

(Subject to Completion, Preliminary Offering Circular dated January 18, 2007)

U.S.S [●] Class A-1 First Priority Senior Secured Floating Rate Notes Due [2049]
 U.S.S [●] Class A-2 Second Priority Senior Secured Floating Rate Notes Due [2049]
 U.S.S [●] Class B Third Priority Senior Secured Floating Rate Notes Due [2049]
 U.S.S [●] Class C Fourth Priority Senior Secured Floating Rate Notes Due [2049]
 U.S.S [●] Class D Fifth Priority Mezzanine Secured Deferrable Floating Rate Notes Due [2049]
 U.S.S [●] Class E Sixth Priority Mezzanine Secured Deferrable Floating Rate Notes Due [2049]
 U.S.S [●] Class F Seventh Priority Mezzanine Secured Deferrable Floating Rate Notes Due [2049]
 U.S.S [●] Class G Eighth Priority Junior Secured Deferrable Floating Rate Notes Due [2049]
 U.S.S [●] Class H Ninth Priority Junior Secured Deferrable Floating Rate Notes Due [2049]
 [] Preference Shares (U.S.S[] Aggregate Liquidation Preference)

Backed by a Portfolio of Commercial Mortgage Backed Securities, Residential Mortgage-Backed Securities, Asset-Backed Securities, Collateralized Debt Obligations and Related Synthetic Securities

NORMA CDO I LTD.**NORMA CDO I LLC**

Norma CDO I Ltd., an exempted company incorporated under the laws of the Cayman Islands (the "Issuer"), and Norma CDO I LLC, a Delaware limited liability company (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers"), will issue U.S.S[●] Class A-1 First Priority Senior Secured Floating Rate Notes due [2049] (the "Class A-1 Notes"), U.S.S[●] Class A-2 Second Priority Senior Secured Floating Rate Notes due [2049] (the "Class A-2 Notes" and, together with the Class A-1 Notes, the "Class A Notes"), U.S.S[●] Class B Third Priority Senior Secured Floating Rate Notes due [2049] (the "Class B Notes"), U.S.S[●] Class C Fourth Priority Senior Secured Floating Rate Notes due [2049] (the "Class C Notes"), U.S.S[●] Class D Fifth Priority Mezzanine Secured Deferrable Floating Rate Notes due [2049] (the "Class D Notes"), U.S.S[●] Class E Sixth Priority Mezzanine Secured Deferrable Floating Rate Notes due [2049] (the "Class E Notes"), U.S.S[●] Class F Seventh Priority Mezzanine Secured Deferrable Floating Rate Notes Due [2049] (the "Class F Notes" and, together with the Class A Notes, Class B Notes, Class C Notes, Class D Notes and the Class E Notes, the "Offered Notes"), U.S.S[●] Class G Eighth Priority Junior Secured Deferrable Floating Rate Notes due [2049] (the "Class G Notes") and U.S.S[●] Class H Ninth Priority Junior Secured Deferrable Floating Rate Notes due [2049] (the "Class H Notes" and together with the Class E Notes, Class F Notes and Class G Notes, the "Subordinate Notes"). The Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes, Class G Notes and the Class H Notes are collectively referred to herein as the "Funded Notes," and together with the Class A-1 Notes, the "Notes." Concurrently with the issuance of the Notes, the Issuer will issue [] Preference Shares with an aggregate liquidation preference of U.S.S[] (the "Preference Shares" and, together with the Notes, the "Securities"). The Class G Notes, the Class H Notes and the Preference Shares will be issued and sold by the Co-Issuers (or in the case of the Preference Shares, the Issuer) in a private sale and are not offered hereby. The Collateral will be managed by NIR Capital Management, LLC (the "Collateral Manager").

(continued on next page)

It is a condition to the issuance of the Notes that the Class A-1 Notes be rated "[Aaa]" by Moody's Investors Service, Inc. ("Moody's") and "[AAA]" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's" and, together with Moody's, the "Rating Agencies"), that the Class A-2 Notes be rated "[Aaa]" by Moody's and "[AAA]" by Standard & Poor's, that the Class B Notes be rated at least "[Aa2]" by Moody's and at least "[AA]" by Standard & Poor's, that the Class C Notes be rated at least "[Aa3]" by Moody's and at least "[AA-]" by Standard & Poor's, that the Class D Notes be rated at least "[A2]" by Moody's and at least "[A]" by Standard & Poor's, that the Class E Notes be rated at least "[Baa2]" by Moody's and at least "[BBB]" by Standard & Poor's, that the Class F Notes be rated at least "[Baa3]" by Moody's and at least "[BBB-]" by Standard & Poor's, that the Class G Notes be rated at least "[]" by Moody's and at least "[]" by Standard & Poor's and that the Class H Notes be rated at least "[]" by Moody's and at least "[]" by Standard & Poor's. See "Risk Factors—Credit Ratings." A credit rating is not a recommendation to buy, hold or sell securities and is subject to revision at any time. Application will be made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/17/EC, for the prospectus to be approved. Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. There can be no assurance that any such listing will be obtained or, if obtained, will be maintained for the entire period that the Notes are outstanding. No application will be made to list the Notes on any other exchange. No application will be made to list the Preference Shares on any stock exchange.

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

THE SECURITIES BEING OFFERED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), UNDER APPLICABLE STATE SECURITIES LAWS OR UNDER THE LAWS OF ANY OTHER JURISDICTION. THE SECURITIES ARE BEING OFFERED (A) IN THE UNITED STATES IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO QUALIFIED PURCHASERS WHO ARE ALSO (I) "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (II) IN THE CASE OF THE PREFERENCE SHARES, ACCREDITED INVESTORS WITHIN THE MEANING OF RULE 501(a) UNDER THE SECURITIES ACT; AND (B) OUTSIDE THE UNITED STATES TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE LAWS. EACH ORIGINAL PURCHASER OF A PREFERENCE SHARE WILL BE REQUIRED, IN AN INVESTOR APPLICATION FORM DELIVERED TO THE ISSUER (A "INVESTOR APPLICATION FORM"), TO MAKE CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS, WARRANTIES AND AGREEMENTS SET FORTH UNDER "TRANSFER RESTRICTIONS." A TRANSFER OF SECURITIES (OR ANY INTEREST THEREIN) IS SUBJECT TO CERTAIN RESTRICTIONS DESCRIBED HEREIN, INCLUDING THAT NO SALE, PLEDGE, TRANSFER OR EXCHANGE MAY BE MADE IN A DENOMINATION LESS THAN THE REQUIRED MINIMUM DENOMINATION. SEE "TRANSFER RESTRICTIONS."

The Notes are offered from time to time in individually negotiated transactions at varying prices to be determined at the time of sale by Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPFS" or the "Initial Purchaser") subject to prior sale, when, as and if issued. The Initial Purchaser reserves the right to withdraw, cancel or modify such offer and

Merrill Lynch & Co.

The date of this Offering Circular is [●], 2007.

This Preliminary Offering Circular is subject to completion and amendment. The securities described herein may not be sold nor may offers to buy be accepted prior to the time a Final Offering Circular is completed. This Preliminary Offering Circular should not constitute an offer to sell or the solicitation of an offer to buy any such securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or exemption from registration under the securities laws of any such jurisdiction.

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to reject orders in whole or in part. It is expected that the Notes will be delivered on or about [●], 2007 (the "Closing Date"), through the facilities of The Depository Trust Company ("DTC").

Notice to New Hampshire Residents

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

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

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

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

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE SECURITIES ARE TO BE PURCHASED FOR INVESTMENT ONLY AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED BY AN INVESTOR DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OF U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY SECURITIES MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREOF ("RULE 144A") OR ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ON ANY APPLICABLE STATE SECURITIES LAWS. FOR CERTAIN RESTRICTIONS ON RESALE, SEE "DESCRIPTION OF THE NOTES—FORM, DENOMINATION, REGISTRATION AND TRANSFER," "DESCRIPTION OF THE PREFERENCE SHARES FORM, REGISTRATION AND TRANSFER" AND "TRANSFER RESTRICTIONS." A TRANSFER OF SECURITIES IS SUBJECT TO THE RESTRICTIONS DESCRIBED HEREIN, INCLUDING THAT NO SALE, PLEDGE, TRANSFER OR EXCHANGE MAY BE MADE OF A SECURITY (1) EXCEPT AS PERMITTED UNDER (A) THE SECURITIES ACT PURSUANT TO AN EXEMPTION FROM REGISTRATION AS DESCRIBED HEREIN, (B) APPLICABLE STATE SECURITIES LAWS AND (C) APPLICABLE SECURITIES LAWS OF ANY OTHER JURISDICTION, (2) EXCEPT IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SET FORTH IN THE INDENTURE OR THE PREFERENCE SHARE

PAYING AGENCY AGREEMENT, AS APPLICABLE AND (3) IN A DENOMINATION LESS THAN THE REQUIRED MINIMUM DENOMINATION (IN THE CASE OF THE NOTES) OR A NUMBER LESS THAN THE REQUIRED MINIMUM NUMBER (IN THE CASE OF THE PREFERENCE SHARES). THE SECURITIES ARE SUBJECT TO FURTHER RESTRICTIONS ON TRANSFER. SEE "TRANSFER RESTRICTIONS."

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

FOR THESE REASONS, AMONG OTHERS, AN INVESTMENT IN THE SECURITIES IS NOT SUITABLE FOR ALL INVESTORS AND IS APPROPRIATE ONLY FOR AN INVESTOR CAPABLE OF (A) ANALYZING AND ASSESSING THE RISKS ASSOCIATED WITH DEFAULTS, LOSSES AND RECOVERIES ON, REINVESTMENT OF PROCEEDS OF AND OTHER CHARACTERISTICS OF ASSETS SUCH AS THOSE INCLUDED IN THE COLLATERAL AND (B) BEARING SUCH RISKS AND THE FINANCIAL CONSEQUENCES THEREOF AS THEY RELATE TO AN INVESTMENT IN THE SECURITIES.

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

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

This Preliminary Offering Circular has been prepared by the Co-Issuers solely for use in connection with the offering of the Offered Notes described herein (the "Offering") and for listing purposes. The Co-Issuers have taken all reasonable care to confirm that the information contained in this Preliminary Offering Circular is true and accurate in all material respects and is not misleading in any material respect and that there are no other facts relating to the Co-Issuers or the Offered Notes, the omission of which makes this Preliminary Offering Circular as a whole or any such information contained herein, in light of the circumstances under which it was made, misleading in any material respect. The Co-Issuers accept

responsibility for the information contained in this document. To the best knowledge and belief of the Co-Issuers the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Co-Issuers disclaim any obligation to update such information and do not intend to do so. Neither the Initial Purchaser nor any of its affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy or completeness of the information contained herein. Neither the Collateral Manager nor any of its affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy or completeness of the information contained herein (other than the information set forth herein under the section entitled "The Collateral Manager"). None of the Hedge Counterparties or any of their guarantors nor any of their respective affiliates makes any representation or warranty as to, has independently verified or assumes any responsibility for, the accuracy or completeness of the information contained herein. Nothing contained in this Preliminary Offering Circular is or should be relied upon as a promise or representation as to future results or events. The Trustee has not participated in the preparation of this Preliminary Offering Circular and assumes no responsibility for its contents.

All of the statements in this Preliminary Offering Circular with respect to the business of the Co-Issuers, and any financial projections or other forecasts, are based on information furnished by the Co-Issuers. See "Forward Looking Statements." Neither the Initial Purchaser, the Collateral Manager nor any of their respective affiliates assumes any responsibility for the performance of any obligations of either of the Co-Issuers or any other person described in this Preliminary Offering Circular or for the due execution, validity or enforceability of the Offered Notes, instruments or documents delivered in connection with the Offered Notes (other than in respect of its own obligations), or for the value or validity of any collateral or security interests pledged in connection therewith. None of the Hedge Counterparties or their respective guarantors, if any, assumes any responsibility for the performance of any obligations of any other person described in this Preliminary Offering Circular or for the due execution, validity or enforceability of the Offered Notes, instruments or documents delivered in connection with the Offered Notes (other than their own obligations under documents entered into by them) or for the value or validity of any collateral or security interests pledged in connection therewith.

This Preliminary Offering Circular contains summaries of certain documents. The summaries do not purport to be complete and are qualified in their entirety by reference to such documents, copies of which will be made available to offerees upon request and are available at the office of the Trustee. Requests and inquiries regarding this Preliminary Offering Circular or such documents should be directed to Merrill Lynch, Pierce, Fenner & Smith Incorporated at 4 World Financial Center, New York, New York 10080; Attention: Global Structured Credit Products.

The Irish paying agent for the Notes will initially be NCB Stockbrokers Limited located in Dublin, Ireland (in such capacity, the "Irish Paying Agent").

The Co-Issuers will make available to any offeree of the Offered Notes, prior to the issuance thereof, the opportunity to ask questions of and to receive answers from the Co-Issuers or a person acting on their behalf concerning the terms and conditions of the Offering, the Co-Issuers or any other relevant matters and to obtain any additional information to the extent the Co-Issuers possess such information or can obtain it without unreasonable expense.

THIS PRELIMINARY OFFERING CIRCULAR IS FOR INFORMATION PURPOSES ONLY AND IS NOT INTENDED TO BE RELIED UPON ALONE AS THE BASIS FOR AN INVESTMENT DECISION. IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST

RELY ON THEIR OWN EXAMINATION OF THE CO-ISSUERS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED AND MUST NOT RELY UPON INFORMATION PROVIDED BY OR STATEMENTS MADE BY THE INITIAL PURCHASER OR ANY OF ITS AFFILIATES. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN THE OFFERED NOTES FOR AN INDEFINITE PERIOD OF TIME.

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

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

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

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

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

NOTICE TO FLORIDA RESIDENTS

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

NOTICE TO CONNECTICUT RESIDENTS

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

NOTICE TO GEORGIA RESIDENTS

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

NOTICE TO RESIDENTS OF AUSTRALIA

NO PROSPECTUS OR OTHER DISCLOSURE DOCUMENT (AS DEFINED IN THE CORPORATIONS ACT 2001 OF AUSTRALIA) IN RELATION TO THE OFFERED NOTES HAS BEEN LODGED WITH THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION ("ASIC"). THE INITIAL PURCHASER HAS REPRESENTED AND AGREED THAT IT:

(A) HAS NOT OFFERED OR INVITED APPLICATIONS, AND WILL NOT OFFER OR INVITE APPLICATIONS, FOR THE ISSUE, SALE OR PURCHASE OF THE OFFERED NOTES IN AUSTRALIA (INCLUDING AN OFFER OR INVITATION WHICH IS RECEIVED BY A PERSON IN AUSTRALIA); AND

(B) HAS NOT DISTRIBUTED OR PUBLISHED, AND WILL NOT DISTRIBUTE OR PUBLISH, ANY DRAFT, PRELIMINARY OR DEFINITIVE OFFERING CIRCULAR, ADVERTISEMENT OR OTHER OFFERING MATERIAL RELATING TO THE OFFERED NOTES IN AUSTRALIA;

UNLESS (1) THE AGGREGATE CONSIDERATION PAYABLE BY EACH OFFEREE OR INVITEE IS AT LEAST AUD500,000 (OR ITS EQUIVALENT IN OTHER CURRENCIES, BUT DISREGARDING MONIES LENT BY THE OFFEROR OR ITS ASSOCIATES) OR THE OFFER OR INVITATION OTHERWISE DOES NOT REQUIRE DISCLOSURE TO INVESTORS IN ACCORDANCE WITH PART 6D.2 OF THE CORPORATIONS ACT, (2) SUCH ACTION COMPLIES WITH ALL APPLICABLE LAWS, REGULATIONS AND DIRECTIVES, AND (3) DOES NOT REQUIRE ANY DOCUMENT TO BE LODGED WITH ASIC.

NOTICE TO RESIDENTS OF AUSTRIA

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

CAN ONLY BE ACQUIRED FOR A COMMITMENT EXCEEDING 50,000 EUROS OR ITS EQUIVALENT VALUE IN ANY FOREIGN CURRENCY. THE INTERESTS ISSUED BY THE CO-ISSUERS ARE NOT OFFERED IN AUSTRIA, AND THE CO-ISSUERS ARE NOT AND WILL NOT BE REGISTERED AS A FOREIGN INVESTMENT FUND IN AUSTRIA.

NOTICE TO RESIDENTS OF BELGIUM

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

NOTICE TO RESIDENTS OF CANADA

For Ontario and Quebec Residents Only

This Preliminary Offering Circular constitutes an offering of the Offered Notes described herein within Canada only in those jurisdictions and to those Persons where and to whom they may be lawfully offered for sale, and therein only by Persons permitted to sell such securities. This Preliminary Offering Circular is not, and under no circumstances is to be construed as, an advertisement or a public offering of the Offered Notes referred to herein. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the Offered Notes described herein and any representation to the contrary is an offence.

The offering of the Offered Notes in Canada will be made solely by the final Offering Circular provided to potential investors. No Person has been authorized to give any information or to make any representations other than those contained herein or therein. The delivery of the final Offering Circular does not imply that any information contained herein is correct as of any date subsequent to the date set forth on the cover hereof. The final Offering Circular will constitute an offering of the Notes described herein in the above-mentioned provinces only.

Prior to consummating any transaction in the Offered Notes described herein, an investor will receive a copy of the final Offering Circular regarding the Offered Notes.

Resale Restrictions

The distribution of the Offered Notes in Canada is being made only on a private placement basis and is exempt from the requirement that the Co-Issuers prepare and file a prospectus with the relevant Canadian securities regulatory authorities. Accordingly, any resale of requirement Notes must be made in accordance with applicable securities laws which may require resales to be made in accordance with

exemptions from registration and prospectus requirements. Purchasers are advised to seek legal advice prior to any resale of requirement Notes.

Representations of Purchasers

Each Canadian investor who purchases Offered Notes will be deemed to have represented to the Co-Issuers, that: (i) such purchaser has reviewed the terms referred to above under "Resale Restrictions"; (ii) where required by law, such purchaser is purchasing as principal and not as agent; (iii) to the knowledge of such purchaser, the sale of any Offered Notes was not accompanied by any advertisement in printed media of general and regular paid circulation, radio or television; and (iv) such purchaser is a "sophisticated purchaser" within the meaning of Section 43 of the Securities Act (Quebec) or is otherwise permitted under applicable securities laws to purchase Offered Notes without the benefit of a prospectus qualified under, or registration under, such securities laws.

Taxation and Eligibility for Investment

Purchasers of Offered Notes should consult their own legal and tax advisers with respect to the tax consequences of an investment in the Offered Notes in their particular circumstances and with respect to the eligibility of the Offered Notes for investment by the purchaser under relevant Canadian legislation.

Additional Risks

The Issuer's investments will be denominated in currencies other than Canadian dollars. Therefore, the value of Offered Notes to Canadian investors may be affected by fluctuations in the rate of exchange between the Canadian dollar and other currencies.

Enforcement of Legal Rights

The Issuer will be organized under the laws of the Cayman Islands, and the Co-Issuer will be organized in the United States under the laws of the State of Delaware. The Issuer, the Co-Issuer and their respective directors and officers as well as certain of the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Co-Issuers or such Persons. All or a substantial portion of the assets of the Issuer and such Persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the Issuer, the Co-Issuer or such Persons in Canada or to enforce a judgment obtained in Canadian courts against the Issuer, the Co-Issuer or Persons outside of Canada.

Purchasers' Contractual Rights of Action

Securities legislation in Ontario requires certain purchasers to be provided with rights of action for rescission or damages where an offering memorandum and any amendment to it contain a Misrepresentation. Where used herein, "Misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in the light of the circumstances in which it was made. These remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities legislation.

Each purchaser should refer to provisions of applicable securities legislation for the particulars of these rights or consult with a legal adviser. The applicable contractual rights are summarized below:

- (a) In the event that this Offering Memorandum, together with any amendments thereto, is delivered to a purchaser of Offered Notes in Ontario, and contains a Misrepresentation, the purchaser will be deemed to have relied upon the Misrepresentation and will, as provided below, have a contractual right of action, against the Co Issuers for damages or, alternatively, while still the owner of any of the Offered Notes purchased by that purchaser, for rescission, provided that the right of action for rescission or damages will be exercisable by a purchaser resident in Ontario only if the purchaser gives notice to the Co-Issuers, not less than 180 days after the date on which initial payment is made for the Offered Notes that the purchaser is exercising this right;
- (b) The Co-Issuers will not be liable if they prove that the purchaser purchased the Notes with knowledge of the Misrepresentation;
- (c) In the case of an action for damages, the Co-Issuers will not be liable for all or any portion of the damages that they prove do not represent the depreciation in value of the Notes as a result of the Misrepresentation relied upon; and
- (d) In no case will the amount recoverable in any action for damages exceed the price at which the Offered Notes were sold to the purchaser.

The foregoing summary is subject to the express provisions of the Securities Act (Ontario), and the regulations, rules and policy statements thereunder and reference should be made thereto for the complete text of such provisions. The rights of action described herein are in addition to and without derogation from any other right or remedy that the purchaser may have at law.

NOTICE TO MEMBERS OF THE PUBLIC IN THE CAYMAN ISLANDS

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

NOTICE TO RESIDENTS OF DENMARK

EACH OF THE CO-ISSUERS AND THE INITIAL PURCHASER HAS AGREED THAT IT HAS NOT OFFERED OR SOLD AND WILL NOT OFFER, SELL OR DELIVER ANY SECURITIES IN THE KINGDOM OF DENMARK, DIRECTLY OR INDIRECTLY, BY WAY OF PUBLIC OFFER, UNLESS SUCH OFFER, SALE OR DELIVERY IS, OR WAS, IN COMPLIANCE WITH THE DANISH ACT NO. 1072 OF DECEMBER, 20, 1995 ON SECURITIES TRADING, CHAPTER 12 ON PROSPECTUSES ON FIRST PUBLIC OFFER OF CERTAIN EXECUTIVE SECURITIES AND ANY EXECUTIVE ORDERS ISSUED IN PURSUANCE THEREOF.

NOTICE TO RESIDENTS OF EUROPEAN ECONOMIC AREA

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE (EACH, A "RELEVANT MEMBER

STATE"), EACH DEALER HAS REPRESENTED AND AGREED, AND EACH FURTHER DEALER APPOINTED UNDER THE PROGRAMME WILL BE REQUIRED TO REPRESENT AND AGREE, THAT WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED IN THAT RELEVANT MEMBER STATE (THE "RELEVANT IMPLEMENTATION DATE") IT HAS NOT MADE AND WILL NOT MAKE AN OFFER OF SECURITIES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE EXCEPT THAT IT MAY, WITH EFFECT FROM AND INCLUDING THE RELEVANT IMPLEMENTATION DATE, MAKE AN OFFER OF SECURITIES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE:

(A) IN (OR IN GERMANY, WHERE THE OFFER STARTS WITHIN) THE PERIOD BEGINNING ON THE DATE OF PUBLICATION OF A PROSPECTUS IN RELATION TO THOSE SECURITIES WHICH HAS BEEN APPROVED BY THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE OR, WHERE APPROPRIATE, APPROVED IN ANOTHER RELEVANT MEMBER STATE AND NOTIFIED TO THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE, ALL IN ACCORDANCE WITH THE PROSPECTUS DIRECTIVE AND ENDING ON THE DATE WHICH IS 12 MONTHS AFTER THE DATE OF SUCH PUBLICATION;

(B) AT ANY TIME TO LEGAL ENTITIES WHICH ARE AUTHORISED OR REGULATED TO OPERATE IN THE FINANCIAL MARKETS OR, IF NOT SO AUTHORISED OR REGULATED, WHOSE CORPORATE PURPOSE IS SOLELY TO INVEST IN SECURITIES;

(C) AT ANY TIME 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 TURNOVER OF MORE THAN €50,000,000, AS SHOWN IN ITS LAST ANNUAL OR CONSOLIDATED ACCOUNTS; OR

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

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

NOTICE TO RESIDENTS OF FINLAND

THIS PRELIMINARY OFFERING CIRCULAR HAS BEEN PREPARED FOR PRIVATE INFORMATION PURPOSES OF INTERESTED INVESTORS ONLY. IT MAY NOT BE USED FOR AND SHALL NOT BE DEEMED A PUBLIC OFFERING OF THE SECURITIES. THE RAHOITUSTARKASTUS HAS NOT AUTHORIZED ANY OFFERING OF THE SUBSCRIPTION OF

THE SECURITIES; ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED OR SOLD IN FINLAND OR TO RESIDENTS THEREOF EXCEPT AS PERMITTED BY FINNISH LAW. THIS PRELIMINARY OFFERING CIRCULAR IS STRICTLY FOR PRIVATE USE BY ITS HOLDER AND MAY NOT BE PASSED ON TO THIRD PARTIES.

NOTICE TO RESIDENTS OF FRANCE

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

I. QUALIFIED INVESTORS (INVESTISSEURS QUALIFIES, AS DEFINED IN ARTICLE D. 411-1 OF THE FRENCH CODE MONÉTAIRE ET FINANCIER) ACTING FOR THEIR OWN ACCOUNT;

II. A RESTRICTED CIRCLE OF INVESTORS (CERCLE RESTREINT D'INVESTISSEURS, AS DEFINED IN ARTICLE D. 411-2 OF THE FRENCH CODE MONÉTAIRE ET FINANCIER) ACTING FOR THEIR OWN ACCOUNT;

III. PERSONS PROVIDING PORTFOLIO MANAGEMENT FINANCIAL SERVICES (PERSONNES FOURNISSANT LE SERVICE D'INVESTISSEMENT DE GESTION DE PORTEFEUILLE POUR COMPTE DE TIERS); AND/OR

IV. INVESTORS INVESTING EACH AT LEAST €50,000 PER TRANSACTION, PROVIDED THAT THE ISSUER IS A FRENCH SOCIÉTÉ ANONYME OR SOCIÉTÉ EN COMMANDITE PAR ACTIONS OR A FOREIGN LIMITED COMPANY WITH A SIMILAR STATUS.

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

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

THIS PRELIMINARY OFFERING MEMORANDUM AND ANY OTHER OFFERING MATERIAL RELATING TO THE OFFERED NOTES ARE NOT TO BE FURTHER DISTRIBUTED OR REPRODUCED (IN WHOLE OR IN PART) BY THE ADDRESSEE AND HAVE BEEN DISTRIBUTED ON THE BASIS THAT THE ADDRESSEE INVESTS FOR ITS OWN ACCOUNT, AS NECESSARY, AND DOES NOT RESELL OR OTHERWISE TRANSFER, DIRECTLY OR INDIRECTLY, THE OFFERED NOTES TO THE PUBLIC IN THE REPUBLIC OF FRANCE OTHER

THAN IN COMPLIANCE WITH ARTICLES L. 411-1, L. 411-2, L. 412-1 AND L. 621-8 TO L. 621-8-3 OF THE FRENCH CODE MONÉTAIRE ET FINANCIER.

NOTICE TO RESIDENTS OF GERMANY

THE SECURITIES WILL NOT BE OFFERED OR SOLD IN THE FEDERAL REPUBLIC OF GERMANY OTHER THAN IN ACCORDANCE WITH THE GERMAN SECURITIES SALES PROSPECTUS ACT OF DECEMBER 13, 1990 OF THE FEDERAL REPUBLIC OF GERMANY, AS AMENDED (*WERTPAPIERVERKAUFSPROSPEKTGESETZ*), THE GERMAN INVESTMENT ACT OF DECEMBER 15, 2003 OF THE FEDERAL REPUBLIC OF GERMANY, AS AMENDED (*INVESTMENTGESETZ*) AND ANY OTHER LEGAL OR REGULATORY REQUIREMENTS APPLICABLE IN THE FEDERAL REPUBLIC OF GERMANY GOVERNING THE ISSUE, OFFER AND SALE OF SECURITIES. NOTWITHSTANDING ANY REQUEST OF A GERMAN INVESTOR THEREFOR, THE ISSUER WILL NOT BE IN A POSITION TO, AND WILL NOT, COMPLY WITH ANY CALCULATION AND INFORMATION REQUIREMENTS SET FORTH IN § 5 OF THE *INVESTMENTSTEUERGESETZ* (THE "GERMAN INVESTMENT TAX ACT") FOR GERMAN TAX PURPOSES. IN THIS REGARD, PROSPECTIVE INVESTORS MUST REVIEW "RISK FACTORS—RISK FACTORS RELATING TO TAX—CERTAIN MATTERS WITH RESPECT TO GERMAN INVESTORS." ALL PROSPECTIVE GERMAN INVESTORS ARE URGED TO SEEK INDEPENDENT TAX ADVICE. THE INITIAL PURCHASER DOES NOT GIVE TAX ADVICE.

NOTICE TO RESIDENTS OF HONG KONG

NO PERSON MAY OFFER OR SELL ANY OFFERED NOTES IN HONG KONG BY MEANS OF THIS PRELIMINARY OFFERING CIRCULAR OR ANY OTHER DOCUMENT OTHERWISE THAN TO PERSONS WHOSE ORDINARY BUSINESS IT 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 (CHAPTER 32 OF THE LAWS OF HONG KONG). UNLESS IT IS A PERSON WHO IS PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG, NO PERSON MAY IN HONG KONG ISSUE, OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, THIS PRELIMINARY OFFERING CIRCULAR OR ANY OTHER ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE SECURITIES OTHER THAN (I) IN RESPECT OF SECURITIES TO BE DISPOSED OF TO PERSONS OUTSIDE HONG KONG OR ONLY TO PERSONS WHOSE BUSINESS INVOLVES THE ACQUISITION, DISPOSAL OR HOLDING OF SECURITIES, WHETHER AS PRINCIPAL OR AGENT, OR (II) IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN INVITATION TO THE PUBLIC WITHIN THE MEANING OF THE PROTECTION OF INVESTORS ORDINANCE (CHAPTER 335 OF THE LAWS OF HONG KONG).

NOTICE TO RESIDENTS OF HUNGARY

PURSUANT TO SECTION 14 (3) OF ACT CXX OF 2001 ON THE CAPITAL MARKETS (THE HUNGARIAN CMA), ANY AMOUNT AND SUM SHALL BE CALCULATED ON THE BASIS OF THE OFFICIAL EUR/HUF EXCHANGE RATE OF THE NATIONAL BANK OF HUNGARY EFFECTIVE ON THE DAY OF THE PASSING OF THE DECISION BY THE ISSUER ON THE

PUBLIC OFFERING. FURTHERMORE, PURSUANT TO SECTION 17 (1) OF THE HUNGARIAN CMA, THE ISSUER SHALL INFORM THE HUNGARIAN FINANCIAL SUPERVISORY AUTHORITY WITHIN 15 DAYS OF THE PRIVATE PLACEMENT; WHEREAS AMONG OTHER CASES, THE HUNGARIAN CMA HAS IMPLEMENTED ARTICLE 3 PARA 2 AND ARTICLE 4 PARA 2 OF THE PROSPECTUS DIRECTIVE AS CASES OF PRIVATE PLACEMENT.

NOTICE TO RESIDENTS OF IRELAND

THE INITIAL PURCHASER HAS REPRESENTED AND AGREED THAT IT WILL NOT UNDERWRITE OR PLACE THE OFFERED NOTES IN OR INVOLVING IRELAND OTHERWISE THAN IN CONFORMITY WITH THE PROVISIONS OF THE INTERMEDIARIES ACT 1995 OF IRELAND (AS AMENDED) INCLUDING, WITHOUT LIMITATION, SECTIONS 9 AND 23 (INCLUDING ADVERTISING RESTRICTIONS MADE THEREUNDER) THEREOF AND THE CODES OF CONDUCT MADE UNDER SECTION 37 THEREOF OR, IN THE CASE OF A CREDIT INSTITUTION EXERCISING ITS RIGHTS UNDER THE BANKING CONSOLIDATION DIRECTIVE (2000/12/EC OF 20 MARCH 2000) IN CONFORMITY WITH THE CODES OF CONDUCT OR PRACTICE MADE UNDER SECTION 117(1) OF THE CENTRAL BANK ACT 1989 OF IRELAND (AS AMENDED).

NOTICE TO RESIDENTS OF ITALY

EACH OF THE CO-ISSUERS AND INITIAL PURCHASER WILL REPRESENT AND AGREE THAT IT WILL NOT OFFER, SELL OR DELIVER THE NOTES OR DISTRIBUTE ANY DOCUMENT RELATING TO THE OFFERED NOTES IN ITALY UNLESS SUCH OFFER, SALE OR DELIVERY OF NOTES OR DISTRIBUTION OF DOCUMENTS IS:

(A) MADE BY AN INVESTMENT FIRM, BANK OR ANY OTHER AUTHORIZED INTERMEDIARY PURSUANT TO ARTICLE 25(1)D OF CONSOB REGULATION 11522;

(B) IN COMPLIANCE WITH ARTICLE 129 OF THE BANKING CONSOLIDATED ACT AND THE IMPLEMENTING REGULATIONS OF THE BANK OF ITALY, PURSUANT TO WHICH THE ISSUE OR THE OFFER OF SECURITIES IN ITALY MAY NEED TO BE PRECEDED AND FOLLOWED BY AN APPROPRIATE NOTICE TO BE FILED WITH THE BANK OF ITALY UNLESS AN EXEMPTION, DEPENDING, INTER ALIA, ON THE AGGREGATE VALUE OF THE SECURITIES ISSUED OR OFFERED IN THE ITALY AND THEIR CHARACTERISTICS APPLIES; AND

(C) IN COMPLIANCE WITH ANY AND ALL OTHER APPLICABLE LAWS AND REGULATIONS, INCLUDING ANY NOTIFICATION REQUIREMENT OR LIMITATION WHICH MAY BE IMPOSED BY CONSOB OR THE BANK OF ITALY, AND, IN ANY EVENT, PROVIDED THAT ANY INITIAL PURCHASER PURCHASING THE NOTES UNDERTAKES NOT TO FURTHER DISTRIBUTE OR TRANSFER THE NOTES, EXCEPT IN ACCORDANCE WITH ANY APPLICABLE LAWS AND REGULATIONS, INCLUDING ANY REQUIREMENTS OR LIMITATIONS IMPOSED BY CONSOB OR THE BANK OF ITALY.

NOTICE TO RESIDENTS OF JAPAN

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

NOTICE TO RESIDENTS OF KOREA

THE INITIAL PURCHASER HAS REPRESENTED AND AGREED THAT THE OFFERED NOTES HAVE NOT BEEN AND WILL NOT BE OFFERED, DELIVERED OR SOLD DIRECTLY OR INDIRECTLY IN KOREA OR TO ANY RESIDENT OF KOREA OR TO OTHERS FOR RE-OFFERING OR RESALE DIRECTLY OR INDIRECTLY IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS.

THE INITIAL PURCHASER HAS UNDERTAKEN TO ENSURE THAT ANY SECURITIES DEALER TO WHICH IT SELLS OFFERED NOTES CONFIRMS THAT IT IS PURCHASING SUCH OFFERED NOTES AS PRINCIPAL AND AGREES THAT IT WILL COMPLY WITH THE RESTRICTIONS DESCRIBED ABOVE.

NOTICE TO RESIDENTS OF THE NETHERLANDS

THE OFFERED NOTES MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED, WHETHER DIRECTLY OR INDIRECTLY, TO ANY INDIVIDUAL OR LEGAL ENTITY IN THE NETHERLANDS OTHER THAN TO INDIVIDUALS WHO, OR LEGAL ENTITIES WHICH, IN THE COURSE OF THEIR OCCUPATION OR BUSINESS, DEAL OR INVEST IN SECURITIES (AS SET OUT IN SECTION 1 OF THE REGULATION OF 9 OCTOBER 1990 IN IMPLEMENTATION OF SECTION 14 OF THE ACT ON THE SUPERVISION OF INVESTMENT INSTITUTIONS).

NOTICE TO RESIDENTS OF THE NORWAY

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

NOTICE TO RESIDENTS OF NEW ZEALAND

(A) THE ISSUER DOES NOT INTEND THAT THE OFFERED NOTES SHOULD BE OFFERED FOR SALE OR SUBSCRIPTION TO THE PUBLIC IN NEW ZEALAND IN TERMS OF THE SECURITIES ACT 1978.

(B) THE INITIAL PURCHASER SHALL:

(I) OBSERVE ALL APPLICABLE LAWS AND REGULATIONS IN ANY JURISDICTION IN WHICH IT MAY SUBSCRIBE, OFFER, SELL OR DELIVER THE OFFERED NOTES; AND

(II) NOT SUBSCRIBE, OFFER, SELL OR DELIVER THE OFFERED NOTES OR DISTRIBUTE THE PRELIMINARY OFFERING CIRCULAR OR ANY OTHER OFFERING MATERIAL RELATING TO THE OFFERED NOTES IN ANY JURISDICTION EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ALL APPLICABLE LAWS AND REGULATIONS.

(C) WITHOUT LIMITING PARAGRAPH (B):

(I) THE INITIAL PURCHASER REPRESENTS THAT IT IS A PERSON WHOSE PRINCIPAL BUSINESS IS THE INVESTMENT OF MONEY OR WHO, IN THE COURSE OF AND FOR THE PURPOSE OF ITS BUSINESS, HABITUALLY INVESTS MONEY; AND

(II) THE INITIAL PURCHASER MAY NOT OFFER, SELL OR DELIVER THE OFFERED NOTES OR DISTRIBUTE ANY ADVERTISEMENT OR OFFERING MATERIAL RELATING TO THE OFFERED NOTES, IN BREACH OF ANY PROVISION OF THE SECURITIES ACT 1978.

NOTICE TO RESIDENTS OF SINGAPORE

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

NOTICE TO RESIDENTS OF SPAIN

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

NOTICE TO RESIDENTS OF SWITZERLAND

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

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

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

AVAILABLE INFORMATION

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

FORWARD LOOKING STATEMENTS

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

Some important factors that could cause actual results to differ materially from those in any forward looking statements include changes in interest rates, market, financial or legal uncertainties, differences in the actual allocation of the Collateral Debt Securities among asset categories from those assumed, the timing of Acquisitions of the Collateral Debt Securities, the timing and frequency of defaults on the Collateral Debt Securities, mismatches between the timing of accrual and receipt of Interest Proceeds and Principal Proceeds from the Collateral Debt Securities (particularly prior to the Ramp-Up Completion Date), available funds caps or other caps on the interest rate payable on the Collateral Debt Securities, timing mismatches on the reset of the interest rates between the Collateral Debt Securities, and the Notes, defaults under Collateral Debt Securities and the effectiveness of any Hedge Agreement, among others. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Co-Issuer, the Trustee, the Collateral Administrator, the Preference Share Paying Agent, the Collateral Manager, the Initial Purchaser, the Credit Default Swap Counterparty, any Hedge Counterparty or any of their respective affiliates or any other person or entity of the results that will actually be achieved by the Issuer.

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

TABLE OF CONTENTS

	<u>Page</u>
THE OFFERING	1
RISK FACTORS	19
Risk Factors Relating to the Terms of the Offered Notes	19
Risk Factors Relating to the Collateral Debt Securities	28
Risk Factors Relating to Synthetic Securities.....	47
Risk Factors Relating to the Total Return Swap	61
Risk Factors Relating to Conflicts of Interest and Dependence on the Collateral Manager	62
Risk Factors Relating to Prior Investment Results, Projections, Forecasts and Estimates and the Co-Issuers	69
Risk Factors Relating to Interest Rate Risks and Hedge Agreements	70
Risk Factors Relating to Tax	71
Risk Factors Relating to Certain Regulations and Accounting	74
Risk Factors Relating to Listing	77
DESCRIPTION OF THE NOTES	78
Status and Security	78
Drawdown	79
Reduction of the Aggregate Undrawn Amount	81
Interest	82
Class A-1 Swap Availability Fee.....	85
Principal.....	85
CDS Principal Proceeds	86
Reinvestment Period.....	86
Mandatory Redemption	87
Auction Call Redemption	88
Optional Redemption and Tax Redemption	90
Redemption Procedures	91
Redemption Price	92
Cancellation	92
Payments	92
Priority of Payments	93
Form, Denomination, Registration and Transfer	105
No Gross-Up.....	113
The Indenture.....	113
DESCRIPTION OF THE PREFERENCE SHARES	125
Status	125
Distributions	125
Redemption of the Preference Shares.....	126
The Issuer Charter	126
Petitions for Bankruptcy	128
Governing Law	128
Form, Registration and Transfer.....	129
No Gross-Up.....	133
Tax Characterization	133
USE OF PROCEEDS	134

RATINGS OF THE NOTES	135
MATURITY, PREPAYMENT AND YIELD CONSIDERATIONS.....	136
THE CO-ISSUERS.....	137
General	137
Capitalization and Indebtedness of the Issuer	138
Business.....	139
SECURITY FOR THE NOTES.....	140
General	140
Collateral Debt Securities.....	140
Ramp-Up Period.....	141
Reinvestment Period.....	142
Eligibility Criteria.....	143
Asset-Backed Securities	152
Synthetic Securities	152
The Credit Default Swaps	154
The Total Return Swap.....	164
The ISDA Master Agreement.....	166
Replacement of the ISDA Master Agreement.....	167
Payments Under the Credit Default Swaps	168
The Credit Default Swap Counterparty	168
The Collateral Quality Tests.....	169
Standard & Poor's CDO Monitor Test.....	173
Dispositions of Collateral Debt Securities.....	175
The Hedge Agreements	179
The Accounts.....	183
THE COLLATERAL MANAGER	193
THE COLLATERAL MANAGEMENT AGREEMENT	197
General	197
Compensation	197
Removal.....	198
Indemnification.....	201
Investment Guidelines	202
INCOME TAX CONSIDERATIONS	203
U.S. Tax Considerations.....	203
Cayman Islands Tax Considerations	209
ERISA AND CERTAIN RELATED CONSIDERATIONS	211
PLAN OF DISTRIBUTION	219
CERTAIN SELLING RESTRICTIONS	220
TRANSFER RESTRICTIONS	222
LISTING AND GENERAL INFORMATION.....	243

LEGAL MATTERS.....245

SCHEDULE A PART I: MOODY'S RECOVERY RATE MATRIX
 PART II: STANDARD & POOR'S RECOVERY RATE MATRIX

EXHIBIT A GLOSSARY OF CERTAIN DEFINED TERMS

EXHIBIT B INITIAL FORM OF RMBS/CMBS FORM APPROVED CONFIRMATION
 (LONG CREDIT DEFAULT SWAP)

EXHIBIT C INITIAL FORM OF CDO FORM APPROVED CONFIRMATION (LONG
 CREDIT DEFAULT SWAP)

THE OFFERING

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Preliminary Offering Circular (this "Preliminary Offering Circular"). Exhibit A contains a glossary of certain defined terms. An index of defined terms appears at the back of this Preliminary Offering Circular.

Securities:

U.S.\$[●] maximum aggregate principal amount Class A-1 First Priority Senior Secured Floating Rate Notes due [2049] (the "Class A-1 Notes").

U.S.\$[●] aggregate principal amount Class A-2 Second Priority Senior Secured Floating Rate Notes due [2049] (the "Class A-2 Notes" and, together with the Class A-1 Notes, the "Class A Notes").

U.S.\$[●] aggregate principal amount Class B Third Priority Senior Secured Floating Rate Notes due [2049] (the "Class B Notes").

U.S.\$[●] aggregate principal amount Class C Fourth Priority Senior Secured Floating Rate Notes due [2049] (the "Class C Notes").

U.S.\$[●] aggregate principal amount Class D Fifth Priority Mezzanine Secured Deferrable Floating Rate Notes due [2049] (the "Class D Notes").

U.S.\$[●] aggregate principal amount Class E Sixth Priority Mezzanine Secured Deferrable Floating Rate Notes due [2049] (the "Class E Notes").

U.S.\$[●] aggregate principal amount Class F Seventh Priority Mezzanine Secured Deferrable Floating Rate Notes due [2049] (the "Class F Notes" and together with the Class A Notes, Class B Notes, Class C Notes, Class D Notes and the Class E Notes, the "Offered Notes").

U.S.\$[●] aggregate principal amount Class G Eighth Priority Junior Secured Deferrable Floating Rate Notes due [2049] (the "Class G Notes").

U.S.\$[●] aggregate principal amount Class H Ninth Priority Junior Secured Deferrable Floating Rate Notes due [2049] (the "Class H Notes" and, collectively with the Class A-2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, the Class F Notes and the Class G Notes, the "Funded Notes" and the Funded Notes, together with the Class A-1 Notes, the "Notes").

U.S.\$[●] Preference Shares (the "Preference Shares," and together with the Notes, the "Securities").

The Preference Shares, the Class G Notes and the Class H Notes are not being offered hereby. Any reference herein to the Class G

Notes, Class H Notes or Preference Shares is made solely for the purpose of supporting the description herein of the Offered Notes. The Preference Shares, the Class G Notes and the Class H Notes are being offered by the Issuer in privately negotiated transactions to an investment fund (the "Initial Preference Shareholder"). On the Closing Date, the Initial Purchaser will acquire a portion of the Preference Shares, the Class G Notes and Class H Notes, but the Initial Purchaser expects to transfer such Preference Shares and Notes to the Initial Preference Shareholder (which is not affiliated with the Initial Purchaser) after the Closing Date.

