 06GEL3 M1	Aa2	Aa2	AA	AA	RMBS Midprime	4.7	Aurora Loan Services LLC

RMBS Assets

CUSIP	Name	Mdy	Mdy Notch	SP	SP Notch	Asset Type	Avg Life	Servicer
362341L80	GSAMP 2005WMC3 M3	A2	A2	AA-	AA-	RMBS Midprime	3.6	Litton Loan Servicing LP
362341KF5	GSAMP 2005HE4 M4	A1	A1	AA-	AA-	RMBS Midprime	3.8	JPMorgan Chase Bank, National Assocation
320276AL2	FFML 06FF9 M5	A2	A2	AA-	AA-	RMBS Midprime	4.2	National City Home Loan Services, Inc.
36829JAD3	GEWMC 061 M1	Aa1	Aa1	AA+	AA+	RMBS Midprime	4.7	Litton Loan Servicing LP
46629FAF7	JPMAC 06NC2 M2	Aa2	Aa2	AA	AA	RMBS Subprime	5.3	JPMorgan Chase Bank, National Association
00441VAG3	ACE 2006-FM1 M2	Aa2	Aa2	AA	AA	RMBS Midprime	4.6	Fremont Investment & Loan
61749QAK6	MSIX 061 M5	A2	A2	A	A	RMBS Midprime	5.0	Wells Fargo Bank, National Association
46629kaj8	JPMAC 06WMC3 M3	Aa3	Aa3	AA-	AA-	RMBS Midprime	6.5	JP Morgan Chase Bank, National Association
004375EQ0	ACCR 20054 M6	A3	A3	A+	A+	RMBS Midprime	4.7	Accredited Home Lenders, Inc
61744CVM5	MSHEL 20054 M4	A1	A1	AA-	AA-	RMBS Midprime	3.8	HomEq Servicing Corp
46629kah2	JPMAC 06WMC3 M2	Aa2	Aa2	AA	AA	RMBS Midprime	4.6	JP Morgan Chase Bank, National Association
00437NAG7	ACCR 20062 M3	Aa3	Aa3	AA	AA	RMBS Midprime	4.5	Accredited Home Lenders, Inc
362341ZF9	GSAMP 2005HE5 M5	A2	A2	AA-	AA-	RMBS Midprime	3.8	Litton Loan Servicing LP
45661JAG8	INDB 061 M3	Aa3	Aa3	AA+	AA+	RMBS Midprime	5.3	IndyMac Bank, F.S.B.
86360XAE0	SASCO 06GEL3 M2	Aa3	Aa3	AA-	AA-	RMBS Midprime	4.6	Aurora Loan Services LLC
45661JAH6	INDB 061 M4	A1	A1	AA	AA	RMBS Midprime	5.3	IndyMac Bank, F.S.B.
45256VAF4	IMSA 062 1M1	Aa1	Aa1	AA+	AA+	RMBS Midprime	4.1	Impac Funding Corporation
46629FAG5	JPMAC 06NC2 M3	Aa3	Aa3	AA-	AA-	RMBS Subprime	5.2	JPMorgan Chase Bank, National Association
00441VAH1	ACE 2006-FM1 M3	Aa3	Aa3	AA-	AA-	RMBS Midprime	4.6	Fremont Investment & Loan
02147HAK8	CWALT 06OC5 M4	A1	A1	A+	A+	RMBS Midprime	5.1	Countrywide Home Loans Servicing LP
07387UFG1	BSABS 06IM1 M2	Aa2	Aa2	AA	AA	RMBS Midprime	4.0	Wells Fargo Bank, National Association
45256VAG2	IMSA 062 1M2	Aa2	Aa2	AA	AA	RMBS Midprime	4.1	Impac Funding Corporation
00441UAH3	ACE 06 ASP4 M3	Aa3	Aa3	AA+	AA+	RMBS Midprime	4.5	Ocwen Loan Servicing, LLC
45256VAH0	IMSA 062 1M3	Aa3	Aa3	AA-	AA-	RMBS Midprime	4.1	Impac Funding Corporation
00441UAK6	ACE 06 ASP4 M5	A2	A2	AA	AA	RMBS Midprime	4.4	Ocwen Loan Servicing, LLC
02147HAL6	CWALT 06OC5 M5	A2	A2	A	A	RMBS Midprime	5.1	Countrywide Home Loans Servicing LP
02147HAM4	CWALT 06OC5 M6	A3	A3	A-	A-	RMBS Midprime	5.1	Countrywide Home Loans Servicing LP
45256VAJ6	IMSA 062 1M4	A1	A1	A+	A+	RMBS Midprime	4.1	Impac Funding Corporation
45256VAK3	IMSA 062 1M5	A2	A2	A	A	RMBS Midprime	4.1	Impac Funding Corporation
232434AH3	CWALT 2006OC8 M3	Aa3	Aa3	AA-	AA-	RMBS Midprime	4.2	Countrywide Home Loans Servicing LP
232434AJ9	CWALT 2006OC8 M4	A1	A1	A+	A+	RMBS Midprime	4.2	Countrywide Home Loans Servicing LP
65537EAH7	NAA 2006AR3 M2	A1	A1	AA-	AA-	RMBS Prime	4.4	GMAC Mortgage Corporation
94983SAS1	WFMBS 2006-8 A15	Aaa	Aaa	-	AA	RMBS Prime	9.5	Wells Fargo Bank, N.A.
362375AF4	GSAA 200610 AF6	Aaa	Aaa	AAA	AAA	RMBS Prime	6.1	AHMS, Avelo and others
31396RXH5	FHR 3172 DF	Aaa	Aaa	AAA	AAA	RMBS Prime	8.5	Bank of America, NA
76113LAG2	RAST 06A10 A7	-	Aa1	AAA	AAA	RMBS Prime	7.4	IndyMac Bank, F.S.B
31396RXE2	FHR 3172 CF	Aaa	Aaa	AAA	AAA	RMBS Prime	8.5	Bank of America, NA
31396UBU3	FHR 3185 FA	Aaa	Aaa	AAA	AAA	RMBS Prime	8.7	Countrywide Home Loans Servicing LP
02147DAG6	CWALT 06OA11 M2	Aa1	Aa1	AA	AA	RMBS Prime	5.9	Countrywide Home Loans Servicing LP
45660LWM7	INDX 2005AR18 B4	A2	A2	A+	A+	RMBS Prime	6.9	IndyMac Bank, F.S.B.
31396UJG6	FHR 3193 FD	Aaa	Aaa	AAA	AAA	RMBS Prime	6.0	Countrywide Home Loans Servicing LP
78577RAB5	SACO 069 M1	Aa1	Aa1	AA+	AA+	RMBS Prime	3.7	GMAC Mortgage Corporation
36298YAE0	GSAA 0614 M1	Aa1	Aa1	AA+	AA+	RMBS Prime	4.3	Countrywide Home Loans Servicing LP
36298YAD2	GSAA 0614 A3B	Aaa	Aaa	AAA	AAA	RMBS Prime	5.4	Countrywide Home Loans Servicing LP
362341PB9	GSAA 200511 M1	Aa2	Aa2	AA	AA	RMBS Prime	3.7	Greenpoint Mortgage Funding, Inc
362367AK0	GSAA 0611 M5	A2	A2	A-	A-	RMBS Prime	4.2	American Home Servicing, Avelo, Countrywide Servicing, GreenPoint and NatCity
073873AC5	BALTA 2006-5 1M1	Aa2	Aa2	AA	AA	RMBS Prime	3.7	EMC Mortgage Corporation
65536XAQ6	NAA 2006-AF2 5M1	Aa2	Aa2	AA	AA	RMBS Prime	4.3	GMAC Mortgage Corp
02146YAR7	CWALT 2006OA9 M6	A1	A1	A-	A-	RMBS Prime	4.4	Countrywide Home Loans Servicing LP
31396LUZ1	FNR 06107 CF	Aaa	Aaa	AAA	AAA	RMBS Prime	10.1	no info
31396LVG2	FNR 06107 DF	Aaa	Aaa	AAA	AAA	RMBS Prime	10.1	no info

RMBS Assets

CUSIP	Name	FICO	Avg LTV	%IO	% Fixed	% 2nd Lien	%Hybrid	Avg. Loan Balance	%Occupancy	% Refinance	%Cash Out	% Purchase	%Neg Am
35729PNE6	FHLT 2005E M2	620	no info	24.00%	10.37%	4.01%	89.63%	224,102	92.76%	0.76%	52.07%	47.17%	0.00%
70069FMU8	PPSI 2005WHQ4 M3	616	79.65%	9.92%	20.39%	0.42%	79.61%	189,679	90.50%	4.84%	54.23%	40.93%	0.00%
040104QS3	ARSI 2005W5 M3	616	81.04%	19.91%	20.03%	1.25%	79.97%	189,430	91.09%	4.00%	55.65%	40.35%	0.00%
65536QAG3	NHELI 2006HE3 M2	618	79.94%	19.41%	17.20%	3.37%	82.80%	186,260	92.42%	3.41%	60.26%	36.33%	0.00%
81376YAF8	SABR 06HE1 M1	618	no info	13.84%	16.68%	5.84%	83.32%	174,999	95.00%	1.74%	61.05%	37.21%	0.00%
00441TAK9	ACE 2006HE3 M5	621	no info	27.53%	17.33%	5.66%	82.67%	178,125	93.62%	3.83%	56.54%	39.63%	0.00%
144528AF3	CARR 2006 NC3 M2	621	80.32%	21.59%	16.84%	0.99%	83.16%	214,705	92.22%	9.42%	49.78%	40.80%	0.00%
75405MAH7	RASC 2005EMX3 M3	623	83.08%	24.84%	20.82%	12.81%	79.18%	145,653	95.47%	0.97%	56.67%	42.36%	0.00%
64352VPS4	NCHET 2005D M3	619	81.37%	23.08%	18.12%	3.07%	81.88%	211,505	90.56%	9.74%	54.47%	35.79%	0.00%
76110W7H3	RASC 2005KS11 M5	619	80.82%	17.35%	19.93%	0.00%	80.07%	150,869	91.38%	16.23%	42.05%	41.72%	0.00%
04541GVR0	ABSHE 2006HE1 M6	616	78.96%	30.11%	20.70%	5.08%	79.30%	147,000	95.66%	2.66%	55.59%	41.75%	0.00%
863576DK7	SASC 2005WF4 M5	617	no info	14.60%	25.50%	4.90%	74.50%	141,857	98.30%	6.30%	70.90%	22.80%	0.00%
863587AM3	SAIL 0603 M6	622	no info	23.40%	19.94%	8.70%	80.06%	157,331	89.66%	3.49%	54.72%	41.79%	0.00%
04013bag7	ARSI 2006-M2 M3	620	81.25%	16.91%	19.76%	1.25%	80.24%	208,752	92.07%	3.39%	53.92%	42.69%	0.00%
03072SL94	AMSI 2005R8 M2	619	78.23%	20.65%	21.39%	0.00%	78.61%	176,847	97.72%	3.92%	93.82%	2.26%	0.00%
362437AH8	GSAMP 06HE5 M3	620	77.05%	6.98%	21.58%	4.65%	78.42%	156,319	94.40%	6.49%	52.54%	40.97%	0.00%
456606JU7	INABS 2005D M6	615	78.94%	19.98%	14.11%	0.00%	85.89%	195,952	95.50%	5.14%	52.34%	42.52%	0.00%
004421KZ5	ACE 05HE1 M6	625	no info	25.79%	16.18%	7.26%	83.82%	169,853	92.16%	1.34%	44.34%	54.32%	0.00%
81375WGW0	SABR 2005OP2 M3	622	no info	22.78%	15.16%	1.27%	84.84%	182,837	91.69%	6.23%	58.12%	35.65%	0.00%
43709LAG2	INABS 2006 D M3	618	80.00%	17.88%	21.24%	2.33%	78.76%	203,483	93.89%	4.68%	62.57%	32.75%	0.00%
040104PH8	ARSI 2005W3 M6	618	80.93%	20.01%	25.00%	1.25%	75.00%	198,669	91.57%	4.25%	53.29%	42.46%	0.00%
04013baf9	ARSI 2006-M2 M2	620	81.25%	16.91%	19.76%	1.25%	80.24%	208,752	92.07%	3.39%	53.92%	42.69%	0.00%
86359DVY0	SASC 2005AR1 M3	605	90.91%	0.00%	22.40%	0.00%	77.60%	181,942	90.80%	3.10%	76.80%	20.10%	0.00%
75406XAG4	RASC 06KS7 M3	612	81.75%	10.41%	21.22%	3.03%	78.78%	142,758	95.02%	7.63%	57.52%	34.85%	0.00%
65536HBF4	NHELI 2005HE1 M4	616	79.69%	29.38%	17.69%	3.67%	82.31%	205,746	94.11%	3.31%	65.92%	30.77%	0.00%
040104SA0	ARSI 2006W2 M4	611	81.57%	20.08%	11.28%	1.24%	88.72%	206,159	90.82%	3.37%	59.66%	36.97%	0.00%
362437AL9	GSAMP 06HE5 M6	620	77.05%	6.98%	21.58%	4.65%	78.42%	156,319	94.40%	6.49%	52.54%	40.97%	0.00%
126670HN1	CWL 200513 MV5	601	78.66%	28.03%	17.64%	0.00%	82.36%	200,582	97.08%	3.10%	61.21%	35.69%	0.00%
83612HAG3	SVHE 063 M3	620	no info	17.86%	19.65%	5.93%	80.35%	163,900	94.96%	5.93%	53.35%	40.72%	0.00%
64360YAE5	NCHET 062 M2	621	80.61%	17.79%	22.68%	2.74%	77.32%	227,233	89.38%	10.36%	54.80%	34.84%	0.00%
362437AF2	GSAMP 06HE5 M1	620	77.05%	6.98%	21.58%	4.65%	78.42%	156,319	94.40%	6.49%	52.54%	40.97%	0.00%
74924TAF1	RASC 06EMX7 M2	618	83.61%	5.99%	21.34%	12.50%	78.66%	159,117	95.23%	0.56%	56.95%	42.49%	0.00%
456606JR4	INABS 05D M3	615	78.94%	19.98%	14.11%	0.00%	85.89%	195,952	95.50%	5.14%	52.34%	42.52%	0.00%
144528AE6	CARR 2006 NC3 M1	621	80.32%	21.59%	16.84%	0.99%	83.16%	214,705	92.22%	9.42%	49.78%	40.80%	0.00%
83612HAF5	SVHE 063 M2	620	no info	17.86%	19.65%	5.93%	80.35%	163,900	94.96%	5.93%	53.35%	40.72%	0.00%
40430HED6	HASC 2006OPT2 M4	625	79.31%	24.40%	24.99%	4.22%	75.01%	185,871	93.60%	5.21%	61.53%	33.26%	0.00%
74924TAG9	RASC 06EMX7 M3	618	83.61%	5.99%	21.34%	12.50%	78.66%	159,117	95.23%	0.56%	56.95%	42.49%	0.00%
9497EAAJ0	WFHET 062 M5	615	78.20%	10.67%	8.79%	0.00%	91.21%	166,978	96.83%	6.27%	47.30%	46.43%	0.00%
14986pah6	CBASS 2006-CB6 M3	615	no info	13.86%	28.14%	3.23%	71.86%	187,530	93.03%	4.21%	68.35%	27.44%	0.00%
753910AG3	RASC 05KS12 M4	621	81.21%	16.20%	17.14%	0.00%	82.86%	142,279	93.80%	19.30%	38.78%	41.92%	0.00%
76110W3A2	RASC 05KS7 M4	616	80.59%	12.00%	13.26%	0.00%	86.74%	147,698	93.25%	7.72%	58.84%	33.44%	0.00%
040104QT1	ARSI 05W5 M4	616	81.04%	19.91%	20.03%	1.25%	79.97%	189,430	91.09%	4.00%	55.65%	40.35%	0.00%
93935BAH3	WMALT 20065 3A6	693	76.40%	56.98%	100.00%	0.00%	0.00%	240,857	72.70%	13.20%	36.49%	50.31%	0.00%
86358EWY8	SAIL 2005HE3 M2	628	no info	33.19%	19.53%	3.68%	80.47%	194,125	89.17%	4.07%	58.34%	37.59%	0.00%
362341AR0	GSAA 20057 AF5	691	78.35%	12.77%	100.00%	0.00%	0.00%	176,703	72.51%	9.88%	38.75%	51.37%	0.00%
76112BYU8	RAMP 2005EFC3 M2	626	83.98%	26.00%	12.75%	0.00%	87.25%	170,363	97.01%	3.09%	56.80%	40.11%	0.00%
61744CWP7	MSAC 2005HE7 M4	628	no info	15.95%	19.01%	4.68%	80.99%	178,908	94.05%	6.83%	51.31%	41.86%	0.00%
362341QT9	FFML 2005FF8 M3	650	81.31%	69.33%	11.92%	0.00%	88.08%	231,461	98.30%	3.47%	38.37%	58.16%	0.00%
542514RR7	LBMLT 20061 M4	633	79.68%	7.58%	8.67%	0.00%	91.33%	221,218	89.58%	3.66%	33.16%	63.18%	0.00%
81375WKE5	SABR 2006WM1 M1	640	no info	15.80%	17.47%	10.82%	82.53%	204,516	96.20%	2.10%	45.09%	52.81%	0.00%
03072ST39	AMSI 2005R10 M6	631	77.81%	21.41%	24.58%	0.60%	75.42%	184,018	96.98%	2.98%	93.14%	3.88%	0.00%
81375WFJ0	SABR 2005FR4 M2	627	no info	26.63%	17.89%	8.21%	82.11%	180,813	93.11%	0.51%	49.81%	49.68%	0.00%
86358EZC3	SAIL 200510 M5	626	no info	22.20%	15.00%	4.40%	85.00%	186,370	87.30%	14.40%	41.90%	43.70%	0.00%
86358EXT8	SAIL 20058 M4	630	no info	29.34%	14.48%	4.60%	85.52%	195,902	90.61%	4.50%	51.34%	44.16%	0.00%
542514TB0	LBMLT 2006WL3 M5	636	no info	8.90%	16.39%	8.70%	83.61%	174,765	85.91%	2.62%	35.02%	62.36%	0.00%
73316PGW4	POPLR 20055 MV2	632	83.11%	33.76%	0.00%	0.00%	100.00%	196,474	97.45%	3.81%	58.08%	38.11%	0.00%
86360XAD2	SASCO 06GEL3 M1	652	no info	14.42%	41.39%	5.40%	58.61%	153,815	86.75%	14.48%	47.79%	37.73%	0.00%