The Notes will be issued and secured pursuant to an Indenture dated as of the Closing Date (the "Indenture"), among the Issuer, the Co-Issuer and [____], as trustee (in such capacity, together with its successors in such capacity, the "Trustee"). Each of the Hedge Counterparties, the Synthetic Security Counterparties, the Collateral Manager and each holder of Preference Shares (each, a "Preference Shareholder") will be an express third party beneficiary of the Indenture. See "Description of the Notes—Status and Security" and "—The Indenture." The Notes will be limited-recourse debt obligations of the Co-Issuers secured solely by a pledge of the Collateral by the Issuer to the Trustee pursuant to the Indenture for the benefit of the holders from time to time of the Notes, each Hedge Counterparty, certain Synthetic Security Counterparties, the Collateral Manager, the Preference Share Paying Agent (but not in respect of the Preference Shares), the Collateral Administrator and the Trustee (collectively, the "Secured Parties"). See "Description of the Notes—Status and Security."

The Notes and the Preference Shares will be issued on or about [●], 2007 (the "Closing Date"). None of the principal amount of the Class A-1 Notes will be advanced on the Closing Date. From time to time after the Closing Date, the Class A-1 Swap Counterparty will make advances to the Issuer under the circumstances and up to the maximum amount specified herein, in exchange for Class A-1 Notes, until the Swap Period Termination Date pursuant to the Class A-1 Swap.

The Preference Shares will be issued pursuant to the Amended and Restated Memorandum and Articles of Association of the Issuer (the "Issuer Charter") and certain resolutions adopted at the meeting of the Issuer's board of directors on or before the Closing Date as reflected in the minutes thereof (the "Resolutions") and will be administered in accordance with a Preference Share Paying Agency Agreement, dated as of the Closing Date (the "Preference Share Paying Agency Agreement" and, together with the Issuer Charter and the Resolutions, the "Preference Share Documents") among the Issuer, [____], as Preference Share paying agent (in such capacity, the "Preference Share Paying Agent") and Walkers SPV Limited, as Preference Share registrar (in such capacity, the "Preference Share Registrar").

All of the holders of a Class of Notes are entitled to receive payments *pari passu* among themselves. All of the holders of the Preference Shares are entitled to receive payments *pari passu* among themselves. Except as otherwise described in the Priority of Payments, the relative order of seniority of payment of each Class of Notes on each Quarterly Distribution Date is generally as follows: *first*, Class A-1 Notes, *second*, Class A-2 Notes, *third*, Class B Notes, *fourth*, Class C Notes, *fifth*, Class D Notes, *sixth*, Class E Notes, *seventh*, Class F Notes, *eighth*, Class G Notes and *ninth*, Class H Notes with (a) each Class of Notes (other than the Class H Notes) in such list being "Senior" to each other Class of Notes that follows such Class of Notes in such list and (b) each Class of Notes (other than the Class A-1 Notes) in such list being "Subordinate" to each other Class of Notes that precedes such Class of Notes in such list.

Distributions on the Preference Shares will be subordinated to payments on the Notes.

No payment of interest on any Class of Notes will be made until all accrued and unpaid interest (and solely with respect to the Class A-1 Notes, the Class A-1 Swap Availability Fee) on the Notes of each Class that is Senior to such Class and that remain outstanding has been paid in full. During a Sequential Pay Period, no payment of principal of any Class of Notes will be made from Principal Proceeds until all principal of, and accrued and unpaid interest (and solely with respect to the Class A-1 Notes, the Class A-1 Swap Availability Fee) on the Notes of each Class that is Senior to such Class and that remain outstanding have been paid in full. See "Description of the Notes—Priority of Payments."

Class A-1 Swap:

On the Closing Date, the Issuer will enter into a swap agreement (the "Class A-1 Swap") with Merrill Lynch International ("MLI") (in such capacity, the "Class A-1 Swap Counterparty") in the form of a confirmation under the ISDA Master Agreement.

Pursuant to the Class A-1 Swap, the Class A-1 Swap Counterparty will be obligated, subject to the terms and conditions specified therein, to purchase Class A-1 Notes issued by the Co-Issuers from time to time at a purchase price equal to the principal amount of the Class A-1 Notes so issued. The aggregate principal amount of Class A-1 Notes outstanding at any one time will not exceed U.S.\$[●] and the Class A-1 Swap Counterparty will in no event be obligated to purchase Class A-1 Notes in an aggregate principal amount in excess of such limit. See "Description of the Notes—Drawdown—Class A-1 Swap."

If the funds available in the applicable Accounts pursuant to the Account Payment Priority are not sufficient to make a payment in accordance with the Account Payment Priority, the Class A-1 Swap Counterparty will be required under the Class A-1 Swap to advance funds to the Issuer, in exchange for Class A-1 Notes, to pay to the

Credit Default Swap Counterparty or to an assignee of the related Credit Default Swap, (i) Swap Termination Payments (other than a Defaulted Synthetic Termination Payment) to the Credit Default Swap Counterparty or to an assignee of the related Credit Default Swap, (ii) Floating Amounts (other than Interest Shortfall Payment Amounts) and Physical Settlement Amounts in respect of Unhedged Long Credit Default Swaps and (iii) Net Issuer Hedged Long Fixed Amounts payable by the Issuer in respect of Hedged Long Credit Default Swaps and Interest Shortfall Payment Amounts in respect of Long Credit Default Swaps (the uses described in clauses (i), (ii) and (iii) above, each, a "Permitted Use").

If the Issuer pays any portion of the Outstanding Class A-1 Funded Amount using funds withdrawn from the CDS Reserve Account, the Aggregate Undrawn Amount will increase by the amount of such payment and the Issuer may thereafter reborrow such amounts.

In order to obtain an advance from the Class A-1 Swap Counterparty the Issuer is required to satisfy certain conditions set forth in the Class A-1 Swap. See "Description of the Notes—Drawdowns—Class A-1 Notes."

Prior to the Swap Period Termination Date, the Class A-1 Swap Counterparty (unless it has deposited the Class A-1 Swap Prefunding Amount to a Class A-1 Swap Prefunding Account) will be required to satisfy the Class A-1 Rating Criteria. If the Class A-1 Swap Counterparty fails at any time prior to the Swap Period Termination Date to comply with the Class A-1 Rating Criteria, the Issuer will have the right under the Class A-1 Swap to replace it with another entity that meets the Class A-1 Rating Criteria unless the Class A-1 Swap Counterparty deposits the Class A-1 Swap Prefunding Amount into a Class A-1 Swap Prefunding Account. See "Description of the Notes—Drawdown—Class A-1 Swap."

The Co-Issuers:

Norma CDO I Ltd. (the "Issuer") is an exempted company incorporated under Cayman Islands law pursuant to the Issuer Charter. The entire issued share capital of the Issuer consists of (a) 1,000 ordinary shares, par value U.S.\$1.00 per share, each of which will be held in trust for charitable purposes by Walkers SPV Limited in the Cayman Islands (the "Share Trustee") under the terms of a declaration of trust, and (b) [●] Preference Shares.

The Issuer will not have any material assets other than the Collateral Debt Securities and other assets comprising the Collateral.

Norma CDO I LLC, a Delaware limited liability company (the "Co-Issuer" and, together with the Issuer, the "Co-Issuers"), was formed for the sole purpose of co-issuing the Notes. The entire undivided limited liability company interest of the Co-Issuer is owned by the Issuer.

The Co-Issuer will be capitalized only to the extent of its U.S.\$10 undivided limited liability company interest, will have no assets, other than the proceeds from the sale of its interests to the Issuer and will not pledge any assets to secure the Notes. The Co-Issuer will not have any interest in the Collateral Debt Securities or other assets comprising the Collateral and will have no claim against the Issuer in respect of the Collateral Debt Securities or otherwise.

The Collateral Manager:

NIR Capital Management, LLC ("NIR"), will perform certain advisory functions and certain administrative functions with respect to the Collateral pursuant to a collateral management agreement to be dated as of the Closing Date (the "Collateral Management Agreement") between the Issuer and NIR (in such capacity, the "Collateral Manager"). See "The Collateral Manager" and "The Collateral Management Agreement." The Collateral Manager is not a registered investment adviser under the Investment Advisers Act.

Under the Collateral Management Agreement, the Collateral Manager will manage the Acquisition and Disposition of the Collateral Debt Securities, including exercising rights and remedies associated with the Collateral Debt Securities, Disposing of the Collateral Debt Securities and certain related functions. See "Risk Factors—Conflicts of Interest Involving the Collateral Manager" and "The Collateral Manager—NIR Capital Management, LLC."

Proceeds Swap:

On the Closing Date, the Issuer may enter into a Proceeds Swap with the Initial Hedge Counterparty. If entered into, the Proceeds Swap will be documented by a swap agreement whereby the Issuer will receive an initial payment on the Closing Date from the Initial Hedge Counterparty equal to U.S.\$[●] (the "Up Front Payment") and under which the Issuer will be required to pay a fixed amount to the Initial Hedge Counterparty on each Quarterly Distribution Date (ending on the Quarterly Distribution Date in [●]) equal to the Proceeds Swap Installment. The Up Front Payment in respect of the Proceeds Swap represents an amount equal to the expected amount of expenses to be incurred by the Issuer in connection with the Offering.

Use of Proceeds:

The gross proceeds which the Issuer expects to receive from the issuance and sale of the Funded Notes and Preference Shares will be approximately U.S.\$[●] on the Closing Date. In addition, after the Closing Date, up to U.S.\$[●] in aggregate Class A-1 Fundings may be made under the Class A-1 Swap. The net proceeds which the Issuer expects to receive from the issuance and sale of the Funded Notes and Preference Shares together with any Up Front Payment to be made to the Issuer under the Proceeds Swap, are expected to be approximately U.S.\$[●] on the Closing Date which reflects the payment from gross proceeds of organizational and structuring fees and expenses of the Co-Issuers (including Closing Costs) and the initial deposits into the Expense Account and the Reserve Account. Such net proceeds will be used by the Issuer to (i) make a deposit of U.S.\$[●] to the CDS Reserve Account on the

Closing Date and to Acquire a portfolio of (a) Cash Collateral Debt Securities and (b) Synthetic Securities that, in each case, satisfy the investment criteria described herein and (ii) make an initial payment on the Closing Date to MLI in connection with the Credit Default Swaps to be entered into by the Issuer on the Closing Date. Pending the Acquisition of such portfolio, such net proceeds may be temporarily invested in Eligible Investments. See "Security for the Notes."

Interest Payments on the Notes:

The outstanding principal amount of the Class A-1 Notes (the "Outstanding Class A-1 Funded Amount") will bear interest at a floating rate per annum equal to three-month LIBOR plus [•]% (the "Class A-1 Note Interest Rate"). Amounts deposited in a Class A-1 Swap Prefunding Account as a result of the Class A-1 Swap Counterparty failing to satisfy the Class A-1 Rating Criteria will not accrue interest at the Class A-1 Note Interest Rate until the application thereof to a Permitted Use. If the Class A-1 Swap Counterparty is required to deposit such amounts into a Class A-1 Swap Prefunding Account, the Class A-1 Swap Counterparty will be entitled to receive (i) any income from the investment of such amounts in Eligible Investments and (ii) the Class A-1 Swap Availability Fee on such amounts, until such amounts are applied to a Permitted Use (upon the occurrence of which interest will commence accruing on the amount of the resulting increase in the Outstanding Class A-1 Funded Amount at the Class A-1 Note Interest Rate).

The Class A-2 Notes will bear interest at a floating rate per annum equal to three-month LIBOR plus [•]%. The Class B Notes will bear interest at a floating rate per annum equal to three-month LIBOR plus [•]%. The Class C Notes will bear interest at a floating rate per annum equal to three-month LIBOR plus [•]%. The Class D Notes will bear interest at a floating rate per annum equal to three-month LIBOR plus [•]%. The Class E Notes will bear interest at a floating rate per annum equal to three-month LIBOR plus [•]%. The Class F Notes will bear interest at a floating rate per annum equal to three-month LIBOR plus [•]%. The Class G Notes will bear interest at a floating rate per annum equal to three-month LIBOR plus [•]%. The Class H Notes will bear interest at a floating rate per annum equal to three-month LIBOR plus [•]%.

Interest on the Notes will be computed on the basis of a 360-day year and the actual number of days elapsed. LIBOR for the first Interest Period for the Funded Notes will be interpolated LIBOR for the period from the Closing Date to the first Quarterly Distribution Date. LIBOR for the first Interest Period with respect to any Class A-1 Funding will be interpolated LIBOR for the period from the date of such Class A-1 Funding to the first Quarterly Distribution Date following such Class A-1 Funding.

With respect to the Class A-1 Notes, in the case of the first

Quarterly Distribution Date following a Class A-1 Funding, interest will accrue on the amount of such Class A-1 Funding during the period from, and including the date of the Class A-1 Funding to, but excluding, such Quarterly Distribution Date and with respect to each Quarterly Distribution Date thereafter, the period from and including the immediately preceding Quarterly Distribution Date to, but excluding, such Quarterly Distribution Date. With respect to each other Class of Notes, interest will accrue on the Aggregate Outstanding Amount of such Class (i) for the period from, and including, the Closing Date to, but excluding, the first Quarterly Distribution Date and (ii) for each Quarterly Distribution Date thereafter, for the period from, and including, the immediately preceding Quarterly Distribution Date to, but excluding, such Quarterly Distribution Date. Such period of accrual of interest on the Notes is referred to herein as an "Interest Period."

Accrued and unpaid interest on the Notes will be payable quarterly in arrears on each Quarterly Distribution Date (commencing on the [•] 2007 Quarterly Distribution Date). See "Description of the Notes—Interest." See "Description of the Notes—Priority of Payments."

In the event that on any Quarterly Distribution Date there are not sufficient Interest Proceeds available to pay the accrued interest in full on any of the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes or the Class H Notes, an Event of Default will not result therefrom unless such Class of Notes on which interest was not paid in full is the most Senior Class then outstanding and the Swap Period Termination Date has occurred. See "Description of the Notes—Interest."

Class A-1 Swap Availability Fee:

A fee (the "Class A-1 Swap Availability Fee") will be payable to the Class A-1 Swap Counterparty and will accrue on the Aggregate Undrawn Amount under the Class A-1 Swap for each day from and including the Closing Date to but excluding the Swap Period Termination Date, and will be payable to the Class A-1 Swap Counterparty in arrears on each Quarterly Distribution Date at a rate per annum equal to [•]% (the "Class A-1 Swap Availability Fee Rate"). See "Description of the Notes—Class A-1 Swap Availability Fee on Class A-1 Notes." The Class A-1 Swap Availability Fee will continue accruing on any amounts in a Class A-1 Swap Prefunding Account until such amounts are applied to fund a Permitted Use. Payment of the Class A-1 Swap Availability Fee will rank *pari passu* with the payment of interest on the Class A-1 Notes. The Class A-1 Swap Availability Fee will be computed on the basis of a 360-day year and the actual number of days elapsed. See "Description of the Notes—Class A-1 Swap Availability Fee on Class A-1 Notes."

Distributions on the Preference Shares:

On each Quarterly Distribution Date, to the extent funds are available therefor, Interest Proceeds and Principal Proceeds will be released from the lien of the Indenture for payment to the Preference Share Paying Agent, but only after the payment of

interest on the Notes, the Class A-1 Swap Availability Fee and all other amounts in accordance with the Priority of Payments.

Any Interest Proceeds permitted to be released from the lien of the Indenture on any Quarterly Distribution Date in accordance with the Priority of Payments and paid to the Preference Share Paying Agent will be distributed to Preference Shareholders, subject to provisions of The Companies Law (2004 Revision) of the Cayman Islands governing the declaration and payment of dividends (as described herein), on such Quarterly Distribution Date.

Until the Notes have been paid in full, Principal Proceeds are not permitted to be released from the lien of the Indenture to make distributions in respect of the Preference Shares.

A portion of any Interest Proceeds that would otherwise be distributed to Preference Shareholders on each related Quarterly Distribution Date will be used instead to repay principal of the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes pursuant to the Class E/F/G/H Special Redemption.

If a Class F Overcollateralization Test Redemption occurs, Interest Proceeds that would otherwise be paid to a holder of Class G Notes or Class H Notes or distributed to a holder of Preference Shares on the related Quarterly Distribution Date may, if so directed by such holder, be used instead to repay principal of the Notes or to make a deposit to the CDS Reserve Account in accordance with the Sequential Payment Priority.

If a Rating Confirmation Failure occurs, Interest Proceeds and Principal Proceeds that would otherwise be distributed to the Preference Shareholders will be applied in accordance with the Sequential Payment Priority to the payment of principal of the Notes to the extent specified by each relevant Rating Agency to obtain a Rating Confirmation. See "Description of the Notes—Priority of Payments."

Average Life and Duration:

The stated maturity of the Notes is [●] [2049] (with respect to each Class of Notes, the "Stated Maturity"). Each Class of Notes will mature at the Stated Maturity unless redeemed or repaid prior thereto. The average life of each Class of Notes and the duration of the Preference Shares is expected to be significantly less than the number of years until the Stated Maturity of the Notes. See "Maturity, Prepayment and Yield Considerations" and "Risk Factors—Projections, Forecasts and Estimates."

Reinvestment Period:

Until the end of the Reinvestment Period, the Collateral Manager may reinvest Principal Proceeds (other than Specified Principal Proceeds) in additional Cash Collateral Debt Securities and Defeased Synthetic Securities and may Acquire additional Credit Default Swaps to the extent CDS Principal Proceeds (other than Specified CDS Principal Proceeds) produce a CDS Reserve Account Excess. "Reinvestment Period" means the period from

(and including) the Closing Date to (but excluding) the earliest of (a) the Quarterly Distribution Date occurring in [•] [2012], (b) the date of any Tax Redemption, (c) the Quarterly Distribution Date on which the Collateral Manager specifies (by notice to the Trustee) that no further investments in additional Collateral Debt Securities will occur, (d) the date on which an Event of Default resulting in an acceleration of the Notes occurs, and (e) any date after NIR has resigned or been removed as Collateral Manager on which the holders of at least a majority in Aggregate Outstanding Amount of the Controlling Class or a Majority-in-Interest of Preference Shareholders notify the Trustee and the Collateral Manager that the Reinvestment Period shall be terminated. See "Description of the Notes—Reinvestment Period," "Security for the Notes—Eligibility Criteria" and "—Dispositions of Collateral Debt Securities."

Principal Repayment:

During the Reinvestment Period, Specified Principal Proceeds (including Principal Proceeds the Collateral Manager, in its sole discretion, elects to apply to the payment of principal of the Notes), will be used to pay principal of the Notes or to reduce the Aggregate Undrawn Amount in accordance with the Priority of Payments, and all other Principal Proceeds may, at the Collateral Manager's discretion, be reinvested in (or held for reinvestment in) additional Collateral Debt Securities. Accordingly, the Issuer does not expect to make any principal payments on the Notes from Principal Proceeds during the Reinvestment Period unless the Collateral Manager does not find suitable reinvestment opportunities or elects to make such principal payments or unless a Rating Confirmation Failure occurs.

After the Reinvestment Period, all Principal Proceeds will be applied on each Quarterly Distribution Date (after paying other amounts in accordance with the Principal Proceeds Waterfall), to pay principal of each Class of Notes or to reduce the Aggregate Undrawn Amount by making a deposit to the CDS Reserve Account.

If a Quarterly Distribution Date occurs during a Modified Sequential Pay Period, principal of the Notes may be paid from a CDS Reserve Account Excess Withdrawal Amount in accordance with the Modified Sequential Payment Priority. If a Quarterly Distribution Date occurs during a Sequential Pay Period, principal of the Class A-1 Notes may be paid from a CDS Reserve Account Excess Withdrawal Amount and, if the principal of the Class A-1 Notes has been paid in full and the Aggregate Undrawn Amount has been reduced to zero, principal of the Funded Notes may be paid from a CDS Reserve Account Excess Withdrawal Amount in accordance with the Sequential Payment Priority.

The amount and frequency of principal payments on a Class of Notes will depend upon, among other things, the amount and frequency of payments of principal and interest and Disposition Proceeds received with respect to the Cash Collateral Debt

Securities and on the amount and frequency of payments and Disposition Proceeds received by the Issuer with respect to Synthetic Securities.

On any Quarterly Distribution Date which occurs during a Sequential Pay Period, principal of the Notes will be paid from Principal Proceeds (if such Quarterly Distribution Date occurs after the Reinvestment Period) and Specified Principal Proceeds (if such Quarterly Distribution Date occurs during the Reinvestment Period) in direct order of seniority in accordance with the Sequential Payment Priority.

On any Quarterly Distribution Date which occurs during a Modified Sequential Pay Period, Principal Proceeds (if such Quarterly Distribution Date occurs after the Reinvestment Period) and Specified Principal Proceeds (if such Quarterly Distribution Date occurs during the Reinvestment Period) available after payment of certain other amounts will be applied in accordance with the Priority of Payments, to pay principal of the Notes in accordance with the Modified Sequential Payment Priority. The amount of principal paid on a Class of Notes during a Modified Sequential Pay Period will depend, in part, on the amount of principal required to be paid in order to cause the Overcollateralization Ratio applicable to such Class to be at least equal to the Overcollateralization Level applicable to such Class on such Quarterly Distribution Date. See "Description of the Notes—Priority of Payments."

CDS Principal Proceeds:

On any Quarterly Distribution Date prior to the end of the Reinvestment Period, the Aggregate Undrawn Amount under the Class A-1 Swap will be reduced permanently in accordance with the CDS Application Priority by (i) the amount of the Specified CDS Principal Proceeds for the related Due Period if the Quarterly Distribution Date occurs in a Sequential Pay Period, or (ii) if the Quarterly Distribution Date occurs during a Modified Sequential Pay Period the Class A-1 Reduction Amount for the related Due Period.

On any Quarterly Distribution Date after the end of the Reinvestment Period, the Aggregate Undrawn Amount under the Class A-1 Swap will be reduced permanently in accordance with the CDS Application Priority by (i) the amount of the CDS Principal Proceeds for the related Due Period if such Quarterly Distribution Date occurs during a Sequential Pay Period, or (ii) if the Quarterly Distribution Date occurs during a Modified Sequential Pay Period the Class A-1 Reduction Amount for the related Due Period.

The Aggregate Undrawn Amount also will be reduced by other Permanent Reduction Amounts. See "Description of the Notes—Reduction of the Aggregate Undrawn Amount."

On any Quarterly Distribution Date, the Collateral Manager, on

behalf of the Issuer, may direct the Trustee to apply funds in the CDS Reserve Account to pay the Outstanding Class A-1 Funded Amount, which payment will not constitute a Permanent Reduction Amount (and, if the applicable conditions in the Class A-1 Swap are satisfied, will result in an increase in the Aggregate Undrawn Amount). See "Description of the Notes—CDS Application Priority."

Mandatory Redemption:

In the event of a Rating Confirmation Failure, as described under "Description of the Notes—Mandatory Redemption," on the first Quarterly Distribution Date following such Rating Confirmation Failure, the Issuer will be required to apply Uninvested Proceeds (other than those required to complete Acquisitions of Collateral Debt Securities) to redeem the Notes in accordance with the Sequential Payment Priority. If such Uninvested Proceeds are insufficient to redeem the Notes to the extent necessary in order to obtain the Rating Confirmation, on such Quarterly Distribution Date and on each Quarterly Distribution Date thereafter, the Issuer will be required to apply Interest Proceeds and, to the extent that Interest Proceeds are insufficient, Principal Proceeds to the repayment of Notes in accordance with the Sequential Payment Priority, to the extent specified by each relevant Rating Agency (including pursuant to a Proposed Plan) to obtain a Rating Confirmation.

On each Quarterly Distribution Date from and including the Quarterly Distribution Date in [●] [2007], to and including the Quarterly Distribution Date in [____] [____], Interest Proceeds equal to the Class E/F/G/H Payment Amount (if any) will be applied to pay principal of the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes, *pro rata* based on the Aggregate Outstanding Amounts thereof, until the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes have been paid in full (the "Class E/F/G/H Special Redemption"). See "Description of the Notes—Priority of Payments—Interest Proceeds."

If the Class F Overcollateralization Test is not satisfied on any Determination Date, each holder of Class G Notes, Class H Notes or Preference Shares may direct the Trustee to apply, on the related Quarterly Distribution Date, Interest Proceeds that would otherwise be paid or distributed to such holder on such Quarterly Distribution Date in accordance with the Sequential Payment Priority to pay principal of the Notes (other than the Class G Notes or the Class H Notes) and to make a deposit to the CDS Reserve Account (such application, a "Class F Overcollateralization Test Redemption") to the extent necessary to cause the Class F Overcollateralization Test to be satisfied. See "Description of the Notes—Priority of Payments—Interest Proceeds" and "—Sequential Payment Priority."

Optional Redemption and Tax Redemption of the Notes:

Subject to certain conditions described herein, on the Quarterly Distribution Date occurring in [●] [2010] or on any Quarterly

Distribution Date thereafter, the Issuer may redeem the Notes (such redemption, an "Optional Redemption"), in whole but not in part, at the direction of a Special Majority-in-Interest of Preference Shareholders at the applicable Redemption Price therefor. So long as it holds a Voting Percentage of more than 66²/₃% of all Preference Shareholders' Voting Percentages, the Initial Preference Shareholder will, in all cases, be entitled to determine whether such direction will be issued. See "Description of the Notes—Optional Redemption and Tax Redemption."

In addition, upon the occurrence of a Tax Event, subject to the satisfaction of the Tax Materiality Condition, the Issuer may redeem the Notes (such redemption, a "Tax Redemption") on any Quarterly Distribution Date, in whole but not in part, at the applicable Redemption Price therefor (i) at the written direction of the holders of at least 66²/₃% of the Aggregate Outstanding Amount of any Class of Notes that, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and interest due and payable to such Class on any Quarterly Distribution Date (each such Class, an "Affected Class") or (ii) at the written direction of a Special Majority-in-Interest of Preference Shareholders.

No Optional Redemption or Tax Redemption may be effected, however, unless the Available Redemption Funds are at least equal to an amount sufficient to pay (in accordance with the Priority of Payments) the Total Senior Redemption Amount.

Auction Call Redemption:

If the Notes have not been redeemed in full prior to the Quarterly Distribution Date occurring in [●] [2015] then an auction of the Collateral Debt Securities will be conducted by the Trustee (with the assistance of the Collateral Manager) on behalf of the Issuer and, *provided* that certain conditions are satisfied, the Collateral Debt Securities will be sold and the Notes will be redeemed on such Quarterly Distribution Date. If such conditions are not satisfied and the Notes are not redeemed in full, the Trustee (with the assistance of the Collateral Manager) will conduct auctions on a quarterly basis until the Notes are redeemed in full. See "Description of the Notes—Auction Call Redemption."

The Collateral Manager may bid at each Auction and, even if it may not have been the highest bidder, will have the option to purchase the Collateral Debt Securities (or any subpool) for a purchase price equal to the highest bid therefor, which could discourage some potential bidders from participating in the Auctions. See "Description of the Notes—Auction Call Redemption."

Redemption of the Preference Shares:

Subject to certain conditions described herein, on any Quarterly Distribution Date on or after the Quarterly Distribution Date on which the Notes have been paid in full, the Preference Shares may be redeemed, in whole but not in part, at the direction of a Majority-in-Interest of Preference Shareholders. The Preference Shares will

also be redeemed upon a Tax Redemption of the Notes. See "Description of the Preference Shares—Redemption of the Preference Shares."

The Preference Shares will be redeemed by the Issuer on the Quarterly Distribution Date in [●] [2049] (the "Scheduled Preference Share Redemption Date"), unless redeemed prior thereto. See "Risk Factors—Average Life of the Notes and Prepayment Considerations" and "Maturity, Prepayment and Yield Considerations."

Security for the Notes:

Pursuant to the Indenture, the Notes (together with the Issuer's obligations to any Hedge Counterparty under the Hedge Agreement, to the Credit Default Swap Counterparty under the Credit Default Swaps, to the Class A-1 Swap Counterparty under the Class A-1 Swap, to MLI under the Total Return Swap, to the Collateral Manager under the Collateral Management Agreement and to the Trustee under the Indenture), will be secured by: (a) the Custodial Account, the Collateral Debt Securities and the Equity Securities (if any), (b) the Accounts (other than the Hedge Counterparty Collateral Account, the Synthetic Security Issuer Account and the Class A-1 Swap Prefunding Account), all funds and other property standing to the credit of each such Account, Eligible Investments purchased with funds standing to the credit of each such Account and all income from the investment of funds therein, and the Issuer's rights in and to each Synthetic Security Issuer Account, (c) for the benefit of *first*, the Credit Default Swap Counterparty (to the extent necessary to secure the Issuer's obligations under the Credit Default Swaps) and, *second*, the other Secured Parties, the Issuer's rights in the Class A-1 Swap Prefunding Account, (d) the Issuer's rights in and to each Hedge Counterparty Collateral Account, (e) the rights of the Issuer under the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement, the Preference Share Paying Agency Agreement, all agreements relating to the Synthetic Securities and each Hedge Agreement, (f) for the benefit of the Credit Default Swap Counterparty only, the rights of the Issuer under the Class A-1 Swap to make Class A-1 Fundings in respect of amounts owing by the Issuer to the Credit Default Swap Counterparty under the Credit Default Swaps, (g) all cash delivered to the Trustee and (h) all proceeds, accessions, profits, income benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses, but excluding Excepted Property (collectively, the "Collateral"); *provided* that each Synthetic Security Counterparty Account (and all funds and other property credited thereto) will also be held by the Trustee for the benefit of the related Synthetic Security Counterparty. In the event of a liquidation of the Collateral following an Event of Default (and on the Redemption Date or the Stated Maturity), proceeds will be applied in accordance with the respective priorities established by the Liquidation Priority of Payments. The security interest granted

**Acquisitions and Dispositions
of Collateral:**

under the Indenture in each Synthetic Security Counterparty Account (and all funds and other property credited thereto), for the benefit of the Secured Parties, is subject to, and subordinate to the security interest and rights of, the relevant Synthetic Security Counterparty in and to such Synthetic Security Counterparty Account.

The Issuer will invest both in Cash Collateral Debt Securities and in Credit Default Swaps and other Synthetic Securities which reference Asset-Backed Securities. The Cash Collateral Debt Securities and the Reference Obligations under the Credit Default Swaps are expected to consist primarily of RMBS, but are also expected to include CMBS and CDO Obligations. On the Closing Date, the Issuer will Acquire Collateral Debt Securities having an Aggregate Principal Balance (together with any Principal Proceeds and CDS Principal Proceeds) of not less than U.S.\$[●], of which approximately U.S.\$[●] is expected to consist of the notional amount of Credit Default Swaps as of such date. The Issuer expects that, by no later than the Ramp-Up Completion Date, it will have Acquired Collateral Debt Securities having an Aggregate Principal Balance (together with all Principal Proceeds received, and all CDS Principal Proceeds with a CDS Principal Receipt Date on or after the Closing Date which have not been reinvested) of at least U.S.\$[●], of which not less than U.S.\$[●] will consist of the notional amount of Credit Default Swaps as of such date. All of the Collateral Debt Securities (or Reference Obligations, in the case of Synthetic Securities) must have been assigned a rating of at least "BBB-" by Standard & Poor's or "Baa3" by Moody's at the time of Acquisition by the Issuer.

An investor or prospective investor in the Offered Notes may at any time and from time to time request from the Trustee a list of Collateral Debt Securities which the Issuer has Acquired.

The Collateral Manager may Dispose of Defaulted Securities, Equity Securities, Credit Improved Securities, Deferred Interest PIK Bonds, Written Down Securities and Credit Risk Securities at any time subject to the limitations specified herein and in the Indenture. During the Reinvestment Period, the Collateral Manager also may elect to make Discretionary Dispositions of Collateral Debt Securities. See "Security for the Notes—Dispositions of Collateral Debt Securities."

During the Reinvestment Period, the Collateral Manager may reinvest any Disposition Proceeds (excluding proceeds from Defaulted Securities) as well as any other Principal Proceeds (excluding Specified Principal Proceeds) in additional Cash Collateral Debt Securities and Defeased Synthetic Securities, and may Acquire additional Credit Default Swaps to the extent of any CDS Reserve Account Excess. The Collateral Manager has discretion to change the percentage of the portfolio consisting of Cash Collateral Debt Securities and Defeased Synthetic Securities and the percentage of the portfolio consisting of Credit Default

Swaps, within the limits described herein. No reinvestment in additional Collateral Debt Securities will be made by the Issuer after the last day of the Reinvestment Period except (i) Hedge Rebalancing Purchases and (ii) to complete any purchase which it committed to make on or prior to the last day of the Reinvestment Period. Unless terminated earlier as described under "Description of the Notes—Reinvestment Period," the Reinvestment Period will end on the Quarterly Distribution Date in [●] [2012].

The Credit Defaults Swaps:

The Issuer may enter into Credit Default Swaps, Index Synthetic Securities and other types of Synthetic Securities. The Issuer may enter into a credit default swap only if it is either a Defeased Synthetic Security or if it is a transaction (each a "Credit Default Swap") under the ISDA Master Agreement between MLI and the Issuer, dated as of the Closing Date or a CDS Replacement. "See Security for the Notes—The ISDA Master Agreement." The Credit Default Swaps which the Issuer will enter into (or commit to enter into) on the Closing Date will be documented based on the form of the "Credit Derivative Transaction on Mortgage-Backed Security With Pay As You Go or Physical Settlement (Form 1) (Dealer Form)" template confirmation published in November 2006 by ISDA that relates to RMBS and CMBS securities with the elections described under "Security for the Notes—The Credit Default Swaps" and certain important modifications. In addition, the Issuer may also enter into Credit Default Swaps based on the form of the "Credit Derivative Transaction on Asset-Backed Security With Pay As You Go or Physical Settlement (Dealer Form)" template confirmation published in June 2006, and amended in August 2006, by ISDA that relates to CDO Obligations, with the elections described under "Security for the Notes—The Credit Default Swaps" and certain important modifications. Each Credit Default Swap entered into on the Closing Date will be a Form Approved Synthetic Security and a Single Obligation Synthetic Security. With respect to the Long Credit Default Swaps, the initial Form Approved Synthetic Security confirmations that the Issuer will enter into (or commit to enter into) with the Credit Default Swap Counterparty on the Closing Date are expected to be attached as Exhibits B and C to the final Offering Circular.

The Credit Events applicable to each Credit Default Swap are: Failure to Pay Principal, Writedown, Distressed Ratings Downgrade (if elected as applicable) and (solely with respect to a CDO PAUG Credit Default Swap) Failure to Pay Interest. Upon the occurrence of any such Credit Event, the Credit Default Swap Counterparty may elect, in its sole discretion, to deliver all or part of the Reference Obligation to the Issuer, in which event the Issuer must pay the related Physical Settlement Amount to the Credit Default Swap Counterparty. In addition, upon the occurrence of a Failure to Pay Principal, a Writedown or an Interest Shortfall, the Credit Default Swap Counterparty may elect, in its sole discretion, to receive a cash settlement in lieu of delivering all or a portion of the related Reference Obligation to the Issuer, in which case the

Issuer must pay a Floating Amount to the Credit Default Swap Counterparty.

The Collateral Manager may cause the Issuer to Dispose of a Long Credit Default Swap by entering into a corresponding Hedging Short Credit Default Swap. The only Credit Default Swaps that the Issuer may enter into are Hedging Short Credit Default Swaps, Hedged Long Credit Default Swaps and Unhedged Long Credit Default Swaps.

In the case of a termination or assignment of a Credit Default Swap, the Issuer may be required to pay or may be entitled to receive a Swap Termination Payment and, in the case of a Hedging Short Credit Default Swap, the Issuer will pay Fixed Amounts to the Credit Default Swap Counterparty which may be more or less than the Fixed Amounts which it is receiving under the related Hedged Long Credit Default Swap.

See "Security for the Notes—The Credit Defaults Swaps."

The Issuer may only enter into Credit Default Swaps with MLI, unless a CDS Replacement has occurred. See "Security for the Notes—Replacements of the ISDA Master Agreement."

The Total Return Swap:

Under the ISDA Master Agreement, the Issuer will also enter into a total return swap transaction with MLI (in such capacity, the "Total Return Swap Counterparty") relating to the Synthetic Security Collateral held in the CDS Reserve Account. Under the Total Return Swap, the Issuer will pay all interest and similar distributions on the Synthetic Security Collateral received by the Issuer in each Interest Period to MLI and MLI will pay to the Issuer three-month LIBOR for such Interest Period on the notional amount of the Total Return Swap. If any Synthetic Security Collateral that is subject to the Total Return Swap is sold at a price below the purchase price paid by the Issuer therefor in order to fund a Permitted Use, MLI shall be required to pay such deficiency to the Issuer. The notional amount of the Total Return Swap may be reduced by MLI or the Issuer, and the Total Return Swap may be terminated by MLI or the Issuer in certain circumstances. See "Security for the Notes—The Total Return Swap."

Liquidation of Collateral Debt Securities:

Prior to the Quarterly Distribution Date in [●] [2049], or in connection with any Optional Redemption, Tax Redemption, Auction Call Redemption or Accelerated Maturity Date, the Collateral Debt Securities, Eligible Investments and other collateral will be liquidated, subject to certain limitations, and in accordance with certain procedures, which are set forth in the Indenture.

Plan of Distribution:

The Offered Notes are being offered for sale in an initial distribution by the Issuer and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPFS" or the "Initial Purchaser") to investors (the "Original Purchasers") (a) in the United States, that (i) are "Qualified Institutional Buyers (each, a "Qualified

Institutional Buyer"), as defined in Rule 144A ("Rule 144A") under the Securities Act of 1933, as amended (the "Securities Act"), (ii) are Qualified Purchasers and (iii) are acquiring the Securities for their own accounts for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A) and (b) outside the United States, that are not U.S. persons, as such term is defined in Regulation S ("Regulation S") under the Securities Act (each, a "U.S. Person") in offshore transactions in reliance on Regulation S and (c) in each case, in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction. Offered Notes offered for sale to a U.S. Person will be offered only to Qualified Purchasers.

The Preference Shares, the Class G Notes and the Class H Notes are not being offered hereby. It is anticipated that the Issuer will privately place the Preference Shares, the Class G Notes and the Class H Notes with the Initial Preference Shareholder in privately negotiated transactions. On the Closing Date, the Initial Purchaser will acquire a portion of the Preference Shares, the Class G Notes and Class H Notes, but the Initial Purchaser expects to transfer such Preference Shares and Notes to the Initial Preference Shareholder (which is not affiliated with the Initial Purchaser) after the Closing Date.

Ratings:

It is a condition to the issuance of the Notes that the Class A-1 Notes be rated "[Aaa]" by Moody's Investors Service, Inc. ("Moody's") and "[AAA]" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's" and, together with Moody's, the "Rating Agencies"), that the Class A-2 Notes be rated "[Aaa]" by Moody's and "[AAA]" by Standard & Poor's, that the Class B Notes be rated at least "[Aa2]" by Moody's and at least "[AA]" by Standard & Poor's, that the Class C Notes be rated at least "[Aa3]" by Moody's and at least "[AA-]" by Standard & Poor's, that the Class D Notes be rated at least "[A2]" by Moody's and at least "[A]" by Standard & Poor's, that the Class E Notes be rated at least "[Baa2]" by Moody's and at least "[BBB]" by Standard & Poor's, that the Class F Notes be rated at least "[Baa3]" by Moody's and at least "[BBB-]" by Standard & Poor's, that the Class G Notes be rated at least "[__]" by Moody's and at least "[__]" by Standard & Poor's and that the Class H Notes be rated at least "[__]" by Moody's and at least "[__]" by the Standard & Poor's. A credit rating is not a recommendation to buy, hold or sell securities and is subject to revision at any time. See "Risk Factors Credit Ratings." The Preference Shares are not expected to be rated by any Rating Agency.

The Standard & Poor's rating and the Moody's rating of the Class G Notes and the Class H Notes will address only the ultimate receipt of (i) the Class G Notional Amount and a return of interest calculated at the Class G Stated Interest Rate and (ii) the Class H Notional Amount and a return of interest calculated at the Class H Stated Interest Rate, respectively. Upon the Class G Notional Amount or the Class H Notional Amount being reduced to zero, the

rating of the Class G Notes or Class H Notes, as applicable, will not apply with respect to any additional payments thereon. See "Ratings of the Notes."

Minimum Denominations:

The Notes will be issuable in a minimum denomination of U.S.\$[250,000] and will be offered and may be subsequently transferred only in such minimum denominations or integral multiples of U.S.\$[1,000] in excess thereof.

The minimum number of Preference Shares to be issued to an investor will initially be [250], or integral multiples of 1 in excess thereof. Preference Shares may not be transferred if it is determined that, after giving effect to such transfer, the transferee (or, if the transferor retains any Preference Shares, the transferor) would own less than [250] Preference Shares.

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

See "Description of the Notes—Form, Denomination, Registration and Transfer," "Description of the Preference Shares—Form, Registration and Transfer" and "Transfer Restrictions."

Listing:

Application will 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 such applications will be granted. No application will be made to list the Notes on any other stock exchange. No application will be made to list the Preference Shares on any stock exchange. 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 Class or Classes of Notes. See "Listing and General Information."

**Irish Listing Agent;
Irish Paying Agent:**

NCB Stockbrokers Limited. is expected to be the Irish Listing Agent and the Irish Paying Agent for the Notes (in such capacities, the "Irish Listing Agent" and the "Irish Paying Agent," respectively).

Governing Law:

The Notes, the Indenture, the Collateral Management Agreement, the Collateral Administration Agreement, the Credit Default Swaps, the Class A-1 Swap, the Proceeds Swap, if any, the Total Return Swap, the Preference Share Paying Agency Agreement, each Hedge Agreement, if any, and the Purchase Agreement will be governed by, and construed in accordance with, the laws of the State of New York. The Issuer Charter, the Preference Shares and the Administration Agreement will be governed by, and construed in accordance with, the laws of the Cayman Islands.

Tax Matters:

See "Income Tax Considerations."

Benefit Plan Investors:

See "ERISA and Certain Related Considerations."

RISK FACTORS

An investment in the Offered Notes involves certain risks. Prospective investors should carefully consider the following risk factors, in addition to the matters set forth elsewhere in this Preliminary Offering Circular and in the final Offering Circular, prior to investing in the Offered Notes.

Risk Factors Relating to the Terms of the Offered Notes.

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

Limited Liquidity. There is currently no market for the Offered Notes. Although the Initial Purchaser may from time to time make a market in any Class of Notes or the Preference Shares, the Initial Purchaser is under no obligation to do so. In the event that the Initial Purchaser commences any market making activity, it may discontinue the same at any time. There can be no assurance that a secondary market for any of the Offered Notes will develop, or if a secondary market does develop, that it will provide the holders of such Offered Notes with liquidity of investment or that it will continue for the life of the Offered Notes. In addition, the Offered Notes are subject to certain transfer restrictions and may only be transferred in certain minimum denominations and to certain transferees as described under "Transfer Restrictions." After issuance, a Note may fail to be in compliance with the minimum denomination requirement stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments, however, no exception will be made to the minimum denomination on account thereof. Consequently, an investor in the Offered Notes must be prepared to hold the Notes until the Stated Maturity and to hold the Preference Shares until the Scheduled Preference Share Redemption Date.

Limited Recourse Obligations. The Notes are limited recourse obligations of the Issuer and non-recourse obligations of the Co-Issuer, payable solely from the Collateral Debt Securities and other Collateral pledged by the Issuer to secure the Notes. None of the security holders, members, officers, directors, managers or incorporators of the Issuer, the Co-Issuer, the Trustee, the Credit Default Swap Counterparty, any Hedge Counterparty or any of their respective guarantors, the Collateral Manager, the Administrator, any Rating Agency, the Share Trustee, the Initial Purchaser, any of their respective affiliates and any other person or entity will be obligated to make payments on the Notes. Consequently, the Noteholders must rely solely on amounts received in respect of the Collateral Debt Securities and other Collateral pledged to secure the Notes for the payment of principal thereof and interest thereon.

There can be no assurance that the distributions on the Collateral Debt Securities and other Collateral will be sufficient to make payments on any Class of Notes, in particular after making payments on more Senior Classes of Notes and certain other required amounts ranking Senior to such Class. The Issuer's ability to make payments in respect of any Class of Notes will be constrained by the terms of the Notes of Classes more Senior to such Class and the Indenture. If distributions on the Collateral are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency and, following liquidation of all the Collateral, the obligations of the Co-Issuers to pay such deficiencies will be extinguished and will not thereafter revive. The Preference Shares will be part of the issued share capital of the Issuer and will not be secured pursuant to the lien of the Indenture.

Subordination of Each Class of Subordinate Notes. No payment of interest on any Class of Notes will be made until all accrued and unpaid interest on the Notes of each Class (and, with respect to the Class A-1 Notes, the Class A-1 Swap Availability Fee) that is Senior to such Class and that remain outstanding has been paid in full. No payment of principal of any Class of Notes will be made during a Sequential Pay Period from Principal Proceeds until all principal of, and all accrued and unpaid interest on the Notes of each Class that is Senior to such Class (and, with respect to the Class A-1 Notes, the Class A-1 Swap Availability Fee) and that remains outstanding have been paid in full. See "Description of the Notes—Priority of Payments." If an Event of Default occurs, so long as any Notes are outstanding (or the Swap Period Termination Date has not occurred), the Class A-1 Note Parties or, if the Aggregate Undrawn Amount has been permanently reduced to zero and is not subject to reinstatement and there is no Outstanding Class A-1 Funded Amount, the holders of the most Senior Class of Notes then outstanding will be entitled to determine the remedies to be exercised under the Indenture. In the event of any realization on the Collateral, proceeds will be allocated to the Notes and other amounts in accordance with the Liquidation Priority of Payments prior to any distribution to the Preference Shareholders. See "Description of the Notes—The Indenture" and "—Priority of Payments." Remedies pursued by the holders of the Class or Classes of Notes entitled to determine the exercise of such remedies could be adverse to the interest of the holders of the other Classes of Notes. Generally, to the extent that any losses are suffered by any of the holders of any Offered Notes, such losses will be borne, *first*, by the holders of the Preference Shares, *second*, by the holders of the Class H Notes, *third*, by the holders of the Class G Notes, *fourth*, by holders of the Class F Notes, *fifth*, by the holders of the Class E Notes, *sixth*, by the holders of the Class D Notes, *seventh*, by the holders of the Class C Notes, *eighth*, by the holders of the Class B Notes, *ninth*, by the holders of the Class A-2 Notes, and *tenth*, by the holders of the Class A-1 Notes.

The Notes will Continue to be Paid in Accordance with the Priority of Payments Following an Event of Default until the Accelerated Maturity Date; Liquidation of the Collateral after an Event of Default is Restricted. On any Quarterly Distribution Date following the occurrence of an Event of Default and the acceleration of the maturity of the Notes (each such Quarterly Distribution Date, unless such Event of Default is no longer continuing or such acceleration of the Notes has been rescinded, a "Post-Acceleration Quarterly Distribution Date"), the Trustee will continue to make payments of interest and principal on the Notes in accordance with the same sections of the Priority of Payments as were applicable prior to such acceleration until the Accelerated Maturity Date, and as a result a Subordinate Class of Notes may continue to receive payments of interest (and in limited circumstances payments of principal from Interest Proceeds) prior to the date on which the entire principal amount of the Classes of Notes Senior thereto has been paid in full. The Collateral will not be liquidated unless one of the conditions precedent thereto described under "Description of the Notes—The Indenture—Events of Default" is satisfied. If an Event of Default resulting from a failure to pay the Class A-1 Swap Availability Fee or the Interest Distribution Amount on the Class A-1 Notes has occurred and is continuing and the principal of the Notes has been declared immediately due and payable, the Class A-1 Note Parties comprising at least 66-2/3% of the Aggregate Outstanding Amount of the Class A-1 Notes may direct the liquidation of the Collateral without the consent of the other Noteholders or the Preference Shareholders even if other Classes of Notes and the Preference Shareholders will suffer a loss upon such liquidation. If an Event of Default resulting from a failure to maintain the Class A Overcollateralization Ratio at or above []% as of any Determination Date has occurred and is continuing and the principal of the Notes has been declared immediately due and payable, the Class A Parties comprising at least 66-2/3% of the Aggregate Outstanding Amount of the Class A-1 Notes and Class A-2 Notes may direct the liquidation of the Collateral without the consent of the other Noteholders or the Preference Shareholders even if such other Classes of Notes and the Preference Shareholders will suffer a loss upon such liquidation. Following any liquidation of the Collateral, the proceeds of such liquidation will be applied to pay interest and principal on the Notes in accordance with the Liquidation Priority of Payments.

Deferred Interest Amounts; Effect on Rating of the Class D Notes, Class E Notes, Class F Notes, Class G Notes and Class H Notes. So long as any Senior Class of Notes is outstanding (or the Swap Period Termination Date has not occurred), in the event that on any Quarterly Distribution Date there are not sufficient Interest Proceeds available to pay the accrued interest in full pursuant to the Priority of Payments on any of the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes or the Class H Notes, any accrued interest which is not paid on such Quarterly Distribution Date will be deferred and shall not be considered due and payable on such Quarterly Distribution Date. Any such deferral will not result in (i) an Event of Default under the Indenture nor (ii) such deferred interest being treated as Defaulted Interest. Such unpaid interest plus accrued interest thereon will be paid as Deferred Interest Amounts on the first Quarterly Distribution Date on which funds are available to pay such Deferred Interest Amounts in accordance with the Priority of Payments. A failure to pay Deferred Interest with respect to any Class of Notes will not result in an Event of Default unless such Class of Notes is the Controlling Class and the Swap Period Termination Date has occurred. Deferred Interest Amounts will not be added to the Aggregate Outstanding Amount of the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes or the Class H Notes but will accrue interest at a rate equal to the interest rate applicable to the related Class of Notes. In addition, during a Modified Sequential Payment Period, any Distributable Principal Proceeds or CDS Reserve Account Withdrawal Amount available to make payments on the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes or the Class H Notes on a Quarterly Distribution Date will be applied first to pay the Interest Distribution Amount and any Deferred Interest Amount for each such Class of Notes and any Class of Notes Senior thereto and, as a result, the amount available to pay principal on that Class of Notes and the Notes subordinate to such Class of Notes will be reduced.

Payments in Respect of the Preference Shares. The Issuer, pursuant to the Indenture, has pledged substantially all of its assets to secure the Notes and certain other obligations of the Issuer. The proceeds of such assets will only be available to make payments in respect of the Preference Shares as and when such proceeds are released in accordance with the Priority of Payments. There can be no assurance that, after payment of principal of and interest on the Notes and Class A-1 Swap Availability Fee to the Class A-1 Swap Counterparty, as applicable, and other fees and expenses of the Co-Issuers in accordance with the Priority of Payments, the Issuer will have funds remaining to make distributions in respect of the Preference Shares. Any Class E/F/G/H Special Redemption on each Quarterly Distribution Date will reduce the amount of the Interest Proceeds that may otherwise have been available to make distributions on the Preference Shares. See "Description of the Notes—Priority of Payments." If an Event of Default occurs, as long as any Notes are outstanding, the Controlling Class of Notes will be entitled to determine the remedies to be exercised under the Indenture, including in certain circumstances, the right to declare an acceleration of the Notes without obtaining the consent of the holders of the Preference Shares. Subsequent to an acceleration of the maturity of the Notes after an Event of Default, distributions will not be made on the Preference Shares until the entire principal amount of and interest on the Notes has been paid in full. To the extent that any losses are suffered by any of the holders of any Securities, such losses will be borne in the first instance by the holders of the Preference Shares.

In the event that, prior to the first Quarterly Distribution Date, the Issuer has not obtained a Rating Confirmation from Standard & Poor's or has not either submitted a Ramp-Up Completion Date Report or obtained a Rating Confirmation from Moody's, the Issuer will not make any distribution on the Preference Shares on the first Quarterly Distribution Date or on any subsequent Quarterly Distribution Date until a Rating Confirmation is obtained.

Unless the Issuer enters into a Proceeds Swap on the Closing Date, a significant portion of the initial proceeds of the sale of the Preference Shares will be applied to pay expenses incurred by the Issuer in arranging the offering of the Notes and the Preference Shares and to make any payment to the Hedge Counterparty on the Closing Date, rather than to invest in Collateral Debt Securities. As a result, on the

Closing Date the market value of the Collateral is expected to be significantly less than the aggregate principal amount of the Notes and the aggregate Liquidation Preference of the Preference Shares. If the Issuer enters into a Proceeds Swap, payments by the Issuer in respect of expenses incurred by the Issuer in arranging the offering of the Securities will be spread out over the life of the Proceeds Swap. After payments on the Notes and the other expenses of the Issuer (including Proceeds Swap Installments, if any) payable prior to payments to the Preference Share Paying Agent for distributions in respect of the Preference Shares, it is possible that there will be no Principal Proceeds available to pay to the Preference Share Paying Agent for distribution to the holders of the Preference Shares, and, even if there are Principal Proceeds available for payment on the Preference Shares, it is highly unlikely that such proceeds will be sufficient to pay the Liquidation Preference of the Preference Shares. Preference Shareholders will therefore rely primarily on distributions of Interest Proceeds for their ultimate return, and bear a high risk of losing all or part of their original investment.

Cayman Islands law provides that dividends may only be paid by the Issuer if the Issuer has funds lawfully available for such purpose. Dividends may be paid out of profit and out of the Issuer's security premium account (which includes subscription monies in excess of the par value of each security) only if the Issuer will be solvent immediately following the date of such payment. Prior to the payment in full of the Notes and all other amounts owing under the Indenture, Preference Shareholders will be entitled to receive distributions only to the extent permissible under the Indenture and Cayman Islands law (as described herein). The timing and amount of distributions payable to Preference Shareholders and the duration of the Preference Shareholders' investment in the Issuer therefore will be affected by the average life of the Notes. See "—Average Life of the Notes and Prepayment Considerations" above.

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

Payments of Principal may be made on Subordinate Classes of Notes while more Senior Classes are Outstanding. On any Quarterly Distribution Date that occurs during the Modified Sequential Pay Period and prior to the occurrence of the Enhanced Level Triggering Event, the Distributable Principal Proceeds and the CDS Reserve Account Excess Withdrawal Amount will be applied in accordance with the Priority of Payments to pay principal *pari passu* to the Class A-1 Notes and Class A-2 Notes and not sequentially. This will have the effect of the Class A-2 Notes being paid principal prior to the payment in whole of the Class A-1 Notes. In addition, during a Modified Sequential Pay Period, subordinate Classes of Notes may receive payments of principal while more Senior Classes of Notes are outstanding if the Initial Overcollateralization Levels or Enhanced Overcollateralization Levels, as applicable, of such Senior Classes of Notes are satisfied and principal is paid on the subordinate Classes of Notes in order to reach or maintain their applicable Initial Overcollateralization Levels or Enhanced Overcollateralization Levels, as applicable. After the Enhanced Level Triggering Event, there are unlikely to be principal payments on the Class A-2 Notes until the Aggregate Undrawn Amount has been reduced to zero, but there may be principal payments on the other Classes of Funded Notes. See "Description of the Notes—Modified Sequential Payment Priority."

Principal Proceeds May Be Released From the Lien of the Indenture and Distributed to the Preference Shareholders While the Notes are Outstanding. During the Modified Sequential Pay Period, after distributions have been made on each Class of Notes sufficient to achieve or maintain the Initial Overcollateralization Levels or Enhanced Overcollateralization Levels, as applicable, for such Class, any remaining Distributable Principal Proceeds and CDS Reserve Account Excess Withdrawal Amount will be distributed in accordance with clauses [(6) through (9)] of the Principal Proceeds Waterfall and, as a result, may be distributed to Preference Shareholders. Any such distribution to the Preference

Shareholders will reduce the amount of Principal Proceeds and funds in the CDS Reserve Account available to pay principal and interest on the Notes, on any subsequent Quarterly Distribution Date.

Payments by the Issuer under the Credit Default Swaps will reduce the amount available to make payments under the Notes and the Preference Shares. No payment of interest or principal will be made on the Notes and no distribution on the Preference Shares will be made unless all amounts due to MLI (or its permitted assignee) under the Credit Default Swaps have been paid in full. The application of funds to make payments under the Credit Default Swaps pursuant to the Account Payment Priority will reduce the Interest Proceeds and Principal Proceeds available for distribution on any Quarterly Distribution Date.

During a Modified Sequential Pay Period the Funded Notes may not Receive the Amount of Principal Required to Satisfy their Overcollateralization Levels. In any Due Period, the total reduction in the Issuer's investment portfolio from Dispositions and principal amortization generally will be equal to the Total Due Period Amortization. A portion of the Total Due Period Amortization will consist of CDS Principal Proceeds, which are reductions in the notional amount of the Credit Default Swaps for which the Issuer will not have received a corresponding cash payment. As a result, on any Quarterly Distribution Date, the Issuer may not have sufficient Distributable Principal Proceeds and excess cash in the CDS Reserve Account to make principal payments on the Funded Notes in an amount necessary to reach or maintain the Initial Overcollateralization Levels or Enhanced Overcollateralization Levels, as applicable, for each Class of such Notes. In that event, the amount of principal, if any, that one or more Classes of Funded Notes will receive will be less than the amount of principal required to reach or maintain the Initial Overcollateralization Level or Enhanced Overcollateralization Level, as applicable for each Class, and the reduction in the Outstanding Class A-1 Funded Amount and in the Aggregate Undrawn Amount on such Quarterly Distribution Date will be increased and will be larger than the amount that is required to reduce the principal amount of the Class A-1 Notes and the Aggregate Undrawn Amount in order to reach or maintain the Class A Initial Overcollateralization Level or Initial Class A Enhanced Overcollateralization Level, as applicable. The Issuer will not increase the principal payments on the Funded Notes on any subsequent Quarterly Distribution Date in order to make up this deficiency in the principal paid on the Funded Notes.

The principal payments on the Class D Notes, Class E Notes, Class F Notes, Class G Notes and Class H Notes made on a Quarterly Distribution Date during the Modified Sequential Pay Period may be less than what is required to be paid to satisfy each such Class's Initial Overcollateralization Level or Enhanced Overcollateralization Level, as applicable, if Distributable Principal Proceeds and the CDS Reserve Account Excess Withdrawal Amount are applied to pay interest (including the Deferred Interest Amount) on any such Class of Notes. During the Modified Sequential Pay Period, (i) any accrued interest on the Class D Notes (including the Class D Deferred Interest Amount) which is not paid from Interest Proceeds on a Quarterly Distribution Date will be paid from the Junior Note Reduction Amount for such Quarterly Distribution Date before such amount is applied to pay the principal on the Class D Notes on such Quarterly Distribution Date in order to reach or maintain the Initial Overcollateralization Level or Enhanced Overcollateralization Level, as applicable, and the amount so applied to pay interest on the Class D Notes will reduce the amount available, *first*, to pay principal of the Class H Notes, *second* to pay principal of the Class G Notes, *third*, to pay principal of the Class F Notes, *fourth*, to pay principal of the Class E Notes and *fifth*, to pay principal of the Class D Notes, (ii) any accrued interest on the Class E Notes (including the Class E Deferred Interest Amount) which is not paid from Interest Proceeds on a Quarterly Distribution Date will be paid from the Junior Note Reduction Amount for such Quarterly Distribution Date before such amount is applied to pay the principal on the Class E Notes on such Quarterly Distribution Date in order to reach or maintain the Initial Overcollateralization Level or Enhanced Overcollateralization Level, as applicable, and the amount so applied to pay interest on the Class E Notes will reduce the amount available, *first*, to pay principal of the Class H Notes, *second* to pay principal of the Class G Notes, *third*, to pay principal of the Class F Notes and *fourth*, to pay principal of

the Class E Notes, (iii) any accrued interest on the Class F Notes (including the Class F Deferred Interest Amount) which is not paid from Interest Proceeds on a Quarterly Distribution Date will be paid from the Junior Note Reduction Amount for such Quarterly Distribution Date before such amount is applied to pay the principal on the Class F Notes, and the amount so applied to pay interest on the Class F Notes will reduce the amount available to pay principal of the Class F Notes on such Quarterly Distribution Date in order to reach or maintain the Initial Overcollateralization Level or Enhanced Overcollateralization Level, as applicable, and the amount so applied to pay interest on the Class F Notes will reduce the amount available, *first*, to pay principal of the Class H Notes, *second* to pay principal of the Class G Notes and third, to pay principal of the Class F Notes, (iv) any accrued interest on the Class G Notes (including the Class G Deferred Interest Amount) which is not paid from Interest Proceeds on a Quarterly Distribution Date will be paid from the Junior Note Reduction Amount for such Quarterly Distribution Date before such amount is applied to pay the principal on the Class G Notes on such Quarterly Distribution Date in order to reach or maintain the Initial Overcollateralization Level or Enhanced Overcollateralization Level, as applicable, and the amount so applied to pay interest on the Class G Notes will reduce the amount available, *first*, to pay principal of the Class H Notes and *second* to pay principal of the Class G Notes and (v) any accrued interest on the Class H Notes (including the Class H Deferred Interest Amount) which is not paid from Interest Proceeds on a Quarterly Distribution Date will be paid from the Junior Note Reduction Amount for such Quarterly Distribution Date before such amount is applied to pay the principal on the Class H Notes on such Quarterly Distribution Date, and the amount so applied to pay interest on the Class H Notes will reduce the amount available to pay principal of the Class H Notes.

Yield Considerations. The yield to each holder of the Preference Shares will be a function of the purchase price paid by such holder for the Preference Shares and the timing and amount of dividends and other distributions made in respect of the Preference Shares on and prior to the date the Preference Shares are redeemed. Each prospective purchaser of the Preference Shares should make its own evaluation of the yield that it expects to receive on the Preference Shares. Prospective investors should be aware that the timing and amount of dividends and other distributions will be affected by, among other things, the performance of the Collateral Debt Securities. Each prospective investor should consider the risk that an Event of Default will result in a lower yield on the Preference Shares than that anticipated by the investor. Each prospective purchaser should consider that any such adverse developments could result in its failure to recover fully its initial investment in the Preference Shares.

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

Ongoing Obligations—Class A-1 Swap Counterparty. The Class A-1 Swap Counterparty will be obligated, subject to the terms and conditions specified in the Class A-1 Swap, to make Class A-1 Fundings in an amount up to the Aggregate Undrawn Amount if the conditions to each advance in the Class A-1 Swap are satisfied. As a result, investors in the Funded Notes and the Preference Shares will be exposed to the credit risk of MLI. See "Description of the Notes—Drawdown—Class A-1 Notes."

The Issuer is exposed to the risk that the Class A-1 Swap Counterparty will fail to make Class A-1 Fundings to the Issuer up to the Aggregate Undrawn Amount. There can be no assurance that the Aggregate Undrawn Amount will be funded or that funds will be deposited in a Class A-1 Swap Prefunding Account by the Class A-1 Swap Counterparty when so required under the Class A-1 Swap.

The Issuer may only obtain a Class A-1 Funding or use funds standing to the credit of a Class A-1 Swap Prefunding Account to fund a Permitted Use if funds available in the Accounts pursuant to the Account Payment Priority are not sufficient to make such payment. The Issuer may not obtain a Class A-1 Funding to make payments on the Notes or to Acquire Collateral Debt Securities.

Given that all or most of the Synthetic Securities entered into by the Issuer will consist of Credit Default Swaps and the Issuer will rely on Class A-1 Fundings under the Class A-1 Swap in order to satisfy its payment obligations under the Credit Default Swaps, the Issuer will have significant credit exposure to the Class A-1 Swap Counterparty. There can be no assurance that the Class A-1 Swap Counterparty will make such Class A-1 Funding. If the Issuer is unable to obtain a Class A-1 Funding because it did not satisfy a condition under the Class A-1 Swap, the Issuer will not be able to honor its payment obligations under the applicable Credit Default Swaps, in which case the Credit Default Swap Counterparty may have the right to terminate all of the Credit Default Swaps and the Issuer may be required to pay a termination payment to the Credit Default Swap Counterparty. Such event could have a material and adverse effect on the Issuer's ability to make payments in respect of the Securities.

The Issuer cannot obtain a Class A-1 Funding for a Permitted Use unless the Issuer first liquidates all investments in any Account from which the funds in such account will be used for such Permitted Use and applies such funds to the Permitted Use. The Issuer may incur losses as a result of this forced liquidation of investments in the Accounts.

Mandatory Repayment of the Notes. If a Rating Confirmation Failure occurs, Uninvested Proceeds and, after application of such Uninvested Proceeds, Interest Proceeds and, after application of Interest Proceeds, Principal Proceeds, may be used on each Quarterly Distribution Date thereafter for the payment of principal of the Notes and to make a deposit to the CDS Reserve Account to reduce permanently the Aggregate Undrawn Amount in accordance with the Sequential Payment Priority to the extent specified by each applicable Rating Agency to obtain Rating Confirmation.

So long as a Senior Class of Notes remains outstanding, the foregoing could result in an elimination, deferral or reduction in the payments in respect of interest or the principal repayments made to the holders of a Subordinate Class of Notes and a deferral or reduction in distributions on the Preference Shares, which could adversely impact the returns of such holders. See "Description of the Notes—Principal," "—Mandatory Redemption" and "—Priority of Payments—Interest Proceeds."

No Interest Coverage Tests. The Indenture will not provide for the measurement of interest coverage ratios or for the application of Interest Proceeds to the early redemption of the Notes if any such interest coverage ratio fails to satisfy a minimum level.

Auction Call Redemption. In addition, if the Notes have not been redeemed in full prior to the Quarterly Distribution Date occurring in [●] [2015] then an auction of the Collateral Debt Securities will be conducted and, if certain conditions are satisfied, the Collateral Debt Securities will be sold and the Notes will be redeemed (in whole, but not in part) on such Quarterly Distribution Date. No redemption of the Notes may occur unless proceeds of the auction, together with other Available Redemption Funds, are sufficient to pay the Total Senior Redemption Amount. In the event that the Preference Shareholders have not received (taking into account the distributions that will be made on the proposed Redemption Date) the full Preference Share Redemption Date Amount, no Auction Call Redemption may occur unless a Special Majority-in-Interest of the Preference Shareholders agree to permit the Auction Call Redemption to occur. If such conditions are not satisfied and the auction is not successfully conducted on such Quarterly Distribution Date, the Trustee (with the assistance of the Collateral Manager) will conduct auctions on a quarterly basis until the Notes are redeemed in full. See "Description of the Notes—Redemption Price" and "—Auction Call Redemption." Each Hedge Agreement will terminate upon any

Auction Call Redemption. In addition, in order to effect an Auction Call Redemption the Issuer will be required to terminate each Synthetic Security, which may result in it being required to pay a Hedging Amount to MLI and make termination payments to each Synthetic Security Counterparty (including MLI). Any requirement of the Issuer to make termination payments under a Synthetic Security or Hedge Agreement may prevent the Issuer from satisfying the conditions for an Auction Call Redemption.

If additional Preference Shares are issued after the Closing Date, the calculation of the Preference Share Redemption Date Amount will not be adjusted to take into account such additional Preference Shares and, as a result, the actual IRR on both the Preference Shares issued on the Closing Date and those issued after the Closing Date may be less than the IRR specified in the definition of the Preference Share Redemption Date Amount and yet this requirement for any Auction Call Redemption may nonetheless be satisfied.

Optional Redemption. Subject to satisfaction of certain conditions, a Special Majority-in-Interest of Preference Shareholders may direct that the Notes be redeemed in whole and not in part as described under "Description of the Notes—Optional Redemption and Tax Redemption"; *provided* that no such optional redemption may occur (a) prior to the Quarterly Distribution Date occurring in [•] [2010] and (b) unless certain conditions are satisfied. See "Description of the Notes—Optional Redemption and Tax Redemption." Each Hedge Agreement will terminate upon any Optional Redemption. In addition, to effect an Optional Redemption the Issuer will be required to terminate each Synthetic Security, which may result in it being required to pay a Hedging Amount to MLI and to make termination payments to each Synthetic Security Counterparty (including MLI). Any requirement of the Issuer to make termination payments under a Synthetic Security or Hedge Agreement may prevent the Issuer from satisfying the conditions for an Optional Redemption.

The Initial Preference Shareholder, so long as it constitutes a Special Majority-in-Interest of Preference Shareholders, will have the right to direct the Issuer to undertake, or prevent the Issuer from undertaking, an Optional Redemption if the conditions in the Indenture are satisfied. See "Risk Factors—The Voting Rights Afforded to the Preference Shareholders May Be Adverse to Holders of Notes."

Tax Redemption. Subject to satisfaction of certain conditions, upon the occurrence of a Tax Event, the Issuer may redeem the Notes (such redemption, a "Tax Redemption") on any Quarterly Distribution Date, in whole but not in part, at the applicable Redemption Price therefor (i) at the written direction of the holders of at least 66²/₃% of the Aggregate Outstanding Amount of any Class of Notes that, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and interest due and payable to such Class on any Quarterly Distribution Date (each such Class, an "Affected Class") or (ii) at the written direction of a Special Majority-in-Interest of Preference Shareholders; *provided* that certain conditions are satisfied. No Tax Redemption may be effected, however, unless the Tax Materiality Condition is satisfied. See "Description of the Notes—Optional Redemption and Tax Redemption." Each Hedge Agreement will terminate upon any Tax Redemption. In addition, in order to effect a Tax Redemption the Issuer will be required to terminate each Synthetic Security, which may result in it being required to pay a Hedging Amount to MLI and to make termination payments to each Synthetic Security Counterparty (including MLI). Any requirement of the Issuer to make termination payments under a Synthetic Security or Hedge Agreement may prevent the Issuer from satisfying the conditions for a Tax Redemption.

If a Tax Event has occurred, the Initial Preference Shareholder, will have the right to direct the Issuer to undertake a Tax Redemption if the conditions in the Indenture are satisfied. See "Risk Factors—The Voting Rights Afforded to the Preference Shareholders May Be Adverse to Holders of Notes."

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

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

The average life of each Class of Notes and the Preference Shares will be affected by, among other things, the financial condition of the obligors on or issuers of the Collateral Debt Securities and the characteristics of the Collateral Debt Securities, including the existence and frequency of exercise of any prepayment, optional redemption or sinking fund features, the prevailing level of interest rates, the redemption price, the actual default rate and the actual level of recoveries on any Defaulted Securities and the timing thereof, the frequency of tender or exchange offers, if any, for the Collateral Debt Securities and any sales of Collateral Debt Securities and any dividends or other distributions received in respect of Equity Securities, as well as the risks unique to investments in obligations of foreign issuers described above. During the Reinvestment Period, only Specified Principal Proceeds received by the Issuer and any CDS Reserve Account Excess Withdrawal Amount will be used to pay principal of the Notes in accordance with the Priority of Payments. Accordingly, the average lives of the Notes and the expected duration of the Preference Shares will be affected by the amount of Principal Proceeds that the Collateral Manager designates as Specified Principal Proceeds and the amount of CDS Principal Proceeds that the Collateral Manager designates as Specified CDS Principal Proceeds or otherwise are not reinvested. After the Reinvestment Period, the average lives of Notes and the expected duration of the Preference Shares will be affected by the receipt of any principal payments on and Disposition Proceeds of the Collateral Debt Securities and the occurrence of any Hedge Rebalancing Purchases. Additionally, the average life of the Class A-1 Notes will be affected if the Collateral Manager exercises its discretion to direct a prepayment of Outstanding Class A-1 Funded Amount. See "Maturity, Prepayment and Yield Considerations" and "Security for the Notes."

Non-Petition Agreement. Agreements entered into by the Issuer will generally contain non-petition provisions pursuant to which the counterparty to the agreement will agree to not cause or join in the filing of a petition in bankruptcy against the Issuer before one year and one day have elapsed since the payment in full of the Notes or, if longer, the applicable preference period (plus one day) then in effect. If any such provision fails to be effective to preclude the filing of a petition under applicable bankruptcy laws, then the filing of such a petition could result in one or more payments on the Notes made during the period prior to such filing being deemed to be preferential transfers subject to avoidance by the bankruptcy trustee or similar official exercising authority with respect to the Issuer's bankruptcy estate.

The Voting Rights Afforded to the Preference Shareholders May Be Adverse to Holders of Notes. It is anticipated that the Issuer will privately place the Preference Shares with the Initial Preference Shareholder in privately negotiated transactions. On the Closing Date, the Initial Purchaser will acquire a portion of the Preference Shares, but the Initial Purchaser expects to transfer such Preference Shares to the Initial Preference Shareholder (which is not affiliated with the Initial Purchaser) after the Closing Date.

The holders of the Preference Shares have a variety of voting rights under the Indenture, the Preference Share Documents and the other transaction documents, including the right to direct an Optional Redemption or Tax Redemption, the exercise of which may materially and adversely affect the rights of the holders of Notes. See "Description of the Notes—Optional Redemption and Tax Redemption."

The Initial Preference Shareholder may exercise all of the voting rights of the holders of the Preference Shares. In particular, for so long as the Initial Preference Shareholder holds over 66⅔% of the Preference Shares, it will have the right to direct the Issuer to undertake an Optional Redemption and Tax Redemption if the conditions in the Indenture are met. To the extent that the Initial Preference Shareholder holds at least 33⅓% of the Preference Shares, it will be able to prevent the Issuer from undertaking an Optional Redemption and (unless an Affected Class of Notes otherwise directs) a Tax Redemption. The Initial Preference Shareholder may transfer or pledge the Preference Shares at any time.

Limited Source of Funds to Pay Expenses of the Issuer. The funds available to the Issuer to pay certain of its operating costs and expenses (including Other Administrative Expenses) on any Quarterly Distribution Date prior to payment of other amounts in accordance with the Priority of Payments are limited (see "Description of the Notes—Priority of Payments"). In the event that such funds are not sufficient to pay the costs and expenses incurred by the Issuer, the ability of the Issuer to operate effectively may be impaired and it may not be able to defend or prosecute legal proceedings brought against it or which it might otherwise bring to protect the interests of the Issuer.

The Issuer May Distribute on a Quarterly Distribution Date Interest Collections that are Attributable to a Subsequent Due Period. On a Quarterly Distribution Date on which it would otherwise fail to pay the Interest Distribution Amounts on all of the Notes, the Issuer may pay interest on the Notes by applying funds in the Interest Collection Account that were received by the Issuer after the related Determination Date (and, therefore, should be distributed on the subsequent Quarterly Distribution Date). As a result, the Interest Proceeds available to the Issuer on the subsequent Quarterly Distribution Date to pay interest on the Notes and to make distributions on the Preference Shares will be reduced.

Risk Factors Relating to the Collateral Debt Securities.

Nature of Collateral. The Collateral is subject to credit, liquidity, interest rate, market, operations, fraud and structural risks. A portion of the Collateral will be Acquired by the Issuer after the Closing Date, and, accordingly, the financial performance of the Issuer may be affected by the price and availability of Collateral to be purchased. The amount and nature of the Collateral have been established to withstand certain assumed deficiencies in payment occasioned by defaults in respect of the Collateral Debt Securities. See "Ratings of the Securities." If any deficiencies exceed such assumed levels, however, payment of the Notes and distributions on the Preference Shares could be adversely affected. To the extent that a default occurs with respect to any Collateral Debt Security and the Issuer sells or otherwise Disposes of such Collateral Debt Security, it is not likely that the proceeds of such sale or Disposition will be equal to the amount of principal and interest owing to the Issuer in respect of such Collateral Debt Security.

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

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

Although the Issuer expects that the Collateral Debt Securities purchased by it will, on the Ramp-Up Completion Date, satisfy the Collateral Quality Tests described herein, there is no assurance that such tests will be satisfied on such date. Failure to satisfy such tests on the Ramp-Up Completion Date may result in a Rating Confirmation Failure and, as a result, the repayment or redemption of all or a portion of the Notes (according to the priority specified in the Priority of Payments) and the reduction of the Aggregate Undrawn Amount. See "Description of the Notes—Mandatory Redemption."

During the Reinvestment Period, subject to the conditions described under "Description of the Notes—Reinvestment Period" and "Security for the Notes—Dispositions of Collateral Debt Securities," the Collateral Manager may Dispose of Collateral Debt Securities, including Discretionary Dispositions and sales of Credit Improved Securities and Credit Risk Securities, and in its sole discretion, may reinvest the Disposition Proceeds thereof and other Principal Proceeds in additional Collateral Debt Securities in accordance with the Eligibility Criteria. After the end of the Reinvestment Period, the Issuer will not reinvest any Principal Proceeds in Collateral Debt Securities, although the Issuer may complete after the last day of the Reinvestment Period any purchases of Collateral Debt Securities which it committed to make on or prior to the last day of the Reinvestment Period after the last day of the Reinvestment Period.

The Issuer may Acquire Collateral Debt Securities that (or enter into Synthetic Securities the Reference Obligations of which) provide for periodic payments of interest in cash less frequently than quarterly.

Asset-Backed Securities. The Collateral Debt Securities will consist of Asset-Backed Securities (including, without limitation, RMBS, CMBS and CDO Obligations) or Synthetic Securities the Reference Obligations of which are Asset-Backed Securities or a specified pool of financial assets (including credit default swaps). "Asset-Backed Securities" are obligations or securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of (a) financial assets, either static or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities or (b) real estate mortgages, either static or revolving, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities; *provided* that, in the case of clause (b), such Asset-Backed Securities do not entitle the holders to a right to share in the appreciation in value of or the profits generated by the related real estate assets. See "Security for the Notes—Asset-Backed Securities."

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

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

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

In addition, concentrations of Asset-Backed Securities of a particular type, as well as concentrations of Asset-Backed Securities issued or guaranteed by affiliated obligors, serviced by the same servicer or backed by underlying collateral located in a specific geographic region, may subject the Offered Notes to additional risk.

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

Further issues may arise based on discretionary behavior of the issuer within the terms of the securitization agreements, such as voluntary buybacks from, or contributions to, the underlying pool of loans when credit losses rise. A bank or other issuer may play more than one role in the securitization process. An issuer can simultaneously serve as two or more of originator of loans, servicer, administrator of the trust, underwriter, provider of liquidity and credit enhancer. Issuers typically receive a fee for each element of the transaction they undertake. Institutions acquiring Asset-Backed Securities should

recognize that the multiplicity of roles that may be played by a single firm—within a single securitization or across a number of them—means that credit and operational risk can accumulate into significant concentrations with respect to one or a small number of firms.

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

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

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

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

Residential Mortgage-Backed Securities and Commercial Mortgage-Backed Securities. The Collateral Debt Securities are expected to consist primarily of residential mortgage-backed securities

("RMBS") or Synthetic Securities the Reference Obligations of which are RMBS, including Home Equity Loan Securities, Residential A Mortgage Securities and Residential B/C Mortgage Securities. A portion of the Collateral Debt Securities Acquired by the Issuer may also consist of commercial mortgage-backed securities meeting the Eligibility Criteria described herein ("CMBS") or Synthetic Securities the Reference Obligations of which are CMBS.

Holders of RMBS and CMBS bear various risks, including credit, market, interest rate, structural and legal risks. In addition, RMBS represent ownership or participation interests in pools of residential mortgage loans secured by one- to four-family residential properties, which generally may be prepaid at any time without penalty. See "—Yield Considerations" above. The collateral underlying CMBS generally consists of mortgage loans secured by income producing property, such as multi-family housing or commercial property. In general, incremental risks of delinquency, foreclosure and loss with respect to an underlying commercial mortgage loan pool may be greater than those associated with residential mortgage loan pools, caused in part by the relative size of commercial mortgage loans and the resulting lack of diversity.

Credit risk arises from losses due to defaults by the borrowers in the underlying collateral and the servicer's failure to perform. Mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. The rate of defaults and losses on mortgage loans will be affected by a number of factors, including general economic conditions, particularly those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. If a mortgage loan is in default, foreclosure of such mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted mortgage loans or foreclosed properties may be very limited. In some states, purchasers of residential properties used as a primary residence that are purchased with funds obtained by a mortgage (a "purchase money mortgage") are protected by anti-deficiency laws. If such purchaser fails to fulfill the payment obligation under the mortgage and the property is foreclosed and sold to pay the balance on the mortgage, and the sale price of such property is not sufficient to pay the outstanding balance on the purchase money mortgage, there is a deficiency. Anti-deficiency laws prohibit the purchaser from being held responsible for the amount of such deficiency. The lender will only recover the amount of the sale proceeds from the sale of the property.

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

At any one time, a portfolio of RMBS or CMBS may be backed by mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the 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.

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

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

Prepayments on the underlying mortgage loans in an issue of RMBS will be influenced by the prepayment provisions of the related mortgage notes which generally may be prepaid at any time without penalty and may also be affected by a variety of economic, geographic and other factors, including the difference between the interest rates on the underlying mortgage loans (giving consideration to the cost of refinancing) and prevailing mortgage rates and the availability of refinancing. In general, if prevailing interest rates fall significantly below the interest rates on the related mortgage loans, the rate of prepayment on the underlying mortgage loans would be expected to increase. Conversely, if prevailing interest rates rise to a level significantly above the interest rates on the related mortgages, the rate of prepayment would be expected to decrease. Prepayments could reduce the yield received on the related issue of RMBS. RMBS are particularly susceptible to prepayment risks as they generally do not contain prepayment penalties and a reduction in interest rates will increase the prepayments on the RMBS, resulting in a reduction in yield to maturity for holders of such securities.

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

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

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

RMBS and CMBS have structural characteristics that distinguish them from other Asset-Backed Securities. The rate of interest payable on RMBS and CMBS may be set or effectively capped at the weighted average net coupon of the underlying mortgage loans themselves, often referred to as an "available funds cap." As a result of this cap, the return to investors is dependent on the relative timing and rate of delinquencies and prepayments of mortgage loans bearing a higher rate of interest. In general, early prepayments will have a greater impact on the yield to the Issuer on such RMBS or CMBS. Federal and state law may also affect the return to investors by capping the interest rates payable by certain mortgagors (including hard caps and lifetime caps).

A large percentage of the RMBS Acquired by the Issuer will be Residential B/C Mortgage Securities, which are secured primarily by subprime mortgages. Residential B/C Mortgage Securities are subject to a greater risk of loss in the event of foreclosures on the underlying mortgages and a greater likelihood of default on the underlying mortgage loans than Residential A Mortgage Backed Securities.

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

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

Performance of a commercial mortgage loan depends primarily on the net income generated by the underlying mortgaged property. The market value of a commercial property similarly depends on its income-generating ability. As a result, income generation will affect both the likelihood of default and the severity of losses with respect to a commercial mortgage loan. Successful management and operation of the related business (including property management decisions such as pricing, maintenance and

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

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

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

Violations of Consumer Protection Laws May Result in Losses on Consumer Protected Securities. Applicable state laws generally regulate interest rates and other charges require licensing of originators and require specific disclosures. In addition, other state laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of the loans backing Home Equity Loan Securities, Residential A Mortgage Securities, Residential B/C Mortgage Securities and Manufactured Housing Securities (collectively, "Consumer Protected Securities"). Depending on the provisions of the applicable law and the specific facts and circumstances involved, violations of these laws, policies and principles may limit the ability of the issuer of a Consumer Protected Security to collect all or part of the principal of or interest on the underlying loans, may entitle a borrower to a refund of amounts previously paid and, in addition, could subject the owner of a mortgage loan to damages and administrative enforcement.

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

- (1) the Federal Truth in Lending Act and Regulation Z promulgated under the Truth in Lending Act, which require particular disclosures to the borrowers regarding the terms of the loans;
- (2) the Equal Credit Opportunity Act and Regulation B promulgated under the Equal Credit Opportunity Act, which prohibit discrimination on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act, in the extension of credit;

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

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

(5) the Home Ownership and Equity Protection Act of 1994, which regulates the origination of high cost loans;

(6) the Depository Institutions Deregulation and Monetary Control Act of 1980, which, among other things, preempts certain state usury laws; and

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

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

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

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

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

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

CDO Obligations. A portion of the Collateral Debt Securities Acquired by the Issuer may consist of CDO Obligations. In addition, a portion of the Reference Obligations under the Synthetic Securities may be CDO Obligations. "CDO Obligations" are Asset-Backed Securities issued by an entity (a "CDO") formed for the purpose of holding or investing and reinvesting primarily in a pool (each such pool, an "Underlying Portfolio") of securities, including collateralized debt obligations, commercial or industrial loans or obligations, corporate debt securities, or trust preferred securities (or any combination of the foregoing, including Synthetic Securities which reference such securities) and/or one or more synthetic securities or credit default swaps which reference such securities, loans or obligors thereon, subject to specified investment and management criteria (if managed). CDO Obligations may include any ABS CDO Security, Bespoke CDO Security, CDO of CDO Security, CLO Security, Corporate CDO Security, High Yield CDO Security, Investment Grade CDO Security or Trust Preferred CDO Security. The Specified Types of Asset-Backed Securities that constitute CDO Obligations in which the Issuer may invest, subject to compliance with the Eligibility Criteria and certain other limitations and restrictions described herein, are described under "Security for the Notes—Asset-Backed Securities."

CDO Obligations generally have underlying risks similar to many of the risks set forth in these Risk Factors for the Notes, such as interest rate mismatches, trading and reinvestment risk and tax considerations. Each CDO Obligation, however, will involve risks specific to the particular CDO Obligation and its Underlying Portfolio. The value of the CDO Obligations generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of the Underlying Portfolio, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

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

The CDO Obligations included in the Collateral may have Underlying Portfolios that hold or invest in some of the same assets as the Collateral or held in the Underlying Portfolios of other CDO Obligations pledged as Collateral. The concentration in any particular asset may adversely affect the Issuer's ability to make payments on the Offered Notes. In addition, the Underlying Portfolios of the CDO Obligations may be actively traded. As a result, investors in the Offered Notes are exposed to the risk of loss on such Collateral Debt Securities both directly and indirectly through the CDO Obligations Acquired by the Issuer. If an investor in the Notes is also an investor in any CDO Obligation which the Issuer Acquires (or in other tranches of securities sold by the same CDO), the exposure of such investor to the risk of loss on such CDO Obligation will increase as a result of its investment in the Offered Notes. The Initial Purchaser also acted as the placement agent for some of the CDO Obligations purchased by the Issuer, and earned fees from each such CDO as a result of the Issuer's purchase.

Although none of the Collateral Debt Securities will consist of Corporate Debt Securities, a portion of the obligations in the Underlying Portfolios of the CDO Obligations will consist of commercial

or industrial loans or obligations, corporate debt securities or trust preferred securities (or any combination of the foregoing). As a result, these CDO Obligations will be exposed to the credit risks relating to the obligors of these loans or securities.

CDO Obligations are subject to interest rate risk. The Underlying Portfolio of an issue of CDO Obligations often will include assets that bear interest at a fixed or floating rate of interest, and while the CDO Obligations issued by such issuer also may bear interest at fixed or floating rates, the proportions of a CDO issuer's assets bearing interest at fixed and floating rates will typically not match the proportions to which such CDO issuer's liabilities bear interest at fixed and floating rates. As a result, there could be a floating/fixed rate or basis mismatch between such CDO Obligations and Underlying Portfolios which bear interest at a fixed rate, and there may be a timing or basis mismatch between the CDO Obligations and Underlying Portfolios that bear interest at a floating rate as the interest rate on such floating rate Underlying Portfolios may adjust more frequently or less frequently, on different dates and based on different indices, than the interest rates on the CDO Obligations. 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 Obligations.

The CDO Obligations which the Issuer may purchase may be subordinated to other classes of securities issued by each respective issuer thereof. CDO Obligations that are not part of the most senior tranche(s) of the securities issued by the issuer thereof may allow for the deferral of the payment of interest on such CDO Obligations. The CDO Obligations that the Collateral Manager anticipates will form part of the Collateral are expected to include both senior and mezzanine debt issued by the related CDO Obligation issuers. The CDO Obligations that are mezzanine debt will have payments of interest and principal that are subordinated to one or more classes of notes that are more senior in the related issuer's capital structure, and generally will allow for the deferral of interest subject to the related issuer's priority of payments. To the extent that any losses are incurred by the issuer thereof in respect of its CDO Obligations, such losses will be borne by holders of the mezzanine tranches before any losses are borne by the holders of senior tranches. In addition, if an event of default occurs under the applicable indenture, as long as any senior tranche of CDO Obligations is outstanding, the holders of the senior tranche thereof may be entitled to determine the remedies to be exercised under the indenture, which could be adverse to the interests of the holders of the mezzanine tranches (including the Issuer).

The deferral of interest by the issuer of CDO Obligations forming part of the Collateral could result in a reduction in the amounts available to make payments to the holders of the Notes and distributions on the Preference Shares and in the deferral of interest on the Class D, Class E Notes, Class F, Class G and Class H Notes.

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

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

Investments in ABS REIT Debt Securities involve special risks. ABS REIT Debt Securities are generally unsecured and may be subordinated to other obligations of the issuer thereof. In particular, REITs and qualified REIT subsidiaries (all discussion concerning the risks relating to REITs herein being

generally applicable to such subsidiaries) generally are permitted to invest solely in real estate or real estate related assets and are subject to the inherent risks associated with such investments. Consequently, the financial condition of any REIT may be affected by the risks described above with respect to commercial mortgage loans and mortgage-backed securities and similar risks, including (i) risks of delinquency and foreclosure and risks of loss in the event thereof, (ii) the dependence upon the successful operation of and net income from real property, (iii) risks generally incident to interests in real property, including those described above, (iv) risks that may be presented by the type and use of a particular commercial property and (v) the difficulty of converting certain property to an alternative use in the event that the operation of such commercial property for its original purpose becomes unprofitable for any reason. Moreover, REITs must continue to satisfy certain U.S. Federal income tax requirements related to real estate investment trust qualifications. Failure of an underlying issuer in any taxable year to qualify as such will render such underlying issuer subject to tax on its taxable income at regular corporate rates. The additional tax liability of an underlying issuer for the year or years involved would reduce the net earnings of such underlying issuer and would adversely affect its ability to make payments on the REIT Debt Securities of which it is an issuer.