RMBS Assets

CUSIP	Name	FICO	Avg LTV	%IO	% Fixed	% 2nd Lien	%Hybrid	Avg. Loan Balance	%Occupancy	% Refinance	%Cash Out	% Purchase	%Neg Am
362341L80	GSAMP 2005WMC3 M3	640	73.71%	14.89%	17.81%	10.90%	82.19%	195,178	95.41%	3.11%	44.05%	52.84%	0.00%
362341KF5	GSAMP 2005HE4 M4	627	78.97%	29.41%	15.96%	4.61%	84.04%	169,726	93.53%	3.28%	44.68%	52.04%	0.00%
320276AL2	FFML 06FF9 M5	653	82.09%	38.42%	17.26%	0.00%	82.74%	184,627	96.47%	4.28%	29.59%	66.13%	0.00%
36829JAD3	GEWMC 061 M1	645	no info	10.72%	21.39%	10.99%	78.61%	193,701	95.78%	2.40%	36.72%	60.88%	0.00%
46629FAF7	JPMAC 06NC2 M2	619	no info	16.71%	20.96%	5.34%	79.04%	196,533	89.95%	10.03%	47.70%	42.27%	0.00%
00441VAG3	ACE 2006-FM1 M2	630	no info	10.82%	16.78%	6.53%	83.22%	223,889	93.72%	0.15%	43.44%	56.41%	0.00%
61749QAK6	MSIX 061 M5	630	no info	21.08%	11.44%	4.31%	88.56%	190,106	95.57%	5.08%	48.45%	46.47%	0.00%
46629kaj8	JPMAC 06WMC3 M3	642	no info	11.63%	20.44%	10.88%	79.56%	200,413	95.31%	2.34%	37.40%	60.26%	0.00%
004375EQ0	ACCR 20054 M6	635	77.99%	12.59%	23.27%	0.00%	76.73%	181,142	96.13%	2.09%	58.69%	39.22%	0.00%
61744CVM5	MSHEL 20054 M4	635	no info	40.38%	14.87%	5.08%	85.13%	168,656	96.94%	4.43%	46.95%	48.62%	0.00%
46629kah2	JPMAC 06WMC3 M2	642	no info	11.63%	20.44%	10.88%	79.56%	200,413	95.31%	2.34%	37.40%	60.26%	0.00%
00437NAG7	ACCR 20062 M3	631	76.78%	9.49%	50.88%	1.61%	49.12%	175,350	95.59%	3.42%	71.86%	24.72%	0.00%
362341ZF9	GSAMP 2005HE5 M5	639	80.92%	40.82%	15.43%	1.97%	84.57%	149,986	92.25%	6.75%	30.71%	62.54%	0.00%
45661JAG8	INDB 061 M3	658	79.84%	78.59%	0.00%	0.00%	100.00%	245,231	96.65%	1.51%	23.58%	74.91%	0.00%
86360XAE0	SASCO 06GEL3 M2	652	no info	14.42%	41.39%	5.40%	58.61%	153,815	86.75%	14.48%	47.79%	37.73%	0.00%
45661JAH6	INDB 061 M4	658	79.84%	78.59%	0.00%	0.00%	100.00%	245,231	96.65%	1.51%	23.58%	74.91%	0.00%
45256VAF4	IMSA 062 1M1	696	76.31%	85.85%	1.90%	1.90%	98.10%	301,134	73.42%	6.25%	23.80%	69.95%	0.00%
46629FAG5	JPMAC 06NC2 M3	619	no info	16.71%	20.96%	5.34%	79.04%	196,533	89.95%	10.03%	47.70%	42.27%	0.00%
00441VAH1	ACE 2006-FM1 M3	630	no info	10.82%	16.78%	6.53%	83.22%	223,889	93.72%	0.15%	43.44%	56.41%	0.00%
02147HAK8	CWALT 06OC5 M4	699	77.53%	75.45%	12.62%	0.00%	87.38%	257,175	79.94%	15.62%	17.48%	66.90%	0.00%
07387UFG1	BSABS 06IM1 M2	690	77.90%	76.37%	38.78%	6.04%	61.22%	241,285	76.42%	6.61%	27.38%	66.01%	0.00%
45256VAG2	IMSA 062 1M2	696	76.31%	85.85%	1.90%	1.90%	98.10%	301,134	73.42%	6.25%	23.80%	69.95%	0.00%
00441UAH3	ACE 06 ASP4 M3	640	no info	54.57%	20.36%	6.11%	79.64%	155,197	97.62%	4.32%	21.89%	73.79%	0.00%
45256VAH0	IMSA 062 1M3	696	76.31%	85.85%	1.90%	1.90%	98.10%	301,134	73.42%	6.25%	23.80%	69.95%	0.00%
00441UAK6	ACE 06 ASP4 M5	640	no info	54.57%	20.36%	6.11%	79.64%	155,197	97.62%	4.32%	21.89%	73.79%	0.00%
02147HAL6	CWALT 06OC5 M5	699	77.53%	75.45%	12.62%	0.00%	87.38%	257,175	79.94%	15.62%	17.48%	66.90%	0.00%
02147HAM4	CWALT 06OC5 M6	699	77.53%	75.45%	12.62%	0.00%	87.38%	257,175	79.94%	15.62%	17.48%	66.90%	0.00%
45256VAJ6	IMSA 062 1M4	696	76.31%	85.85%	1.90%	1.90%	98.10%	301,134	73.42%	6.25%	23.80%	69.95%	0.00%
45256VAK3	IMSA 062 1M5	696	76.31%	85.85%	1.90%	1.90%	98.10%	301,134	73.42%	6.25%	23.80%	69.95%	0.00%
232434AH3	CWALT 2006OC8 M3	695	77.33%	89.72%	0.00%	0.00%	100.00%	252,938	84.44%	10.10%	24.93%	64.98%	0.00%
232434AJ9	CWALT 2006OC8 M4	695	77.33%	89.72%	0.00%	0.00%	100.00%	252,938	84.44%	10.10%	24.93%	64.98%	0.00%
65537EAH7	NAA 2006AR3 M2	704	74.55%	89.32%	0.00%	0.00%	100.00%	325,981	69.01%	7.06%	25.87%	67.07%	0.00%
94983SAS1	WFMBS 2006-8 A15	745	70.00%	17.00%	100.00%	0.00%	0.00%	594,000	94.00%	no info	24.00%	no info	0.00%
362375AF4	GSAA 200610 AF6	702	73.58%	49.45%	100.00%	0.00%	0.00%	203,714	71.72%	10.16%	40.61%	49.23%	0.00%