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

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

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

As a result of the limited liquidity of ABS REIT Debt Securities, their prices have at times experienced significant and rapid decline when a substantial number of holders have decided to sell. In addition, the Issuer may have difficulty Disposing of certain ABS REIT Debt Securities because there may be a thin trading market for such securities. Reduced secondary market liquidity may have an adverse impact on market price and the Issuer's ability to dispose of particular issues when necessary to

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

Hybrid Securities. The Issuer may Acquire Hybrid Securities. Hybrid Securities are Collateral Debt Securities that pass through interest and principal on underlying collateral ("Underlying Hybrid Collateral") generally consisting of residential mortgage loans which initially bear interest at a fixed rate and, after a specified initial period, convert to bearing interest at a floating rate that resets periodically based on a specified index as determined on each applicable reset date. Interest payable on Hybrid Securities may, as with other RMBS, be subject to available funds caps. As a result, interest distributions in respect of the Hybrid Securities will depend on the weighted average of the net mortgage rates on the related group or groups of Underlying Hybrid Collateral. The interest rates on Underlying Hybrid Collateral are fixed for initial specified periods of varying lengths from their dates of origination. After these initial fixed-rate periods, Underlying Hybrid Collateral convert to floating rate loans subject to periodic adjustments to their interest rates (which may not correspond to the reset dates for the applicable floating rate indices). On each reset date, the interest rate on each item of Underlying Hybrid Collateral will adjust to equal the sum of the then-applicable level of the related index and a specified gross margin. Underlying Hybrid Collateral may be subject to periodic caps limiting variation of interest rates from reset date to reset date. In addition, interest rates on Underlying Hybrid Collateral may be subject to initial caps limiting the changes in interest rates on their initial interest adjustment dates and overall maximum and minimum lifetime interest rate caps. Interest payable on Hybrid Securities may, as with other RMBS, be subject to available funds caps. The weighted average net mortgage rate on the Underlying Hybrid Collateral will be affected by variations in initial interest adjustment dates, reset dates, indices and gross margins, as well as fluctuations in the floating rate indices themselves. If, as a result of such interest rate adjustments, the weighted average net mortgage rates on the Underlying Hybrid Collateral are reduced, investors in the Hybrid Securities will experience a lower yield. In addition, if, despite increases in the applicable indices, mortgage interest rates on Underlying Hybrid Collateral are subject to maximum lifetime or periodic caps, the yield on the related Hybrid Securities will be similarly limited. Because, as a result of available funds caps, the pass-through rate on each Hybrid Security will be based on, or limited by, the weighted average of the net mortgage rates on one or more groups of Underlying Hybrid Collateral, disproportionate principal payments on the Underlying Hybrid Collateral having net mortgage interest rates higher or lower than the then-current pass-through rate on such Hybrid Securities will affect the pass-through rate for such Hybrid Securities for future periods and the yield on such Hybrid Securities. The date on which a Hybrid Security will cease to be a Fixed Rate Security and will become a Floating Rate Security (which will affect certain Eligibility Criteria, the Weighted Average Coupon Test and the Weighted Average Spread Test) is uncertain because the Underlying Hybrid Collateral in a pool will reset from a fixed interest rate to a floating interest rate on varying dates, and the Hybrid Security will not bear a specified spread over the London interbank offered rate (but instead the Underlying Hybrid Collateral will pay a variety of floating interest rates). As a result, the Collateral Manager will have considerable discretion in determining the reset date and the Current Spread for each Hybrid Security.

Cap Corridor Securities. In some cases, RMBS may accrue interest based on the London interbank offered rate. However, interest payable on a distribution date may be capped based on the weighted average coupon of the underlying mortgage pool. A substantial portion of these mortgage loans may pay interest at a fixed rate. As a result, if the London interbank offered rate increases, this increase will not be reflected in the interest receivable by the holders of the RMBS. Some RMBS are structured with a reserve account to mitigate the negative impact caused by an increase in the London interbank

offered rate. In addition, the issuer of RMBS may enter into one or more interest rate caps or yield maintenance agreements to further mitigate this risk. These agreements generally provide for payments of interest at the London interbank offered rate, subject to a minimum strike price and a maximum cap rate. Very often, ratings assigned to RMBS will not apply to any payments payable under such agreements to the issuer thereof. To the extent that the London interbank offered rate is lower than the strike price or exceeds the cap rate, these agreements will not cover any shortfalls resulting from an interest rate mismatch between the underlying mortgage pool and the London interbank offered rate-based coupon on the securities. Securities earning interest at a wider spread above the London interbank offered rate will begin to experience losses in respect of interest payments on their securities at a lower London interbank offered rate than those securities having a lower spread, and accordingly are more exposed to the risk of increases in the London interbank offered rate. Furthermore, the amount payable under these agreements may be calculated based on a preset principal amortization schedule. These amortization schedules would be calculated based on an assumed prepayment rate for the fixed rate mortgage loans. If, however, the actual prepayment rate is slower than the prepayment rate assumed for purposes of setting the amortization schedule, payments under the agreement will not fully cover the mismatch between interest on the underlying mortgage pool and the London interbank offered rate payments accrued on the securities. In addition, the agreement may be scheduled to terminate on the clean-up call date or on another date occurring prior to the stated maturity of the securities. These transactions will also be subject to the risk of non-performance by the counterparties to these agreements. The RMBS transactions described above are referred to as "Cap Corridor Securities." It is expected that a portion of the Collateral Debt Securities purchased by the Issuer on the Closing Date will be Cap Corridor Securities. Although Cap Corridor Securities are Floating Rate Securities, under certain London interbank offered rate and prepayment scenarios, they will not as a practical matter have the characteristics of London interbank offered rate-based assets, and may accordingly have an adverse effect on the Issuer's ability to pay interest on the Notes and distributions on the Preference Shares.

Ramp-Up Period Purchases. The Issuer will use its commercially reasonable efforts to purchase or enter into binding agreements to purchase, on or before the Ramp-Up Completion Date, Collateral Debt Securities having an Aggregate Principal Balance (together with all Principal Proceeds received by the Issuer on or after the Closing Date) of not less than U.S.\$[•] of which not less than U.S.\$[•] will consist of the notional amount of Credit Default Swaps.

During the Ramp-Up Period, the Collateral Manager, on behalf of the Issuer, may direct the Trustee to apply Uninvested Proceeds, Principal Proceeds, any CDS Reserve Account Excess Withdrawal Amount and proceeds received from any Disposition during the Reinvestment Period to Acquire Collateral Debt Securities and to apply CDS Principal Proceeds to Acquire additional Collateral Debt Securities that are Credit Default Swaps, for inclusion in the Collateral. In addition, during the Ramp-Up Period the Collateral Manager will have discretion, on behalf of the Issuer, to direct the Trustee to Dispose of Collateral Debt Securities in Discretionary Dispositions; *provided* that, after the conclusion of the Ramp-Up Period, the Issuer will be required to request a Rating Confirmation from each Rating Agency as described herein under "Security for the Notes—Ramp-Up Period."

Whether or not the Issuer has succeeded in Acquiring Collateral Debt Securities having an Aggregate Principal Balance (together with certain other amounts) of U.S.\$[•] by the Ramp-Up Completion Date, if any of the Collateral Quality Tests are not satisfied or a Proposed Plan has not been approved by the Rating Agencies, a Rating Confirmation Failure may occur. Following a Rating Confirmation Failure, Uninvested Proceeds, Interest Proceeds and Principal Proceeds (to the extent necessary to obtain a Rating Confirmation) may be applied to redeem the Notes, in part, as and in the amount described herein. See "Security for the Notes—Ramp-Up Period."

On the first Quarterly Distribution Date following the occurrence of a Rating Confirmation, all Uninvested Proceeds are required to be applied as Interest Proceeds (to the extent of the Interest Excess) or Principal Proceeds. Accordingly, to the extent that Uninvested Proceeds have not been invested in Collateral Debt Securities during the Ramp-Up Period, such Uninvested Proceeds will be distributed on such Quarterly Distribution Date in accordance with the Priority of Payments. If the first Quarterly Distribution Date occurs prior to the occurrence of a Rating Confirmation or a Rating Confirmation Failure, an amount equal to the Interest Excess will be withdrawn from the Uninvested Proceeds Account and transferred to the Payment Account for application as Interest Proceeds on such Quarterly Distribution Date.

Failure to be Fully Invested. The amount of Collateral Debt Securities Acquired by the Issuer on the Closing Date and the amount and timing of the Acquisition of additional Collateral Debt Securities prior to the Ramp-Up Completion Date, and the subsequent reinvestment of Principal Proceeds and CDS Principal Proceeds (both prior to and after the Ramp-Up Completion Date, subject to certain criteria as set forth herein), will affect the return to holders of, and cash flows available to make payments on, the Notes. Reduced liquidity and lower volumes of trading in certain Collateral Debt Securities, in addition to restrictions on investment contained in the Eligibility Criteria could result in periods of time during which the Issuer is unable to be fully invested in Collateral Debt Securities. During any such period, excess cash is expected to be invested in Eligible Investments. Because of the short term nature and credit quality of Eligible Investments, the interest rates payable on Eligible Investments tend to be significantly lower than the rates the Issuer would expect to earn on Collateral Debt Securities. The longer the period before investment or reinvestment in Collateral Debt Securities, the greater the adverse impact may be on aggregate Interest Proceeds collected and distributed by the Issuer, resulting in a lower yield than could have been obtained if the net proceeds associated with the offering of the Notes and all Principal Proceeds were immediately invested and remained invested at all times. If during the Ramp-Up Period the Issuer does not apply CDS Principal Proceeds to enter into additional Credit Default Swaps promptly after the CDS Principal Receipt Date, the Interest Proceeds received by the Issuer will be reduced but the Class A-1 Swap Availability Fee payable by the Issuer to the Class A-1 Swap Counterparty will not be reduced. The associated reinvestment risk on the Collateral Debt Securities will first be borne by holders of the Preference Shares and then by the holders of the Notes in the reverse order of Seniority.

Limited Authority to Dispose of Collateral Debt Securities. After the Reinvestment Period, the Collateral Debt Securities may not be Disposed of, except (i) in connection with an Optional Redemption, Tax Redemption, Auction Call Redemption or Accelerated Maturity Date or upon the winding up of the Issuer after payment in full of the Notes, and (ii) the Issuer may (or in the case of certain equity securities, must), at the direction of the Collateral Manager, Dispose of a Defaulted Security, Written Down Security, Deferred Interest PIK Bond, Credit Risk Security, Credit Improved Security or Equity Security, subject to the limitations specified under "Security for the Notes—Dispositions of Collateral Debt Securities." The Collateral Manager may only make Discretionary Dispositions of Collateral Debt Securities during the Reinvestment Period and only in accordance with the limitations in the Indenture. Accordingly, the Issuer's ability to Dispose of Collateral Debt Securities will be limited. After the Reinvestment Period, the Issuer may not reinvest such Disposition Proceeds in additional Collateral Debt Securities (except with respect to a Hedge Rebalancing Purchase), but must retain them in the Principal Collection Account where they will be invested in Eligible Investments until the next Quarterly Distribution Date; investment of such Disposition Proceeds in Eligible Investments is likely to produce a lower yield than the Collateral Debt Securities that were Disposed.

Reinvestment Risk. During the Reinvestment Period, the Collateral Manager will have discretion (a) to reinvest Principal Proceeds in additional Collateral Debt Securities or to treat such Principal Proceeds as Specified Principal Proceeds that will be used to pay principal of the Notes and (b) to apply

CDS Principal Proceeds to Acquire Credit Default Swaps, or to treat such CDS Principal Proceeds as Specified CDS Principal Proceeds that will be used to reduce permanently the Aggregate Undrawn Amount in accordance with the CDS Application Priority. As discussed below, such potential reinvestment (or lack thereof) may have an adverse effect on the Aggregate Principal Balance of the Collateral Debt Securities and on the ability of the Issuer to make payments on the Notes and Preference Shares. See "Security for the Notes—Dispositions of Collateral Debt Securities." The impact, including any adverse impact, (a) of the reinvestment (or lack of reinvestment) of the Principal Proceeds (or Specified Principal Proceeds) and (b) of the application (or lack of application) of CDS Principal Proceeds to Acquire Credit Default Swaps during the Reinvestment Period, on the Noteholders and the Preference Shareholders would be magnified with respect to the Preference Shares by the leveraged nature of the Preference Shares and, with respect to each Subordinate Class of Notes, by the leveraged nature of such Class of Notes.

The earnings with respect to such additional Collateral Debt Securities will depend, among other factors, on reinvestment rates available in the marketplace at the time and on the availability of investments satisfying the Eligibility Criteria, in each case, acceptable to the Collateral Manager. The need to satisfy such Eligibility Criteria and identify acceptable investments may require the Acquisition of additional Collateral Debt Securities having lower yields than those initially Acquired. In addition, the need to satisfy such Eligibility Criteria and identify acceptable investments may require that such Principal Proceeds be maintained temporarily in cash or Eligible Investments, which may reduce the yield on the Collateral. Further, issuers of Collateral Debt Securities may be more likely to exercise any rights they may have to redeem such obligations when interest rates or spreads are declining. Any decrease in the yield on the Collateral Debt Securities will have the effect of reducing the amounts available to make payments of principal and interest on the Notes and distributions on the Preference Shares.

Prior to the end of the Reinvestment Period, unless the Collateral Manager designates any Principal Proceeds as Specified Principal Proceeds or fails to reinvest any Principal Proceeds within the applicable time period, Principal Proceeds will not be applied to redeem the Aggregate Outstanding Amount of the Notes. If the Collateral Manager does not promptly reinvest any such Principal Proceeds in additional Collateral Debt Securities, such amounts will be retained in the Principal Collection Account and invested in Eligible Investments, which are likely to have a low yield. Prior to the end of the Reinvestment Period, unless the Collateral Manager designates CDS Principal Proceeds as Specified CDS Principal Proceeds, or if the Collateral Manager fails to apply CDS Principal Proceeds to the Acquisition of additional Credit Default Swaps within the applicable time period therefor, such CDS Principal Proceeds will be applied to the permanent reduction of the Aggregate Undrawn Amount under the Class A-1 Swap and not to the Acquisition of additional Credit Default Swaps. If during the Reinvestment Period the Issuer does not promptly apply CDS Principal Proceeds to enter into additional Credit Default Swaps after the CDS Principal Receipt Date, the Interest Proceeds received by the Issuer will be reduced but the Class A-1 Swap Availability Fee payable by the Issuer to the Class A-1 Swap Counterparty will not be reduced. This would result in a reduction of the amounts available for payment on the Notes and the Preference Shares.

Early Termination of the Reinvestment Period. Although the Reinvestment Period is expected to terminate on the Quarterly Distribution Date occurring in [●] [2012], the Reinvestment Period may terminate prior to such date if (i) the Collateral Manager notifies the Trustee of its election to make no further investments in additional Collateral Debt Securities, (ii) the Notes are redeemed in a Tax Redemption as described under "Description of the Notes—Optional Redemption and Tax Redemption," prior to the Quarterly Distribution Date occurring in [●] [2012], (iii) an Event of Default resulting in the acceleration of the Notes occurs or (iv) if on any date after NIR has resigned or been removed as Collateral Manager, the holders of at least a majority in Aggregate Outstanding Amount of the Controlling Class or a Majority-in-Interest of the Preference Shareholders notify the Trustee and the

Collateral Manager that the Reinvestment Period shall be terminated. If the Reinvestment Period terminates prior to the Quarterly Distribution Date occurring in [●] [2012], such early termination may affect the expected average lives of the Notes and the duration of the Preference Shares described under "Maturity, Prepayment and Yield Considerations."

On any Quarterly Distribution Date prior to the last day of the Reinvestment Period the Collateral Manager may direct the Issuer to apply (i) all or a portion of the Principal Proceeds that would otherwise be eligible for reinvestment in additional Collateral Debt Securities as Specified Principal Proceeds to the payment of principal of the Notes in accordance with the Priority of Payments, and (ii) all or a portion of CDS Principal Proceeds that would otherwise be available for application to the Acquisition of additional Credit Default Swaps as Specified CDS Principal Proceeds, in each case as if the Reinvestment Period had ended. The Collateral Manager may take such action with respect to any Quarterly Distribution Date with or without also terminating the Reinvestment Period.

Reinvestment May Occur after the Reinvestment Period Ends. After the Reinvestment Period ends, the Collateral Manager will have the discretion to reinvest Unscheduled Fixed Rate Principal Proceeds to Acquire Fixed Rate Securities in Hedge Rebalancing Purchases in compliance with the Eligibility Criteria. Such potential reinvestment (or lack thereof) may have an adverse effect on the value of the Collateral Debt Securities and on the ability of the Issuer to make payments on the Notes and the Preference Shares. Failure to reinvest Unscheduled Fixed Rate Principal Proceeds in Fixed Rate Securities may result in the Issuer being overhedged under a Hedge Agreement. Amounts owed to a Hedge Counterparty on termination of a Hedge Agreement are payable prior to interest on the Notes and distributions to the Preference Shares.

The earnings with respect to such substitute Fixed Rate Securities will depend, among other factors, on reinvestment rates available in the marketplace at the time, on the availability of investments satisfying the Eligibility Criteria and on the availability of fixed rate investments acceptable to the Collateral Manager. The need to satisfy such Eligibility Criteria and identify acceptable fixed rate investments may require the purchase of substitute Fixed Rate Securities having lower yields than those initially acquired. In addition, the need to satisfy such Eligibility Criteria and identify acceptable fixed rate investments may require that such Unscheduled Fixed Rate Principal Proceeds be maintained temporarily in cash or Eligible Investments, which may reduce the yield on the Collateral. Further, issuers of Collateral Debt Securities may be more likely to exercise any rights they may have to redeem such obligations when interest rates or spreads are declining. Any decrease in the yield on the Collateral Debt Securities will have the effect of reducing the amounts available to make payments of principal and interest on the Notes and distributions on the Preference Shares.

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

Unspecified Use of Proceeds. On the Closing Date, proceeds from the issuance and sale of the Securities will be used to Acquire Collateral Debt Securities having an aggregate principal amount (together with the principal amount of Collateral Debt Securities which the Issuer has committed to purchase and any Principal Proceeds and CDS Principal Proceeds as of the Closing Date) of not less than U.S.\$[•]. After the Closing Date the Issuer expects to invest in Collateral Debt Securities (including Credit Default Swaps) that may not have been identified by the Collateral Manager on the Closing Date. Purchasers of the Notes and the Preference Shares will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by the Collateral Manager (on behalf of the Issuer) and, accordingly, will be dependent upon the judgment and ability of the Collateral Manager in investing and managing the proceeds of the Notes and in identifying investments over time. No assurance can be given that the Collateral Manager (on behalf of the Issuer) will be successful in obtaining suitable investments or that, if such investments are made, the objectives of the Issuer will be achieved.

Rating Confirmation Failure; Mandatory Redemption. If the Issuer is required to request a Rating Confirmation but is unable to obtain a Rating Confirmation from each Rating Agency prior to the first Determination Date that is at least 45 Business Days following receipt by such Rating Agency of the Ramp-Up Notice unless a Proposed Plan (which does not provide for redemption of the Notes) has been approved by the Rating Agencies (a "Rating Confirmation Failure"), on the first Quarterly Distribution Date thereafter, the Issuer will be required to apply Uninvested Proceeds (which are not required to complete purchases of Collateral Debt Securities) and, to the extent that such Uninvested Proceeds are insufficient to redeem the Notes to the extent necessary to obtain a Rating Confirmation, on such Quarterly Distribution Date and on each Quarterly Distribution Date thereafter, Interest Proceeds and, to the extent that Interest Proceeds are insufficient, Principal Proceeds, in each case in accordance with the Priority of Payments, to the repayment, of principal of the Notes and reduction of the Aggregate Undrawn Amount in accordance with the Sequential Payment Priority, to the extent specified by each relevant Rating Agency to obtain a Rating Confirmation or to the extent specified in a Proposed Plan which satisfies the Rating Condition with respect to any Rating Agencies which did not previously issue a Rating Confirmation. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments." CDS Principal Proceeds will also be applied to reduce the Aggregate Undrawn Amount if required to obtain a Rating Confirmation in accordance with the CDS Application Priority. There can be no assurance that such redemption will result in a Rating Confirmation. Any such redemption of the Notes may result in the deferral of interest on the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes and the reduction or elimination of distributions on the Preference Shares. The notional amount of any Hedge Agreement entered into by the Issuer may be reduced by the Hedge Counterparty in connection with a redemption of Notes on any such Quarterly Distribution Date by reason of any Rating Confirmation Failure, which is likely to require the Issuer to make a termination payment to the Hedge Counterparty.

Credit Ratings. Credit ratings of debt securities (including the Offered Notes and any Pledged Collateral Debt Security purchased by the Issuer) represent the rating agencies' opinions regarding their credit quality, and are not a guarantee of quality. A credit rating is not a recommendation to buy, hold or sell securities and is subject to revision at any time. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value, and therefore, credit ratings do not fully reflect all risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, and the credit quality of a debt security may be worse than a rating indicates.

International Investing. The Collateral Debt Securities may include obligations of Qualifying Foreign Obligors. See clause (2) of the Eligibility Criteria under "Security for the Notes—Eligibility Criteria." In addition, the Collateral Debt Securities may be obligations of issuers organized in a Special

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

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

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

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

Insolvency Considerations with Respect to Issuers of Collateral Debt Securities. Various laws enacted for the protection of creditors may apply to obligors under Collateral Debt Securities. The information in this and the following paragraph is applicable with respect to U.S. obligors. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an obligor under a Collateral Debt Security (such as a trustee in bankruptcy) were to find that the obligor did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting the Collateral Debt Security and, after giving effect to such indebtedness, the obligor (i) was insolvent, (ii) was engaged in a business for which the remaining assets of such obligor constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could determine to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, to subordinate such indebtedness to existing and future creditors of the obligor or to recover amounts previously paid by the obligor in satisfaction of such indebtedness. The measure of insolvency for

purposes of the foregoing will vary. Generally, an obligor would be considered insolvent at a particular time if the sum of its debts were then greater than all of its property at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether the obligor was "insolvent" after giving effect to the incurrence of the indebtedness constituting the Collateral Debt Security or that, regardless of the method of valuation, a court would not determine that the obligor was "insolvent" upon giving effect to such incurrence. In addition, in the event of the insolvency of an obligor of a Collateral Debt Security, payments made on such Collateral Debt Security could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year) before insolvency.

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

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

Liquidation of Collateral upon Redemption of the Securities. An Optional Redemption, a Tax Redemption, an Auction Call Redemption or the occurrence of an Accelerated Maturity Date may require the Collateral Manager to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the Collateral Debt Securities sold and lower the returns on the Preference Shares. Moreover, the Collateral Manager may be required, in order to Dispose of all the Collateral Debt Securities, to aggregate Collateral Debt Securities in a block transaction, thereby possibly resulting in a lower realized value for the Collateral Debt Securities sold. There can be no assurance that the market value of the Collateral will be sufficient to pay the Redemption Price of the Notes and the Preference Share Redemption Date Amount. If the Collateral is liquidated, the holders of the Preference Shares may receive no distribution and, on an Accelerated Maturity Date, holders of the Notes may suffer a loss.

Risk Factors Relating to Synthetic Securities.

On the Closing Date, the aggregate notional amount of Credit Default Swaps that the Issuer expects to enter into with the Credit Default Swap Counterparty will be approximately U.S.\$[•]. After the Closing Date, the Issuer may Acquire additional Synthetic Securities, including additional Credit Default Swaps; *provided* that any such Acquisition must meet the Eligibility Criteria set forth in the Indenture including that such Acquisition will not cause the Aggregate Principal Balance of the Credit Default Swaps to be less than []% of the Net Outstanding Portfolio Collateral Balance and the

Acquisition of such Synthetic Security will not cause or increase any Notional Amount Shortfall greater than zero. Synthetic Securities may consist of credit default swaps, total return swaps or a combination of the foregoing. In addition, the Issuer will be exposed to the risk of credit default swap and other credit derivative transactions through the Issuer's purchase of CDO Obligations all or a substantial portion of the assets of which may be credit default swaps and total return swaps.

Investments in such types of assets through the purchase of (or entry into) Synthetic Securities present risks in addition to those resulting from direct purchases of such Collateral Debt Securities. Each Synthetic Security will expose the Issuer to all of the risks of the Reference Obligation, as well as the credit risk of the Synthetic Security Counterparty and risks arising from the terms of the Synthetic Securities. Under each Synthetic Security, the Issuer will have a contractual relationship only with the Synthetic Security Counterparty, and not the Reference Obligor(s) on the Reference Obligation(s). Consequently, the Issuer is relying not only on the creditworthiness of the Reference Obligors and the Reference Obligations, but also on the ability of the Synthetic Security Counterparty to perform its obligations under the Synthetic Securities. The Issuer generally will have no right directly to enforce compliance by the Reference Obligor(s) with the terms of either the Reference Obligation(s) or any rights of set off against the Reference Obligor(s) or the Reference Obligation(s), nor will the Issuer generally have any voting or other consensual rights of ownership with respect to the Reference Obligation(s). The Issuer will not directly benefit from any collateral supporting the Reference Obligation(s) and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation(s). The ability of the Issuer to meet its obligations under the Notes and to make distributions on the Preference Shares will be dependent on its receipt of payments from the Synthetic Security Counterparty under the Synthetic Securities. In addition, in the event of the insolvency of the Synthetic Security Counterparty, the Issuer will be treated as a general creditor of the Synthetic Security Counterparty and will not have any claim with respect to the Reference Obligations. As a result, concentrations of Synthetic Securities entered into with any one Synthetic Security Counterparty will subject the Notes to an additional degree of risk with respect to defaults by such Synthetic Security Counterparty as well as by the Reference Obligor(s).

Merrill Lynch International ("MLI"), an affiliate of the Initial Purchaser, will act as the counterparty with respect to all of the Credit Default Swaps, which are expected to be all of the Synthetic Securities which the Issuer will enter into (or commit to enter into) on the Closing Date. This relationship will create certain conflicts of interest for MLI and expose investors to the credit risk of MLI. Each of the Synthetic Securities into which the Issuer is expected to enter (or commit to enter) on the Closing Date will be Credit Default Swaps under which the Issuer assumes the risk of a Reference Obligation. Unless a CDS Replacement has occurred, the Issuer may not enter into Synthetic Securities with other Synthetic Security Counterparties unless they are Defeased Synthetic Securities.

The obligation of the Issuer to make payments to the Credit Default Swap Counterparty in respect of Credit Default Swaps and to other Synthetic Security Counterparties under other Synthetic Securities creates exposure to the credit default risk of the related Reference Obligations and the default risk of the Credit Default Swap Counterparty and other Synthetic Security Counterparties. See "—Reliance on Creditworthiness of the Credit Default Swap Counterparty and other Synthetic Security Counterparties" below. Any net amount due and owing to the Credit Default Swap Counterparty or other Synthetic Security Counterparties will reduce the amount available to pay the obligations of the Issuer to the Preference Shareholders and the Noteholders as a result of payments by the Issuer under the Synthetic Securities in inverse order of seniority. Accordingly, the holders of the Preference Shares in the first instance and thereafter the holders of the Notes in reverse order of priority may lose all or a portion of their investment as a result of payments by the Issuer under the Synthetic Securities.

Following the occurrence of a "credit event" with respect to a Reference Obligation under a Long Credit Default Swap or a Synthetic Security structured as a credit default swap (and subject to the satisfaction of applicable conditions to settlement), the Issuer will be required to pay to the Credit Default Swap Counterparty or other Synthetic Security Counterparty an amount equal to the relevant Physical Settlement Amount or otherwise satisfy its settlement obligations in respect thereof. All or some of the Reference Obligations may be rated below investment grade (or the equivalent credit quality) in which case it will be more likely that the seller of protection will be required to make payment of a Physical Settlement Amount. The payment of any amounts (including any Physical Settlement Amount) payable by the Issuer under a Defeased Synthetic Security will be funded out of amounts standing to the credit of the related Synthetic Security Counterparty Account without regard to the Priority of Payments. Payments to the Credit Default Swap Counterparty in respect of any Credit Default Swaps (including Swap Termination Payments payable upon the termination, novation or assignment of an individual Credit Default Swaps) will be funded by the Issuer first from the Accounts in accordance with the Account Payment Priority. As a result, the Issuer may have insufficient funds available to make payments of interest and/or principal, as the case may be, on the Notes when due and payable. Termination payments payable by the Issuer to the Credit Default Swap Counterparty or other Synthetic Security Counterparty in respect of any Credit Default Swaps or other Synthetic Securities will take into account the market value of such terminated Synthetic Security, which may expose the Issuer to deterioration in the credit or value of the Reference Obligations and result in losses to the Issuer, even where no "credit event" has occurred. Any such payments of Physical Settlement Amounts and termination payments by the Issuer will reduce the amount that is available to make payments on the Notes and the Preference Shares and consequently the Notes and the Preference Shares could be adversely affected thereby.

In addition, each Long Credit Default Swap will require (and other Synthetic Securities structured as a credit default swap may require) the Issuer, in its capacity as protection seller, to pay floating amounts to the Credit Default Swap Counterparty (or Synthetic Security Counterparty) upon the occurrence of a Failure to Pay Principal, Writedown or Interest Shortfall under the Reference Obligation (any such payment, a "Floating Amount"). Even if the Credit Default Swap Counterparty (or other Synthetic Security Counterparty) subsequently reimburses all or part of such Floating Amounts to the Issuer if the related shortfalls are paid to holders of the Reference Obligations or if the principal amount of the related Reference Obligations are written up, the ability of the Issuer to make payments in respect of the Notes and the Preference Shares may be adversely affected during the period from and including the date of payment by the Issuer of the relevant Floating Amounts to the Credit Default Swap Counterparty (or other Synthetic Security Counterparty) to the date on which the Issuer receives such reimbursement from the Credit Default Swap Counterparty (or other Synthetic Security Counterparty). The obligation of the Credit Default Swap Counterparty to reimburse the Issuer for such Floating Amounts will continue only for a limited period of time.

Under the ISDA Master Agreement, a Writedown or Failure to Pay Principal or (solely with respect to a Credit Event under a CDO PAUG Credit Default Swap) Failure to Pay Interest in respect of a Reference Obligation will entitle the Credit Default Swap Counterparty, as protection buyer, to elect whether to require the Issuer to pay a Physical Settlement Amount or a Floating Amount under the related Synthetic Security. Similar provisions may apply under other Synthetic Securities entered into by the Issuer.

In addition, each Credit Default Swap will specify whether the amount payable by the Issuer in respect of an Interest Shortfall Payment Amount will be subject to any cap. If applicable, a "fixed cap" would cap the shortfall amount payable by the Issuer to the Credit Default Swap Counterparty at the amount of premium payable by the Credit Default Swap Counterparty to the Issuer, and would prevent the Issuer from having to pay any additional amount to the Credit Default Swap Counterparty. Most of

the Credit Default Swaps which the Issuer will enter into on the Closing Date are expected to provide that "fixed cap" is applicable, but the Issuer may also enter into Credit Default Swaps to which a "variable cap" or no cap is applicable. If "variable cap" is applicable, then any Interest Shortfall Payment Amount that is in excess of an amount equal to (a) the amount of interest expected to be received by the holders of the Related Reference Obligation minus (b) the amount of interest actually received by the holders of the Related Reference Obligation will reduce the Fixed Amount payable by the Credit Default Swap Counterparty to zero and the Issuer will pay the Credit Default Swap Counterparty an amount equal to such excess. Regardless of whether "fixed cap" or "variable cap" is applicable, any Interest Shortfall Payment Amount will reduce the Interest Proceeds available to pay expenses of the Issuer, interest on the Notes and distributions on the Preference Shares.

Payments to Credit Default Swap Counterparty Outside of the Priority of Payments. Payments of Floating Amounts, Physical Settlement Amounts, Net Issuer Hedged Long Fixed Amounts and Swap Termination Payments owed by the Issuer will be paid by the Issuer directly to the Credit Default Swap Counterparty in accordance with the Account Payment Priority or from Class A-1 Fundings under the Class A-1 Swap and will not be subject to the Priority of Payments.

Risk of Interest Shortfall. The Credit Default Swaps are expected to provide that if the Reference Obligor fails to pay the full amount of interest at the interest rate in effect on a Reference Obligation on any scheduled interest payment date (for any reason, including an insufficiency of funds or the effect of an available funds cap), the premium payments by the Synthetic Security Counterparty to the Issuer will be reduced by the amount of such unpaid interest. Each Credit Default Swap will provide that an Interest Shortfall in respect of the related Reference Obligation will reduce dollar-for-dollar the premium payable by the Synthetic Security Counterparty to the Issuer which may or may not be subject to a "fixed cap". If applicable, a "fixed cap" would cap the shortfall amount payable by the Issuer to the Credit Default Swap Counterparty at the amount of premium payable by the Credit Default Swap Counterparty to the Issuer, and would prevent the Issuer from having to pay any additional amount to the Credit Default Swap Counterparty. An Interest Shortfall is a failure by the Reference Obligor to pay the expected interest (calculated as specified in the Credit Default Swap) on the related Reference Obligation, regardless of whether such shortfall would result in a default under the applicable Underlying Instruments. Such expected interest will not be reduced by any provisions providing for the limitation of payments to distributions of funds available from proceeds of the underlying assets, or that provide for the capitalization or deferral of interest on the Reference Obligation during the term of the transaction, or that provide for the extinguishing or reduction of such payments or distributions (each a "Limitation Provision") (unless such reduction results from a writedown of principal under the applicable Underlying Instruments). For the purposes of calculating the expected interest, the Reference Obligation coupon will include any cap stated in the Underlying Instrument that is not a Limitation Provision and, where "WAC Cap Interest Provision" is specified as not applicable in the relevant Confirmation, is not a "WAC Cap".

Each Credit Default Swap the Reference Obligation of which is a RMBS or a CMBS (an "MBS PAUG Credit Default Swap") will provide for an election as to whether the "WAC Cap Interest Provision" is applicable. In the event that it is applicable, expected interest will be reduced after giving effect to any "WAC Cap." This means that expected interest under the Synthetic Security would be reduced by any limitation in the applicable Underlying Instruments by a weighted average coupon or weighted average rate cap provision that limits or decreases the interest rate or interest entitlement in circumstances where the Underlying Instruments (as of the trade date and without regard to any subsequent amendments) do not provide for any interest shortfall arising as a result of such provision to be deferred, capitalized or otherwise compensated for at any future time.

Many RMBS securities are structured with an available funds cap provision. As a result, Credit Default Swaps the Reference Obligations of which are RMBS securities are more likely to experience

Interest Shortfalls. Under each Long Credit Default Swap, the Issuer will bear the risk of Interest Shortfalls resulting from any available funds cap or other similar cap.

In addition, each Credit Default Swap that is an MBS PAUG Credit Default Swap is expected to provide that certain consequences will result from the occurrence of a step-up in the coupon payable on a Reference Obligation as a result of a failure of the Reference Entity or a third party to exercise, in accordance with the applicable Underlying Instruments, a "clean-up call" or other right to purchase, redeem, cancel or terminate (however described in the Underlying Instruments) the Reference Obligation. In the event that a step-up in the coupon of the Reference Obligation occurs, the premium payable by the Synthetic Security Counterparty under a MBS PAUG Credit Default Swap will be increased by the same number of basis points as the step-up. However, the Synthetic Security Counterparty will have the option to terminate the Synthetic Security if this occurs. Many RMBS securities incorporate such step-up provisions.

In the event that Interest Shortfalls occur or a Synthetic Security Counterparty terminates a Credit Default Swap following a step-up in the interest coupon on the related Reference Obligation, the resulting reduction or elimination of premiums payable by the Synthetic Security Counterparty will reduce Interest Proceeds otherwise available to pay interest on the Notes and make distributions to the Preference Shareholders.

Each CDO PAUG Credit Default Swap the Reference Obligation of which is a CDO Obligation (a "CDO PAUG Credit Default Swap") is expected to provide that a Failure to Pay Interest with respect to a Reference Obligation is also a credit event which entitles the Credit Default Swap Counterparty to elect whether to require the Issuer to pay a Physical Settlement Amount.

Prospective purchasers of the Offered Notes should consider and determine for themselves the likely amount of Interest Shortfalls during the term of the Offered Notes and the impact of such Interest Shortfalls on their investment.

Adverse Effect of Credit Events and Floating Amount Events. Payments on the Notes and distributions on the Preference Shares will be adversely affected by the occurrence of Credit Events or Floating Amount Events under the Synthetic Securities. If a Floating Amount Event occurs, the Synthetic Security Counterparty will have a contingent obligation to reimburse the Issuer for the amount paid in the event of an Interest Reimbursement or Principal Reimbursement by the Reference Obligor. However, there is no guarantee that a reimbursement of payments in respect of such Floating Amount Event will occur or that reimbursement will fully compensate the Issuer, particularly because the Synthetic Security Counterparty will not pay interest on such amount to the Issuer. This will reduce the Interest Proceeds available to pay expenses of the Issuer, interest on the Notes and distributions on the Preference Shares on each Quarterly Distribution Date.

Whether and when to declare a Credit Event and to deliver any notice that a Credit Event or a Floating Amount Event has occurred under a Long Credit Default Swap will be in the sole discretion of the Credit Default Swap Counterparty, and none of the Credit Default Swap Counterparty or any of its affiliates will have any liability to any Noteholder, any Preference Shareholder or any other person as a result of giving (or not giving) any such notice under any Long Credit Default Swap. If a "Writedown," "Failure to Pay Principal" or (solely with respect to a Credit Event under a CDO PAUG Credit Default Swap) "Failure to Pay Interest" occurs, the Credit Default Counterparty may elect to require the Issuer to pay the Floating Amount or to treat it as a Credit Event and require the Issuer to pay the Physical Settlement Amount under such Long Credit Default Swap.

There is no guarantee as to the ability of the Issuer to sell or the timing of the sale of Deliverable Obligations delivered to the Issuer under Unhedged Long Credit Default Swaps, or whether the amount of Disposition Proceeds received by the Issuer upon the sale of such Deliverable Obligations will equal the Physical Settlement Amounts paid by the Issuer following the occurrence of the related Credit Events. Principal Proceeds available to pay the principal amount of the Notes and the Preference Shares on any Redemption Date, at Stated Maturity or on the Accelerated Maturity Date also will be reduced by each Floating Amount (other than in respect of an Interest Shortfall) and each Physical Settlement Amount paid by the Issuer under Unhedged Long Credit Default Swaps.

The concentration of Reference Obligations in any one industry or geographic region, in any one originator or servicer or in any one Specified Type of Asset-Backed Security will subject the Securities to a greater degree of risk of loss resulting from defaults within such industry or geographic region, defaults by such originator or servicer or defaults among that Specified Type of Asset-Backed Security.

Prospective purchasers of the Offered Notes should consider and determine for themselves the likely levels of Credit Events and Floating Amount Events during the term of the Offered Notes and the impact of such Credit Events and Floating Amount Events on their investment.

Possible Early Termination of Synthetic Securities. The Issuer will enter into any Synthetic Securities pursuant to the ISDA Master Agreement with MLI, which may be terminated by the Issuer or by MLI, in the event that any event of default or termination event specified therein occurs with respect to the other party; if the ISDA Master Agreement is terminated, all of the Synthetic Securities made thereunder also will terminate and, except in the limited circumstances described herein, the Issuer will not be permitted to reinvest the proceeds of such termination if the Reinvestment Period has ended or if the proposed reinvestment does not satisfy the Eligibility Criteria, in which event the Interest Proceeds available to pay interest on the Notes and distributions on the Preference Shares will be reduced. In addition, individual Synthetic Securities will terminate if certain events specified therein occur, in which event the Issuer will not be permitted to reinvest the proceeds thereof if the Reinvestment Period has ended or the proposed reinvestment does not satisfy the Eligibility Criteria.

Right of MLI to Suspend Payments to the Issuer. If the Issuer fails to make any payment or delivery when due to MLI under any Credit Default Swap, the Total Return Swap or the Class A-1 Swap or otherwise fails to perform any of its obligations under the ISDA Master Agreement, MLI may, in accordance with the terms of the ISDA Master Agreement, cease to make payments to the Issuer under the Credit Default Swap, the Total Return Swap and the Class A-1 Swap until the Issuer performs its obligations. If MLI were to suspend its performance under these transactions, it is unlikely that the Issuer could make payments on the Notes or the Credit Default Swaps when due and an Event of Default followed by liquidation of the Collateral could result, in which event the Preference Shareholders and Noteholders are likely to suffer losses.

Leveraged Exposure to the Reference Obligations. The entry into credit default swaps by the Issuer may create leveraged exposure for the Noteholders and Preference Shareholders to the credit of the Reference Obligations. Following the occurrence of a credit event (as defined in the relevant Synthetic Security) with respect to a Reference Obligation, the Issuer may be obligated under one or more of the credit default swaps to make a payment to the Synthetic Security Counterparty with respect to such Reference Obligation. If the credit default swap is "cash settled," the amount of such payments will be dependent on the final price determined with respect to such Reference Obligation under the credit default swap, which will depend on, among other things, the market value of such Reference Obligation. If the credit default is "physically settled" the Issuer will, if a "credit event" occurs, at the option of the Synthetic Security Counterparty, purchase the Reference Obligation for a price equal to the principal amount thereof, which is likely to greatly exceed its market value, if any.

Volatility of Market Value of Reference Obligations and Synthetic Securities. The market value of a Reference Obligation following such credit events will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, international political events, developments or trends in any particular industry, the financial condition of the issuer of the Reference Obligation and the obligors of the securitized assets underlying an Asset-Backed Security and the terms of the Reference Obligation. Adverse changes in the financial condition of the issuers of the Reference Obligations or the obligors of the securitized assets underlying an Asset-Backed Security or in general economic conditions or both may result in credit events and a decline in the market value of the Reference Obligations. In addition, future periods of uncertainty in the United States economy and the economies of other countries in which issuers of the Reference Obligations (or the obligors of the securitized assets underlying an Asset-Backed Security) are domiciled and the possibility of increased volatility and default rates may also adversely affect the price and liquidity of the Reference Obligations. A decline in the market value of a Reference Obligation may result in a decline in the market value of the related Synthetic Security. As a result, if the Issuer attempts to liquidate any or all of the Synthetic Securities, the Issuer may incur a loss.

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

None of the Issuer, the Trustee, the Preference Share Paying Agent, the Collateral Manager or the holders of the Securities will have the right to inspect any records of the Credit Default Swap Counterparty or any other Synthetic Security Counterparty or the Reference Obligations, and the Credit Default Swap Counterparty and other Synthetic Security Counterparties will be under no obligation to disclose any further information or evidence regarding the existence or terms of any obligation of any Reference Obligation or any matters arising in relation thereto or otherwise regarding any Reference Obligation, any guarantor or any other person, unless and until, in the case of a Long Credit Default Swap, a Credit Event has occurred and the Credit Default Swap Counterparty or other Synthetic Security Counterparty in its capacity as buyer of protection provides a Notice of Publicly Available Information to the Issuer evidencing the occurrence of such Credit Event as required under the terms of the related CDS Credit Default Swap or other Synthetic Security. A prospective investor should review the prospectus, prospectus supplement or other offering materials (and any servicer or trustee reports) for each Reference Obligation prior to making a decision to invest in the Offered Notes.

Illiquidity of Reference Obligations. Under any Synthetic Securities, the Issuer will have credit exposure to one or more of Reference Obligations. Ratings on the Reference Obligations may be downgraded or withdrawn after the Issuer enters into a Synthetic Security. Many of the Reference Obligations will have no, or only a limited, trading market. Trading in fixed income securities in general, including Asset-Backed Securities and derivatives thereof, takes place primarily in over-the-counter markets consisting of groups of dealer firms that are typically major securities firms. Because the market for Asset-Backed Securities and derivatives thereof is a dealer market, rather than an auction market, no single obtainable price for a given instrument prevails at any given time. Not all dealers maintain markets in all Asset-Backed Securities at all times. The illiquidity of Reference Obligations will restrict the

Collateral Manager's ability to take advantage of market opportunities. Illiquid Reference Obligations may trade at a discount from comparable, more liquid investments. In addition, Reference Obligations may include privately placed securities that may or may not be freely transferable under the laws of the applicable jurisdiction or due to contractual restrictions on resale, and even if such privately placed securities are transferable, the value of such Reference Obligations could be less than what may be considered the fair value of such securities.

Reliance on Creditworthiness of the Credit Default Swap Counterparty and other Synthetic Security Counterparties. The ability of the Issuer to meet its obligations under the Offered Notes will be dependent on its receipt of payments from the Credit Default Swap Counterparty under the ISDA Master Agreement and payments from other Synthetic Security Counterparties under other Synthetic Securities. Consequently, the Issuer is relying not only on the performance of the Reference Obligations, but also on the creditworthiness of MLI as the Credit Default Swap Counterparty and the Total Return Swap Counterparty and other Synthetic Security Counterparties with respect to such payments. Because it is anticipated that the Issuer will enter into all or most, by Reference Obligation Notional Amount, of its Synthetic Securities with the Credit Default Swap Counterparty, there will be a degree of concentration risk with respect to the credit risk in relation to the Credit Default Swap Counterparty. A reduction or withdrawal of any rating assigned by a Rating Agency to ML & Co. may result in the withdrawal or reduction by such Rating Agency of the rating assigned to any Class or Classes of the Notes.

Neither the Issuer nor the Collateral Manager on its behalf will perform an independent credit analysis of the Credit Default Swap Counterparty or any other Synthetic Security Counterparty. However, the Credit Default Swap Counterparty will agree to specific rating downgrade provisions acceptable to the Rating Agencies as a condition to entering into the ISDA Master Agreement with the Issuer (and other Synthetic Security Counterparties may agree to similar provisions under the related Synthetic Securities). A failure by the Credit Default Swap Counterparty to comply with these requirements may result in the termination in full of the ISDA Master Agreement (or, in the case of another Synthetic Security Counterparty, the Synthetic Securities entered into with such Synthetic Security Counterparty). In the event of any such termination, the Issuer may be required to make a termination payment to the Credit Default Swap Counterparty (or other Synthetic Security Counterparty) and the Credit Default Swap Counterparty (or other Synthetic Security Counterparty) will cease to pay Fixed Amounts to the Issuer. As a result, unless such Synthetic Securities are replaced, there will be less funds available to the Issuer to discharge its obligation to make payments in respect of the Notes and the Hedge Agreements and to make distributions on the Preference Shares. The Issuer is therefore relying in part on the creditworthiness of the Credit Default Swap Counterparty (or other Synthetic Security Counterparty) with respect to the Credit Default Swap Counterparty's performance of its obligations to make payments to the Issuer. There can be no assurance that the Issuer would be able to locate a replacement Credit Default Swap Counterparty following termination of the Credit Default Swaps (or other replacement Synthetic Securities following the termination of other Synthetic Securities), particularly since the Issuer is a special purpose vehicle.

Intermediation Fee. The Issuer may only enter into Credit Default Swaps with MLI, unless a CDS Replacement has occurred. The Collateral Manager on behalf of the Issuer may obtain bids from Eligible Dealers solicited by it to enter into back-to-back credit default swap transactions with MLI on the same terms described herein, at a quoted fixed rate that is more favorable to the Issuer than the Fixed Rate at which MLI is willing to enter into a Credit Default Swap relating to the same Reference Obligation. In that event, the Credit Default Swap Counterparty will enter into a back-to-back credit default swap transaction with the Eligible Dealer. If the Credit Default Swap Counterparty enters into a Credit Default Swap with the Issuer and a back-to-back hedging transaction with the Eligible Dealer, the fixed rate premium received by the Credit Default Swap Counterparty under a back-to-back hedging transaction related to a Long Credit Default Swap will be greater than the Fixed Rate payable by the Credit Default

Swap Counterparty to the Issuer under such related Long Credit Default Swap and the fixed rate premium payable by the Credit Default Swap Counterparty under a back-to-back hedging transaction related to a Hedging Short Credit Default Swap will be less than the Fixed Rate received by the Credit Default Swap Counterparty from the Issuer under such related Hedging Short Credit Default Swap, and the Credit Default Swap Counterparty will be entitled to retain each difference in payments. If the Credit Default Swap Counterparty enters into a back-to-back hedging arrangement with an Eligible Dealer at the request of the Collateral Manager (on behalf of the Issuer), the difference between the fixed rate on such transaction and the fixed rate under the related Credit Default Swap will be an amount equal to [_____] % per annum representing an intermediation fee payable to the Credit Default Swap Counterparty if the relevant transaction references a single Reference Obligation or an amount representing an intermediation fee of [_____] % per annum payable to the Credit Default Swap Counterparty if the relevant transaction is an index transaction.

The Credit Default Swap Counterparty also may elect to enter into back-to-back credit default swaps with other dealers under which the Credit Default Swap Counterparty sells protection to those dealers on the same Reference Obligations on which the Issuer has sold protection to the Credit Default Swap Counterparty. In that event, the Credit Default Swap Counterparty may retain any amount paid to it by such dealers in excess of the amount which it pays to the Issuer.

MLI is the Sole Credit Default Swap Counterparty. The Issuer is permitted to enter into Credit Default Swaps only with MLI unless a CDS Replacement has occurred. If MLI or its guarantor does not maintain the minimum ratings included in the definition of "Synthetic Security Counterparty," the Issuer will not be able to enter into Credit Default Swaps thereafter. If Collateral Manager determines that it would be in the best interests of the Issuer to enter into a Credit Default Swap relating to a Reference Obligation but MLI is not willing to enter into such transaction or offers terms that are not acceptable to the Collateral Manager, the Issuer will not be able to enter into the Credit Default Swap. Similarly, if it would be in the best interests of the Issuer to terminate a Credit Default Swap or to enter into a Hedging Short Credit Default Swap with respect to the Reference Obligation, but MLI is not willing to enter into or terminate such transaction or offers terms that are not acceptable to the Collateral Manager, the Issuer will not be able to terminate or hedge such Credit Default Swap.

Calculation Agency Function of Credit Default Swap Counterparty. MLI will be the calculation agent under the ISDA Master Agreement which will determine the amount of any Floating Amounts and Physical Settlement Amount(s) for each Credit Event payable by the Issuer in respect of the Credit Default Swaps. The Credit Default Swap Counterparty also will act as the calculation agent under the ISDA Master Agreement. Other Synthetic Securities may provide that the Synthetic Security Counterparty is appointed by the Issuer as the calculation agent with respect to such transactions. The performance by the Credit Default Swap Counterparty or any other Synthetic Security Counterparty of its duties as calculation agent may result in potential and actual conflicts of interest between its role as calculation agent and its own economic interests as a party to the relevant transaction.

Reinvestment Period; Entering into Additional Credit Default Swaps. The Collateral Manager (on behalf of the Issuer) may apply Uninvested Proceeds, Principal Proceeds and Disposition Proceeds during the Reinvestment Period to Acquire additional Defeased Synthetic Securities or to increase the CDS Reserve Account Balance (so that the Issuer may Acquire additional Credit Default Swaps) and may use CDS Principal Proceeds during the Reinvestment Period to Acquire replacement Credit Default Swaps. Although additional Credit Default Swaps will be subject to the Collateral Quality Tests and certain Eligibility Criteria, the composition of the portfolio of Collateral could change as a result of such reinvestment by the Collateral Manager. It is possible that the Reference Obligations relating to additional credit default swap transactions will not perform as well as the portfolio of Collateral on the Closing Date. In addition, because the Issuer will not be able to terminate Synthetic Securities (including

the Credit Default Swaps) as easily as it would be able to buy and sell the related Reference Obligations, and will not be able to terminate such Synthetic Securities without the consent of the related Synthetic Security Counterparty, the Issuer may not be able to manage its exposure to the related Reference Obligations as easily as it would if it purchased such Reference Obligations directly.

Hedging Short Credit Default Swaps. The Collateral Manager, on behalf of the Issuer, will have the discretion to cause the Issuer to enter into Hedging Short Credit Default Swaps in respect of Long Credit Default Swaps. With respect to Hedged Long Credit Default Swaps, the risks to the Issuer with respect to Floating Amount Events (other than Interest Shortfalls) and Credit Events will have been eliminated (subject to the risk of non-payment by the Credit Default Swap Counterparty of its obligations under the related Hedging Short Credit Default Swaps). In the event that the Issuer enters into a Hedging Short Credit Default Swap with respect to a Long Credit Default Swap that is a Credit Risk Security, a Defaulted Security or a Written Down Security, the Issuer may be obligated to pay a Fixed Amount under the Hedging Short Credit Default Swap in excess of the Fixed Amount which it receives under the Hedged Long Credit Default Swap, which may adversely affect the amount of Interest Proceeds available to make payments in respect of the Securities. In these circumstances, upon termination of the Hedged Long Credit Default Swap and the Hedging Short Credit Default Swap, the Issuer will be required to make a termination payment to the Credit Default Swap Counterparty.

Initial Preference Shareholder may Enter Into Credit Derivative Transactions Relating to Reference Obligations or Cash Collateral Debt Securities in the Issuer's Portfolio. On or after the Closing Date, the Initial Preference Shareholder may enter into credit derivative transactions relating to Reference Obligations or Cash Collateral Debt Securities included in the Issuer's portfolio under which it takes a short position (for example, by buying protection under a credit default swap relating to such obligation or security) or otherwise hedges certain of the risks to which the Issuer is exposed. The Issuer and Noteholders will not receive the benefit of these transactions by the Initial Preference Shareholder and, as a result of these transactions, the interests of the Initial Preference Shareholder may not be consistent with those of Noteholders.

Credit Default Swap Counterparty Acts in Its Own Interest. In taking any action with respect to the Credit Default Swaps, the Credit Default Swap Counterparty will be acting solely in its own interests, and not as agent, fiduciary or in any other capacity on behalf of the Co-Issuers, the Initial Purchasers, the Collateral Manager or the holders of the Securities. The Credit Default Swap Counterparty will have no duty whatsoever to consider the effects of its actions or failure to take action on the holders of the Securities. The Credit Default Swap Counterparty is likely to seek to eliminate any credit exposure to the Reference Obligations by entering into back-to-back hedging transactions. As a result, the settlement amount owed by the Issuer in respect of the settlement of any Long Credit Default Swap minus the market value of any Deliverable Obligations received by the Issuer upon such settlement may be more than the actual loss, if any, incurred by the Credit Default Swap Counterparty upon such settlement and the settlement of any related back-to-back hedging transactions.

The Credit Default Swap Counterparty, in its capacity as counterparty to the Credit Default Swaps, will have extensive consent rights under the Indenture and the Collateral Management Agreement. The interests of the Credit Default Swap Counterparty may not be aligned with those of the holders of the Securities.

Physical Settlement. Under Long Credit Default Swaps, in the event that the applicable conditions to settlement have been satisfied after the occurrence of a Credit Event, the Issuer will be obligated to pay the Physical Settlement Amount with respect to the related Reference Obligation, which will be based on the principal amount or certificate balance of the Reference Obligation and the Credit

Default Swap Counterparty or other Synthetic Security Counterparty will be obligated to deliver one or more Deliverable Obligations.

The Collateral Manager is entitled to Dispose of any Deliverable Obligations in accordance with the procedures described in "Security for the Notes—Disposition of Collateral Debt Securities." There is, however, no guarantee that the Collateral Manager will succeed in Disposing of any Deliverable Obligation, and the time required to sell a Deliverable Obligation cannot be predicted. If a Deliverable Obligation is Disposed of, there is no guarantee that the Disposition Proceeds of the Deliverable Obligation will result in Disposition Proceeds to the Issuer in respect of the related Credit Event equivalent to the Physical Settlement Amount. The market value of the Deliverable Obligation delivered by the Credit Default Swap Counterparty or other Synthetic Security Counterparty in connection with a physical settlement will likely be less than the Physical Settlement Amount, and there is no guarantee that the Issuer will be able to sell a Deliverable Obligation which it has received under a Long Credit Default Swap at a price which the Collateral Manager believes accurately reflects its recovery value. The market value of a Deliverable Obligation will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, international political events, developments or trends in any particular industry, the performance of the assets backing the Deliverable Obligation, the financial condition of the portfolio of the related Reference Obligor, and the terms of the Deliverable Obligation. A Deliverable Obligation may be in default at the time it is delivered to the Issuer, and the related Reference Obligor may be insolvent. These factors may adversely impact the price and liquidity of the Deliverable Obligations. This may adversely affect payments on the Notes and distributions in respect of the Preference Shares.

Illiquid Market for Credit Default Swaps. The market for credit default swaps on Asset-Backed Securities has only existed for a few years and is less liquid than the market for credit default swaps on investment grade corporate reference entities. Credit default swaps with "pay as you go" credit events have only recently been introduced into the market, and the terms may change significantly after the Closing Date (which will make it more difficult for the Issuer to liquidate the Synthetic Securities). The current premiums that a "buyer" of protection will pay under credit default swaps for reference obligations that are Asset-Backed Securities are at very low levels (as compared to the levels during the past five years). This results in part from the fact that the current interest rate spreads over LIBOR (or, in the case of fixed rate Asset-Backed Securities, over the applicable U.S. swap rate) on Asset-Backed Securities are at very low levels (compared to the levels during the past ten years); in the event that such interest rate spreads widen or the prevailing credit premiums on credit default swaps on Asset-Backed Securities increase after the Closing Date, the amount of the termination payment due from the Issuer to the Synthetic Security Counterparties could increase by a substantial amount. If the Issuer is required to make substantial payments to the Synthetic Security Counterparties in order to terminate the Synthetic Securities, it may be difficult for the Issuer to Dispose of the Synthetic Securities as part of the Collateral Manager's portfolio management and it may be difficult to satisfy the conditions for a redemption of the Notes or for a liquidation of the Collateral after an Event of Default. The Issuer may make termination payments to Synthetic Security Counterparties from Interest Proceeds, which will reduce the amounts available to pay interest on the Notes and for distributions on the Preference Shares.

Uncertainty Regarding the Terms of the Synthetic Securities. The description in this Preliminary Offering Circular of the Synthetic Securities with respect to Reference Obligations that are RMBS and CMBS (including the Credit Events and Floating Amount Events and the consequences thereof) which have been entered into between the Credit Default Swap Counterparty and the Issuer on the Closing Date is based on a modified form of the form of "Credit Derivative Transaction on Mortgage-Backed Security with Pay-As-You-Go or Physical Settlement (Dealer Form)" Credit Default Swap published by ISDA in November 2006. In addition, the description in this Preliminary Offering Circular of the Synthetic Securities related to CDO Obligations (including the Credit Events and Floating Amount Events and the

consequences thereof) is based on a modified form of the form of "Credit Derivative Transaction on Mortgage-Backed Security with Pay-As-You-Go or Physical Settlement (Dealer Form) Credit Default Swap published by ISDA in June 2006, as amended in August 2006. However, the Issuer and the Credit Default Swap Counterparty may adopt different forms of confirmations for Synthetic Securities made after the Closing Date, without obtaining consent from the holders of any of the Securities. In such event, the terms of the Synthetic Securities may be materially different from the terms of the Synthetic Securities entered into on the Closing Date, and such terms may be adverse to the interests of the Issuer and the holders of Securities.

In general, credit default swaps with "pay-as-you-go or physical settlement" mechanics are a new type of credit default swap developed to incorporate the unique structures of Asset-Backed Securities, in particular those of CMBS, RMBS and CDO Obligations. Given that this market has recently developed and the forms have recently been published by ISDA, it is possible that ISDA may amend the current forms. In addition, ISDA may adopt new forms for other types of Asset-Backed Securities. While ISDA has published forms of confirmations for documenting credit default swaps with "pay as you go or physical settlement" mechanics and has published and supplemented the ISDA Credit Derivatives Definitions in order to facilitate transactions and promote uniformity in the credit default swap market, the credit default swap market is expected to change and the confirmation used to document credit default swaps with "pay as you go or physical settlement" mechanics and the ISDA Credit Derivatives Definitions and terms applied to credit derivatives are subject to interpretation and further evolution. Past events have shown that the views of market participants may differ as to how the ISDA Credit Derivatives Definitions operate or should operate.

The confirmations with "pay as you go or physical settlement" mechanics and the ISDA Credit Derivatives Definitions are expected to continue to evolve. There can be no assurance that changes to the confirmations with "pay as you go or physical settlement" mechanics and the ISDA Credit Derivatives Definitions and other terms applicable to credit derivatives generally will be predictable or favorable to the Issuer. Amendments or supplements to the ISDA forms with "pay as you go or physical settlement" mechanics and the ISDA Credit Derivatives Definitions that are published by ISDA will only apply to credit default swaps if the Issuer and the Synthetic Security Counterparty agree to amend the credit default swaps between them to incorporate such amendments or supplements. As a result of the continued evolution of the forms of confirmation used to document credit default swaps with Reference Obligations that are Asset-Backed Securities that have "pay as you go or physical settlement" mechanics, the confirmations used to document existing 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.

Therefore, 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 ISDA Credit Derivatives Definitions or the Credit Default Swap confirmation could be interpreted in a manner that would be adverse to the Issuer or that the credit derivatives market generally may evolve in manner that would be adverse to the Issuer.

Risks Relating to Terms of the Defeased Synthetic Securities and Synthetic Security Collateral. If the terms of any Synthetic Security require the Synthetic Security Counterparty to secure its obligations with respect to such Synthetic Security, funds and other property used to secure such obligations will be deposited into a Synthetic Security Issuer Account. These funds may be invested, upon Issuer order, in Eligible Investments or other Synthetic Security Collateral or other securities permitted under the Synthetic Security. In the event of a termination of such Synthetic Security, the Issuer would be entitled to apply the funds and other property standing to the credit of such Synthetic Security Issuer Account to pay amounts due to the Issuer under such Synthetic Security, and if such funds or other property have

been invested in Synthetic Security Collateral, such Synthetic Security Collateral may become pledged Collateral Debt Securities. In such event, there is no assurance that the Pledged Collateral Debt Securities (as a whole) will meet the Eligibility Criteria. See "Security for the Notes—The Accounts—Synthetic Security Issuer Accounts."

In accordance with the terms of the applicable Defeased Synthetic Securities, funds in a Synthetic Security Counterparty Account will be invested in Eligible Investments or other Synthetic Security Collateral designated by the Synthetic Security Counterparty and approved by the Collateral Manager, which may be subject to derivatives transactions (including total return swaps) between the Issuer and the Synthetic Security Counterparty (or, subject to the consent of the Synthetic Security Counterparty and satisfaction of the Rating Condition, between the Issuer and other parties). The Issuer will be required to reinvest any principal payments on the Synthetic Security Collateral received by it in other Synthetic Security Collateral approved by the Synthetic Security Counterparty; the yield on such replacement Synthetic Security Collateral may be lower than the yield on the original Synthetic Security Collateral, in which event the Interest Proceeds in each Due Period will be reduced and may not be sufficient to pay interest on all Classes of Notes and to make distributions on the Preference Shares. The Synthetic Security Counterparty will have the right to cause the Issuer to invest the Synthetic Security Collateral in Eligible Investments. If the Synthetic Security Collateral consists of Eligible Investments, the return received by the Issuer on the Synthetic Securities will be lower than if the Synthetic Security Collateral consists of Asset-Backed Securities, and as a result the Interest Proceeds in each Due Period will be reduced. A prospective investor evaluating an investment in the Offered Notes should assume that the interest income to the Issuer on the Synthetic Security Collateral will be no higher than the interest rate which the Issuer earns on Eligible Investments.

After payment of all amounts owing by the Issuer to the Synthetic Security Counterparty or a default which entitles the Issuer to terminate its obligations under such Synthetic Security, funds and other property standing to the credit of the Synthetic Security Counterparty Account related to such Defeased Synthetic Security will be credited to the Principal Collection Account (in the case of Cash and Eligible Investments) or the Custodial Account (in the case of Synthetic Security Collateral other than Cash and Eligible Investments). There can be no assurance that in such event the Pledged Collateral Debt Securities (as a whole) will meet the Eligibility Criteria. See "Security for the Notes—The Accounts—Synthetic Security Counterparty Accounts."

Replacement Credit Linked Note. Subsequent to the Closing Date, the Issuer may replace, in part or in whole, the Credit Default Swaps and the Total Return Swap, with a transaction (a "Replacement Credit Linked Note", with a trust or other special purpose vehicle (the "Credit Linked Note Issuer"), without the consent of Noteholders or Preference Shareholders. If this occurs, the Credit Linked Note Issuer would issue a trust unit to the Issuer and enter into Credit Default Swaps with MLI (or an affiliate) and a reinvestment transaction (which may be with MLI or an affiliate or with an entity not affiliated with MLI) relating to the purchase price paid by the Issuer to the Credit Linked Note Issuer. Although a single credit linked trust unit would be issued to the Issuer by the Credit Linked Note Issuer referencing multiple Reference Obligations, such trust unit is anticipated to be structured to expose the Issuer to the credit risk of an individual "pay as you go" credit default swap (each, an "Embedded Credit Default Swap") with respect to each such Reference Obligation.

Each Embedded Credit Default Swap will be based on the ISDA forms of "pay as you go" credit default swaps but incorporating modifications similar to the terms of the Credit Default Swaps described herein, with MLI as the counterparty. Pursuant to each such Embedded Credit Default Swap, (a) the Credit Linked Note Issuer would be obligated to pay Floating Amounts to MLI if a Floating Amount Event occurs, (b) the Credit Linked Note Issuer would be obligated to pay a physical settlement amount (generally equal to the principal amount of the Reference Obligations being delivered) to MLI in the

event that a Credit Event occurs with respect to a Reference Obligation and MLI elects to deliver a notice of physical settlement and delivers to the Credit Linked Note Issuer, as a deliverable obligation, such Reference Obligation and (c) MLI would pay to the Credit Linked Note Issuer a Fixed Amount in respect of each Reference Obligation thereunder and reimbursement amounts in the event that, following a payment by the Credit Linked Note Issuer of a Floating Amount, the Reference Obligor makes a subsequent payment in partial or full satisfaction of the related Writedown, Interest Shortfall or Principal Shortfall Amount (if such payment is made during the term of, or within a limited time following the termination of, the transaction relating to such Reference Obligation). The Fixed Amount payable by MLI for each calculation period would be reduced by any Interest Shortfall Amount payable by the Credit Linked Note Issuer to MLI during such calculation period.

The Credit Events that may be designated by MLI in respect of a Reference Obligation under each Embedded Credit Default Swap are expected to be similar to those described under "Security for the Notes—The Credit Default Swaps." Under each Embedded Credit Default Swap, the Collateral Manager on behalf of the Issuer would be permitted to terminate transactions with respect to particular Reference Obligations and, during the Reinvestment Period, substitute Reference Obligations.

The proceeds from the issuance of such Replacement Credit Linked Note would be invested by the Credit Linked Note Issuer in collateral that would secure the Credit Linked Note Issuer's obligations to MLI in respect of each Embedded Credit Default Swap. Such collateral may consist of cash or debt securities, including commercial paper, money market securities, corporate bonds and asset-backed securities that satisfy certain Rating Agency requirements.

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

It is expected that under the terms of any such Replacement Credit Linked Note, the Issuer would be entitled to receive periodic payments in respect of such Replacement Credit Linked Note in an amount equal to the Fixed Amounts received by the Credit Linked Note Issuer from MLI under the credit default swap plus LIBOR received from MLI as basis swap counterparty minus any amounts payable by the Credit Linked Note Issuer to MLI under the credit default swap and the basis swap (other than the payment by the Credit Linked Note Issuer to MLI of three-month LIBOR as calculated under the asset swap transaction). In addition, the Issuer would be entitled to receive redemption payments under the Replacement Credit Linked Note (i) in connection with any principal amortization of the related Reference Obligation (which was not reinvested), in an amount equal to such principal payment, (ii) on the stated maturity of a Credit Linked Security, in an amount (if any) equal to the remainder of the adjusted principal balance thereof minus any amounts required to be retained to make a payment with respect to a Credit Event or Floating Amount Event under the Reference Obligation that may have occurred prior to the termination but with respect to which physical or other settlement has not yet occurred, (iii) following the expiration of the period in which any amounts so retained must be paid, in the amount (if any) remaining after payment of any such credit protection payments, (iv) in connection with receipt by the Credit Linked Note Issuer of a reimbursement in respect of a credit protection payment previously made by the Credit Linked Note Issuer pursuant to the Embedded Credit Default Swap, in an amount equal to such reimbursement payment and (v) in connection with a termination of all or a portion of the Embedded Credit Default Swaps, in an amount equal to the adjusted principal balance thereof minus any termination payments payable by the Credit Linked Note Issuer plus any termination payments payable by MLI to the Credit Linked Note Issuer. The initial principal balance of such Replacement Credit Linked Note would be reduced by any redemption amounts paid to the Issuer (other than out of termination payments received by the Credit Linked Note Issuer) and any credit protection payments made by the Credit Linked Note Issuer to MLI under the Embedded Credit Default Swaps and will be increased by certain reimbursement payments received by the Credit Linked Note Issuer from MLI in respect of credit protection payments previously made by the Credit Linked Note Issuer to MLI pursuant to the Embedded Credit Default Swaps. If the Credit Linked Note Issuer were to receive a deliverable obligation under an Embedded Credit Default Swap, such deliverable obligations would be delivered by the Credit Linked Note Issuer to the Issuer (unless the Issuer cannot take delivery in which event the deliverable obligation will be liquidated by the Credit Linked Note Issuer). Any such Deliverable Obligation received by the Issuer (other than a Defaulted Security that is required to be sold) may be retained by the Issuer as a Collateral Debt Security.

Although the foregoing describes in general the expected terms of the Replacement Credit Linked Note that the Issuer may acquire after the Closing Date, the actual terms may be different and the Issuer may at any time dispose of such Synthetic Securities and/or acquire or enter into other Synthetic Securities having different terms (provided that any Synthetic Securities acquired or entered into by the Issuer satisfy the Eligibility Criteria).]

Risk Factors Relating to the Total Return Swap.

The Issuer expects to enter into, on or shortly after the Closing Date, a Total Return Swap with MLI relating to the Synthetic Security Collateral in the CDS Reserve Account. Under the Total Return Swap, (i) MLI will have the right to approve the Synthetic Security Collateral held in the CDS Reserve Account, (ii) the Issuer will pay to MLI the yield on any Synthetic Security Collateral approved by MLI and MLI will pay to the Issuer the Total Return Swap LIBOR Payment, (iii) MLI will have the right to terminate (in part or in whole) these transactions, and (iv) upon termination of any of these transactions (in part or in whole) the Issuer may be required to pay a termination payment to MLI.

If Credit Events or Floating Amount Events (other than Interest Shortfalls) occur under Synthetic Securities, each Physical Settlement Amount and each Floating Amount paid from the CDS Reserve

Account will reduce the notional amount of the Total Return Swap and, as a result, reduce Total Return Swap LIBOR Payment that will accrue and be paid to the Issuer under the Total Return Swap. This will reduce the Interest Proceeds available to pay expenses of the Issuer and interest on the Notes and distributions on the Preference Shares on each Quarterly Distribution Date. Principal Proceeds available to pay the principal amount of the Notes on any Redemption Date, at Stated Maturity, or on liquidation of the Collateral following an Event of Default also will be reduced by each Floating Amount (other than in respect of an Interest Shortfall) and each Physical Settlement Amount payable by the Issuer.

MLI will have the discretion in certain circumstances to terminate in whole, or to reduce the notional amount of, the Total Return Swap. See "Security for the Notes—Total Return Swap." In the event that the MLI terminates the Total Return Swap, no further Total Return Swap LIBOR Payments will be made by MLI to the Issuer, and if MLI reduces the notional amount of the Total Return Swap, the Total Return Swap LIBOR Payment that will accrue and be paid to the Issuer under the Total Return Swap will be reduced. The Issuer is not likely to find an alternative investment for the CDS Reserve Account which yields an amount equal to the Total Return Swap LIBOR Payment. This will reduce the Interest Proceeds available to pay expenses of the Issuer and interest on the Notes and distributions on the Preference Shares on each Quarterly Distribution Date. If the notional amount of the Total Return Swap decreases as a result of a Discretionary Disposition or on a date which is not a Quarterly Distribution Date, the Issuer may be obligated to pay a LIBOR Breakage Amount or a Hedging Amount to MLI. If the Issuer is obligated to pay either a LIBOR Breakage Amount or a Hedging Amount, such amount will be deducted from the first payment by MLI to occur under the Total Return Swap of either the Total Return Swap LIBOR Payment or the Positive Total Return Amount. The Issuer will receive less from MLI had no LIBOR Breakage Amount or Hedging Amount been due, which will reduce amounts available to pay the Noteholders and Preference Shareholders. In addition, when the Total Return Swap is terminated on the Redemption Date in connection with an Optional Redemption, Tax Redemption, Auction Call Redemption or on the Accelerated Maturity Date the Issuer may be required to pay to MLI a Hedging Amount. If the Issuer is required to make such payment to MLI, the Issuer may not be able to satisfy the requirements of the Indenture for such redemption of the Notes and the Preference Shares (or for the liquidation of the Collateral following an Event of Default) and, if the Issuer does satisfy such requirements, distributions to the Preference Shareholders on the Redemption Date or the Accelerated Maturity Date will be reduced. See "Security for the Notes—Total Return Swap."

Risk Factors Relating to Conflicts of Interest and Dependence on the Collateral Manager.

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

Conflicts of Interest Involving the Collateral Manager. Various potential and actual conflicts of interest may arise from the overall investment activities of the Collateral Manager, its Affiliates and employees of such Affiliates for their own accounts or for the accounts of others. NIR Credit Partners, LLC ("NIR Credit Partners"), an Affiliate of the Collateral Manager, will provide the Collateral Manager with investment advice with respect to the Collateral Manager's performance of its obligations under the Collateral Management Agreement pursuant to a Services Agreement, as described below. The Collateral Manager does not have any of its own employees.

The Collateral Manager, its Affiliates and their employees, either for their own accounts or the accounts of others, may invest in securities or obligations that would be appropriate as Collateral Debt Securities. In particular, the Collateral Manager may acquire CDO Obligations of issuers for which the Collateral Manager or an Affiliate acts as a collateral manager or investment manager and receives compensation therefor. In such cases, the Collateral Manager will benefit from fees at the CDO Security level as well as fees paid by the Issuer. The Collateral Manager and its Affiliates also currently serve as

and expect to serve in the future as collateral manager for, invest in and/or be affiliated with, other entities which invest in or originate Asset-Backed Securities, including CDO Obligations, including those organized to issue securities similar to those to be acquired by the Issuer.

The Collateral Manager or its Affiliates may make investment decisions for themselves, their respective clients and their affiliates that may be different from those made by such persons on behalf of the Issuer, even where the investment objectives are the same or similar to those of the Issuer. The Collateral Manager and its Affiliates and their respective employees may at certain times be simultaneously seeking to purchase or sell the same or similar investments for the Issuer and another client for which any of them serves as investment adviser or collateral manager, or for themselves. Likewise, the Collateral Manager may on behalf of the Issuer make an investment in an issuer or obligor in which another account, client or Affiliate is already invested or has co-invested. Making such an investment (on an initial or follow on basis) may result in a direct or indirect benefit to the Collateral Manager or its Affiliates. In addition, the Issuer may not be able to invest in opportunities where other accounts, clients or Affiliates of the Collateral Manager have invested. The Collateral Manager may give priority either to or over the Issuer in the allocation of investment opportunities to certain accounts or clients designated by the Collateral Manager in their discretion and to other accounts or clients of the Collateral Manager or its Affiliates to the extent obligated or permitted by the application of regulatory requirements, internal policy and client guidelines and/or principles of fiduciary duty. Although the Collateral Manager expects to allocate its investment opportunities among the clients of the Collateral Manager and of its Affiliates in a manner that it believes to be fair and equitable over time, neither the Collateral Manager nor any of its Affiliates has any obligation to obtain for the Issuer any particular investment opportunity, and the Collateral Manager may be precluded from offering to the Issuer particular securities in certain situations including, without limitation, where the Collateral Manager or its Affiliates may have a prior contractual commitment with other accounts or clients or as to which the Collateral Manager or any of its Affiliates possesses material, non-public information. The Collateral Manager may decline to make a particular investment for the Issuer in view of such relationships.

The effects of some of the conflicts of interest described herein may have an adverse impact on the Issuer and the holders of the Offered Notes as well as on the market from which the Collateral Manager seeks to buy, or to which the Collateral Manager seeks to sell, securities on behalf of the Issuer. There is no assurance that the Issuer will hold the same investments or perform in a substantially similar manner as other funds with similar strategies under the management of the Collateral Manager. There is also a possibility that the Issuer will invest in opportunities declined by the Collateral Manager or its Affiliates for the accounts of others or for their own accounts. This may result in disparate performance results among funds or client accounts managed by the Collateral Manager. In making investments on behalf of accounts or clients that the Collateral Manager or its Affiliates manage or advise either now or in the future, the Collateral Manager in its discretion may aggregate orders for the Issuer with orders for such other accounts, notwithstanding that depending upon market conditions, aggregated orders can result in a higher or lower average price.

The Collateral Manager, its agents, Affiliates and officers and directors of such Affiliates may also have ongoing relationships with, provide services to and receive compensation from the issuers and/or the portfolio managers for the issuers, of Collateral Debt Securities and the issuers of obligations backing or securing such Collateral Debt Securities and they or their clients may own equity or other securities or obligations issued by issuers of Collateral Debt Securities and other issuers of such other obligations. In addition, the Collateral Manager, its Affiliates, or officers and employees of such Affiliates, either for their own accounts or for the accounts of others, may invest in securities or obligations (or make loans) that are included among, rank pari passu with or are senior or junior to Collateral Debt Securities held by the Issuer, or have interests different from or adverse to those of the Issuer.

The Collateral Manager and its Affiliates may or will own as principals and/or may have structured and originated an initial issuance of Collateral Debt Securities purchased by the Issuer or other obligations that back such Collateral Debt Securities and/or have investments (including equity investments) in the issuers of such Collateral Debt Securities and other obligations. The Collateral Manager and its Affiliates are participants in the market for trading Asset-Backed Securities including CDO Obligations and also may, for a negotiated fee, perform advisory or other services or may engage in a variety of other transactions with companies who are current or prospective obligors or issuers of Collateral Debt Securities or obligations securing such Collateral Debt Securities. The Collateral Management Agreement sets forth certain restrictions on the Collateral Manager's ability to purchase for the Issuer certain securities and other obligations owned or originated by the Collateral Manager or its Affiliates. Accordingly, there may be circumstances when the Issuer may be prevented from purchasing or selling Collateral Debt Securities or from taking other actions that the Collateral Manager might consider in the best interest of the Issuer.

No provision in the Collateral Management Agreement prevents the Collateral Manager or any of its Affiliates from rendering services of any kind to any person or entity, including the issuer of any obligation included in, or held by any issuer of, the Collateral Debt Securities or any of such issuer's Affiliates, the Trustee, the holders of the Offered Notes, any Synthetic Security Counterparty or any Hedge Counterparty. Without limiting the generality of the foregoing, the Collateral Manager, its agents, its Affiliates and officers of such Affiliates may, among other things: (a) serve as directors, partners, officers, employees, agents, nominees or signatories for any issuer of any Collateral Debt Security or any obligation backing any such Collateral Debt Security; (b) receive fees for services to be rendered to the issuer of any Collateral Debt Security or any obligation backing any such Collateral Debt Security or any Affiliate thereof; (c) be retained to provide services unrelated to the Collateral Management Agreement to the Issuer or its Affiliates and be paid therefor; (d) be a secured or unsecured creditor of, or hold an equity interest in, any issuer of any Collateral Debt Security or any obligation backing any such Collateral Debt Security; or (e) serve as a member of any "creditors committee" with respect to any obligation included in the Collateral. Services of this kind may lead to conflicts of interest with the Collateral Manager, and may lead individual officers or employees of Affiliates of the Collateral Manager to act in a manner adverse to the Issuer. If the Collateral Manager, its agents, its Affiliates and/or officers of such Affiliates serve on creditor or equity committees or advise companies subject to bankruptcy or insolvency proceedings or are engaged in financial restructuring activities in a variety of capacities, the Collateral Manager's flexibility in purchasing or selling Collateral Debt Securities on behalf of the Issuer may be limited. At times, the Collateral Manager in an effort to avoid restrictions for the Issuer and its other clients, may elect not to receive information that other market participants or counterparties are eligible to receive or have received.

Each security transaction will be placed with a specific broker-dealer selected by the Collateral Manager or with the objective of receiving "best execution" at a fair and competitive brokerage cost. In selecting broker-dealers, the Collateral Manager will do business with those broker-dealers that, in the Collateral Manager's judgment, can be expected to provide the best overall service. The service to be provided by such broker-dealers has two main aspects: the execution of buy and sell orders and the provision of research. Such services may be used by the Collateral Manager or its Affiliates in connection with their other advisory activities or investment operations. The Collateral Manager may also consider other factors such as financial integrity and operational capacity. In negotiating commissions with broker-dealers, the Collateral Manager will pay no more for execution and research services than it considers either, or both together, to be worth. The worth of execution service depends on the ability of the broker-dealer to minimize costs of securities purchased and to maximize prices obtained for securities sold. The worth of research depends on its usefulness in optimizing portfolio composition and it can change over time. Commissions for the combination of execution and research services that meet the Collateral Manager's standards may be higher than for execution services alone or for services

that fall below the Collateral Manager's standards. The Collateral Manager believes that these arrangements may benefit all clients and not necessarily only the accounts in which the particular investment transactions occur that are so executed. Further, the Collateral Manager generally may receive some brokerage or research services in connection with securities transactions that are consistent with the "safe harbor" provisions of Section 28(e) of the Securities Exchange Act of 1934 as amended (the "Exchange Act") when paying such higher commissions. Other brokerage or research services received may be outside the Section 28(e) "safe harbor." While the Collateral Manager generally seeks reasonably competitive fees, commissions and spreads, the Issuer will not necessarily pay the lowest fee, commission or spread available with respect to any particular transaction.

Although certain personnel of NIR Credit Partners providing services to the Collateral Manager will devote as much time to advising the Collateral Manager with respect to the management of the Collateral Debt Securities of the Issuer as NIR Credit Partners deems appropriate, none of such personnel is expected to devote substantially all of his or her working time to the management of the investments of the Issuer, and such personnel may have conflicts in allocating their time and service among the Issuer and the other accounts or clients now or hereafter advised by the Collateral Manager.

The Collateral Manager and its Affiliates are not required to purchase or hold any Securities, and may at any time sell any Securities held by them. In addition, pursuant to the Services Agreement, NIR Credit Partners will advise the Collateral Manager with respect to its management of the Issuer's portfolio of Collateral Debt Securities and of the portfolios of the other CDOs managed by the Collateral Manager. As a result, the Collateral Manager's management of the Issuer's portfolio of Collateral Debt Securities may be in conflict with the interests of the Noteholders.

Affiliates of the Collateral Manager, accounts managed by the Collateral Manager or any Affiliate of the Collateral Manager or any such Affiliate's officers and employees may at times also own other Securities. As a holder of Securities, the interests and incentives of the Collateral Manager or such other parties will not necessarily be completely aligned with those of other holders of Securities (or of holders of any particular Class of Notes or any Preference Shares). No such party is required to purchase or hold any Securities, and may at any time sell any Securities held by them.

There will be no restriction on the ability of such parties to exercise any voting rights to which Securities held by them are entitled. However, any Securities held by any Affiliate of the Collateral Manager or any Securities over which the Collateral Manager or any Affiliate has discretionary voting authority (the "Collateral Manager Securities") will have no voting rights with respect to any vote (i) in connection with the removal or replacement of the Collateral Manager or (ii) increasing the rights or decreasing the obligations of the Collateral Manager, and will be deemed not to be outstanding in connection with any such vote.

Certain Conflicts of Interest Involving the Initial Purchaser. Certain of the Collateral Debt Securities Acquired or to be Acquired by the Issuer consist of obligations of issuers or obligors, or obligations sponsored or serviced by companies, for which the Initial Purchaser or an Affiliate of the Initial Purchaser has acted as underwriter, agent, placement agent or dealer or for which the Initial Purchaser or an Affiliate of the Initial Purchaser has acted as lender or provided other commercial or investment banking services. The Initial Purchaser or Affiliates of the Initial Purchaser may structure issues of Collateral Debt Securities and arrange to place such Collateral Debt Securities with the Issuer. The Initial Purchaser or an Affiliate thereof also may have acted as underwriter, agent, placement agent or dealer for a significant portion of the CDO Obligations. In addition, MLI, an Affiliate of the Initial Purchaser, will act as Credit Default Swap Counterparty with respect to all of the Credit Default Swaps, which will be all of the Synthetic Securities Acquired (or entered into) by the Issuer on the Closing Date,

has the exclusive right to enter into Synthetic Securities with the Issuer that are not Deferred Synthetic Securities.

The Initial Hedge Counterparty is an Affiliate of the Initial Purchaser. When the Initial Hedge Counterparty exercises its rights under the Indenture or the Hedge Agreement it will not act as a fiduciary for the Noteholders or the Preference Shareholders or have any obligation to consider the effects of its actions on the Issuer, the Noteholders or Preference Shareholders, but instead it will take such actions as it deems to be in its own commercial interests.

An Affiliate of the Initial Purchaser (or an investment vehicle advised by the Initial Purchaser) expects to purchase Notes on the Closing Date and, as a result, to the extent that any such Class of Notes becomes the Controlling Class, the Initial Purchaser may be able to exercise the rights of the Controlling Class. On or after the Closing Date, the Initial Purchaser may purchase other Securities. The Initial Purchaser will be entitled to vote any Securities that it acquires with respect to all matters. On the Closing Date, MLI will be the Class A-1 Swap Counterparty. As the Class A-1 Swap Counterparty, MLI will have the right to exercise all of the voting and consent rights of the Class A-1 Notes and, therefore, will be able to exercise the rights of the Controlling Class. As a result, MLI will have the right to determine whether or not the Collateral will be liquidated following an Event of Default and other important matters to be decided by holders of the Controlling Class. When MLI exercises the rights of the Controlling Class, it will not act as a fiduciary for the Noteholders or the Preference Shareholders or have any obligation to consider the effects of its actions on the Issuer, the Noteholders or Preference Shareholders, but instead it will take such actions as it deems to be in its own commercial interests.

MLI may enter into credit derivative transactions under which it "buys" credit protection from an institution (the "Credit Protection Provider") with respect to the Class A-1 Swap and the Class A-1 Notes, and in such event MLI may agree to follow the directions of the Credit Protection Provider when it exercises the voting rights of the Class A-1 Swap Counterparty, including the rights of the Controlling Class. MLI may give notice to the Trustee, assigning all of MLI's voting and consent rights as the Class A-1 Swap Counterparty and as a Class A-1 Noteholder to the Credit Protection Provider. When it exercises rights as the Class A-1 Swap Counterparty and a Class A-1 Noteholder (or the rights of the Controlling Class) MLI (or the Credit Protection Provider) will act in its own commercial interests and will have no obligation to consider the effect of its actions on the Issuer, the Noteholders or the Preference Shareholders. Neither the Issuer, nor the Noteholders or the Preference Shareholders, will have any rights against the Credit Protection Provider or receive the benefit of any payments made by it to MLI.

It is currently anticipated that MLI will act as counterparty to all Synthetic Securities Acquired (or entered into) by the Issuer on the Closing Date, and MLI may act as the counterparty with respect to any additional Synthetic Securities Acquired or entered into by the Issuer after the Closing Date. MLI (or the Initial Purchaser or any other Affiliates thereof that serve as a counterparty under a Synthetic Security) may, in its role as counterparty to all or a portion of the Synthetic Securities, make determinations regarding those Reference Obligations (including a decision to give notice that a credit event or "floating amount event" has occurred and to require the Issuer to make payments to it) which may have an adverse effect on the ability of the Issuer to make payments on the Notes and the Preference Shares. Moreover, the Initial Purchaser or its Affiliates may from time to time enter into derivative transactions with third parties with respect to the Securities or with respect to Collateral Debt Securities Acquired by the Issuer, and the Initial Purchaser or its Affiliates may, in connection therewith, acquire (or establish long, short or derivative financial positions with respect to) Securities, Collateral Debt Securities or one or more portfolios of financial assets similar to the portfolio of Collateral Debt Securities Acquired by (or intended to be acquired by) the Issuer. It is anticipated that, on or shortly after the Closing Date, MLI (or another Affiliate of the Initial Purchaser) will enter into a total return swap transaction relating to

the Synthetic Security Collateral in the CDS Reserve Account that will expose the Issuer to the credit risk of MLI (or such other Affiliate of the Initial Purchaser that serves as the counterparty under such transaction) and will give MLI the right to approve or designate the Synthetic Security Collateral to be purchased by the Issuer in the CDS Reserve Account.

In addition, an Affiliate of the Initial Purchaser may sell Cash Collateral Debt Securities to the Issuer on or after the Closing Date.

These activities create certain conflicts of interest, and there can be no assurance that the terms on which the Issuer entered into (or enters into) any of the foregoing transactions with the Initial Purchaser (or an Affiliate thereof) were or are the most favorable terms available in the market at the time from other potential counterparties. Neither the Initial Purchaser nor any of its Affiliates will act as fiduciaries for the Issuer in any of the capacities listed above. The Initial Purchaser and each of its Affiliates will take such actions, in each of the capacities listed above, as it deems to be in its own commercial interests and will have no obligation to consider the effect of its actions on the Issuer, Noteholders or Preference Shareholders.

Conflicts of Interest of Credit Default Swap Counterparty. MLI will, in its role as Credit Default Swap Counterparty for all of the Credit Default Swaps, have the right to make determinations regarding the Reference Obligations (including a decision to give notice that a credit event or "floating amount event" has occurred and require the Issuer to make payments to it). In addition, MLI, as Credit Default Swap Counterparty to the Synthetic Securities, will have sole discretion to determine whether and when to declare a Credit Event and to deliver any notice that a Credit Event or a Floating Amount Event has occurred under a Synthetic Security. The Credit Default Swap Counterparty and its Affiliates will have no liability to any holder of Securities or any other person as a result of giving (or not giving) any such notice. If a Writedown, Failure to Pay Principal or (solely with respect to a Credit Event under a CDO PAUG Credit Default Swap) Failure to Pay Interest occurs, the Synthetic Security Counterparty may elect to treat such event as a Floating Amount Event or to treat it as a Credit Event and physically settle under the credit default swap. See "—Certain Conflicts of Interest Involving the Initial Purchaser."

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

Removal of the Collateral Manager. The Collateral Manager may be removed and replaced as the Collateral Manager under the circumstances described under "The Collateral Management Agreement—Removal." Such termination may become effective without the approval of holders of all of the Notes and Preference Shares. The Collateral Manager may not be removed without cause. In any event, no removal of the Collateral Manager by the Issuer will become effective until a replacement manager has been appointed by the Issuer and the approval process described herein has been completed.

Potential Conflicts of Interest with the Trustee. In certain circumstances, the Trustee or its Affiliates may receive compensation in connection with the Trustee's (or such Affiliate's) investment in certain Eligible Investments from the managers of such Eligible Investments.