31396RXH5	FHR 3172 DF	725	73.30%	0.00%	100.00%	0.00%	0.00%	190,900	86.30%	48.60%	0.00%	51.40%	0.00%
76113LAG2	RAST 06A10 A7	707	73.06%	43.71%	100.00%	0.00%	0.00%	588,682	90.57%	17.50%	44.23%	38.27%	0.00%
31396RXE2	FHR 3172 CF	725	73.30%	0.00%	100.00%	0.00%	0.00%	190,900	86.30%	48.60%	0.00%	51.40%	0.00%
31396UBU3	FHR 3185 FA	746	67.20%	0.00%	100.00%	0.00%	0.00%	212,600	93.90%	59.60%	0.00%	40.40%	0.00%
02147DAG6	CWALT 06OA11 M2	700	75.01%	0.00%	0.00%	0.00%	100.00%	403,153	83.18%	20.12%	54.05%	25.83%	100.00%
45660LWM7	INDX 2005AR18 B4	708	72.98%	No info	0.00%	0.00%	100.00%	324,426	94.12%	13.79%	59.98%	26.23%	100.00%
31396UJG6	FHR 3193 FD	723	76.00%	0.00%	100.00%	0.00%	0.00%	204,400	90.30%	45.70%	0.00%	54.30%	0.00%
78577RAB5	SACO 069 M1	703	no info	26.50%	84.84%	100.00%	15.16%	55,048	80.60%	7.18%	14.62%	78.20%	0.00%
36298YAE0	GSAA 0614 M1	712	no info	88.72%	0.00%	0.00%	100.00%	273,065	78.04%	9.54%	22.84%	67.62%	0.00%
36298YAD2	GSAA 0614 A3B	712	no info	88.72%	0.00%	0.00%	100.00%	273,065	78.04%	9.54%	22.84%	67.62%	0.00%
362341PB9	GSAA 200511 M1	716	77.39%	91.17%	0.00%	0.00%	100.00%	291,678	76.96%	11.58%	23.95%	64.47%	0.00%
362367AK0	GSAA 0611 M5	709	76.61%	91.06%	0.00%	0.00%	100.00%	274,280	80.52%	11.28%	21.39%	67.33%	0.00%
073873AC5	BALTA 2006-5 1M1	703	76.68%	86.75%	0.00%	0.00%	100.00%	275,344	59.29%	4.38%	16.78%	78.84%	0.51%
65536XAQ6	NAA 2006-AF2 5M1	700	77.54%	86.12%	0.00%	0.00%	100.00%	317,512	65.34%	2.37%	25.30%	72.33%	0.00%
02146YAR7	CWALT 2006OA9 M6	700	75.08%	0.00%	0.00%	0.00%	100.00%	445,745	84.13%	19.59%	50.08%	30.33%	100.00%
31396LUZ1	FNR 06107 CF	no info	no info	No info	100.00%	0.00%	0.00%	no info	no info	no info	no info	no info	0.00%
31396LVG2	FNR 06107 DF	no info	no info	No info	100.00%	0.00%	0.00%	no info	no info	no info	no info	no info	0.00%

CLO/CDO Assets

CUSIP	Name	Issuer	Original Face	Current Factor	Current Face	Total Deal Par	Tranche Par	Coupon Index	Coupon/Margin	Avg. Life	Maturity
48247MAC7	KKR 2006-1A C	KKR 2006-1A	15,000,000	1.0000	15,000,000	1,017,000,000	87,000,000	LIBOR03M	0.95%	7.4	8/25/2018
14309BAE4	CARL 2006-9A C	CARL 2006-9A	12,000,000	1.0000	12,000,000	500,000,000	26,250,000	LIBOR03M	0.67%	10.3	8/12/2021
33842RAC7	FLAGS 2006-1A C	FLAGS 2006-1A	10,000,000	1.0000	10,000,000	504,000,000	22,500,000	LIBOR03M	0.70%	11.2	9/20/2019
66859BAJ7	WOODS 067A C	WOODS 2006-7A	10,000,000	1.0000	10,000,000	500,000,000	37,500,000	LIBOR03M	0.68%	10.0	10/22/2021
23910VAG7	DVSQ 2006-6A B	DVSQ 2006-6A	30,000,000	1.0000	30,000,000	834,000,000	105,000,000	synthetic sprd	0.42%	8.2	9/7/2041
002559AE2	ABAC 2006-11 A2S2	ABAC 2006-11A	25,937,500	1.0000	25,937,500	196,187,500	25,937,500	LIBOR01M	0.58%	6.8	9/28/2045
007019AD4	ADROC 2005-1A C	ADROC 2005-1A	15,000,000	1.0000	15,000,000	454,900,000	30,400,000	synthetic sprd	1.22%	4.8	7/8/2040
007022AD8	ADROC 2005-2A C	ADROC 2005-2A	15,000,000	1.0000	15,000,000	448,050,000	30,900,000	synthetic sprd	1.15%	4.4	12/6/2041
11161RAF9	BWIC 2006-1A C	BWIC 2006-1A	15,000,000	1.0000	15,000,000	1,015,000,000	40,000,000	synthetic sprd	1.15%	4.7	7/13/2041
02149RAG3	ALTS 2005-1A C	ALTS 2005-1A	15,000,000	1.0000	15,000,000	584,000,000	30,000,000	synthetic sprd	1.20%	6.6	12/9/2040
952186AF1	WESTC 2006-1A C	WESTC 2006-1A	10,000,000	1.0000	10,000,000	2,710,000,000	60,750,000	LIBOR01M	1.30%	6.2	11/2/2041
38521PAE4	GRAND 2005-1A C	GRAND 2005-1A	10,000,000	1.0000	10,000,000	1,190,010,000	47,000,000	synthetic sprd	1.40%	8.0	4/5/2046
11838WAB0	BUCK 2006-3A C	BUCK 2006-3A	7,500,000	1.0000	7,500,000	150,000,000	37,500,000	LIBOR01M	0.50%	7.5	9/5/2051
12776YAC6	CRNMZ 2006-1A 4	CRNMZ 2006-1A	5,500,000	1.0000	5,500,000	500,000,000	11,000,000	LIBOR03M	0.56%	8.0	12/9/2046