Acquisition of Collateral Debt Securities. All or most of the Collateral Debt Securities Acquired by the Issuer on the Closing Date will be Acquired from a portfolio of Collateral Debt Securities selected by the Collateral Manager and held by MLI, an Affiliate of MLPFS, pursuant to the warehousing agreement between MLI and the Collateral Manager. Some of the Collateral Debt Securities subject to such the warehousing agreement may have been originally acquired by MLPFS from the Collateral Manager or one of its Affiliates or clients and some of the Collateral Debt Securities subject to such the warehousing agreement may include securities issued by a fund or other entity owned, managed or serviced by the Collateral Manager or its Affiliates. The Issuer will Acquire Collateral Debt Securities included in such warehouse portfolios only to the extent that such purchases are consistent with the investment guidelines of the Issuer, the restrictions contained in the Indenture and the Collateral Management Agreement and applicable law. The price payable by the Issuer for such Collateral Debt Securities will be based on the purchase price paid (or the Fixed Rate established for a Credit Default Swap) when such Collateral Debt Securities were Acquired under the warehousing agreements, accrued and unpaid interest (or Fixed Amounts) on such Collateral Debt Securities as of the Closing Date and gains or losses incurred in connection with hedging arrangements entered into with respect to such Collateral Debt Securities. Accordingly, the Issuer will bear the risk of market changes subsequent to the Acquisition of such Collateral Debt Securities and related hedging arrangements as if it had Acquired such Collateral Debt Securities directly at the time of purchase (or entry into) by MLI of such Collateral Debt Securities and not the Closing Date.

MLI may earn a profit on its sale of the Collateral Debt Securities to the Issuer, and will be entitled to retain any interest income that it receives on such Collateral Debt Securities.

Dependence on the Collateral Manager and Key Personnel. The performance of the portfolio of Collateral Debt Securities depends heavily on the skills of the Collateral Manager in analyzing and selecting the Collateral Debt Securities. As a result, the Issuer will be highly dependent on the financial and managerial experience of the Collateral Manager and certain of the officers and employees of the Collateral Manager to whom the task of selecting and monitoring the Collateral has been assigned or delegated. Certain employment arrangements between those officers and employees and the Collateral Manager may exist, but the Issuer is not, and will not be, a direct beneficiary of such arrangements, which arrangements are in any event subject to change without the consent of the Issuer. The loss of one or more individuals employed by the Collateral Manager to manage the Issuer's investments could have a significant adverse effect on the performance of the Issuer if suitable replacements are not hired or otherwise available to perform such functions. See "Collateral Manager" and "The Collateral Management Agreement."

Risk Factors Relating to Prior Investment Results, Projections, Forecasts and Estimates and the Co-Issuers.

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

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

Some important factors that could cause actual results to differ materially from those in any forward looking statements include changes in interest rates, market, financial or legal uncertainties, the timing of Acquisitions of Collateral Debt Securities, differences in the actual allocation of the Collateral Debt Securities among asset categories from those assumed, the timing of Acquisitions of the Collateral Debt Securities, mismatches between the timing of accrual and receipt of Interest Proceeds and Principal Proceeds from the Collateral Debt Securities (particularly during ramp-up), defaults under Collateral Debt Securities and the effectiveness of any Hedge Agreements, among others. Consequently, the inclusion of projections herein should not be regarded as a representation by the Issuer, the Co-Issuer, the Trustee, the Collateral Administrator, the Collateral Manager, the Initial Purchaser, the Credit Default Swap Counterparty, the Preference Share Paying Agent, any Hedge Counterparty or any of their respective guarantors, or any of their respective Affiliates or any other person or entity of the results that will actually be achieved by the Issuer.

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

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

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

The Issuer. The Issuer is a recently formed Cayman Islands entity and has no prior operating history other than in connection with the Acquisition of certain Collateral Debt Securities prior to the issuance of the Securities and the entering into of arrangements with respect thereto. The Issuer will have no significant assets other than the Collateral Debt Securities, Equity Securities, Eligible Investments and the Accounts and its rights under the Hedge Agreement and certain other agreements entered into as described herein, all of which have been pledged to the Trustee to secure the Issuer's obligations to the holders of the Notes (the "Noteholders"), each Hedge Counterparty, the Credit Default Swap Counterparty, the Collateral Manager and other Secured Parties. Income derived from the Collateral Debt Securities and other Collateral will be the Issuer's only source of cash.

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

Risk Factors Relating to Interest Rate Risks and Hedge Agreements.

Interest Rate Risk. The Securities are subject to interest rate risk. The Collateral Debt Securities held by the Issuer may bear interest at a fixed or floating rate. In addition, to the extent the Collateral Debt Securities bear interest at a floating rate, the interest rate on such Collateral Debt Securities may adjust more frequently or less frequently, on different dates and based on different indices than the interest rate on the Notes. The Notes will bear interest at three-month LIBOR (which resets quarterly) whereas a high percentage of the Cash Collateral Debt Securities are expected to bear interest based on the one-month London interbank offered rate (which resets monthly) and pay interest monthly. As a result of the foregoing, there could be an interest rate or basis mismatch between the interest payable on the Collateral Debt Securities held by the Issuer, on the one hand, and interest payable on the Notes, on the other hand. Moreover, as a result of such mismatches, an increase or decrease in the level or levels of the floating rate indices could adversely impact the Issuer's ability to make payments on the Notes or distributions in respect of the Preference Shares. The Notes are denominated in Dollars and bear interest at a rate based on LIBOR as determined on the relevant LIBOR Determination Date.

In addition, any payments of principal of or interest on Collateral Debt Securities received during a Due Period will be reinvested in Eligible Investments maturing not later than the Business Day immediately preceding the next Quarterly Distribution Date. There is no requirement that Eligible Investments bear interest at the London interbank offered rate, and the interest rates available for Eligible Investments are inherently uncertain. If the Total Return Swap is terminated (or the notional amount is reduced to less than the CDS Reserve Account Balance) the Issuer may be required to invest some or all of the funds in the CDS Reserve Account in Synthetic Security Collateral and other securities which do not bear interest at the London interbank offered rate. As a result of these mismatches, an increase in three-month LIBOR could adversely impact the ability of the Issuer to make payments on the Notes (including by reason of a decline in the value of previously issued fixed rate Collateral Debt Securities as LIBOR increases). The Issuer does not expect to enter into a Hedge Agreement on the Closing Date that will mitigate these interest rate risks, and the Proceeds Swap will not hedge any interest rate risks to which the Issuer is exposed. There can be no assurance that the Collateral Debt Securities and Eligible Investments, together with any Hedge Agreement which the Issuer may enter into, will in all circumstances generate sufficient Interest Proceeds to make timely payments of interest on the Notes. If the Issuer enters into a Hedge Agreement on or after the Closing Date, it will terminate prior to the Stated Maturity of the Notes, and the notional amount of such Hedge Agreement will be reduced on each

Quarterly Distribution Date in accordance with a schedule attached to such Hedge Agreement. Moreover, the benefits of any such Hedge Agreement may not be achieved in the event of the early termination of the Hedge Agreement, including termination upon the failure of the Hedge Counterparty to perform its obligations thereunder. See "Security for the Notes—The Hedge Agreements."

The Collateral Manager may direct the Issuer to request a reduction in the notional amount of any Hedge Agreement and, in connection with such reduction, a termination payment may be due from the Issuer to the Hedge Counterparty. If the Issuer is required to pay a termination payment to the related Hedge Counterparty, subject to the Priority of Payments, such payment will be made prior to the payment of any interest on or principal of the Notes. See "Security for the Notes—The Hedge Agreements."

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

Hedge Counterparties. Prospective purchasers of the Offered Notes should consider and assess for themselves the likelihood of a default by a Hedge Counterparty, as well as the obligations of the Issuer under the Hedge Agreements, including the obligation to make termination payments to any Hedge Counterparties (and the obligations of the Hedge Counterparty to make payments to the Issuer), and the likely ability of the Issuer to terminate or reduce any Hedge Agreements or enter into additional Hedge Agreements.

Up Front Payment. The Proceeds Swap is expected to provide for payment on the Closing Date by the Initial Hedge Counterparty to the Issuer under the Proceeds Swap of an up front payment of \$[●]. As a result of the Proceeds Swap Installment to be paid to the Initial Hedge Counterparty under the Proceeds Swap by the Issuer on each Quarterly Distribution Date, the funds available to pay interest on the Notes and distributions on the Preference Shares will be less on each such Quarterly Distribution Date than if the Up Front Payment had not been made. However, the initial cash balance in the Uninvested Proceeds Account will be higher on the Closing Date than it would have been if an Up Front Payment had not been made. In addition, on any Redemption Date or the Accelerated Maturity Date, the Issuer will be obligated to pay any unpaid Proceeds Swap Installments and a termination payment prior to paying any amounts in respect of the principal of the Notes or distributions to the Preference Shares. The requirement to pay the present value of the remaining Proceeds Swap Installments may prevent a redemption of the Securities. The Issuer's obligations to the Initial Hedge Counterparty in respect of the Proceeds Swap Installment under the Proceeds Swap will be secured under the Indenture and will be senior in priority to the Issuer's obligations to pay interest and principal on the Notes and distributions on the Preference Shares.

Risk Factors Relating to Tax.

Taxes on the Issuer. The Issuer expects to conduct its affairs so that its net income will not become subject to U.S. Federal income tax, except to the extent the Issuer is delivered certain Equity Securities, Defaulted Securities or any other securities received in an exchange that are issued by non-corporate issuers that are engaged in a trade or business in the U.S. and until such time as the Issuer Disposes of such securities as required by the Indenture. There can be no assurance, however, that its net income will not otherwise become subject to U.S. Federal income tax as the result of activities by the Issuer, changes in law, conclusions by U.S. tax authorities or other causes.

The Issuer expects that payments received on the Collateral Debt Securities, Eligible Investments and the Hedge Agreements generally will not be subject to withholding taxes imposed by the United States or other countries from which such payments are sourced. Payments on the Collateral Debt Securities, Eligible Investments and the Hedge Agreements, however, might be or become subject to U.S. or other tax due to a change in law, unanticipated activities of the Issuer or holders of interests in the Issuer, contrary conclusions by relevant tax authorities or other causes. Payments with respect to any Equity Securities held by the Issuer likely will be, and certain Defaulted Securities may be, subject to taxes imposed by the United States or other countries from which such payments are sourced. The imposition of unanticipated withholding taxes or tax on the Issuer's net income could materially impair the Issuer's ability to pay principal of and interest on the Notes and make distributions on the Preference Shares. See "Income Tax Considerations."

No Gross Up. The Issuer expects that payments of principal and interest by the Issuer on the Notes and distributions on the Preference Shares, will ordinarily not be subject to any withholding tax in the Cayman Islands, the United States or any other jurisdiction. See "Income Tax Considerations." In the event that withholding or deduction of any taxes from payments or distributions on the Securities is required by law in any jurisdiction, neither of the Co-Issuers shall be under any obligation to make any additional payments to the holders of any Notes or Preference Shares in respect of such withholding or deduction.

Tax Treatment of U.S. Holders of the Preference Shares. Because of the nature and composition of the projected assets and income of the Issuer, the Issuer is expected to be a passive foreign investment company (a "PFIC") for U.S. Federal income tax purposes. A U.S. holder (as defined in "Income Tax Considerations—In General") of Preference Shares must generally choose either (1) to elect to treat the Issuer as a qualified electing fund ("QEF") as a result of which such holder must include its *pro rata* share of the Issuer's ordinary income and net capital gains on a current basis without regard to cash distributions or (2) to pay income taxes only when cash distributions are actually received or gains realized upon disposition of equity, but subject to potentially significant additional taxes (as described below).

If a U.S. holder of Preference Shares makes a QEF election, it is possible that such holder will pay taxes on "phantom income" (*i.e.*, such holder's *pro rata* share of the Issuer's taxable income that such holder must recognize currently and that is not matched by cash distributions received from the Issuer). A prospective U.S. holder of Preference Shares should note that (i) any net losses of the Issuer in a taxable year (which may include losses arising from credit event payments made by the Issuer under any Synthetic Security, which may be substantial) will not be available to such holder, (ii) the Issuer's current year income subject to inclusion under the QEF rules is not reduced by prior years' net losses and (iii) any tax benefit from such net losses is effectively available only when a U.S. holder of Preference Shares sells or disposes of its securities (*i.e.*, when such U.S. holder recognizes a capital loss, or reduced capital gain, on such securities).

If a U.S. holder of Preference Shares does not make a QEF election, such holder generally will be liable to pay income tax on the amount of cash actually received or on gains from disposition of equity. Gains from disposition of equity or from "excess distributions" (*i.e.*, distributions in excess of 125% of average distributions measured for the shorter of the holder's holding period or the prior three years) are generally treated as having accrued over the holder's entire holding period, are subject to the highest marginal rate of tax in effect in the year of accrual and are subject to an interest charge through the year in which the tax is actually paid.

The Issuer may invest in Collateral Debt Securities which may be treated (for U.S. tax purposes) as equity of other PFICs. In such event, a U.S. holder of Preference Shares must make a separate QEF election with respect to any such other PFIC and the Issuer will provide, to the extent it receives such

information, the information needed for U.S. holder of Preference Shares to make such a QEF election. Net losses associated with such investments are subject to material limitations. See "Income Tax Considerations."

The Issuer could also be a controlled foreign corporation ("CFC") depending on the percentage ownership by U.S. holders of its equity (for U.S. Federal income tax purposes). If the Issuer were a CFC, certain U.S. holders of securities would have to currently include their *pro rata* shares of the Issuer's "subpart F" income as ordinary income regardless of whether the Issuer has made any cash distributions and recognize ordinary income in the case of gain recognized on the sale or disposition of Preference Shares. It is expected that the Issuer's taxable income would consist of subpart F income. Consequently, a U.S. holder of Preference Shares could pay taxes on "phantom income" as a result of its subpart F inclusions if the Issuer were a CFC.

Potential U.S. investors should consult with their tax advisors about the consequences of the Issuer's PFIC status, the advisability of a QEF election, the Issuer's potential CFC status and the tax consequences thereof. See "Income Tax Considerations—U.S. Federal Tax Considerations—Tax Treatment of U.S. Preference Shareholders."

Tax Treatment of U.S. Holders of the Notes if Recharacterized as Equity. The U.S. Federal income tax treatment of the Class E Notes and the Class F Notes is not entirely clear, and the U.S. Federal income tax treatment of the Class G Notes and the Class H Notes is unclear. The Issuer intends to treat all of the Notes as debt for U.S. Federal income tax purposes. U.S. holders of the Notes will be required to treat such Notes as debt for U.S. Federal income tax purposes; provided, however, that U.S. holders of the Class G Notes and the Class H Notes will not be required to treat such Notes as debt with respect to certain information reporting requirements. If any Class of Notes were recharacterized by the U.S. Internal Revenue Service or by the courts as equity for U.S. Federal income tax purposes, a U.S. holder generally would be treated as a U.S. holder in a PFIC who did not make a QEF election and would be subject to the same treatment as a U.S. shareholder of Preference Shares that did not make a QEF election. See "—Tax Treatment of U.S. Holders of the Preference Shares" above.

Potential U.S. investors in the Class G Notes and the Class H Notes should consult with their own tax advisors about the potential recharacterization of such Notes, the consequences of the Issuer's PFIC status, the Issuer's potential CFC status and the tax consequences thereof. See "Income Tax Considerations."

Tax Considerations Relating to the Credit Default Swaps and the Total Return Swaps. Under current U.S. Federal income tax law, the treatment of credit default swaps in general and the treatment of credit default swaps with "pay as you go" features in particular, is unclear. Certain possible tax characterizations of a credit default swap, such as a guarantee contract or an insurance contract, if adopted by the IRS and if applied to the credit default swaps could subject payments received by the Issuer under the credit default swaps to U.S. withholding or excise tax or subject the Issuer to excise tax or net income tax. The Issuer may not be entitled to a full gross-up on such tax under the terms of the credit default swaps and any such tax, if imposed, would reduce the Issuer's assets available to pay interest and/or principal on the Notes and make distributions on the Preference Shares.

Pending U.S. Legislation. Legislation recently proposed in the United States Senate would, for tax years beginning at least two years after its enactment, tax a corporation as a United States corporation if the equity of that corporation is regularly traded on an established securities market and the management and control of the corporation occurs primarily within the United States. If this legislation caused the Issuer to be taxed as a domestic corporation, the Issuer would be subject to United States net income tax. However, it is unknown whether this proposal will be enacted in its current form and,

whether if enacted, the Issuer would be subject to its provisions. Upon enactment of this or similar legislation, the Issuer will be permitted, with an opinion of counsel, to take such action as it deems advisable to prevent the Issuer from being subject to such legislation. These actions could include delisting one or more Classes of Notes from the Irish Stock Exchange without the consent of the affected holders of such Notes.

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

Neither the Issuer nor the Initial Purchaser makes any representation, warranty or other undertaking whatsoever that the Offered Notes are not qualified as unit certificates in a foreign investment fund pursuant to Section 1(1) no. 2 of the InvStG. The Issuer will not comply with any calculation and information requirements set forth in Section 5 of the InvStG. Prospective German investors in the Offered Notes are urged to seek independent tax advice and to consult their professional advisors as to the legal and tax consequences that may arise from the application of the InvStG to the Offered Notes, and neither the Issuer nor the Initial Purchaser accepts any responsibility in respect of the tax treatment of the Offered Notes under German law.

Risk Factors Relating to Certain Regulations and Accounting.

Money Laundering Prevention. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended (the "USA PATRIOT Act"), requires financial institutions to establish and maintain anti-money laundering programs. Pursuant to this statute, on September 18, 2002, the Treasury Department published proposed regulations that will, if enacted, require all "unregistered investment companies" to establish and maintain an anti-money laundering program. The proposed regulations would require "unregistered investment companies" to: (a) establish and implement policies, procedures and internal controls reasonably designed to prevent the investment company from being used for money laundering or the financing of terrorist activities and to achieve compliance with applicable anti-money laundering regulations; (b) periodically "test" the required compliance program; (c) designate and train all responsible personnel; (d) designate an anti-money laundering compliance officer; and (e) file a written notice with the Treasury Department within 90 days of the effective date of the regulations that identifies certain information regarding the subject company, including the dollar amount of assets under company management and the number of interest holders in the subject company. As the proposed rule is currently drafted, an "unregistered investment company" includes any issuer that (i) would be an investment company but for the exclusion from registration provided for by Section 3(c)(1) or 3(c)(7) of the Investment Company Act, (ii) permits an owner to redeem his or her ownership interest within two years of the purchase of that interest, (iii) has total assets over \$1,000,000 and (iv) is organized in the United States, is "organized, operated, or sponsored" by a U.S. person or sells ownership interests to a U.S. person. The Treasury Department is currently studying the types of investment vehicles that will be required to adopt anti-money laundering procedures, and it is unclear at this time whether such procedures will apply to pooled investment vehicles such as the Issuer. The Issuer will continue to monitor the developments with respect to the USA PATRIOT Act and, upon further clarification by the Treasury Department, will take all steps required to comply with the USA PATRIOT Act and regulations thereunder to the extent applicable to the

Issuer. It is possible that other legislation or regulation could be promulgated which will require the Collateral Manager or other service providers to the Co-Issuers to share information with governmental authorities with respect to investors in the Offered Notes in connection with the establishment of anti-money laundering procedures or require the Issuer to implement additional restrictions on the transfer of the Offered Notes. The Issuer reserves the right to request such information as is necessary to verify the identity of investors in the Offered Notes and the source of the payment of subscription monies, or as is necessary to comply with any customer identification programs required by Financial Crimes Enforcement Network and/or the Securities and Exchange Commission. In the event of delay or failure by the applicant to produce any information required for verification purposes, an application for or transfer of Offered Notes and the subscription monies relating thereto may be refused.

The Issuer reserves the right to request such information as is necessary to verify the identity of a Preference Shareholder and the source of the payment of subscription monies. In the event of delay or failure by the applicant to produce any information required for verification purposes, an application for or transfer of Preference Shares and the subscription monies relating thereto may be refused.

If any person or entity in the Cayman Islands involved in the business of the Issuer (including the Administrator) has a suspicion or belief that a payment to the Issuer (by way of subscription or otherwise) is derived from or represents the proceeds of criminal conduct, that person is obliged report such suspicion to the Cayman Islands Reporting Authority pursuant to The Proceeds of Criminal Conduct Law (as amended) of the Cayman Islands.

Investment Company Act. Neither of the Co-Issuers has been registered with the United States Securities and Exchange Commission (the "SEC") as an investment company pursuant to the Investment Company Act. The Issuer has not so registered in reliance on an exception for investment companies organized under the laws of a jurisdiction other than the United States or any state thereof whose investors resident in the United States are Qualified Purchasers. Counsel for the Co-Issuers will opine, in connection with the sale of the Notes and Preference Shares 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 and Preference Shares 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. The Issuer or the Co-Issuer, as applicable, would be materially and adversely affected if it were subjected to any of the foregoing consequences of such a violation of the Investment Company Act.

Each transferee of a beneficial interest in a Restricted Global Note will be deemed to represent at the time of purchase that: (i) the purchaser is both (A) a Qualified Institutional Buyer and (B) a Qualified Purchaser; (ii) the purchaser is not a dealer described in paragraph (a)(1)(ii) of Rule 144A unless such purchaser owns and invests on a discretionary basis at least U.S.\$25,000,000 in securities of issuers that are not Affiliated persons of the dealer; (iii) the purchaser is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of

Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan; and (iv) the purchaser will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any transferee.

Issuer May Cause a Transfer of Notes or Preference Shares. The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers determines that any beneficial owner or holder of (A) a Regulation S Note (or any interest therein) is a U.S. Person (within the meaning of Regulation S under the Securities Act) or (B) a Restricted Note (or any interest therein) is not a Qualified Institutional Buyer and also a Qualified Purchaser, then either of the Co-Issuers shall require, by notice to such beneficial owner or holder, as the case may be, that such beneficial owner or holder sell all of its right, title and interest to such Restricted Note (or any interest therein).

The Indenture and the Preference Share Paying Agency Agreement, as applicable, provide that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that (i) any beneficial owner or holder of a Regulation S Subordinate Note or a Regulation S Preference Share is a Benefit Plan Investor or a Controlling Person, (ii) an Original Purchaser of a Subordinate Note or a Preference Share or an interest therein or a subsequent transferee of a Restricted Definitive Subordinate Note or a Restricted Definitive Preference Share that is a Benefit Plan Investor or a Controlling Person did not disclose in an Investor Application Form, or a transfer certificate in the form attached to the Indenture or the Preference Share Paying Agency Agreement, as applicable, delivered to the Issuer at the time of its acquisition of such Subordinate Note or Preference Share or beneficial interest in such Subordinate Note or Preference Share that it is a Benefit Plan Investor or a Controlling Person, (iii) subsequent to the purchase of a Subordinate Note or Preference Share, any beneficial owner becomes a Benefit Plan Investor or a Controlling Person or (iv) as a result of a transfer of a Subordinate Note or Preference Share or interest therein, 25% or more of the applicable class of Subordinate Notes or of the Preference Shares are held by Benefit Plan Investors, then the Issuer shall require, by notice to such beneficial owner, that such beneficial owner sell all of its right, title and interest in or to such Subordinate Notes or Preference Shares.

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

Certain Considerations Relating to the Cayman Islands. The Issuer is an exempted company incorporated under the laws of the Cayman Islands. As a result, it may not be possible for purchasers of the Offered Notes to effect service of process upon the Issuer within the United States or to enforce

against the Issuer in United States courts judgments predicated upon the civil liability provisions of the securities laws of the United States. The Issuer will be advised by Walkers, its legal advisor in the Cayman Islands, that the United States and the Cayman Islands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters and that a final judgment for the payment of money rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon United States securities laws, would, therefore, not be automatically enforceable in the Cayman Islands and there is doubt as to the enforceability in the Cayman Islands, in original actions or in actions for the enforcement of judgments of the United States courts, of liabilities predicated solely upon United States securities laws. The Issuer will appoint Corporation Service Company, 1133 Avenue of the Americas, Suite 3100, New York, NY 10036 as its agent in New York for service of process.

Consolidation of Variable Interest Entities. In December 2003, the Financial Accounting Standards Board ("FASB"), issued FIN 46R, "Consolidation of Variable Interest Entities" ("VIEs"). FIN 46R provides a framework for determining when an entity should be evaluated for consolidation based on a risks and rewards approach rather than under the traditional voting interest approach outlined in Accounting Research Bulletin No. 51, "Consolidated Financial Statements." FIN 46R defines those entities that are evaluated for consolidation under the risks and rewards approach as variable interest entities. The variable interest holder that absorbs the majority of the VIE's expected losses or expected residual returns is defined as the primary beneficiary and consolidates the VIE.

Prospective investors in the Offered Notes should seek independent accounting advice and consult their professional advisors as to the accounting consequences that may arise from the application of FIN 46R to such Offered Notes, and none of the Issuer, the Initial Purchaser or the Collateral Manager accepts any responsibility in respect of the accounting treatment of any Securities.

Risk Factors Relating to Listing.

Listing. Application will 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. No Application has been made for the listing of the Preference Shares on any exchange. There can be no assurance that any such listing will be obtained or that, if it is obtained, that it will be maintained by the Issuer. If any Class or Classes of 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 determines that the maintenance of such listing would impose any material obligation or expense on the Issuer (in excess of the amount anticipated on the Closing Date) or would result in any adverse tax consequence for the Issuer or for investors. If the Issuer terminates the listing, it will make reasonable endeavors to seek a replacement listing on such other stock exchange outside the European Union that is a member of the International Federation of Stock Exchanges and that is located in a state that is a member of the Organization for Economic Cooperation and Development, unless obtaining or maintaining a listing on such stock exchange requires the Issuer to restate its accounts or is otherwise unduly burdensome or would result in any adverse tax consequence for the Issuer or for investors.

DESCRIPTION OF THE NOTES

The Notes will be issued pursuant to the Indenture. The following summary describes certain provisions of the Notes and the Indenture. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture. After the Closing Date, copies of the Indenture may be obtained by prospective investors upon request to the Trustee at [_____].

Status and Security

The Notes will be limited recourse debt obligations of the Co-Issuers. All of the holders of a Class of Notes are entitled to receive payments *pari passu* among themselves. Except as otherwise described in the Priority of Payments with respect to the payment of principal during a Modified Sequential Pay Period and payments of principal with Interest Proceeds in limited circumstances, the relative order of seniority of payment of principal of each Class of Notes on each Quarterly Distribution Date is as follows: *first*, the Class A-1 Notes, *second*, the Class A-2 Notes, *third*, the Class B Notes, *fourth*, the Class C Notes, *fifth*, the Class D Notes, *sixth*, the Class E Notes, *seventh*, the Class F Notes, *eighth*, the Class G Notes, and *ninth*, the Class H Notes, with each Class of Notes (other than the Class A-1 Notes) in such list being Subordinate to each other Class of Notes that precedes such Class of Notes in such list. No payment of interest on any Class of Notes will be made until all accrued and unpaid interest on the Notes of each Class that is Senior to such Class and that remain outstanding has been paid in full. During a Sequential Pay Period, except as otherwise described in the Priority of Payments with respect to application of Interest Proceeds, no payment of principal of any Class of Notes will be made until all principal of the Notes of each Class that is Senior to such Class and that remain outstanding have been paid in full and no payment of principal of the Funded Notes will be made until the Aggregate Undrawn Amount has been reduced to zero. See "Description of the Notes—Priority of Payments."

Under the terms of the Indenture, the Issuer will grant to the Trustee for the benefit of the Secured Parties a first priority security interest in the Collateral described herein to secure the Issuer's obligations under the Indenture and the Notes subject in the case of (i) any Synthetic Security Counterparty Account to the security interest of the related Synthetic Security Counterparty in such Account, (ii) any Class A-1 Swap Prefunding Account to the security interest of the Class A-1 Swap Counterparty in such Account and (iii) any Hedge Counterparty Collateral Account to the security interest of the related Hedge Counterparty in such Account.

Payments on the Notes will be subordinate to the Issuer's payment and other obligations (i) to MLI under the Credit Default Swaps, the Total Return Swap and the Class A-1 Swap, (ii) to each Hedge Counterparty under any Hedge Agreement, and (iii) to pay fees, expenses and indemnities to the Trustee, the Collateral Manager and others in accordance with the Priority of Payments.

Payments of principal of and interest on the Notes will be made solely from the proceeds of the Collateral, in accordance with the priorities described under "—Priority of Payments" herein. If the amounts received in respect of the Collateral (net of certain expenses) are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency and, following liquidation of all the Collateral, the obligations of the Co-Issuers to pay any such deficiency will be extinguished and will not thereafter revive.

Drawdown

Funded Notes and Preference Shares

All of the Funded Notes and Preference Shares will be issued on the Closing Date. The entire principal amount of the Funded Notes will be advanced on the Closing Date.

Class A-1 Notes and the Class A-1 Swap

On the Closing Date, the Issuer will enter into a swap agreement (the "Class A-1 Swap") with Merrill Lynch International (in such capacity, the "Class A-1 Swap Counterparty") in the form of a confirmation under the ISDA Master Agreement. Pursuant to the Class A-1 Swap, the Collateral Manager, on behalf of the Co-Issuers, may request that the Class A-1 Swap Counterparty, on and subject to the terms and conditions specified below and in the Class A-1 Swap, purchase Class A-1 Notes from the Co-Issuers at a purchase price equal to the principal amount of such Class A-1 Notes (each such purchase, a "Class A-1 Funding"). The Co-Issuers will be obligated to issue the Class A-1 Notes to the Class A-1 Swap Counterparty or its designees in order to effect a Class A-1 Funding and obtain funds necessary for Permitted Uses. The aggregate principal amount of Class A-1 Notes outstanding at any one time may not exceed U.S.\$[●]. Each request for a Class A-1 Funding (a "Class A-1 Funding Request") will be delivered by either the Collateral Manager (on behalf of the Issuer) or the Trustee to the Class A-1 Swap Counterparty no less than three Business Days prior to the requested funding date (the "Class A-1 Funding Date"). The Class A-1 Swap Counterparty may designate another qualified person to purchase Class A-1 Notes on a Class A-1 Funding Date in satisfaction of its obligations under the Class A-1 Swap.

The obligations of the Class A-1 Swap Counterparty will terminate on the Swap Period Termination Date, or on any earlier date on which an Early Termination Date occurs under the ISDA Master Agreement. The Issuer may request a Class A-1 Funding only to the extent that funds available in the applicable Accounts in accordance with the Account Payment Priority are not sufficient to make a payment to fund a Permitted Use, and the proceeds of a Class A-1 Funding under the Class A-1 Swap may only be used by the Issuer to pay:

(a) Swap Termination Payments (other than Defaulted Synthetic Termination Payments) to the Credit Default Swap Counterparty or to an assignee of a Credit Default Swap,

(b) Floating Amounts (other than Interest Shortfall Payment Amounts) and Physical Settlement Amounts in respect of Unhedged Long Credit Default Swaps to the Credit Default Swap Counterparty, and

(c) any Net Issuer Hedged Long Fixed Amounts payable by the Issuer in respect of Hedged Long Credit Default Swaps and Interest Shortfall Payment Amounts in respect of Long Credit Default Swaps to the Credit Default Swap Counterparty,

(each use of proceeds of a Class A-1 Funding described in clauses (a) through (c) above, a "Permitted Use").

No Class A-1 Funding will be applied to pay principal or interest on the Notes or to make distributions on the Preference Shares.

Unless the Class A-1 Swap Counterparty has deposited the Class A-1 Swap Prefunding Amount into the Class A-1 Swap Prefunding Account, no request for a Class A-1 Funding Amount may be made for an amount less than the lesser of (x) U.S.\$[1,000,000] or (y) the Aggregate Undrawn Amount (or such

lesser amount as may be agreed to by the Class A-1 Swap Counterparty and the Issuer (the "Minimum Funding Amount"). Any excess of a Class A-1 Funding Amount over the amount of the Permitted Uses funded therefrom in accordance with the Account Payment Priority will be deposited into the CDS Reserve Account.

The obligation of the Class A-1 Swap Counterparty to make a Class A-1 Funding under the Class A-1 Swap, and the application of funds standing to the credit of a Class A-1 Swap Prefunding Account to any Class A-1 Funding, are subject to the following requirements: (1) all funds and securities available in accordance with the Account Payment Priority have been applied to fund such Permitted Use, (2) subject to the Minimum Funding Amount, the proceeds of such Class A-1 Funding will be applied to a Permitted Use, (3) the Aggregate Undrawn Amount is equal to or greater than the amount of such Class A-1 Funding, (4) the Issuer issues Class A-1 Notes to the Class A-1 Swap Counterparty or its designee with an aggregate principal amount equal to the amount of the Class A-1 Funding, (5) no Event of Default described in clause (vi) of the definition thereof has occurred and (6) the Collateral Manager (on behalf of the Issuer) or the Trustee has provided notice to the Class A-1 Swap Counterparty in accordance with the Class A-1 Swap.

The Issuer will be required to liquidate any securities or Eligible Investments in an Account from which payments are to be made in accordance with the Account Payment Priority before it may request a Class A-1 Funding even if such liquidation would result in a loss on such securities or Eligible Investments.

If the Issuer voluntarily pays any portion of the Outstanding Class A-1 Funded Amount during the Reinvestment Period using funds withdrawn from the CDS Reserve Account, the Aggregate Undrawn Amount will increase by the amount of such payment and the Issuer may thereafter reborrow such amounts.

On any Quarterly Distribution Date, the Collateral Manager, on behalf of the Issuer, may direct the Trustee to apply funds in the CDS Reserve Account to pay the Outstanding Class A-1 Funded Amount, which payment shall not constitute a Permanent Reduction Amount (and, if the applicable conditions in the Class A-1 Swap are satisfied, shall result in an increase in the Aggregate Undrawn Amount), *provided* that the Collateral Manager certifies to the Trustee on or prior to the related Determination Date that (after taking into account such withdrawal from the CDS Reserve Account and all other withdrawals to be made from the CDS Reserve Account on or prior to such Quarterly Distribution Date), (i) there will not be a Notional Amount Shortfall in excess of zero on such Quarterly Distribution Date, and (ii) the Distributable Principal Proceeds together with the CDS Reserve Account Excess Withdrawal Amount for such Quarterly Distribution Date will be sufficient to pay the full amount of the Junior Note Reduction Amount (determined without regard to clause (B) of the definition thereof) to be paid on such Quarterly Distribution Date.

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

If MLI is obligated to make a payment to the Issuer under the Class A-1 Swap (and all conditions under the Class A-1 Swap have been satisfied by the Issuer or waived by MLI) which will be applied by

the Issuer to make a payment to MLI under a Credit Default Swap in the same amount, the obligation of MLI to make the payment under the Class A-1 Swap and the obligation of the Issuer to make the payment under the Credit Default Swap will be automatically satisfied and discharged pursuant to the netting provisions of the ISDA Master Agreement and the Class A-1 Swap, *provided* that the Issuer delivers Class A-1 Notes with a principal amount equal to the Class A-1 Funding to MLI.

Prior to the Swap Period Termination Date the Class A-1 Swap Counterparty will be required to satisfy the Class A-1 Rating Criteria at any time when the Aggregate Undrawn Amount is greater than zero. If the Class A-1 Swap Counterparty fails at any time prior to the Swap Period Termination Date to comply with the Class A-1 Rating Criteria, the Issuer will have the right (under the Class A-1 Swap) to either (i) replace the Class A-1 Swap Counterparty with another entity that meets such Class A-1 Rating Criteria (by requiring the Class A-1 Swap Counterparty to transfer all of its rights and obligations in respect of the Class A-1 Swap to such other entity) or (ii) require the Class A-1 Swap Counterparty to cause a Class A-1 Swap Prefunding Account to be established, credit to such Account or Class A-1 Swap Prefunding Account Eligible Investments, the aggregate outstanding principal amount of which is equal to the Class A-1 Swap Prefunding Amount at such time and enter into a Class A-1 Swap Prefunding Account Control Agreement in relation to such Account.

In the event that the Class A-1 Swap Counterparty prefunds the Class A-1 Swap Prefunding Amount because of a failure to satisfy the Class A-1 Rating Criteria, it will (i) be entitled to a Class A-1 Swap Availability Fee in respect of such prefunded balance until such prefunded balance is applied to a Class A-1 Funding and (ii) receive interest on such prefunded amount in an amount equal to the interest income received by the Trustee on the Class A-1 Swap Prefunding Account Eligible Investments (made at the direction of the Class A-1 Swap Counterparty) in the Class A-1 Swap Prefunding Account during the corresponding period as described under "Security for the Notes—The Accounts—Uninvested Proceeds Account."

The Class A-1 Swap will be subject to early termination by the Issuer or MLI upon the occurrence (with respect to the other party) of any of the events of default or termination events described in the ISDA Master Agreement. See "Security for the Notes—The ISDA Master Agreement."

Reduction of the Aggregate Undrawn Amount

On the Closing Date, the Aggregate Undrawn Amount under the Class A-1 Swap is expected to be U.S.\$[•]. The Aggregate Undrawn Amount will be reduced permanently in the following circumstances (any such reduction, a "Permanent Reduction Amount") for each Quarterly Distribution Date in respect of which the related Determination Date occurs:

(a) on or prior to the last day of the Reinvestment Period and during the continuation of a Ratings Confirmation Failure, by the aggregate amount of (i) Principal Proceeds, Interest Proceeds and CDS Reserve Account Excess Withdrawal Amount applied in accordance with the Priority of Payments (A) to pay the Outstanding Class A-1 Funded Amount or (B) to make a deposit to the CDS Reserve Account and (ii) the CDS Principal Proceeds applied in accordance with the CDS Application Priority to reduce the Aggregate Undrawn Amount, in each case, to the extent necessary to obtain a Rating Confirmation for such Quarterly Distribution Date;

(b) on or prior to the last day of the Reinvestment Period if no Rating Confirmation Failure has occurred and is continuing, by the aggregate amount of (i) all Specified Principal Proceeds and CDS Reserve Account Excess Withdrawal Amounts applied in accordance with the Priority of Payments (A) to pay the Outstanding Class A-1 Funded Amount or (B) to make a deposit to the CDS Reserve Account and (ii) all Specified CDS Principal Proceeds applied in

accordance with the CDS Application Priority to reduce the Aggregate Undrawn Amount for such Quarterly Distribution Date;

(c) after the last day of the Reinvestment Period if no Rating Confirmation Failure has occurred and is continuing, by the aggregate amount of (i) all Principal Proceeds and CDS Reserve Account Excess Withdrawal Amounts applied in accordance with the Priority of Payments (A) to pay the Outstanding Class A-1 Funded Amount or (B) to make a deposit to the CDS Reserve Account and (ii) all CDS Principal Proceeds applied in accordance with the CDS Application Priority to reduce the Aggregate Undrawn Amount for such Quarterly Distribution Date; and

(d) on or after the last day of the Reinvestment Period, by the aggregate amount of any additional amount specified by the Collateral Manager in a notice to the Trustee, the Class A-1 Swap Counterparty, the Credit Default Swap Counterparty and the Total Return Swap Counterparty as will not cause (or increase) a Notional Amount Shortfall in excess of zero (taking into account (i) the reductions provided for in clauses (a) through (c) above and (ii) any withdrawal from the CDS Reserve Account, any Class A-1 Funding and any payment under the Credit Default Swaps on or prior to such Quarterly Distribution Date.

During the Reinvestment Period, the Issuer does not expect to reduce the Aggregate Undrawn Amount unless a Rating Confirmation Failure occurs. However, the Collateral Manager has discretion to direct the Trustee to treat any Principal Proceeds as Specified Principal Proceeds and to treat any CDS Principal Proceeds as Specified CDS Principal Proceeds, which will be applied (in part or in whole) to reduce permanently the Aggregate Undrawn Amount during the Reinvestment Period. Moreover, if the Collateral Manager does not reinvest Principal Proceeds or CDS Principal Proceeds by the Determination Date for the third Quarterly Distribution Date following the Due Period during which (x) in the case of Principal Proceeds, such Principal Proceeds were received or (y) in the case of CDS Principal Proceeds, the CDS Principal Receipt Date occurred, they must be applied as Specified Principal Proceeds or Specified CDS Principal Proceeds, as the case may be, on such Quarterly Distribution Date.

If the Collateral Manager elects to apply funds in the CDS Reserve Account to pay the Outstanding Class A-1 Funded Amount, it will not constitute a Permanent Reduction Amount.

If the Issuer pays any portion of the Outstanding Class A-1 Funded Amount during the Reinvestment Period using funds withdrawn from the CDS Reserve Account, the Aggregate Undrawn Amount will increase by the amount of such payment and the Issuer may thereafter reborrow such amounts.

Interest

The Class A-1 Notes will bear interest at a floating rate per annum equal to three-month LIBOR plus [•]%. The Class A-2 Notes will bear interest at a floating rate per annum equal to three-month LIBOR (determined as described herein) plus [•]%. The Class B Notes will bear interest at a floating rate per annum equal to three-month LIBOR plus [•]%. The Class C Notes will bear interest at a floating rate per annum equal to three-month LIBOR plus [•]%. The Class D Notes will bear interest at a floating rate per annum equal to three-month LIBOR plus [•]% (the "Class D Rate"). The Class E Notes will bear interest at a floating rate per annum equal to three-month LIBOR plus [•]% (the "Class E Rate"). The Class F Notes will bear interest at a floating rate per annum equal to three-month LIBOR plus [•]% (the "Class F Rate"). The Class G Notes will bear interest at a floating rate per annum equal to three-month LIBOR plus [•]% (the "Class G Rate"). The Class H Notes will bear interest at a floating rate per annum equal to one-month LIBOR plus [•]% (the "Class H Rate"). Interest on the Notes will be computed on

the basis of a 360-day year and the actual number of days elapsed. LIBOR for the first Interest Period for the Notes will be interpolated LIBOR for the period from the Closing Date to the first Quarterly Distribution Date. LIBOR for the first Interest Period with respect to any Class A-1 Funding will be interpolated LIBOR for the period from the date of such Class A-1 Funding to the first Quarterly Distribution Date following such Class A-1 Funding.

With respect to the Class A-1 Notes, in the case of the first Quarterly Distribution Date following a Class A-1 Funding, interest will accrue on the amount of such Class A-1 Funding during the period from, and including the date of the Class A-1 Funding to, but excluding, such Quarterly Distribution Date and, with respect to each Quarterly Distribution Date thereafter, the period from and including the immediately preceding Quarterly Distribution Date to, but excluding, such Quarterly Distribution Date. With respect to each other Class of Notes, interest will accrue on the Aggregate Outstanding Amount of such Class (i) for the period from, and including, the Closing Date to, but excluding, the first Quarterly Distribution Date and (ii) for each Quarterly Distribution Date thereafter, for the period from, and including, the immediately preceding Quarterly Distribution Date to, but excluding, such Quarterly Distribution Date. Such period of accrual of interest on the Notes is referred to herein as an "Interest Period."

Payments of interest on the Notes and distributions, if any, on the Preference Shares will be payable in U.S. dollars quarterly in arrears only on the []th day of [], [], [] and [] of each year (each a "Quarterly Distribution Date"), commencing in [•] 2007; *provided* that (i) the final Quarterly Distribution Date with respect to the Notes will be the Quarterly Distribution Date in [•] [2049], (ii) if a Quarterly Distribution Date would otherwise fall on a day that is not a Business Day, the relevant Quarterly Distribution Date will be the first following day that is a Business Day and (iii) the Accelerated Maturity Date and the Stated Maturity shall be a Quarterly Distribution Date. The "Due Period" relating to any Quarterly Distribution Date shall be the Due Period that immediately precedes such Quarterly Distribution Date.

So long as any Class A Notes, Class B Notes or Class C Notes are outstanding (or the Swap Period Termination Date has not occurred), any interest due on the Class D Notes which is not paid as a result of the operation of the Priority of Payments on any Quarterly Distribution Date (any such interest plus interest thereon at the Class D Rate, "Class D Deferred Interest Amount") shall not be considered "due and payable" (and accordingly, the failure to pay such amounts shall not be an Event of Default unless the Class D Notes are the most Senior Class of Notes outstanding) until the first Quarterly Distribution Date on which funds are available to pay such Class D Deferred Interest Amount in accordance with the Priority of Payments.

So long as any Class A Notes, Class B Notes, Class C Notes or Class D Notes are outstanding (or the Swap Period Termination Date has not occurred), any interest due on the Class E Notes which is not paid as a result of the operation of the Priority of Payments on any Quarterly Distribution Date (any such interest plus interest thereon at the Class E Rate, the "Class E Deferred Interest Amount") shall not be considered "due and payable" (and accordingly, the failure to pay such amounts shall not be an Event of Default unless the Class E Notes are the most Senior Class of Notes outstanding) until the first Quarterly Distribution Date on which funds are available to pay such Class E Deferred Interest Amount in accordance with the Priority of Payments.

So long as any Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes are outstanding (or the Swap Period Termination Date has not occurred), any interest due on the Class F Notes which is not paid as a result of the operation of the Priority of Payments on any Quarterly Distribution Date (any such interest plus interest thereon at the Class F Rate, "Class F Deferred Interest Amount") shall not be considered "due and payable" (and accordingly, the failure to pay such amounts

shall not be an Event of Default unless the Class F Notes are the most Senior Class of Notes outstanding) until the first Quarterly Distribution Date on which funds are available to pay such Class F Deferred Interest Amount in accordance with the Priority of Payments.

So long as any Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class F Notes are outstanding (or the Swap Period Termination Date has not occurred), any interest due on the Class G Notes which is not paid as a result of the operation of the Priority of Payments on any Quarterly Distribution Date (any such interest plus interest thereon at the Class G Rate, the "Class G Deferred Interest Amount") shall not be considered "due and payable" (and accordingly, the failure to pay such amounts shall not be an Event of Default unless the Class G Notes are the most Senior Class of Notes outstanding) until the first Quarterly Distribution Date on which funds are available to pay such Class G Deferred Interest Amount in accordance with the Priority of Payments.

So long as any Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Note, Class F Notes or Class G Notes are outstanding (or the Swap Period Termination Date has not occurred), any interest due on the Class H Notes which is not paid as a result of the operation of the Priority of Payments on any Quarterly Distribution Date (any such interest plus interest thereon at the Class H Rate, "Class H Deferred Interest Amount") shall not be considered "due and payable" (and accordingly, the failure to pay such amounts shall not be an Event of Default unless the Class H Notes are the most Senior Class of Notes outstanding) until the first Quarterly Distribution Date on which funds are available to pay such Class H Deferred Interest Amount in accordance with the Priority of Payments.

Interest will cease to accrue on each Note or, in the case of a partial repayment, on such part, from the date of repayment or the Stated Maturity unless payment of principal is improperly withheld or unless default is otherwise made with respect to such payments. To the extent lawful and enforceable, interest on any Defaulted Interest on any Note will accrue at the interest rate applicable to such Note until paid in full. "Defaulted Interest" means any interest due and payable in respect of any Note, and solely with respect to the Class A-1 Notes, Class A-1 Swap Availability Fee, which is not punctually paid or duly provided for on the applicable Quarterly Distribution Date and which remains unpaid. So long as any Class A Notes, Class B Notes or Class C Notes are outstanding (or the Swap Period Termination date has not occurred), the Class D Deferred Interest Amount shall not constitute Defaulted Interest. So long as any Class A Notes, Class B Notes, Class C Notes or Class D Notes are outstanding (or the Swap Period Termination Date has not occurred), the Class E Deferred Interest Amount shall not constitute Defaulted Interest. So long as any Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes are outstanding (or the Swap Period Termination Date has not occurred), the Class F Deferred Interest Amount shall not constitute Defaulted Interest. So long as any Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class F Notes are outstanding (or the Swap Period Termination Date has not occurred), the Class G Deferred Interest Amount shall not constitute Defaulted Interest. So long as any Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes or Class G Notes are outstanding (or the Swap Period Termination Date has not occurred), the Class H Deferred Interest Amount shall not constitute Defaulted Interest.

As soon as possible after 11:00 a.m. (London time) on each LIBOR Determination Date, but in no event later than 11:00 a.m. (New York time) the Business Day immediately following each LIBOR Determination Date, the Calculation Agent will notify the Co-Issuers, the Collateral Manager, the Trustee, each Paying Agent (other than the Preference Share Paying Agent), the Depository, the Credit Default Swap Counterparty, each Hedge Counterparty, the Irish Paying Agent (so long as any Class of Notes is listed on the Irish Stock Exchange) and, if applicable, Euroclear and Clearstream, Luxembourg of the applicable per annum rate (the "Note Interest Rate") for each Class of Notes for the next Interest Period and the amount of interest for such Interest Period payable on the related Quarterly Distribution Date in respect of each U.S.\$1,000 principal amount of the Notes of each Class (rounded to the nearest

cent, with half a cent being rounded upward). The Calculation Agent will also specify to the Co-Issuers and the Collateral Manager the quotations upon which the Note Interest Rates are based. The Calculation Agent will in any event notify the Issuer before 7:00 p.m. (London time) on each LIBOR Determination Date if it has not determined and is not in the process of determining the Note Interest Rates and the applicable amount of periodic interest for the Notes with respect to such Interest Period, together with its reasons therefor.

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

If and for so long as any Class of Notes is listed on the Irish Stock Exchange and for so long as the rules of such stock exchange so require, the Trustee will inform the Irish Listing Agent of the Aggregate Outstanding Amount of each Class of Notes following each Quarterly Distribution Date and if any Class of Notes does not receive scheduled payments of principal or interest on a Quarterly Distribution Date and the Irish Listing Agent will arrange for such information to be published in the Irish Stock Exchange's official list.

If and for so long as any Class of Notes is listed on the Irish Stock Exchange and the rules of such exchange shall so require, the Co-Issuers will have a paying agent in Ireland.

Class A-1 Swap Availability Fee

The Class A-1 Swap Availability Fee will be payable to the Class A-1 Swap Counterparty and will accrue on the Aggregate Undrawn Amount under the Class A-1 Swap for each day from and including the Closing Date to but excluding the Swap Period Termination Date, and will be payable quarterly in arrears on each Quarterly Distribution Date at a rate per annum equal to [●]%. The Class A-1 Swap Availability Fee will continue to accrue on any amounts in a Class A-1 Swap Prefunding Account until they are applied to the funding of a Permitted Use. The Class A-1 Swap Availability Fee will rank *pari passu* with the payment of interest on the Class A-1 Notes. The Class A-1 Swap Availability Fee will be computed on the basis of a 360-day year and the actual number of days elapsed.

Principal

The Stated Maturity of the Notes is [●] [2049]. Each Class of Notes is scheduled to mature at the Stated Maturity unless redeemed or repaid prior thereto. However, the Notes may be paid in full prior to their Stated Maturity. See "Risk Factors—Average Life of the Notes and Prepayment Considerations" and "Maturity, Prepayment and Yield Considerations." Any payment of principal with respect to any Class of Notes (including any payment of principal made in connection with an Optional Redemption, Auction Call Redemption or Tax Redemption) will be made by the Trustee on a *pro rata* basis among the Notes of such Class according to the respective unpaid principal amounts thereof outstanding immediately prior to such payment and in accordance with the Priority of Payments. The Trustee will, so long as any Class of Notes is listed on the Irish Stock Exchange, notify the Irish Paying Agent not later than each Quarterly Distribution Date of the amount of principal payments to be made on the Notes of each such Class on such Quarterly Distribution Date, the amount of any Class D Deferred Interest

Amount, the amount of any Class E Deferred Interest Amount, the amount of any Class F Deferred Interest Amount, the amount of any Class G Deferred Interest Amount, the amount of any Class H Deferred Interest Amount, the Aggregate Outstanding Amount of the Notes of each such Class and the percentage of the original Aggregate Outstanding Amount of the Notes of such Class after giving effect to the principal payments, if any, on such Quarterly Distribution Date.

On any Quarterly Distribution Date that occurs during a Sequential Pay Period, Distributable Principal Proceeds will be applied to pay principal of the Notes (or to make a deposit to the CDS Reserve Account to reduce the Aggregate Undrawn Amount) in direct order of seniority, in accordance with the Sequential Payment Priority. On each Quarterly Distribution Date that occurs during a Sequential Pay Period, the CDS Reserve Account Excess Withdrawal Amount also may be applied to pay the principal amount of the Notes in accordance with the Sequential Payment Priority.

On any Quarterly Distribution Date prior to the commencement of the Sequential Pay Period (a "Modified Sequential Pay Period"), Distributable Principal Proceeds and the CDS Reserve Account Excess Withdrawal Amount will be applied to pay the principal amount of the Notes, in accordance with the Modified Sequential Payment Priority. The Modified Sequential Payment Priority provides for each Class of Notes to be paid principal until the applicable Overcollateralization Level for such Class of Notes are attained in the order and manner specified therein. See "Priority Payments—Modified Sequential Payment Priority."

The Sequential Pay Period will commence on the earliest to occur of (a) the first date on which the Net Outstanding Portfolio Collateral Balance is less than [30]% of the Net Outstanding Portfolio Collateral Balance on the Ramp-Up Completion Date, (b) the first Determination Date as of which an Event of Default has occurred and is continuing and (c) the first date on which the rating of any outstanding Class of Notes by Standard & Poor's or Moody's has been reduced or withdrawn (and in the case of a withdrawal or reduction by Moody's, the holders of at least a majority in Aggregate Outstanding Amount of the Controlling Class consents to such event constituting the commencement of the "Sequential Pay Period" for purposes of this definition); *provided* that, once the Sequential Pay Period has commenced, a Modified Sequential Pay Period may not commence on any future date.

CDS Principal Proceeds

On each Quarterly Distribution Date prior to the end of the Reinvestment Period, (A) Specified CDS Principal Proceeds will be applied to reduce permanently the Aggregate Undrawn Amount under the Class A-1 Swap by (i) the aggregate amount of Specified CDS Principal Proceeds for the related Due Period if such Quarterly Distribution Date occurs in a Sequential Pay Period, or (ii) if such Quarterly Distribution Date occurs during a Modified Sequential Pay Period, the Class A-1 Reduction Amount and (B) CDS Principal Proceeds will be applied on and after the end of the Reinvestment Period, to reduce permanently the Aggregate Undrawn Amount under the Class A-1 Swap by (i) the amount of the CDS Principal Proceeds for the related Due Period if such Quarterly Distribution Date occurs during a Sequential Pay Period, or (ii) if such Quarterly Distribution Date occurs during a Modified Sequential Pay Period, the Class A-1 Reduction Amount, in each case in accordance with the CDS Application Priority, *provided* that in no event will the Aggregate Undrawn Amount be reduced to an amount less than zero. See "Priority Payments—CDS Application Priority."

Reinvestment Period

During the Reinvestment Period, Principal Proceeds (including those resulting from Dispositions, maturities or redemptions of Collateral Debt Securities) other than Specified Principal Proceeds may be reinvested in Collateral Debt Securities in compliance with the Eligibility Criteria or, if applicable, the

extent of compliance is maintained or improved. See "Security for the Notes—Eligibility Criteria" and "Security for the Notes—Disposition of Collateral Debt Securities." The Issuer may apply Principal Proceeds to Acquire additional Cash Collateral Debt Securities by no later than the Determination Date for the second Quarterly Distribution Date following the Due Period in which the Issuer received such Principal Proceeds. During the Reinvestment Period the Collateral Manager may, in its discretion, elect to transfer any CDS Reserve Account Excess Withdrawal Amount to the Principal Collection Account in order to invest such funds in Defeased Synthetic Securities and Cash Collateral Debt Securities on or prior to the Determination Date for the second Quarterly Distribution Date after the CDS Principal Receipt Date on which the related CDS Reserve Account Excess occurred or is deemed to have occurred.

In addition, (A) during the Reinvestment Period, the Collateral Manager (on behalf of the Issuer) may apply CDS Principal Proceeds to Acquire one or more replacement Credit Default Swaps in compliance with the Eligibility Criteria and (B) the Collateral Manager also may elect to deposit Principal Proceeds in the CDS Reserve Account so that the Issuer may enter into additional Credit Default Swaps in compliance with the Eligibility Criteria. During the Reinvestment Period, the Issuer may apply CDS Principal Proceeds or Principal Proceeds, as applicable, to Acquire additional Credit Default Swaps by no later than the Determination Date for the second Quarterly Distribution Date following the Due Period during which (x) in the case of Principal Proceeds, such Principal Proceeds were received or (y) in the case of CDS Principal Proceeds, the CDS Principal Receipt Date occurred.

During the Reinvestment Period, the Issuer is not expected to make any principal payments on the Notes from Principal Proceeds (other than proceeds of Defaulted Securities) unless the Collateral Manager does not find suitable reinvestment opportunities or elects to make such principal payments. After the Reinvestment Period, all Principal Proceeds will be applied in accordance with the Priority of Payments to repay the principal amount of the Notes or to make a deposit to the CDS Reserve Account to permanently reduce the Aggregate Undrawn Amount (after payment of certain fees and expenses and interest on the Notes to the extent not paid from Interest Proceeds).

Mandatory Redemption

If the Issuer is required to request a Rating Confirmation but is unable to obtain a Rating Confirmation from each Rating Agency prior to the first Determination Date that is at least 45 Business Days following receipt by such Rating Agency of such Ramp-Up Notice or a Proposed Plan has not been approved by the Rating Agencies (which does not provide for redemption of the Notes), on the first Quarterly Distribution Date following such Rating Confirmation Failure, the Issuer will be required to apply Uninvested Proceeds (which are not required to complete purchases of Collateral Debt Securities) to pay, in part, the principal amount of the Notes or permanently reduce the Aggregate Undrawn Amount in direct order of seniority. To the extent that such Uninvested Proceeds are insufficient to redeem the Notes in order to obtain a Rating Confirmation, on such Quarterly Distribution Date and on each Quarterly Distribution Date thereafter, Interest Proceeds and, to the extent that Interest Proceeds are insufficient to redeem the Notes in order to obtain a Rating Confirmation, Principal Proceeds, will be applied in accordance with the Priority of Payments, to the payment of principal of the Notes and to reduce permanently the Aggregate Undrawn Amount under the Class A-1 Swap in accordance with the Sequential Payment Priority, to the extent specified by each relevant Rating Agency to obtain a Rating Confirmation or to the extent specified in a Proposed Plan which satisfies the Rating Condition. See "Security for the Notes—Ramp-Up Period."

Pursuant to a Class E/F/G/H Special Redemption, on each Quarterly Distribution Date from and including the Quarterly Distribution Date in [●] [2007] to and including the Quarterly Distribution Date in [●] [___], Interest Proceeds equal to the Class E/F/G/H Payment Amount (if any) will be applied to pay, *pro rata* based on the respective Aggregate Outstanding Amounts of each of the Class E Notes, the Class

F Notes, the Class G Notes and the Class H Notes, principal of each such Class of Notes. See "Description of the Notes—Priority of Payments—Interest Proceeds."

If the Class F Overcollateralization Test is not satisfied on any Determination Date, each holder of Class G Notes, Class H Notes or Preference Shares may direct the Trustee to apply, on the related Quarterly Distribution Date, Interest Proceeds that would otherwise be paid or distributed to such holder on such Quarterly Distribution Date in accordance with the Sequential Payment Priority to pay principal of the Notes (other than the Class G Notes or the Class H Notes) and to make a deposit to the CDS Reserve Account to the extent necessary to cause the Class F Overcollateralization Test to be satisfied. See "Description of the Notes—Priority of Payments—Interest Proceeds."

Auction Call Redemption

In accordance with the procedures set forth in the Indenture (the "Auction Procedures"), the Trustee (with the assistance of the Collateral Manager) shall, at the expense of the Issuer, conduct an auction (an "Auction") of the Collateral Debt Securities if, prior to the Quarterly Distribution Date occurring in [●] [2015], the Notes have not been redeemed in full. The Auction shall be conducted not later than (1) twelve Business Days prior to the Quarterly Distribution Date occurring in [●] [2015] and (2) if the Notes are not redeemed in full on such Quarterly Distribution Date, twelve Business Days prior to each Quarterly Distribution Date thereafter until the Notes have been redeemed in full (each such date, an "Auction Date"). Any of the Preference Shareholders, the Trustee, the Initial Purchaser, the Credit Default Swap Counterparty, the Collateral Manager or their respective Affiliates may, but shall not be required to, bid at the Auction. The Collateral Manager, on behalf of the Issuer, shall sell and transfer all of the Collateral Debt Securities (which may be divided into subpools) to the highest bidder therefor (or the highest bidder for each subpool) at the Auction; *provided* that:

- (i) with respect to Collateral Debt Securities other than Synthetic Securities:
 - (A) the Trustee has received bids for such Collateral Debt Securities from at least two qualified bidders identified by the Collateral Manager (including the winning qualified bidder) for (x) the purchase of all of such Collateral Debt Securities as a single pool or (y) the purchase of subpools (specified by the Collateral Manager) that in the aggregate constitute all of such Collateral Debt Securities; and
 - (B) the bidder(s) who offered the highest auction price for such Collateral Debt Securities (or the related subpools) enter(s) into a written agreement with the Issuer (which the Issuer shall execute if the conditions set forth in clause (A) above and clauses (ii) and (iii) below are satisfied, which execution shall constitute certification by the Issuer that such conditions have been satisfied) that obligates the highest bidder (or the highest bidder for each subpool) to purchase all of such Collateral Debt Securities (or the relevant subpool) with the closing of such purchase (and full payment in cash to the Trustee) to occur on or before the sixth Business Day prior to the relevant Quarterly Distribution Date;
- (ii) with respect to each Synthetic Security, the Collateral Manager on behalf of the Issuer, has requested that the Synthetic Security Counterparty (or the Calculation Agent) under such Synthetic Security determine, in accordance with the procedure set forth in the Synthetic Security, the net termination or assignment payment payable by or to the Issuer assuming a termination or assignment date for the relevant Synthetic Security six Business Days prior to the relevant Quarterly Distribution Date and the Collateral Manager, has determined the amount (if any) that will be released from the related

Synthetic Security Counterparty Account based on the information it receives with respect to the net termination or assignment payment; and

- (iii) the Trustee with the assistance of the Collateral Manager has determined that (A) the aggregate purchase price (paid in cash) that would be received pursuant to the highest bids obtained with respect to the Collateral Debt Securities (other than Synthetic Securities) pursuant to clause (i) above plus (B) the aggregate net termination or assignment payments that would be payable to the Issuer by Synthetic Security Counterparties as determined pursuant to clause (ii) above minus (C) the aggregate net termination or assignment payments that would be payable under each Defeased Synthetic Security by the Issuer to the Synthetic Security Counterparty as determined pursuant to clause (ii) above from funds other than a Synthetic Security Counterparty Account, plus (D) the balance of all Eligible Investments and Cash in the Accounts (other than in any Hedge Counterparty Collateral Account, any Synthetic Security Counterparty Account, any Synthetic Security Issuer Account and any Class A-1 Swap Prefunding Account) and the proceeds of termination of any Hedge Agreement, plus (E) the aggregate amount (if any) that will be released from the Synthetic Security Counterparty Accounts or the CDS Reserve Account following payment of the net termination or assignment payments described in the foregoing clauses (B) and (C), would be at least equal to the Total Senior Redemption Amount.

If the conditions set forth in clauses (i), (ii) and (iii) above have been satisfied, (x) the Trustee shall sell and transfer the Pledged Collateral Debt Securities that are not Synthetic Securities (or the related subpool), without representation, warranty or recourse, to such highest bidder (or the highest bidder for each subpool, as the case may be) and (y) the Issuer will terminate or assign the transactions under each Synthetic Security, in each case, (A) in accordance with and upon completion of the Auction Procedures and (B) on or before the sixth Business Day prior to the relevant Quarterly Distribution Date. The Trustee shall deposit the net proceeds from the sale of, and the net termination or assignment payments received in respect of, the Collateral Debt Securities, together with any Synthetic Security Collateral released from the Synthetic Security Counterparty Account or the CDS Reserve Account, in the Collection Accounts (and pay net termination payments, if any, due to counterparties) and (x) redeem the Notes in whole but not in part at the applicable Redemption Price (exclusive of installments of principal and interest and (solely with respect to the Class A-1 Swap) Class A-1 Swap Availability Fee due on or prior to such date, provided payment of which shall have been made or duly provided for, to the holders of the Notes as provided in the Indenture), (y) pay the remaining portion of the Total Senior Redemption Amount in accordance with the Priority of Payments and (z) make a payment to the Preference Share Paying Agent for distribution to the Preference Shareholders subject to the provisions of The Companies Law (2004 Revision) of the Cayman Islands governing the declaration and payment of dividends, in an amount equal to any portion of such purchase price remaining after the application contemplated by the foregoing clauses (x) and (y) (but at least equal to the Preference Share Redemption Date Amount or such lesser amount as is agreed by Preference Shareholders whose aggregate Voting Percentages at such time equal at least a Special Majority-in-Interest of Preference Shareholders), in each case on the Quarterly Distribution Date immediately following the relevant Auction Date (such redemption, the "Auction Call Redemption").

Notwithstanding the foregoing, but subject to the satisfaction of the conditions described above, the Collateral Manager, although it may not have been the highest bidder, will have the option to purchase the Collateral Debt Securities (or any subpool) on the Auction Date for a purchase price equal to the highest bid therefor.

If (x) any of the foregoing conditions is not met with respect to any Auction, (y) the highest bidder (or the highest bidder for any subpool, as the case may be) fails to pay the purchase price for any Collateral Debt Security that is not a Synthetic Security or (z) the relevant Synthetic Security Counterparty or assignee fails to pay any net termination or assignment payment owing to the Issuer under any Synthetic Security, in each case on or before the sixth Business Day prior to the related Quarterly Distribution Date (and, in the case of a failure by the highest bidder to pay for a subpool or a failure by a Synthetic Security Counterparty or assignee to pay a net termination or assignment payment owing to the Issuer, the Available Redemption Funds are less than the Total Senior Redemption Amount), (a) the Auction Call Redemption shall not occur on the Quarterly Distribution Date following the relevant Auction Date, (b) the Trustee shall give notice of the withdrawal of the redemption notice to the Issuer, the Collateral Manager and the holders of the Notes on or prior to the fifth Business Day preceding the scheduled Redemption Date, (c) the Trustee shall decline to consummate such sale in relation to such Auction, (d) the Issuer shall not terminate or assign any Synthetic Securities in relation to such Auction and (e) unless the Notes are redeemed in full prior to the next succeeding Auction Date, the Trustee (with the assistance of the Collateral Manager) shall conduct another Auction on the next succeeding Auction Date.

Optional Redemption and Tax Redemption

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

In addition, upon the occurrence of a Tax Event and if the Tax Materiality Condition is satisfied, the Issuer may redeem the Notes (such redemption, a "Tax Redemption") on any Quarterly Distribution Date, in whole but not in part, at the applicable Redemption Price therefor (i) at the written direction of the holders of at least 66⅔% in Aggregate Outstanding Amount of any Class of Notes that, as a result of the occurrence of a Tax Event, has not received 100% of the aggregate amount of principal and interest due and payable to such Class on any Quarterly Distribution Date (each such Class, an "Affected Class"), or (ii) at the written direction of a Special Majority-in-Interest of Preference Shareholders.

For so long as the Initial Preference Shareholder holds over 66⅔% of the Preference Shares, it will have the right to direct the Issuer to undertake an Optional Redemption or Tax Redemption if the applicable conditions in the Indenture are met. To the extent that the Initial Preference Shareholder holds at least than 33⅓% of the Preference Shares, it will be able to prevent the Issuer from undertaking an Optional Redemption and (unless an Affected Class of Notes otherwise directs) Tax Redemption. See "Risk Factors—The Voting Rights Afforded to the Preference Shareholders May Be Adverse to Holders of Notes."

No Optional Redemption or Tax Redemption may be effected, however, unless Available Redemption Funds are at least equal to an amount sufficient to pay (in accordance with the Priority of Payments) the Total Senior Redemption Amount.

On a Redemption Date, the Available Redemption Funds will be distributed in accordance with the Liquidation Priority of Payments.

Unless a Majority-in-Interest of Preference Shareholders have also directed the Issuer to redeem the Preference Shares on such Quarterly Distribution Date (see "Description of the Preference Shares—Redemption of the Preference Shares"), the amount of Collateral sold in connection with such Optional

Redemption or Tax Redemption shall not exceed the amount necessary for the Issuer to obtain the Total Senior Redemption Amount. In addition, no Tax Redemption may be effected unless the Tax Materiality Condition is satisfied.

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

Redemption Procedures

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

The Notes may not be redeemed pursuant to an Optional Redemption or Tax Redemption unless at least six Business Days before the scheduled Redemption Date, the Issuer shall have furnished to the Trustee evidence, and certified to the Trustee, that the Issuer (x) has entered into a binding agreement or agreements with, or (y) has obtained firm bids from, (i) one or more entities whose long term unsecured debt obligations (other than such obligations whose rating is based on the credit of a person other than such institution) have a credit rating (or are guaranteed by an entity with such a credit rating) from each Rating Agency (a) at least equal to the rating of the most Senior Class of Notes then outstanding or (b) whose short term unsecured debt obligations have a credit rating of "P-1" by Moody's (and, if rated "P-1," are not on watch for possible downgrade by Moody's), at least "A-1" by Standard & Poor's or (ii) one or more purchasers which otherwise satisfies the Rating Condition or (iii) one or more purchasers (a "Cash Purchaser") which pay the full purchase price in cash on or prior to such sixth Business Day, to sell, not later than the Business Day immediately preceding the scheduled Redemption Date, all or part of the Collateral Debt Securities at a purchase price which, when added to other Available Redemption Funds on the relevant Quarterly Distribution Date, is at least equal to an amount sufficient to pay the Total Senior Redemption Amount (including the additional amount payable by the Issuer under the Hedge Agreement on a Redemption Date).

Any such notice of redemption with respect to an Optional Redemption or a Tax Redemption must be withdrawn by the Issuer on or prior to the fifth Business Day prior to the scheduled Redemption Date by written notice to the Trustee, the Credit Default Swap Counterparty, each Hedge Counterparty, the Preference Share Paying Agent, the Rating Agencies and the holders of the Notes if on or prior to the sixth Business Day preceding the scheduled Redemption Date (i) the Issuer has not delivered to the Trustee a certification that (1) in its judgment based on calculations included in such certification, the Available Redemption Funds will be sufficient to pay the Total Senior Redemption Amount and (2) the

sale prices of such Collateral Debt Securities are not (in the sole judgment of the Collateral Manager) below the fair market value of such Collateral Debt Securities, (ii) the independent accountants appointed by the Issuer have not confirmed in writing the calculations made in such certification or (iii) in the case of any Cash Purchaser, such purchaser has not paid the purchase price in full to the Issuer on or prior to the sixth Business Day preceding the scheduled Redemption Date. Any notice of redemption with respect to an Auction Call Redemption must be withdrawn under the circumstances described under "—Auction Call Redemption." Notice of any such withdrawal shall be given by the Trustee to each holder of Notes at such holder's address in the Note Register maintained by the Note Registrar by overnight courier guaranteeing next day delivery, sent not later than the fifth Business Day prior to the scheduled Redemption Date. During the period when a notice of redemption may be withdrawn, the Issuer may not terminate any Hedge Agreement and if any Hedge Agreement shall become subject to early termination during such period, the Issuer is obligated to enter into a replacement Hedge Agreement.

The Available Redemption Funds shall take into account any termination or assignment payment to be made by or to the Issuer, and the amount to be released from each Synthetic Security Counterparty Account, in connection with the termination or assignment of the Synthetic Securities, which shall be determined in accordance with the terms of each Synthetic Security. The Issuer and the Trustee may amend the Indenture to change the procedures for implementing a redemption discussed under "—Auction Call Redemption," "—Optional Redemption and Tax Redemption" and "—Redemption Procedures" (but without changing the Redemption Price or the earliest date on which any redemption may occur), including the deadlines, without obtaining the consent of the holder of any Note or Preference Share.

Redemption Price

The amount payable with respect to any Class of Notes to be redeemed in connection with any Optional Redemption, Auction Call Redemption or Tax Redemption (with respect to each Class of Notes, the "Redemption Price") will be an amount (determined without duplication) equal to (i) the Aggregate Outstanding Amount of such Note being redeemed plus (ii) accrued interest thereon (including Defaulted Interest and accrued, unpaid and uncapitalized interest on Defaulted Interest, if any); *provided that*, in the case of a Tax Redemption where the holders of 100% of the Aggregate Outstanding Amount of an Affected Class of Notes elect to receive less than 100% of the portion of the Total Senior Redemption Amount that would otherwise be payable to the holders of such Affected Class, the Redemption Price as to such Affected Class is the amount agreed upon by such Affected Class (and the Total Senior Redemption Amount will be reduced accordingly).

Cancellation

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

Payments

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

surrendered at the offices designated by any Paying Agent in order to receive the applicable Redemption Price, unless the holder provides in the case of a holder that is not a Qualified Institutional Buyer, such security or indemnity as may be required by the Co-Issuers or the Trustee. Pursuant to the Indenture, NCB Stockbrokers Limited in Dublin, Ireland will be appointed as paying agent in Ireland with respect to the Notes (the "Paying Agent in Ireland").

If any payment on the Notes is due on a day that is not a Business Day, then payment will be made on the next succeeding Business Day with the same force and effect as if made on the date for payment.

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

If any withholding tax is imposed on the Issuer's payment under the Notes to any Noteholder, such tax shall reduce the amount of such payment otherwise distributable to such Noteholder. The Trustee is authorized and directed under the Indenture to retain from amounts otherwise distributable to any Noteholder sufficient funds for the payment of any tax that is legally owed by the Issuer (but such authorization will not prevent the Trustee from contesting (or obligate the Trustee to contest) any such tax in appropriate proceedings and withholding payment of such tax, if permitted by law, pending the outcome of such proceedings). The amount of any withholding tax imposed with respect to any Noteholder will be treated as cash distributed to such Noteholder at the time it is withheld by the Trustee and remitted to the appropriate taxing authority. The Trustee will determine in its sole discretion whether to withhold tax with respect to a distribution in accordance with the Indenture. If any Noteholder wishes to apply for a refund of any such withholding tax, the Trustee will reasonably cooperate with such Noteholder in making such claim so long as such Noteholder agrees to reimburse the Trustee for any out-of-pocket expenses incurred. Failure of a holder of a Note to provide the Trustee, or any Paying Agent, and the Issuer with appropriate tax certificates will result in amounts being withheld from the payment to such holders. The Trustee does not have any obligation to determine the amount of any tax or withholding obligation on the part of the Issuer or in respect of the Collateral Debt Securities. Amounts withheld pursuant to applicable tax laws shall be considered as having been paid by the Issuer as provided in the Indenture. In the event that tax must be withheld or deducted from payments of principal or interest, neither Co-Issuer shall be obliged to make any additional payments to the holders of any Notes on account of such withholding or deduction.

Priority of Payments

With respect to any Quarterly Distribution Date, collections received on the Collateral during each Due Period will be divided into Interest Proceeds and Principal Proceeds and applied (with respect to Principal Proceeds, after the Ramp-Up Period) in the priority set forth below under "—Interest Proceeds" and "—Principal Proceeds," respectively and on a Quarterly Distribution Date that is the Redemption Date, the Stated Maturity or the Accelerated Maturity Date all Interest Proceeds and Principal Proceeds

will be applied in the priority set forth below under "Liquidation Priority of Payments" (collectively, the "Priority of Payments").

Interest Proceeds. On each Quarterly Distribution Date (other than the Stated Maturity, a Redemption Date or the Accelerated Maturity Date), after applying funds in the Accounts in accordance with the Account Payment Priority, Interest Proceeds with respect to the related Due Period will be distributed in the order of priority (the "Interest Proceeds Waterfall") set forth below:

- (1) to the payment of taxes and filing and registration fees owed by the Co-Issuers, if any;
- (2) (a) *first*, to the payment of the accrued and unpaid Trustee Fee; (b) *second*, to the payment to the Administrator of the accrued and unpaid fees under the Administration Agreement; (c) *third*, to the payment of fees constituting Rating Agency Expenses; (d) *fourth*, in the following order, (i) to the payment of the accrued and unpaid Trustee Expenses including amounts payable pursuant to any indemnity, and then (ii) *pro rata* (based on the amount then due and payable) to the Rating Agencies, the Administrator and the Collateral Manager in respect of other accrued and unpaid Administrative Expenses other than amounts payable pursuant to any indemnity; (e) *fifth*, to the payment of other accrued and unpaid regularly occurring fees and expenses constituting Administrative Expenses other than amounts payable pursuant to any indemnity and not paid pursuant to items (a) through (d) above; (f) *sixth, pro rata* (based on the amount then due and payable) to the Rating Agencies, the Administrator, the Collateral Manager, the Initial Purchaser and any other person in respect of other accrued and unpaid Administrative Expenses constituting amounts payable pursuant to any indemnity; *provided* that all payments made pursuant to subclauses (b) through (f) of this clause (2) do not exceed U.S.\$[●] on such Quarterly Distribution Date and (g) *seventh*, on any Quarterly Distribution Date after the Quarterly Distribution Date in [●], [2007], to the Expense Account, an amount equal to the lesser of any amount specified by the Collateral Manager to the Trustee and the excess of U.S.\$ [●] over the amounts paid pursuant to subclauses (b) through (f) of this clause (2) on such Quarterly Distribution Date and the preceding Quarterly Distribution Dates during the Expense Year;
- (3) (a) *first*, to the payment of accrued and unpaid Management Fees and (b) *second*, on any Quarterly Distribution Date, to the payment of any accrued and unpaid Management Fee that was deferred on any prior Quarterly Distribution Date;
- (4) *pro rata* (based on the amount then due and payable) (a) to the payment of all amounts scheduled to be paid to any Hedge Counterparty pursuant to the applicable Hedge Agreement, together with any termination payments (and any accrued interest thereon) payable by the Issuer pursuant to the applicable Hedge Agreement, other than any Deferred Termination Payment and (b) to the payment of any amounts payable to the Credit Default Swap Counterparty (including termination payments, and accrued interest thereon, other than Defaulted Synthetic Termination Payments) to the extent that funds therefore are not otherwise available in accordance with the Account Payment Priority or from the proceeds of Class A-1 Fundings (including any Class A-1 Funding to be made on the Quarterly Distribution Date) to make such payment;
- (5) *pro rata* (based on the amount then due and payable) (a) to the payment of the Interest Distribution Amount with respect to the Class A-1 Notes and (b) the Class A-1 Swap Availability Fee Amount to the Class A-1 Swap Counterparty;
- (6) to the payment of the Interest Distribution Amount with respect to the Class A-2 Notes;
- (7) to the payment of the Interest Distribution Amount with respect to the Class B Notes;

- (8) to the payment of the Interest Distribution Amount with respect to the Class C Notes;
- (9) on each Quarterly Distribution Date following the occurrence, and during the continuation, of a Rating Confirmation Failure, after the application of Uninvested Proceeds in accordance with the Indenture, *first*, to the payment of principal of the Class A-1 Notes, *second*, to the CDS Reserve Account until the Aggregate Undrawn Amount is reduced to zero, *third*, to the payment of principal of the Class A-2 Notes, *fourth*, to the payment of principal of the Class B Notes, and *fifth*, to the payment of principal of the Class C Notes, in each case to the extent required by each relevant Rating Agency in order to obtain a Rating Confirmation or, if sooner, until such Class is paid in full;
- (10) to the payment of *first*, the Interest Distribution Amount with respect to the Class D Notes and, *second*, the Class D Deferred Interest Amount;
- (11) on each Quarterly Distribution Date following the occurrence, and during the continuation, of a Rating Confirmation Failure, to the payment of principal of the Class D Notes, to the extent specified by the relevant Rating Agency in order to obtain a Rating Confirmation or, if sooner, until such Class is paid in full;
- (12) to the payment of *first*, the Interest Distribution Amount with respect to the Class E Notes and, *second*, the Class E Deferred Interest Amount;
- (13) on each Quarterly Distribution Date following the occurrence, and during the continuation, of a Rating Confirmation Failure, to the payment of principal of the Class E Notes, to the extent specified by each relevant Rating Agency in order to obtain a Rating Confirmation or, if sooner, until such Class is paid in full;
- (14) to the payment of *first* the Interest Distribution Amount with respect to the Class F Notes and, *second*, the Class F Deferred Interest Amount;
- (15) on each Quarterly Distribution Date following the occurrence, and during the continuation, of a Rating Confirmation Failure, to the payment of principal of the Class F Notes, to the extent specified by each relevant Rating Agency to obtain a Rating Confirmation or, if sooner, until such Class is paid in full;
- (16) to the payment, of *first* the Interest Distribution Amount with respect to the Class G Notes and *second*, the Class G Deferred Interest Amount; *provided*, that if the Class F Overcollateralization Test is not satisfied on the Determination Date related to such Quarterly Distribution Date, any holder of Class G Notes may in its sole discretion direct the Trustee, in a written notice delivered at least one Business Day before such Quarterly Distribution Date, to apply the amount of Interest Proceeds that would otherwise be paid to such holder pursuant to this clause [(16)] on such Quarterly Distribution Date to pay principal of the Notes (other than the Class G Notes and the Class H Notes) and to make a deposit to the CDS Reserve Account, in each case in accordance with the Sequential Payment Priority, to the extent necessary to cause the Class F Overcollateralization Test to be satisfied or until each Class of Notes other than the Class G Notes and the Class H Notes is paid in full and the Aggregate Undrawn Amount is reduced to zero;
- (17) on each Quarterly Distribution Date following the occurrence, and during the continuation, of a Rating Confirmation Failure, to the payment of principal of the Class G Notes, to the extent

specified by each relevant Rating Agency to obtain a Rating Confirmation or, if sooner, until such Class is paid in full;

- (18) to the payment of *first*, the Interest Distribution Amount with respect to the Class H Notes and *second*, the Class H Deferred Interest Amount; *provided*, that if the Class F Overcollateralization Test is not satisfied on the Determination Date related to such Quarterly Distribution Date, any holder of Class H Notes in its sole discretion may direct the Trustee, in a written notice delivered at least one Business Day before such Quarterly Distribution Date, to apply the amount of Interest Proceeds that would otherwise be paid to such holder pursuant to this clause [(18)] on such Quarterly Distribution Date to pay principal of the Notes (other than the Class G Notes and the Class H Notes) and to make a deposit to the CDS Reserve Account, in each case in accordance with the Sequential Payment Priority, to the extent necessary to cause the Class F Overcollateralization Test to be satisfied or until each Class of Notes other than the Class H Notes is paid in full and the Aggregate Undrawn Amount is reduced to zero;
- (19) on each Quarterly Distribution Date following the occurrence, and during the continuation, of a Rating Confirmation Failure, to the payment of principal of the Class H Notes, to the extent specified by each relevant Rating Agency to obtain a Rating Confirmation or, if sooner, until such Class is paid in full;
- (20) on each Quarterly Distribution Date from and including the Quarterly Distribution Date in [●] [2007] to and including the Quarterly Distribution Date in [_____] [____], up to an amount equal to the Class E/F/G/H Payment Amount, to the payment of the principal of the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes, *pro rata* based on the Aggregate Outstanding Amounts thereof (as of the related Determination Date), until the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes have been paid in full;
- (21) if the holders of Class G Notes, the Class H Notes and the Preference Shares have achieved in the aggregate an IRR of at least [__]% as of such Quarterly Distribution Date, to the payment to the Collateral Manager of a fee in an amount equal to [__]% of Interest Proceeds remaining after payment of all amounts set forth in clauses (1) through (20) above;
- (22) to the payment of, *first*, all other accrued and unpaid Administrative Expenses to the extent not paid pursuant to clause (2) above (whether as the result of, and without regard to, the limitations on amounts set forth therein or otherwise, and in the same order of priority specified in clause (2) above) and, *second*, to the Expense Account, such amount as would have caused the balance of all Eligible Investments and cash in the Expense Account immediately after such deposit to equal U.S.\$[●] or such lesser amount as the Collateral Manager, in its sole discretion, shall determine;
- (23) (A) *first*, to the payment of any Defaulted Synthetic Termination Payments payable by the Issuer pursuant to any Synthetic Security to the applicable Synthetic Security Counterparty, *pro rata* (based on amount due) among the Synthetic Security Counterparties to which such payments are payable, and (B) *second*, to the payment to any Hedge Counterparty of any Deferred Termination Payment payable by the Issuer pursuant to any Hedge Agreement, *pro rata* (based on amount due) among the Hedge Counterparties to which such payments are payable, but (other than with respect to the Proceeds Swap) solely to the extent that 100% of the Preference Shareholders have consented to such payment; and
- (24) the remaining amount (if any) to the Preference Share Paying Agent for distribution to the holders of the Preference Shares as a payment on the Preference Shares as provided in the Preference Share Documents; *provided*, that if the Class F Overcollateralization Test is not

satisfied on the Determination Date related to such Quarterly Distribution Date, any holder of Preference Shares may in its sole discretion direct the Trustee, in a written notice delivered at least one Business Day before such Quarterly Distribution Date, to apply the amount of Interest Proceeds that would otherwise be distributed to such holder pursuant to this clause [(24)] on such Quarterly Distribution Date to pay principal of the Notes (other than the Class G Notes and the Class H Notes) and to make a deposit to the CDS Reserve Account, in each case in accordance with the Sequential Payment Priority, to the extent necessary to cause the Class F Overcollateralization Test to be satisfied, or until each Class of Notes is paid in full and the Aggregate Undrawn Amount is reduced to zero.

Notwithstanding the foregoing, in the event that, as of the first Quarterly Distribution Date, the Issuer has not obtained a Rating Confirmation from Standard & Poor's or has not either (x) submitted a certificate of the Issuer to Moody's showing (A) the Issuer's compliance with the Collateral Quality Tests (other than the Standard & Poor's Minimum Recovery Rate Test, the Standard & Poor's CDO Monitor Test and the Moody's Asset Correlation Test), (B) that the Eligibility Criteria set forth in paragraphs [(2), (5), (18) through (19) and (21) through (24), (26) through (31), and (34) through (38)] of the Eligibility Criteria for the Pledged Collateral Debt Securities held by the Issuer on the related Determination Date have been satisfied and (C) that the Class A Overcollateralization Test has been satisfied on such Determination Date (such certificate, a "Ramp-Up Completion Date Report") or (y) obtained a Rating Confirmation from Moody's, the Issuer will not make any distributions under clause [(24)] of the Interest Proceeds Waterfall on the first Quarterly Distribution Date. Any amount that otherwise would have been distributed under such clause shall be retained in the Payment Account and distributed (x) pursuant to clause [(24)] of the Interest Proceeds Waterfall at such time as the Issuer obtains a Rating Confirmation from each Rating Agency (and the Trustee shall make such distribution on the Business Day after it receives written notice from the Collateral Manager that the Issuer has obtained a Rating Confirmation from each Rating Agency) or (y) pursuant to the Priority of Payments on the next Quarterly Distribution Date if a Rating Confirmation Failure occurs.

Principal Proceeds. On each Quarterly Distribution Date (other than a Redemption Date, the Stated Maturity or the Accelerated Maturity Date), after applying funds in the Accounts in accordance with the Account Payment Priority, Principal Proceeds (and, to the extent described in the Sequential Payment Priority and the Modified Sequential Payment Priority, the CDS Reserve Account Excess Withdrawal Amount) with respect to the related Due Period will be distributed in the order of priority ("Principal Proceeds Waterfall") set forth below:

- (1) to the payment of the amounts referred to in clauses (1) through [(8)] of the Interest Proceeds Waterfall in the same order of priority and subject (in the case of clause (2)) to any applicable cap specified therein and subject to the same limitations set forth therein, but only to the extent not paid in full under the Interest Proceeds Waterfall;
- (2) (a) *first*, on each Quarterly Distribution Date following the occurrence, and during the continuation of, a Rating Confirmation Failure, after the application of Uninvested Proceeds in accordance with the Indenture and Interest Proceeds in accordance with the Interest Proceeds Waterfall, to the payment of principal of the Notes in accordance with the Sequential Payment Priority to the extent specified by any relevant Rating Agency in order to obtain a Rating Confirmation with respect to the Notes or, if sooner, until such Class is paid in full; and (b) *second*, if a Notional Amount Shortfall exists on the Determination Date, to be deposited into the CDS Reserve Account until no Notional Amount Shortfall exists;

- (3) if such Quarterly Distribution Date is on or prior to the last day of the Reinvestment Period, all remaining Principal Proceeds other than any Specified Principal Proceeds (which shall be assumed to have been applied, to pay amounts payable pursuant to clauses (1) and (2) before other Principal Proceeds are applied to pay such amounts) shall be deposited in the Collection Account, to remain available for application to the purchase of additional Collateral Debt Securities by not later than the last day of the Due Period relating to the second Quarterly Distribution Date immediately following the current Quarterly Distribution Date;
- (4) if such Quarterly Distribution Date occurs during a Sequential Pay Period, to pay principal or interest, as applicable, of the Notes and to make a deposit to the CDS Reserve Account in accordance with the Sequential Payment Priority;
- (5) if such Quarterly Distribution Date occurs during a Modified Sequential Pay Period, to pay principal or interest, as applicable, of the Notes and to make a deposit to the CDS Reserve Account in accordance with the Modified Sequential Payment Priority;
- (6) to the payment of accrued and unpaid Administrative Expenses to the extent not paid under the Interest Proceeds Waterfall in the same order of priority specified therein;
- (7) (A) *first*, to the payment of any Defaulted Synthetic Security Termination Payment *pro rata* (based on amount owed) to the applicable Synthetic Security Counterparties to the extent not paid under the Interest Proceeds Waterfall and (B) *second*, to the payment to any Hedge Counterparty of any Deferred Termination Payment payable by the Issuer pursuant to any Hedge Agreement, *pro rata* (based on amount owed) among the Hedge Counterparties to which such payments are payable, but (other than with respect to the Proceeds Swap) solely to the extent that 100% of the Preference Shareholders have consented to such payment;
- (8) if the holders of Class G Notes, the Class H Notes and the Preference Shares have achieved in the aggregate an IRR of at least [__]% as of such Quarterly Distribution Date, to the payment to the Collateral Manager of a fee in an amount equal to [__]% of Principal Proceeds remaining after payment of all amounts set forth in clauses (1) through (7) above; and
- (9) the remaining amount (if any) to the Preference Share Paying Agent for distribution to the holders of the Preference Shares.

Notwithstanding the foregoing, during the Reinvestment Period Specified Principal Proceeds shall be applied to pay all amounts payable under the Principal Proceeds Waterfall; however if such amounts are not sufficient to pay any amount payable under clauses (1) and (2) of the Principal Proceeds Waterfall, all other Principal Proceeds shall be applied to pay the amounts payable thereunder.