CLO/CDO Assets

CUSIP	Name	Asset Type	Issue Date	Mdy	Mdy Notch	SP	SP Notch	Collateral Manager
48247MAC7	KKR 2006-1A C	CLO	9/19/2006	A2	A2	A	A	KKR Financial Advisors II, LLC
14309BAE4	CARL 2006-9A C	CLO	9/21/2006	A2	A2	A	A	Carlyle Investment Management LLC
33842RAC7	FLAGS 2006-1A C	CLO	9/7/2006	A2	A2	A	A	Deutsche Asset Management
66859BAJ7	WOODS 067A C	CLO	9/19/2006	A2	A2	A	A	Angelo Gordon & Co., L.P.
23910VAG7	DVSQ 2006-6A B	CDO RMBS	3/30/2006	Aa2	Aa2	AA	AA	TCW Asset Management Co.
002559AE2	ABAC 2006-11 A2S2	CDO RMBS	9/20/2006	Aa1	Aa1	AAA	AAA	Goldman Sachs Mitsui Marine Derivative Products, L.P.
007019AD4	ADROC 2005-1A C	CDO RMBS	5/11/2005	A2	A2	A	A	Clinton Group Inc
007022AD8	ADROC 2005-2A C	CDO RMBS	11/15/2005	A2	A2	A	A	Clinton Group Inc
11161RAF9	BWIC 2006-1A C	CDO RMBS	5/11/2006	A2	A2	A	A	Peloton Partners LLP
02149RAG3	ALTS 2005-1A C	CDO RMBS	8/24/2005	A2	A2	A	A	Aladdin Capital Management LLC
952186AF1	WESTC 2006-1A C	CDO RMBS	7/26/2006	A2	A2	A	A	TCW Asset Management Co.
38521PAE4	GRAND 2005-1A C	CDO RMBS	12/28/2005	A2	A2	A	A	TCW Asset Management Co.
11838WAB0	BUCK 2006-3A C	CDO RMBS	8/29/2006	Aa2	Aa2	AA	AA	Deerfield Capital Management LLC
12776YAC6	CRNMZ 2006-1A 4	CDO RMBS	9/6/2006	Aa3	Aa3	AA-	AA-	Cairn Financial Products Limited

FORM OF INCOME NOTES PURCHASE AND TRANSFER LETTER

The Bank of New York Trust Company, National Association
600 Travis Street, 50th Floor
Houston, Texas 77002
Attention: Global Corporate Trust -Hudson High Grade Funding 2006-1, Ltd.

Re: Hudson High Grade Funding 2006-1, Ltd.
Income Notes

Dear Sirs:

Reference is hereby made to the Income Notes due 2042 (the "Income Notes") issued by Hudson High Grade Funding 2006-1, Ltd. (the "Issuer"), described in the Issuer's Offering Circular dated October 30, 2006 ("Offering Circular") to be purchased and held by us in definitive certificated form. We (the "Purchaser") are purchasing U.S.$[ ] principal amount of Income Notes (the "Purchaser's Income Notes"). Terms defined or referenced in the Offering Circular and not otherwise defined or referenced herein shall have the meanings set forth in the Offering Circular.

The Purchaser hereby represents, warrants and covenants for the benefit of the Issuer that:

(a) (i) The Purchaser is (check one) (x) __ a qualified institutional buyer (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act")) (a "Qualified Institutional Buyer") (y) __ an "accredited investor" (as defined in Rule 501(a) under the Securities Act) (an "Accredited Investor") who has a net worth of not less than U.S.$10 million that is purchasing the Income Notes for its own account; (ii) The Purchaser is a "qualified purchaser" for the purposes of Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "Investment Company Act") (a "Qualified Purchaser"); (iii) The Purchaser, in the case of clause (y) above, is not acquiring the Income Notes with a view to any resale or distribution thereof, other than in accordance with the restrictions set forth below; (iv) The Purchaser is aware that the sale of the Purchaser's Income Notes to the Purchaser is being made in reliance on an exemption from registration under the Securities Act; (v) With respect to any transferee, the Purchaser also understands that, in conjunction with any transfer of the Purchaser's ownership of any Purchaser's Income Notes purchased hereunder, it will not transfer or cause the transfer of such Purchaser's Income Notes without obtaining from the transferee a certificate substantially in the form of this Income Note Purchase and Transfer Letter; (vi) The Purchaser will provide notice of the transfer restrictions described to any subsequent transferees.

(b) The Purchaser is purchasing the Purchaser's Income Notes in an amount equal to or exceeding the minimum permitted number thereof for its own account (or, if the Purchaser is a Qualified Institutional Buyer, for the account of another Qualified Institutional Buyer with respect to which the Purchaser exercises sole investment discretion) for investment purposes only and not for sale in connection with any distribution thereof, but nevertheless subject to the understanding that the disposition of its property shall at all times be and remain within its control (subject to the restrictions set forth in the Offering Circular, the certificate in respect of the Purchaser's Income Notes and the Fiscal Agency Agreement).

(c) The Purchaser understands that the Purchaser's Income Notes have not been and will not be registered or qualified under the Securities Act or any applicable state securities laws or the securities laws of any other jurisdiction and are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, are being offered only in a transaction not involving any public offering, and may be reoffered, resold or pledged or otherwise transferred only in accordance with the restrictions on transfer set forth herein and in the Fiscal Agency Agreement. The Purchaser understands and agrees that any purported transfer of Income Notes to a purchaser that does not comply with the requirements herein

will not be permitted or registered by the Income Notes Transfer Agent. The Purchaser further understands that the Issuer has the right to compel any beneficial owner of Income Notes that is a U.S. Person and is not (a) either a Qualified Institutional Buyer or an Accredited Investor with a net worth of U.S.$10 million or more and (b) a Qualified Purchaser, to sell its interest in such Income Notes, or the Issuer may sell such Income Notes on behalf of such owner.

(d) If the Purchaser or any account for which the Purchaser is purchasing the Purchaser's Income Notes is a U.S. Person (as defined in Regulation S under the Securities Act) the following representations shall be true and correct: The Purchaser (or if the Purchaser is acquiring the Purchaser's Income Notes for any account, each such account) is acquiring the Purchaser's Income Notes as principal for its own account for investment and not for sale in connection with any distribution thereof. The Purchaser and each such account: (a) was not formed for the specific purpose of investing in the Income Notes (except when each beneficial owner of the Purchaser and each such account is a Qualified Purchaser), (b) to the extent the Purchaser is a private investment company formed before April 30, 1996, the Purchaser has received the necessary consent from its beneficial owners, (c) is not a pension, profit sharing or other retirement trust fund or plan in which the partners, beneficiaries or participants, as applicable, may designate the particular investments to be made; and (d) is not a broker-dealer that owns and invests on a discretionary basis less than U.S.$25,000,000 in securities of unaffiliated issuers. Further, the Purchaser agrees: (i) that neither it nor such account shall hold the Purchaser's Income Notes for the benefit of any other person and such purchaser of such account shall be the sole beneficial owner thereof for all purposes; and (ii) that neither it nor such account shall sell participation interests in the Purchaser's Income Notes or enter into any other arrangement pursuant to which any other person shall be entitled to a beneficial interest in the distributions on the Purchaser's Income Notes. The Purchaser understands and agrees that any purported transfer of the Purchaser's Income Notes to a Purchaser that does not comply with the requirements of this clause (d) will not be permitted or registered by the Income Notes Transfer Agent.

(e) In connection with the purchase of the Purchaser's Income Notes: (i) none of the Issuers, the Initial Purchaser, the Liquidation Agent, the Administrator or the Fiscal Agent, is acting as a fiduciary or financial or investment adviser for the Purchaser; (ii) the Purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuers, the Initial Purchaser, the Liquidation Agent, the Administrator or the Fiscal Agent other than in the Offering Circular and any representations expressly set forth in a written agreement with such party; (iii) none of the Issuers, the Initial Purchaser, any Hedge Counterparty, the Liquidation Agent, the Administrator or the Fiscal Agent has given to the Purchaser (directly or indirectly through any other person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Purchaser's Income Notes; (iv) the Purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Indenture and the Fiscal Agency Agreement) based upon its own judgment and upon any advice from such advisers as it has deemed necessary and not upon any view expressed by the Issuers, the Initial Purchaser, any Hedge Counterparty, the Liquidation Agent, the Administrator or the Fiscal Agent; (v) the Purchaser has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of the Purchaser's Income Notes with a full understanding of all of the risks thereof (economic and otherwise), and it is capable of assuming and willing to assume (financially and otherwise) those risks; and (vi) the Purchaser is a sophisticated investor.

(f) The certificates in respect of the Income Notes (other than the Regulation S Income Notes) will bear a legend to the following effect unless the Issuer determines otherwise in compliance with the Fiscal Agency Agreement and applicable law:

> THE INCOME NOTES ARE THE SUBJECT OF, AND ARE ISSUED SUBJECT TO THE CONDITIONS OF, THE FISCAL AGENCY AGREEMENT, DATED ON OR ABOUT NOVEMBER 1, 2006 (THE "FISCAL AGENCY AGREEMENT") BY AND BETWEEN THE ISSUER OF THE INCOME NOTES AND THE BANK OF NEW YORK TRUST COMPANY,

NATIONAL ASSOCIATION, AS FISCAL AGENT. COPIES OF THE FISCAL AGENCY AGREEMENT MAY BE OBTAINED FROM THE FISCAL AGENT.

THE INCOME NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE INCOME NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH INCOME NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND, IN THE CASE OF CLAUSE (1) AND (2) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $250,000 OR IN THE CASE OF CLAUSE (3) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000. FURTHERMORE THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER, OTHER THAN IN THE CASE OF CLAUSE (A)(3) ABOVE, REPRESENTS FOR THE BENEFIT OF THE ISSUER THAT IT (V) IS A QUALIFIED PURCHASER FOR THE PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN EACH CASE IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL NOT BE PERMITTED OR REGISTERED BY THE INCOME NOTES TRANSFER AGENT. EACH TRANSFEROR OF THE INCOME NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE FISCAL AGENCY AGREEMENT TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER HAS THE RIGHT TO COMPEL ANY BENEFICIAL OWNER OF AN INCOME NOTE THAT IS A U.S. PERSON AND IS NOT (A) A QUALIFIED PURCHASER AND (B) EITHER A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION TO SELL SUCH INCOME NOTES, OR MAY SELL SUCH INCOME NOTES ON BEHALF OF SUCH OWNER.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(1) OR (A)(2) OF THE PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL (1) BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE INCOME NOTES TRANSFER AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS (X) A

QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, OR (Y) AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION AND (Z) A QUALIFIED PURCHASER FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT AND (2) RECEIVE ONE OR MORE DEFINITIVE INCOME NOTES.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(3) OF THE SECOND PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL BE REQUIRED TO DELIVER TO THE ISSUER AND THE INCOME NOTES TRANSFER AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S).

WITH RESPECT TO THE INCOME NOTES PURCHASED OR TRANSFERRED ON OR AFTER THE CLOSING DATE, THE PURCHASER OR TRANSFEREE MUST DISCLOSE IN WRITING IN ADVANCE TO THE FISCAL AGENT (i) WHETHER OR NOT IT IS (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (B) A "PLAN" DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF AN EMPLOYEE BENEFIT PLAN'S OR OTHER PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); (ii) IF THE PURCHASER OR TRANSFEREE IS A BENEFIT PLAN INVESTOR (OR ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW")), THAT THE PURCHASE AND HOLDING OR TRANSFER AND HOLDING OF INCOME NOTES DO NOT AND WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, ANY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE; AND (iii) WHETHER OR NOT IT IS A PERSON (OTHER THAN A BENEFIT PLAN INVESTOR) WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF A PURCHASER IS AN INSURANCE COMPANY ACTING ON BEHALF OF ITS GENERAL ACCOUNT OR OTHER ENTITY DEEMED TO BE HOLDING PLAN ASSETS, IT WILL BE PERMITTED TO SO INDICATE, AND REQUIRED TO IDENTIFY A MAXIMUM PERCENTAGE OF THE ASSETS IN SUCH GENERAL ACCOUNT OR ENTITY THAT MAY BE OR BECOME PLAN ASSETS, IN WHICH CASE THE PURCHASER OR TRANSFEREE WILL BE REQUIRED TO MAKE CERTAIN FURTHER AGREEMENTS THAT WOULD APPLY IN THE EVENT THAT SUCH MAXIMUM PERCENTAGE WOULD THEREAFTER BE EXCEEDED. THE PURCHASER AGREES THAT, BEFORE ANY INTEREST IN AN INCOME NOTE MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, THE TRANSFEREE WILL BE REQUIRED TO PROVIDE THE INCOME NOTES TRANSFER AGENT WITH AN INCOME NOTE PURCHASE AND TRANSFER LETTER (SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT) STATING, AMONG OTHER THINGS, WHETHER THE TRANSFEREE IS A BENEFIT PLAN INVESTOR. THE TRUSTEE OR INCOME NOTES TRANSFER AGENT WILL NOT PERMIT OR REGISTER ANY

PURCHASE OR TRANSFER OF INCOME NOTES TO THE EXTENT THAT THE PURCHASE OR TRANSFER WOULD RESULT IN BENEFIT PLAN INVESTORS OWNING 25% OR MORE OF THE TOTAL VALUE OF THE OUTSTANDING INCOME NOTES (OTHER THAN THE INCOME NOTES OWNED BY THE LIQUIDATION AGENT, THE TRUSTEE AND THEIR AFFILIATES) IMMEDIATELY AFTER SUCH PURCHASE OR TRANSFER (DETERMINED IN ACCORDANCE WITH THE PLAN ASSET REGULATION (AS DEFINED HEREIN) AND IN THE FISCAL AGENCY AGREEMENT).

PAYMENTS TO THE HOLDERS OF THE INCOME NOTES ARE SUBORDINATE TO THE PAYMENT ON EACH QUARTERLY PAYMENT DATE OF PRINCIPAL OF AND INTEREST ON THE SECURED NOTES OF THE ISSUER OR CO-ISSUER, AS APPLICABLE, AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE INDENTURE.

(g) The certificates in respect of the Regulation S Income Notes will bear a legend to the following effect unless the Issuer determines otherwise in compliance with the Fiscal Agency Agreement and applicable law:

THE INCOME NOTES ARE THE SUBJECT OF, AND ARE ISSUED SUBJECT TO THE CONDITIONS OF, THE FISCAL AGENCY AGREEMENT, DATED ON OR ABOUT NOVEMBER 1, 2006 (THE "FISCAL AGENCY AGREEMENT) BY AND BETWEEN THE ISSUER OF THE INCOME NOTES AND THE BANK OF NEW YORK TRUST COMPANY, NATIONAL ASSOCIATION, AS FISCAL AGENT. COPIES OF THE FISCAL AGENCY AGREEMENT MAY BE OBTAINED FROM THE FISCAL AGENT.

THE INCOME NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY PURCHASING THE INCOME NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT SUCH INCOME NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) TO AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND, IN THE CASE OF CLAUSE (1) AND (2) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $250,000 OR IN THE CASE OF CLAUSE (3) IN A PRINCIPAL AMOUNT OF NOT LESS THAN $100,000. FURTHERMORE THE PURCHASER AND EACH ACCOUNT FOR WHICH IT IS ACTING AS A PURCHASER, OTHER THAN IN THE CASE OF CLAUSE (A)(3) ABOVE, REPRESENTS FOR THE BENEFIT OF THE ISSUER THAT IT (V) IS A QUALIFIED PURCHASER FOR THE PURPOSES OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (W) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (X) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (Y) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (Z) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR

PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. ANY PURPORTED TRANSFER IN VIOLATION OF THE FOREGOING WILL NOT BE PERMITTED OR REGISTERED BY THE INCOME NOTES TRANSFER AGENT. EACH TRANSFEROR OF THE INCOME NOTES WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE FISCAL AGENCY AGREEMENT TO ITS TRANSFEREE. IN ADDITION TO THE FOREGOING, THE ISSUER HAS THE RIGHT TO COMPEL ANY BENEFICIAL OWNER OF AN INCOME NOTE THAT IS A U.S. PERSON AND IS NOT (A) A QUALIFIED PURCHASER AND (B) EITHER A QUALIFIED INSTITUTIONAL BUYER OR AN ACCREDITED INVESTOR WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION TO SELL SUCH INCOME NOTES, OR MAY SELL SUCH INCOME NOTES ON BEHALF OF SUCH OWNER.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(1) OR (A)(2) OF THE PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL (1) BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE FISCAL AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS (X) A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, OR (Y) AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT) WHO HAS A NET WORTH OF NOT LESS THAN U.S.$10 MILLION AND (Z) A QUALIFIED PURCHASER FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT AND (2) RECEIVE ONE OR MORE DEFINITIVE INCOME NOTES.

IF THE TRANSFER OF INCOME NOTES IS TO BE MADE PURSUANT TO CLAUSE (A)(3) OF THE SECOND PRECEDING PARAGRAPH, THE TRANSFEREE OF THE INCOME NOTES WILL BE REQUIRED TO DELIVER TO THE ISSUER AND THE FISCAL AGENT AN INCOME NOTES PURCHASE AND TRANSFER LETTER, SUBSTANTIALLY IN THE FORM ATTACHED TO THE FISCAL AGENCY AGREEMENT, STATING THAT AMONG OTHER THINGS, THE TRANSFEREE IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S).

WITH RESPECT TO THE INCOME NOTES PURCHASED OR TRANSFERRED AFTER THE CLOSING DATE, THE PURCHASER OR TRANSFEREE IS DEEMED TO REPRESENT AND WARRANT), THAT (i) IT IS NOT (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (B) A "PLAN" AS DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (C) AN ENTITY WHOSE ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF AN EMPLOYEE BENEFIT PLAN'S OR OTHER PLAN'S INVESTMENT IN THE ENTITY (ALL SUCH PERSONS AND ENTITIES DESCRIBED IN CLAUSES (A) THROUGH (C) BEING REFERRED TO HEREIN AS "BENEFIT PLAN INVESTORS"); AND (ii) IT IS NOT A PERSON WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OR A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO THE ASSETS OF THE ISSUER, OR ANY "AFFILIATE" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101(f)(3)) OF ANY SUCH PERSON. IF THE PURCHASER OR TRANSFEREE IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR FOREIGN LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), SUCH PURCHASER OR TRANSFEREE

ALSO IS DEEMED TO REPRESENT AND WARRANT THAT ITS PURCHASE AND HOLDING OF THE INCOME NOTES DO NOT AND WILL NOT CONSTITUTE OR RESULT IN A VIOLATION OF ANY SIMILAR LAW FOR WHICH AN EXEMPTION IS NOT AVAILABLE. ANY PURPORTED TRANSFER OF AN INCOME NOTE THAT DOES NOT COMPLY WITH THE REQUIREMENTS SET FORTH ABOVE SHALL BE NULL AND VOID *AB INITIO*.

PAYMENTS TO THE HOLDERS OF THE INCOME NOTES ARE SUBORDINATE TO THE PAYMENT ON EACH QUARTERLY PAYMENT DATE OF PRINCIPAL OF AND INTEREST ON THE SECURED NOTES OF THE ISSUER OR CO-ISSUER, AS APPLICABLE, AND THE PAYMENT OF CERTAIN OTHER AMOUNTS, TO THE EXTENT AND AS DESCRIBED IN THE INDENTURE.

(h) With respect to Income Notes transferred or purchased on or after the Closing Date, the Purchaser understands and agrees that the representations and agreements made in this paragraph (g) will be deemed made on each day from the date hereof through and including the date on which the Purchaser disposes of the Income Notes.

(x) The Purchaser is __ is not __ [check one] (i) an "employee benefit plan" as defined in and subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (ii) a "plan" as described in and subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or (iii) an entity whose underlying assets include assets of any such employee benefit plan or other plan (for purposes of ERISA or Section 4975 of the Code) by reason of a plan's investment in the entity (such persons and entities described in clauses (i) through (iii) being referred to herein as "Benefit Plan Investors"); and (y) if the Purchaser is a Benefit Plan Investor (or another employee benefit plan subject to any federal, state, local or foreign law substantially similar to Section 406 of ERISA or section 4975 of the Code ("Similar Law")), the Purchaser's purchase and holding of an Income Note do not and will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of an employee benefit plan subject to Similar Law, any Similar Law) for which an exemption is not available.

The Purchaser is _____ is not _____ [check one] the Issuer or any other person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of the Issuer, a person who provides investment advice for a fee (direct or indirect) with respect to the assets of the Issuer, or any "affiliate" (within the meaning of 29 C.F.R. Section 2510.3-101(f)(3)) of any such person (any such person described in this paragraph being referred to as a "Controlling Person").

If the Purchaser is an insurance company acting on behalf of its general account or any other entity holding plan assets of Benefit Plan Investors ____ [check if true], then (i) not more than ____% [complete by entering a percentage], (the "Maximum Percentage") of the assets of such general account or entity constitutes assets of Benefit Plan Investors for purposes of the "plan assets" regulations under ERISA, and (ii) without limiting the remedies that may otherwise be available, the Purchaser agrees that it shall (x) immediately notify the Issuer if the Maximum Percentage is exceeded, and (y) dispose of all or a portion of its Income Notes as may be instructed by the Issuer (including, in the discretion of the Issuer, a disposition back to the Issuer or an affiliate thereof (or other person designated by the Issuer) for the then value of the Income Notes as reasonably determined by the Issuer, in any case in which the Purchaser cannot otherwise make a disposition it has been instructed by the Issuer to make).

(i) The Purchaser understands and acknowledges that the Income Notes Transfer Agent will not register any purchase or transfer of Income Notes either to a proposed initial purchaser or to a proposed subsequent transferee of Income Notes that has, in either case, represented that it is a Benefit Plan Investor or a Controlling Person if, after giving effect to such proposed transfer, persons that have represented that they are Benefit Plan Investors would own 25% or more of the total value of the outstanding Income Notes. For purposes of this determination, Income Notes held by the Liquidation Agent, the Trustee, any of their respective affiliates and persons that have represented that they are Controlling Persons will be disregarded and will not be treated as outstanding. The Purchaser understands and agrees that any purported purchase

or transfer of the Purchaser's Income Notes to a Purchaser that does not comply with the requirements of this clause (i) will not be permitted or registered by the Income Notes Transfer Agent.

(j) The purchaser is not purchasing the Purchaser's Income Notes with a view toward the resale, distribution or other disposition thereof in violation of the Securities Act. The Purchaser understands that an investment in the Purchaser's Income Notes involves certain risks, including the risk of loss of its entire investment in the Purchaser's Income Notes under certain circumstances. The Purchaser has had access to such financial and other information concerning the Issuers and the Purchaser's Income Notes as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Purchaser's Income Notes, including an opportunity to ask questions of, and request information from, the Issuer.

(k) The Purchaser is not purchasing the Purchaser's Income Notes in order to reduce any United States federal income tax liability or pursuant to a tax avoidance plan.

(l) The Purchaser agrees to treat the Purchaser's Income Notes as equity for United States federal, state and local income tax purposes.

(m) The Purchaser acknowledges that due to money laundering requirements operating in the Cayman Islands, the Issuer and the Income Notes Transfer Agent may require further identification of the Purchaser before the purchase application can proceed. The Issuer and the Income Notes Transfer Agent, as applicable, shall be held harmless and indemnified by the Purchaser against any loss arising from the failure to process the application if such information as has been required from the Purchaser has not been provided by the Purchaser.

(n) The Purchaser agrees to complete any other instrument of transfer as required under Cayman Islands law.

(o) The Purchaser is not a member of the public in the Cayman Islands.

We acknowledge that you and other persons will rely upon our confirmation, acknowledgments, representations, warranties, covenants and agreements set forth herein, and we hereby irrevocably authorize you and such other persons to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Very truly yours,
[ ]
By: _____
Name:
Title:

Receipt acknowledged as of date set forth above,

_____
(Signature and Addresses)

REGISTERED OFFICES OF THE ISSUERS

HUDSON HIGH GRADE FUNDING 2006-1, LTD.
Queensgate House, P.O. Box 1093GT
George Town
Grand Cayman, Cayman Islands

HUDSON HIGH GRADE FUNDING 2006-1, CORP.
850 Library Avenue, Suite 204
Newark, Delaware 19711

TRUSTEE, PRINCIPAL NOTE PAYING AGENT, NOTE PAYING AGENT, NOTE TRANSFER AGENT, NOTE REGISTRAR, FISCAL AGENT AND INCOME NOTES TRANSFER AGENT
The Bank of New York Trust Company,
National Association
600 Travis Street, 50th Floor
Houston, Texas 77002

LIQUIDATION AGENT
Goldman, Sachs & Co.
85 Broad Street
New York, NY 10004

LEGAL ADVISORS

To the Issuers, the Initial Purchaser and the Liquidation Agent
As to matters of United States Law

Sidley Austin LLP
787 Seventh Avenue
New York, New York 10019

To the Trustee, Principal Note Paying Agent, Note Paying Agent, Note Transfer Agent, Note Registrar, Fiscal Agent and Income Notes Transfer Agent
As to matters of United States Law

Gardere Wynne Sewell, LLP.
1100 Louisiana, Suite 3400
Houston, Texas 77002-5019

To the Issuer
As to matters of Cayman Islands Law

Maples and Calder
P.O. Box 309GT, Ugland House
South Church Street,
George Town
Grand Cayman, Cayman Islands

This CD-ROM contains an electronic version of the following documents with respect to the Collateral Assets: (i) the prospectus supplement, accompanying prospectus, private placement memorandum and/or termsheet relating to each underlying RMBS series and underlying CDO Security series (collectively, the "Disclosure Documents") and (ii) certain reports of the issuer or the trustee relating to each underlying RMBS series and underlying CDO Security series (the "Reports"). The information included in such Disclosure Documents, Agreements and Reports however, may not reflect the current economic, competitive, market and other conditions with respect to any Collateral Asset and the related underlying series.

The information contained in this CD-ROM does not appear elsewhere in paper form in this Offering Circular and must be considered together with the information contained elsewhere in this Offering Circular. Defined terms used in this CD-ROM but not otherwise defined therein shall have the respective meanings assigned to them in the particular document in which they appear. All of the information contained in this CD-ROM is subject to the same limitations and qualifications as are contained in this Offering Circular. Prospective investors are strongly urged to read the paper portion of this Offering Circular in its entirety prior to accessing this CD-ROM. In addition, all investors should be aware that none of the Issuers, the Liquidation Agent, the Trustee or the Initial Purchaser has independently verified any of the information herein or is making any representation or warranty regarding, or assumes any responsibility for the accuracy, completeness or applicability of, the information contained herein. If this CD-ROM was not received in a sealed package, there can be no assurances that it remains in its original format and should not be relied upon for any purpose.

If and when the words "expects," "intends," "anticipated," "estimates" and analogous expressions are used on this CD-ROM, such statements are subject to a variety of risks and uncertainties that could cause results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, competition, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, various other events, conditions and circumstances many of which are beyond the control of the Issuers, the Liquidation Agent, the Trustee or the Initial Purchaser. Any forward-looking statements speak only as of their date. Each of the Issuers, the Liquidation Agent, the Trustee and the Initial Purchaser expressly disclaims any obligation or undertaking to release publicly any updates or revision each to any statement contained in the CD-ROM to reflect any change in events, conditions or circumstances on which any such statement is based.

The information contained on the CD-ROM does not form part of the prospectus prepared for the purposes of the admittance to trade on the Irish Stock Exchange.

No dealer, salesperson or other person has been authorized to give any information or to represent anything not contained in this Offering Circular. You must not rely on any unauthorized information or representations. This Offering Circular is an offer to sell only the Notes offered hereby, and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Offering Circular is current only as of its date.

TABLE OF CONTENTS

Offering Circular

HUDSON HIGH GRADE FUNDING 2006-1, LTD.

HUDSON HIGH GRADE FUNDING 2006-1, CORP.

U.S.$11,650,000
Class S Floating Rate Notes
Due 2011

U.S.$1,275,000,000
Class A-1 Floating Rate Notes
Due 2042

U.S.$123,750,000
Class A-2 Floating Rate Notes
Due 2042

U.S.$60,750,000
Class B Floating Rate Notes
Due 2042

U.S.$20,250,000
Class C Deferrable Floating Rate Notes
Due 2042

U.S.$12,750,000
Class D Deferrable Floating Rate Notes
Due 2042

U.S.$7,500,000
Income Notes Due 2042

OFFERING CIRCULAR

Goldman, Sachs & Co.