Liquidation Priority of Payments. On any Redemption Date, the Stated Maturity or the Accelerated Maturity Date, after applying funds in the Accounts in accordance with the Account Payment Priority, Interest Proceeds, Principal Proceeds and any CDS Reserve Account Excess Withdrawal Amount will be applied in the order of priority (the "Liquidation Priority of Payments") set forth below:

- (1) to the payment of all amounts payable under clauses (1) through [(4)] of the Interest Proceeds Waterfall;
- (2) *pro rata* (based on amount owed) to the payment of the Interest Distribution Amount with respect to the Class A-1 Notes and the Class A-1 Swap Availability Fee;

- (3) to the payment of the Outstanding Class A-1 Funded Amount (including any Class A-1 Funding made or to be made on such date) until the Outstanding Class A-1 Funded Amount is reduced to zero and then to make a deposit to the CDS Reserve Account equal to the excess (if any) of the Remaining Exposure over the CDS Reserve Account Balance;
- (4) to the payment of the Interest Distribution Amount with respect to the Class A-2 Notes;
- (5) to the payment of principal of the Class A-2 Notes until the Class A-2 Notes have been paid in full;
- (6) to the payment of the Interest Distribution Amount with respect to the Class B Notes;
- (7) to the payment of principal of the Class B Notes until the Class B Notes have been paid in full;
- (8) to the payment of the Interest Distribution Amount with respect to the Class C Notes;
- (9) to the payment of principal of the Class C Notes until the Class C Notes have been paid in full;
- (10) to the payment of the Interest Distribution Amount with respect to the Class D Notes (including the Class D Deferred Interest Amount);
- (11) to the payment of principal of the Class D Notes until the Class D Notes have been paid in full;
- (12) to the payment of the Interest Distribution Amount with respect to the Class E Notes (including the Class E Deferred Interest Amount);
- (13) to the payment of principal of the Class E Notes until the Class E Notes have been paid in full;
- (14) to the payment of the Interest Distribution Amount with respect to the Class F Notes (including the Class F Deferred Interest Amount);
- (15) to the payment of principal of the Class F Notes until the Class F Notes have been paid in full;
- (16) to the payment of the Interest Distribution Amount with respect to the Class G Notes (including the Class G Deferred Interest Amount);
- (17) to the payment of principal of the Class G Notes until the Class G Notes have been paid in full;
- (18) to the payment of the Interest Distribution Amount with respect to the Class H Notes (including the Class H Deferred Interest Amount);
- (19) to the payment of principal of the Class H Notes until the Class H Notes have been paid in full;
- (20) to the payment of accrued and unpaid Administrative Expenses in the same order of priority specified in clause [(2)] of the Interest Proceeds Waterfall;
- (21) (A) *first*, to the payment of any Defaulted Synthetic Security Termination Payments to the applicable Synthetic Security Counterparties, *pro rata* (based on amount owed) among the Synthetic Security Counterparties to which such payments are payable and (B) *second*, to the payment to the Initial Hedge Counterparty of any Deferred Termination Payment payable by the Issuer pursuant to the Proceeds Swap; and

- (22) the remaining amount (if any) to the Preference Share Paying Agent for distribution to the holders of the Preference Shares.

General. Except as otherwise expressly provided in the Priority of Payments, if on any Quarterly Distribution Date, the amount available in the Payment Account from amounts received in the related Due Period is insufficient to make the full amount of the disbursements required under any clause or subclause of the Interest Proceeds Waterfall or the Principal Proceeds Waterfall to different Persons, the Trustee will make the disbursements called for by each such clause or such subclause ratably in accordance with the respective amounts of such disbursements then due and payable to the extent funds are available therefor.

Any amounts to be paid to the Preference Share Paying Agent pursuant to clause [(24)] of the Interest Proceeds Waterfall or clause [(10)] of the Principal Proceeds Waterfall or clause [(22)] of the Liquidation Priority of Payments will be released from the lien of the Indenture. Notwithstanding the foregoing, on any Post-Acceleration Quarterly Distribution Date, in the event that after the application of Principal Proceeds and the application of Interest Proceeds under clauses (1) through [(23)] of the Interest Proceeds Waterfall the principal amount of the Notes has not been paid in full, any amount distributable under clause [(24)] of the Interest Proceeds Waterfall shall be applied first to pay such principal (in order of seniority) of the Notes prior to making any distribution to the Preference Share Paying Agent.

Notwithstanding anything in the Priority of Payments to the contrary, in the event (and to the extent) that Interest Proceeds and Principal Proceeds will not be sufficient (after paying other amounts senior in priority thereto) to pay the Class A-1 Swap Availability Fee and the Interest Distribution Amounts on the Class A Notes, the Class B Notes or the Class C Notes on a Quarterly Distribution Date in accordance with the Priority of Payments, the Trustee shall not apply funds to make a deposit to the Expense Account on such Quarterly Distribution Date.

If the Notes and the Preference Shares have not been redeemed prior to the Quarterly Distribution Date immediately preceding the Stated Maturity, it is expected that the Issuer will Dispose of the Collateral Debt Securities and all Eligible Investments then standing to the credit of the Accounts (other than the Hedge Counterparty Collateral Account, the Class A-1 Swap Prefunding Account and any Synthetic Security Issuer Account) and sell or liquidate all other Collateral, and all net proceeds from such liquidation and all available cash will be applied to the payment (in the order of priorities set forth above) of all (i) fees, (ii) expenses and termination payments (including the amounts due to the Credit Default Swap Counterparty and each Hedge Counterparty), (iii) principal of and interest, Defaulted Interest and interest on Defaulted Interest, if any, on the Notes and Class A-1 Swap Availability Fee. Net proceeds from such liquidation and available cash remaining (after all payments required pursuant to the Indenture and the payment of the costs and expenses of such liquidation, the establishment of adequate reserves to meet all contingent, unliquidated liabilities or obligations of the Issuer, the return of U.S.\$[1,000] of capital contributed to the Issuer by, and the payment of a U.S.\$1,000 profit fee to, the owner of the Issuer's ordinary shares) will be distributed to the Preference Shareholders in accordance with the Preference Share Documents and Cayman Islands law.

Modified Sequential Payment Priority. On each Quarterly Distribution Date during a Modified Sequential Pay Period, so long as a Rating Confirmation Failure has not occurred or is not continuing, the Issuer will apply Distributable Principal Proceeds, together with all or a portion of the CDS Reserve Account Excess Withdrawal Amount, in accordance with the following priorities (the "Modified Sequential Payment Priority"):

- (1) to pay the principal amount of the Class A-1 Notes and the Class A-2 Notes (and to make a deposit to the CDS Reserve Account) in the amount (the "Class A Principal Payment Amount")

required to increase the Class A Overcollateralization Ratio to, or to maintain it at (i) the Initial Class A Overcollateralization Level prior to the occurrence of the Enhanced Level Triggering Event or (ii) the Enhanced Class A Overcollateralization Level thereafter, in the following manner:

- (i) on a Quarterly Distribution Date prior to the occurrence of the Enhanced Level Triggering Event, to make the following payments, *pro rata* (based on the Aggregate Outstanding Amount):
 - (A) to the Class A-1 Notes, an amount equal to the Class A-1 Principal Payment in reduction of the principal amount of the Class A-1 Notes until the Class A-1 Notes are paid in full and, if there is no principal amount of the Class A-1 Notes outstanding, to make a deposit to the CDS Reserve Account until the Aggregate Undrawn Amount is reduced to zero; and
 - (B) to the Class A-2 Notes, an amount equal to the Class A-2 Reduction Amount to pay the principal amount of the Class A-2 Notes until paid in full;
 - (ii) on a Quarterly Distribution Date on or after the occurrence of the Enhanced Level Triggering Event, *first*, to the payment of principal of the Class A-1 Notes until paid in full, *second*, to make a deposit to the CDS Reserve Account until the Aggregate Undrawn Amount is reduced to zero (the sum of the amounts applied pursuant to clauses "*first*" and "*second*," the "Class A-1 Enhanced Principal Payment") and *third*, to the payment of principal of the Class A-2 Notes until paid in full;
- (2) the remaining amount (if any) will be applied to pay the principal amount of the Class B Notes in the amount necessary to increase the Class B Overcollateralization Ratio to, or maintain it at, (i) the Initial Class B Overcollateralization Level prior to the occurrence of the Enhanced Level Triggering Event or (ii) the Enhanced Class B Overcollateralization Level thereafter;
 - (3) the remaining amount (if any) will be applied to pay the principal amount of the Class C Notes in the amount necessary to increase the Class C Overcollateralization Ratio to, or maintain it at, (i) the Initial Class C Overcollateralization Level prior to the occurrence of the Enhanced Level Triggering Event or (ii) the Enhanced Class C Overcollateralization Level thereafter;
 - (4) the remaining amount (if any) will be applied, (i) first, to pay interest on the Class D Notes to the extent not paid under the Interest Proceeds Waterfall (including Defaulted Interest and accrued interest thereon and the Class D Deferred Interest Amount) and (ii) second, to pay the principal amount of the Class D Notes in the amount necessary to increase the Class D Overcollateralization Ratio to, or maintain it at, (i) the Initial Class D Overcollateralization Level prior to the occurrence of the Enhanced Level Triggering Event or (ii) the Enhanced Class D Overcollateralization Level thereafter;
 - (5) the remaining amount (if any) will be applied, (i) first, to pay interest on the Class E Notes to the extent not paid under the Interest Proceeds Waterfall (including Defaulted Interest and accrued interest thereon and the Class E Deferred Interest Amount) and (ii) second, to pay the principal amount of the Class E Notes in the amount necessary to increase the Class E Overcollateralization Ratio to, or maintain it at, (i) the Initial Class E Overcollateralization Level prior to the occurrence of the Enhanced Level Triggering Event or (ii) the Enhanced Class E Overcollateralization Level thereafter;

- (6) the remaining amount (if any) will be applied, (i) first, to pay interest on the Class F Notes to the extent not paid under the Interest Proceeds Waterfall (including Defaulted Interest and accrued interest thereon and the Class F Deferred Interest Amount) and (ii) second, to pay the principal amount of the Class F Notes in the amount necessary to increase the Class F Overcollateralization Ratio to, or maintain it at, (i) the Initial Class F Overcollateralization Level prior to the occurrence of the Enhanced Level Triggering Event or (ii) the Enhanced Class F Overcollateralization Level thereafter;
- (7) the remaining amount (if any) will be applied, (i) first, to pay interest on the Class G Notes to the extent not paid under the Interest Proceeds Waterfall (including Defaulted Interest and accrued interest thereon and the Class G Deferred Interest Amount) and (ii) second, to pay the principal amount of the Class G Notes in the amount necessary to increase the Class G Overcollateralization Ratio to, or maintain it at, (i) the Initial Class G Overcollateralization Level prior to the occurrence of the Enhanced Level Triggering Event or (ii) the Enhanced Class G Overcollateralization Level thereafter;
- (8) the remaining amount (if any) will be applied, (i) first, to pay interest on the Class H Notes to the extent not paid under the Interest Proceeds Waterfall (including Defaulted Interest and accrued interest thereon and the Class H Deferred Interest Amount) and (ii) second, to pay the principal amount of the Class H Notes in the amount necessary to increase the Class H Overcollateralization Ratio to, or maintain it at, (i) the Initial Class H Overcollateralization Level prior to the occurrence of the Enhanced Level Triggering Event or (ii) the Enhanced Class H Overcollateralization Level thereafter; and
- (9) the remaining amount (if any) will be distributed in accordance with clauses (6) through (9) of the Principal Proceeds Waterfall subject to the same conditions and in the same order of priority as set forth therein.

In order to determine the amount to be distributed under clauses (1) through (8) above, the Issuer and the Trustee will determine what the Overcollateralization Level or the Enhanced Overcollateralization Level, as the case may be, will be for each Class after all distributions of Interest Proceeds, Principal Proceeds and CDS Reserve Account Excess Withdrawal Amount, all allocations of CDS Principal Proceeds and all payments under the Credit Default Swaps have been made on the Quarterly Distribution Date. Any Interest Proceeds applied to pay principal of the Notes on a Quarterly Distribution Date will be taken into account in determining the amount to be paid under the Modified Sequential Payment Priority.

Sequential Payment Priority. On any Quarterly Distribution Date as of which a Rating Confirmation Failure has occurred and is continuing or that occurs during the Sequential Pay Period (or upon any Class F Overcollateralization Test Redemption), the Issuer will apply Principal Proceeds or Specified Principal Proceeds, as applicable, available in accordance with clause [(2)] or clause [(4)] of the Principal Proceeds Waterfall and the CDS Reserve Account Excess Withdrawal Amount (if any) and Special Interest Proceeds (if any) in accordance with the following priorities (the "Sequential Payment Priority"):

- (1) to the payment of principal of the Class A-1 Notes until paid in full;
- (2) to make a deposit to the CDS Reserve Account until the Aggregate Undrawn Amount is reduced to zero;
- (3) to the payment of principal of the Class A-2 Notes until paid in full;

- (4) to the payment of principal of the Class B Notes until paid in full;
- (5) to the payment of principal of the Class C Notes until paid in full;
- (6) to the payment of interest with respect to the Class D Notes (including any Defaulted Interest and accrued interest thereon and any Class D Deferred Interest Amount) to the extent not paid under the Interest Proceeds Waterfall;
- (7) to the payment of principal of the Class D Notes until paid in full;
- (8) to the payment of interest with respect to the Class E Notes (including any Defaulted Interest and accrued interest thereon and any Class E Deferred Interest Amount) to the extent not paid under the Interest Proceeds Waterfall;
- (9) to the payment of principal of the Class E Notes until paid in full;
- (10) to the payment of interest with respect to the Class F Notes (including any Defaulted Interest and accrued interest thereon and any Class F Deferred Interest Amount) to the extent not paid under the Interest Proceeds Waterfall;
- (11) to the payment of principal of the Class F Notes until paid in full;
- (12) to the payment of interest with respect to the Class G Notes (including any Defaulted Interest and accrued interest thereon and any Class G Deferred Interest Amount) to the extent not paid under the Interest Proceeds Waterfall;
- (13) to the payment of principal of the Class G Notes until paid in full;
- (14) to the payment of interest with respect to the Class H Notes (including any Defaulted Interest and accrued interest thereon and any Class H Deferred Interest Amount) to the extent not paid under the Interest Proceeds Waterfall; and
- (15) to the payment of principal of the Class H Notes until paid in full.

CDS Application Priority. The Issuer will allocate CDS Principal Proceeds (other than Specified CDS Principal Proceeds) or, in the case of clause (3) below, Specified CDS Principal Proceeds in the order of priority (the "CDS Application Priority") set forth below:

- (1) during the Reinvestment Period, to Acquire additional Credit Default Swaps in accordance with the Eligibility Criteria, but only if no Notional Amount Shortfall exists or would result from such Acquisition;
- (2) on each Quarterly Distribution Date following a Rating Confirmation Failure, in the event that the Issuer does not obtain a Rating Confirmation, to reduce permanently the Aggregate Undrawn Amount to the extent specified by each relevant Rating Agency in order to obtain a Rating Confirmation with respect to the Notes or to the extent specified in a Proposed Plan which satisfied the Rating Condition with respect to any Rating Agency which did not issue a Rating Confirmation;
- (3) on each Quarterly Distribution Date prior to the end of the Reinvestment Period, to reduce permanently the Aggregate Undrawn Amount under the Class A-1 Swap by (i) the amount of the

Specified CDS Principal Proceeds for the related Due Period if the Quarterly Distribution Date occurs in a Sequential Pay Period, or (ii) if the Quarterly Distribution Date occurs during a Modified Sequential Pay Period, the Class A-1 Reduction Amount for the related Due Period; and

- (4) on each Quarterly Distribution Date on or after the end of the Reinvestment Period, to reduce permanently the Aggregate Undrawn Amount under the Class A-1 Swap by (i) the amount of the CDS Principal Proceeds for the related Due Period if such Quarterly Distribution Date occurs during a Sequential Pay Period, or (ii) if the Quarterly Distribution Date occurs during a Modified Sequential Pay Period, the Class A-1 Reduction Amount for the related Due Period; *provided* that, on the Quarterly Distribution Date on which the Reinvestment Period ends (or the first Quarterly Distribution Date thereafter if it does not end on a Quarterly Distribution Date), all CDS Principal Proceeds which were not theretofore applied shall be deemed to be CDS Principal Proceeds received in the related Due Period.

In the event that a CDS Principal Receipt Date occurred in one Due Period but the Collateral Administrator is not notified of such occurrence until a subsequent Due Period (and, as a result, the related CDS Principal Payment is not included in the CDS Principal Proceeds for such Due Period), the related CDS Principal Payment shall be included in CDS Principal Proceeds for the subsequent Due Period in which the Collateral Administrator receives each notice.

Voluntary Prepayment of Outstanding Class A-1 Amount. The Collateral Manager, on behalf of the Issuer, may direct the Trustee to apply funds in the CDS Reserve Account on any Quarterly Distribution Date to pay the Outstanding Class A-1 Funded Amount, which payment shall not constitute a Permanent Reduction Amount (and, if the conditions in the Class A-1 Swap are satisfied, shall result in an increase in the Aggregate Undrawn Amount), *provided that* the Collateral Manager certifies to the Trustee on or prior to the related Determination Date that (after taking into account such withdrawal from the CDS Reserve Account and all other withdrawals to be made from the CDS Reserve Account on or prior to such Quarterly Distribution Date), (i) there will not be a Notional Amount Shortfall in excess of zero on such Quarterly Distribution Date, and (ii) the Distributable Principal Proceeds together with the CDS Reserve Account Excess Withdrawal Amount will be sufficient to pay the Class A-1 Principal Payment and the full Junior Note Reduction Amount to be paid on such Quarterly Distribution Date.

Account Payment Priority. Before requesting a Class A-1 Funding under the Class A-1 Swap to fund a Permitted Use, the Issuer will apply all funds, securities and other property standing to the credit of the Accounts specified below in the order of seniority specified below (the "Account Payment Priority"):

- (1) in the case of Floating Amounts (other than Interest Shortfall Payment Amounts) and Physical Settlement Amounts payable by the Issuer under Unhedged Long Credit Default Swaps and Swap Termination Payments payable by the Issuer under any Credit Default Swap, the excess, if any, of such amounts that the Issuer is required to pay to the Credit Default Swap Counterparty over any Floating Amounts (other than Interest Shortfall Payment Amounts), Physical Settlement Amounts and Swap Termination Payments that the Credit Default Swap Counterparty is required to pay to the Issuer under the Credit Default Swaps;
 - (a) *first*, from the Uninvested Proceeds Account;
 - (b) *second*, from the Principal Collection Account; and
 - (c) *third*, from the CDS Reserve Account; and

- (2) in the case of Net Issuer Hedged Long Fixed Amounts payable by the Issuer in respect of Hedged Long Credit Default Swaps and Interest Shortfall Payment Amounts payable by the Issuer under Long Credit Default Swaps;
- (a) *first*, from the Interest Collection Account;
 - (b) *second*, (other than Interest Shortfall Payment Amounts) from the Uninvested Proceeds Account;
 - (c) *third*, (other than Interest Shortfall Payment Amounts) from the Principal Collection Account;
 - (d) *fourth*, from the income on investments in the CDS Reserve Account (if it is not payable to MLI under the Total Return Swap); and
 - (e) *fifth*, (other than Interest Shortfall Payment Amounts) from other amounts on deposit in the CDS Reserve Account;

provided, however, that, prior to the Issuer paying any such amount pursuant to sub-clause (a) or (d) of clause (2) above the Trustee will request the Collateral Manager (on behalf of the Issuer) to confirm that such payment will not cause the Issuer to fail to comply with (or increase the Issuer's noncompliance with) the Interest Sufficiency Test and, if the Collateral Manager informs the Trustee that such payment will have such result, payments pursuant to sub-clause (a) or (d) of clause (2) above will be reduced to the extent specified by the Collateral Manager in order to comply with the Interest Sufficiency Test (provided, that no such reduction shall be made to the extent that (taking into account the availability of a Class A-1 Swap Funding) it will prevent payment in full of any Net Issuer Hedged Long Fixed Amounts or Interest Shortfall Payment Amounts payable under Long Credit Default Swaps).

The Interest Proceeds, Principal Proceeds, Specified Principal Proceeds, Distributable Principal Proceeds and CDS Reserve Account Excess Withdrawal Amount for any Quarterly Distribution Date will be determined after taking into account all of the payments expected to be made on such Quarterly Distribution Date in accordance with the Account Payment Priority.

Form, Denomination, Registration and Transfer

General

(i) The Class A Notes, Class B Notes, Class C Notes and Class D Notes offered in reliance upon Regulation S ("Regulation S Senior Notes"), which will be sold to persons that are not U.S. Persons in offshore transactions in accordance with Regulation S, will be represented by one or more global notes ("Regulation S Global Senior Notes") in definitive, fully registered form, without interest coupons, and deposited with the Trustee as custodian for, and registered in the name of, The Depository Trust Company ("DTC") or its nominee, initially for the accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and/or Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"). Class D Notes, Class E Notes, Class G Notes and Class H Notes ("Subordinate Notes" offered in reliance upon Regulation S are referred to herein as the "Regulation S Global Subordinate Notes" (and together with the Regulation S Global Senior Notes, the "Regulation S Global Notes"). By acquisition of a beneficial interest in a Regulation S Global Note, any purchaser thereof will be deemed to represent that it is not a U.S. Person and that, if in the future it decides to transfer such beneficial interest, it will transfer such interest only to a person that is not a U.S. Person in an offshore transaction in

accordance with Regulation S or to a person who takes delivery in the form of a Restricted Note. Beneficial interests in each Regulation S Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and Indirect Participants, including Euroclear and Clearstream, Luxembourg.

(ii) The Class A Notes, Class B Notes, Class C Notes and Class D Notes offered and sold in the United States pursuant to an exemption from the registration requirements of the Securities Act ("Restricted Senior Notes") will be represented by one or more global notes ("Restricted Global Senior Notes") in fully registered form, without interest coupons, and deposited with the Trustee as custodian for, and registered in the name of, DTC or its nominee. Interests in Restricted Global Senior Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and Indirect Participants. Subordinate Notes offered in the United States in reliance on an exemption from the registration requirements of the Securities Act ("Restricted Definitive Subordinate Notes" (and together with the Restricted Senior Notes, the "Restricted Notes")) will be represented by notes in fully registered definitive form registered in the name of the legal and beneficial owner thereof.

(iii) The Notes are subject to the restrictions on transfer set forth in this Preliminary Offering Circular under "Transfer Restrictions."

(iv) The Regulation S Global Notes and the Restricted Global Senior Notes are collectively referred to herein as "Global Notes." Under certain limited circumstances described herein, definitive registered Notes may be issued in exchange for Global Notes. Owners of beneficial interests in Regulation S Global Senior Notes and Restricted Global Senior Notes will be entitled or required, as the case may be, under certain limited circumstances described below, to receive physical delivery of certificated Notes ("Definitive Senior Notes") in fully registered, definitive form. No owner of a beneficial interest in a Regulation S Global Senior Note will be entitled to receive a Definitive Senior Note unless such person provides written certification that such Definitive Senior Note is beneficially owned by a person that is not a U.S. Person and is not held for the account or benefit of a U.S. Person. No owner of a beneficial interest in a Restricted Global Senior Note will be entitled to receive a Definitive Senior Note unless such person provides written certification that such Definitive Senior Note is beneficially owned by a U.S. Person or in the United States in reliance upon an exemption from the registration requirements of the Securities Act. Owners of beneficial interests in Regulation S Global Senior Notes will be entitled or required under certain limited circumstances described below, to receive physical delivery of certificated Subordinate Notes ("Regulation S Definitive Subordinate Notes" and, together with the Definitive Senior Notes, the "Definitive Notes") in fully registered, definitive form. No owner of an interest in a Regulation S Global Subordinate Note will be entitled to receive a Regulation S Definitive Subordinate Note unless for a person other than a distributor (as defined in Regulation S), such person provides certification that the Regulation S Definitive Subordinate Note is beneficially owned by a person that is not a U.S. Person (as defined in Regulation S). Transfers by a holder of a beneficial interest in a Regulation S Global Subordinate Note to a transferee who takes delivery of such interest through a Restricted Definitive Subordinate Note will be made in accordance with paragraph (i) of "—Transfer and Exchange of Notes" below.

(v) Pursuant to the Indenture, [_____] will be appointed and will serve as the registrar with respect to the Notes (in such capacity, the "Note Registrar") and will provide for the registration of Notes and the registration of transfers of Notes in the register maintained by it (the "Note Register"). [_____] will be appointed as a transfer agent with respect to the Notes (in such capacity, the "Note Transfer Agent").

(vii) The Notes will be issuable in a minimum denomination of U.S.\$[250,000] and will be offered only in such minimum denomination or an integral multiple of U.S.\$[1,000] in excess thereof.

(viii) After issuance, a Note may fail to be in compliance with the minimum denomination requirement stated above as a result of the repayment of principal thereof in accordance with the Priority of Payments.

(ix) After issuance, the Class A-1 Notes may fail to be in an amount which is an integral multiple of U.S.\$[1,000] if the aggregate principal amount advanced by the Class A-1 Noteholders is less than the minimum denomination.

(x) No Note (or any interest therein) may be transferred, and neither the Trustee nor the Note Registrar will recognize any such transfer, unless (a) such transfer is made in a manner exempt from registration under the Securities Act, (b) such transfer is made in denominations greater than or equal to the minimum denomination therefor, (c) such transfer would not have the effect of requiring either of the Co-Issuers or the Collateral to register as an investment company under the Investment Company Act and (d) the transferee is able to make all applicable certifications and representations required by the relevant transfer certificate attached in the case of the Notes (if the Indenture requires that a transfer certificate be delivered in connection with such a transfer).

Global Notes

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

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

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

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

Definitive Notes

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

Transfer and Exchange of Notes

(i) Transfers by a holder of a beneficial interest in a Regulation S Global Note to a transferee who takes delivery of such interest in the form of a beneficial interest in a Restricted Note will be made only in accordance with the Applicable Procedures and upon receipt by the Note Registrar of written certifications from the transferor of the beneficial interest in the form provided in the Indenture to the effect that, among other things, such transfer is being made (a) to a person whom the transferor reasonably believes is a (x) Qualified Institutional Buyer to whom notice is given that the transfer is being made in reliance on Rule 144A and (y) to a Qualified Purchaser, and (b) in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and from the transferee in the form provided for in the Indenture. Exchanges or transfers by a holder of a Note represented by a Definitive Note to a transferee who takes delivery of such Note in the form of a beneficial interest in a Restricted Note will be made no later than 60 days after the receipt by the Note Registrar or Note Transfer Agent of the Definitive Notes to be so exchanged or transferred only in accordance with the Applicable Procedures, and, if applicable, upon receipt by, in the case of a Note, the Note Registrar of a written certification from the transferor in the form provided in the Indenture.

An owner of a beneficial interest in a Regulation S Global Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Note without the provision of written certification; *provided* that (1) such transfer is not made to a U.S. Person or for the account or benefit of a U.S. Person and is effected through Euroclear or Clearstream, Luxembourg in an offshore transaction as

required by Regulation S and only in accordance with the Applicable Procedures and (2) any transfer not effected in an offshore transaction in accordance with Rule 904 of Regulation S may be made only upon provision to the Trustee, the Co-Issuers and the Note Registrar of written certification from the transferee and transferor in the form provided for in the Indenture. Any such transferee must be able to make the representations set forth under "Transfer Restrictions," including, in the case of the Subordinate Notes, the deemed representation that it is not a Benefit Plan Investor or a Controlling Person.

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers determines that any beneficial owner or holder of (A) a Regulation S Note (or any interest therein) is a U.S. Person or (B) a Restricted Note (or any interest therein) is not a Qualified Institutional Buyer and also a Qualified Purchaser, then either of the Co-Issuers shall require, by notice to such beneficial owner or holder, as the case may be, that such beneficial owner or holder sell all of its right, title and interest to such Restricted Note (or any interest therein) to a person that (1) is not a U.S. Person (in the case of a person holding its interest through a Regulation S Note) or (2) in the case of a person holding its interest through a Restricted Note, is both (x) a Qualified Institutional Buyer and (y) a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner or holder fails to effect the transfer required within such 30-day period, (i) upon written direction from the Collateral Manager or the Issuer, the Trustee shall, and is hereby irrevocably authorized by such beneficial owner or holder to, on behalf of and at the expense of the Issuer, cause such beneficial owner's or holder's interest in such Note to be transferred in a commercially reasonable sale (conducted by an investment bank selected by the Trustee, and approved by the Issuer in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to, in the case of a Note, the Trustee and the Co-Issuers and the Issuer, in connection with such transfer, that such person (x) is not a U.S. Person (in the case of a person holding its interest through a Regulation S Note) or (y) is both (1) a Qualified Institutional Buyer and (2) a Qualified Purchaser (in the case of a person holding its interest through a Restricted Note) and (ii) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner or holder and such Note shall be deemed not to be outstanding for the purpose of any vote or consent of the Noteholders. Any costs and expenses related to such sale (including the fees and expenses of any such investment bank) shall be paid from the proceeds of such sale. The Trustee shall have no liability for the results of such sale (including the price received) conducted in good faith and in accordance with the Indenture.

(ii) Transfers by a holder of a beneficial interest in a Restricted Note to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Note will be made only in accordance with the Applicable Procedures and upon receipt by, in the case of a Note, the Note Registrar of written certification from the transferor and the transferee in the form provided in the Indenture to the effect that such transfer is being made in an offshore transaction (within the meaning of Regulation S) in accordance with Rule 904 of Regulation S. Exchanges or transfers by a holder of a Note represented by a Definitive Note to a transferee who takes delivery of such Note in the form of a beneficial interest in a Regulation S Global Note will be made (A) no later than 60 days after the receipt by the Note Registrar or Note Transfer Agent, as the case may be, of the Definitive Notes to be so exchanged or (B) transferred only in accordance with the Applicable Procedures, and, if applicable, upon receipt by the Note Registrar of a written certification from the transferor in the form provided in the Indenture.

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

(iii) Transfers by a holder of a Restricted Definitive Subordinate Note or Regulation S Definitive Subordinate Note to a transferee who takes delivery of a Restricted Definitive Subordinate Note will be made only upon receipt by the Note Registrar of written certifications from (1) the transferor in the form provided in the Indenture to the effect that, among other things, such transfer is being made to a person whom the transferor reasonably believes is a Qualified Institutional Buyer, purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from Securities Act registration provided by Rule 144A and (2) the transferee in the form provided for in the Indenture to the effect that, among other things, the transferee (x) either is both a Qualified Institutional Buyer and a Qualified Purchaser or is not a U.S. Person and (y) is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle).

(iv) No Regulation S Subordinate Note may be transferred to a Benefit Plan Investor or a Controlling Person, and no Restricted Definitive Subordinate Note may be transferred to a Benefit Plan Investor or a Controlling Person unless, after giving effect to such transfer, less than 25% (or such greater percentage as may be specified in regulations promulgated by the U.S. Department of Labor) of the Class of the applicable Class of Subordinate Notes would be held by Benefit Plan Investors (determined after disregarding the Subordinate Notes held by Controlling Persons). None of the Issuer, the Trustee or the Note Registrar will recognize any such transfer. See "Transfer Restrictions."

The Indenture provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that (i) any beneficial owner or holder of a Regulation S Subordinate Note is a Benefit Plan Investor or a Controlling Person, (ii) an Original Purchaser or a subsequent transferee of a Restricted Definitive Subordinate Note that is a Benefit Plan Investor or a Controlling Person did not disclose in an Investor Application Form or a transfer certificate in the form attached to the Indenture delivered to the Issuer at the time of its acquisition of such Subordinate Note (or beneficial interest therein) that it is a Benefit Plan Investor or a Controlling Person, (iii) subsequent to the purchase of a Subordinate Note, any beneficial owner becomes a Benefit Plan Investor or a Controlling Person or (iv) as a result of a transfer of a Subordinate Note or interest therein, 25% or more of the applicable Class of Subordinate Notes are held by Benefit Plan Investors (disregarding Subordinate Notes held by Controlling Persons), then the Issuer (or the Collateral Manager on its behalf) shall require, by notice to such beneficial owner, that such beneficial owner sell all of its right, title and interest in or to such Subordinate Notes (or interest therein) to a Person that is not a Benefit Plan Investor or a Controlling Person and otherwise satisfies the requirements for holding such Subordinate Notes with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner or holder fails to effect the transfer required within such 30-day period, (i) upon written direction from the Issuer (or the Collateral Manager on behalf of the Issuer), the Trustee (on behalf of and at the expense of the Issuer) shall cause such beneficial owner's or holder's interest in such Subordinate Notes to be transferred in a commercially reasonable sale (conducted by an investment bank selected by the Trustee and approved by the Issuer in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Trustee, Note Registrar, the Issuer and the Collateral Manager, in connection with such transfer, that such person is not a Benefit Plan Investor nor a Controlling Person and otherwise satisfies the requirements for holding such Subordinate Notes and (ii) pending such transfer, no payments will be made on such Subordinate Notes from the date notice of the sale requirement is sent to the date on which such Subordinate Notes are sold and such Subordinate Notes shall be deemed not to be outstanding for the purposes of any vote, consent or direction of the Subordinate Noteholders and shall not be taken into account for the purposes of calculating any quorum or majority requirements relating thereto.

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

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

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

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

(viii) Notes issued upon any exchange or registration of transfer of securities shall be valid obligations of the Co-Issuers, evidencing the same debt, and entitled to the same benefits, as the Notes surrendered upon exchange or registration of transfer.

(ix) The Note Registrar will effect transfers of Global Notes and, along with the Note Transfer Agent, will effect exchanges and transfers of Definitive Notes and Restricted Definitive Subordinate Notes. In addition, the Note Registrar will keep in the Note Register records of the ownership, exchange and transfer of any Note in definitive form.

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

(xi) Subject to compliance with the transfer restrictions applicable to the Notes described above and under "Transfer Restrictions," cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by its respective depository; *however*, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, Luxembourg, as the case may be, will if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in a Regulation S Global Note in DTC and making or receiving payment in accordance with normal procedures for same-day funds settlement

applicable to DTC. Clearstream, Luxembourg participants and Euroclear participants may not deliver instructions directly to the depositaries of Euroclear or Clearstream, Luxembourg.

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

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

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

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

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

(xvii) No Reg Y Institution may transfer any Subordinate Notes held by it to any person other than (a) a person or group of persons under common control that controls the Issuer without reference to any Subordinate Notes, as applicable, transferred to such person or group by such Reg Y Institution (a "Controlling Party"), (b) a person or persons designated by a Controlling Party, (c) in a widespread public distribution as part of a public offering, (d) in amounts such that, after giving effect thereto, no single transferee and its Affiliates will hold more than 2% of the aggregate number of Subordinate Notes (including all options, warrants and similar rights exercisable or convertible into Subordinate Notes) or

(e) as otherwise permitted by applicable U.S. Federal banking law and regulations. See "Transfer Restrictions."

(xviii) No Regulation S Subordinate Note may be transferred to a Benefit Plan Investor or a Controlling Person, and (ii) no Restricted Definitive Note may be transferred to a Benefit Plan Investor or a Controlling Person unless, after giving effect to such transfer, less than 25% (or such greater percentage as may be specified in regulations promulgated by the U.S. Department of Labor) of the applicable Class of Subordinate Notes would be held by Benefit Plan Investors (determined after disregarding Subordinate Notes held by Controlling Persons) would be held by Benefit Plan Investors. None of the Issuer, the Paying Agent or the Note Registrar will recognize any such transfer. See "Transfer Restrictions."

No Gross-Up

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

The Indenture

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

Events of Default

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

(i) a default in the payment of the Class A-1 Swap Availability Fee when due to the Class A-1 Swap Counterparty or a default in the payment of any accrued interest (a) on any Class A Note when the same becomes due and payable, (b) on any Class B Note when the same becomes due and payable, (c) on any Class C Note when the same becomes due and payable, (d) if there are no Class A Notes, Class B Notes or Class C Notes outstanding (and the Swap Period Termination Date has occurred), on any Class D Note when the same becomes due and payable, (e) if there are no Class A Notes, Class B Notes, Class C Notes or Class D Notes outstanding (and the Swap Period Termination Date has occurred), on any Class E Note when the same becomes due and payable, (f) if there are no Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes outstanding (and the Swap Period Termination Date has occurred), on any Class F Note when the same becomes due and payable, (g) if there are no Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class F Notes outstanding (and the Swap Period Termination Date has occurred), on any Class G Note when the same becomes due and payable and (h) if there are no Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes or Class G Notes outstanding (and the Swap Period Termination Date has occurred), on any Class H Note when the same becomes due and payable, in each case which default continues for a period of five Business Days (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, such default continues for a period of seven Business Days after any of the Issuer, the Co-Issuer or the Collateral Manager has actual knowledge thereof or after written notice thereof (x) to the Issuer and the Collateral Manager by the Trustee, (y) to the Issuer and the Trustee by the Collateral Manager or (z) to the Issuer, the Collateral Manager and the Trustee by the holders of at least 25% in Aggregate Outstanding Amount of the Controlling Class, by the

Credit Default Swap Counterparty or by a Hedge Counterparty, in each case specifying such default or breach and requiring it to be remedied and stating that it is a "notice of default" under the Indenture);

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

(iii) the failure on any Quarterly Distribution Date to disburse amounts available in the Interest Collection Account or Principal Collection Account in excess of U.S.\$500 in accordance with the order of priority set forth above under "—Priority of Payments" (other than a default in payment described in clause (i) or (ii) above), which failure continues for a period of three Business Days (or, in the case of a default in payment resulting solely from an administrative error or omission by the Trustee, the Administrator, a Paying Agent (other than the Preference Share Paying Agent) or the Note Registrar, such default continues for a period of five Business Days) after any of the Issuer, the Co-Issuer or the Collateral Manager has actual knowledge thereof or after written notice thereof (x) to the Issuer and the Collateral Manager by the Trustee, (y) to the Issuer and the Trustee by the Collateral Manager or (z) to the Issuer, the Collateral Manager and the Trustee by the holders of at least 25% in Aggregate Outstanding Amount of the Controlling Class, by the Credit Default Swap Counterparty or by a Hedge Counterparty, in each case specifying such default or breach and requiring it to be remedied and stating that it is a "notice of default" under the Indenture;

(iv) either of the Co-Issuers or the pool of Collateral becomes an investment company required to be registered under the Investment Company Act (unless such requirement is eliminated or resolved within 30 days, to the extent permitted under applicable law);

(v) a default in the performance, or breach, of any other covenant or other agreement (it being understood that a failure to satisfy a Collateral Quality Test, the Class F Overcollateralization Test, the Standard & Poor's CDO Monitor Test or the Eligibility Criteria is not a default or breach) of the Issuer or the Co-Issuer under the Indenture or any representation or warranty of the Issuer or the Co-Issuer made in the Indenture or in any certificate or other writing delivered pursuant thereto or in connection therewith proves to be incorrect in any material respect when made, which breach, violation, default or incorrect representation or warranty is reasonably expected to have a material and adverse effect on the interest of any of the Noteholders, and the continuation of such default, breach or incorrectness for a period of 45 consecutive days (or, if such default, breach or incorrectness has an adverse effect on the validity, perfection or priority of the security interest granted under the Indenture, 30 consecutive days) after written notice thereof (x) to the Issuer and the Collateral Manager by the Trustee, (y) to the Issuer and the Trustee by the Collateral Manager or (z) to the Issuer, the Collateral Manager and the Trustee by the holders of at least 25% in Aggregate Outstanding Amount of the Controlling Class, by the Credit Default Swap Counterparty or by a Hedge Counterparty, in each case specifying such default or breach and requiring it to be remedied and stating that it is a "notice of default" under the Indenture;

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

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

(viii) an Early Termination Date is designated under the ISDA Master Agreement (and a CDS Replacement has not occurred), *provided* that if such Early Termination Date is designated by the Issuer based on an "Event of Default" or "Termination Event" with respect to which the Credit Default Swap Counterparty is the "Defaulting Party" or an "Affected Party" a Majority of each Class of the Notes must consent in writing to such event constituting an "Event of Default" for purposes of the Indenture; or

(ix) the failure to maintain the Class A Overcollateralization Ratio at or above []% as of any Determination Date.

If the amount of the Class A-1 Swap Availability Fee or principal on the Notes paid by the Issuer on a Quarterly Distribution Date is less than the amount which should have been paid as a result of an error in the calculation of such payments because the Issuer or the Trustee relied on any incorrect amount for the CDS Principal Proceeds, the Remaining Exposure or the Aggregate Undrawn Amount it will not be an Event of Default under the Indenture if the correct payment is made by the Issuer on the Quarterly Distribution Date relating to the first Determination Date following the Trustee's receipt of notice of such error. If either of the Co-Issuers obtains knowledge or has reason to believe that an Event of Default has occurred and is continuing, such Co-Issuer is obligated promptly to notify the Trustee, the Preference Share Paying Agent, the Noteholders, the Collateral Manager, each Hedge Counterparty, the Credit Default Swap Counterparty and each Rating Agency of such Event of Default in writing.

The Trustee shall notify the Collateral Manager within 5 Business Days of the Trustee obtaining knowledge of an Event of Default. The Collateral Manager shall notify the Trustee within 5 Business Days of the Collateral Manager becoming aware of an Event of Default.

If an Event of Default occurs and is continuing (other than an Event of Default described in clause (vi) of the definition of "Event of Default"), (a) the Trustee may (after notice to the Co-Issuers) and shall (at the written direction of the holders of a majority in Aggregate Outstanding Amount of the Controlling Class and after notice to the Co-Issuers) declare the principal of and accrued and unpaid interest on all of the Notes to be immediately due and payable and upon any such declaration the principal of all the Notes, together with all accrued and unpaid interest and Class A-1 Swap Availability Fee, shall be due and payable, and (b) if such Event of Default results in an acceleration of the Notes, the Reinvestment Period shall terminate. If an Event of Default described in clause (vi) of the definition of "Event of Default" occurs, such acceleration, reduction of Aggregate Undrawn Amount and termination of the Reinvestment Period will occur automatically and without any further action by any party. Notwithstanding the foregoing, if the sole Event of Default is an Event of Default described in clause (i) or clause (ii) of the definition of "Events of Default" with respect to a default in the payment of any principal of or interest on the Notes of a Class other than the Controlling Class, neither the Trustee nor the holders of such non-Controlling Class will have the right to declare such principal and other amounts to be immediately due and payable. Any declaration of acceleration may under certain circumstances be rescinded by the holders of a majority in Aggregate Outstanding Amount of the Controlling Class.

If an Event of Default occurs and is continuing when any Note is outstanding (or when the Swap Period Termination Date has not occurred) or the Remaining Exposure under the Credit Default Swaps is greater than zero, the Trustee will not terminate any Hedge Agreement (unless the Issuer has entered into a replacement Hedge Agreement for such terminated Hedge Agreement) and will retain the Collateral intact and collect all payments in respect of the Collateral and continue making payments in the manner described under "—Priority of Payments" unless the principal of the Notes has been declared immediately due and payable in accordance with the Indenture (and such declaration has not been rescinded) and any one of the following has occurred:

(A) the Trustee determines in accordance with the Indenture that the anticipated net proceeds of a sale or liquidation of the Collateral would be sufficient to discharge in full the amounts then due and unpaid on the Notes for principal and interest (including the Class D Deferred Interest Amount, the Class E Deferred Interest Amount, the Class F Deferred Interest Amount, the Class G Deferred Interest Amount, the Class H Deferred Interest Amount, Defaulted Interest and interest on Defaulted Interest, if any), to pay the accrued and unpaid Class A-1 Swap Availability Fee, to reduce the Remaining Exposure under the Credit Default Swaps to zero, to pay the expenses of such sale or liquidation, to pay due and unpaid Administrative Expenses (as may be reasonably estimated) and to pay any accrued and unpaid Trustee Fee, all amounts due to the Hedge Counterparties and the Credit Default Swap Counterparty (including any termination payment and any accrued interest thereon assuming for this purpose, that each Hedge Agreement or Credit Default Swap, as applicable, has been terminated by reason of an event of default or termination event with respect to the Issuer) and accrued and unpaid Management Fees;

(B) the holders of at least 66²/₃% of the Aggregate Outstanding Amount of each Class of Notes voting as a separate Class, the Credit Default Swap Counterparty and each Hedge Counterparty (unless no early termination payment (other than Unpaid Amounts) would be owing by the Issuer to such Hedge Counterparty upon the termination thereof by reason of an event of default or termination event under the relevant Hedge Agreement with respect to the Issuer), subject to the provisions of the Indenture, direct the sale of the Collateral; or

(C) (i) the Class A-1 Note Parties comprising at least 66²/₃% of the Aggregate Outstanding Amount of the Class A-1 Notes direct the sale of the Collateral on any date on which an Event of Default consisting of a failure to pay the Class A-1 Swap Availability Fee or the Interest Distribution Amount on the Class A-1 Notes has occurred and is continuing or (ii) the Class A Parties comprising at least 66²/₃% of the Aggregate Outstanding Amount of the Class A-1 Notes and Class A-2 Notes direct the sale of the Collateral on any date on which an Event of Default described in clause (ix) of the definition thereof has occurred and is continuing.

If any of the conditions above (the "Liquidation Conditions") to the liquidation of the Collateral is satisfied, the Trustee will liquidate the Collateral and terminate each Hedge Agreement and, on the sixth Business Day (the "Accelerated Maturity Date") following the Business Day (which shall be the Determination Date for such Accelerated Maturity Date) on which the Trustee notifies the Issuer, the Collateral Manager, each Hedge Counterparty, the Credit Default Swap Counterparty and each Rating Agency that such liquidation is completed, apply the proceeds of such liquidation in accordance with the Liquidation Priority of Payments; provided, however, that the Issuer shall continue to hold funds on deposit in the CDS Reserve Account and any Synthetic Security Counterparty Account to the extent required to meet the Issuer's obligations in connection with any Synthetic Securities that have not been terminated. The Accelerated Maturity Date will be treated as a Quarterly Distribution Date, and distributions on such date will be made in accordance with the Priority of Payments.

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

Pursuant to the Indenture, as security for the payment by the Issuer of the compensation and expenses of the Trustee and any sums that the Trustee may be entitled to receive as indemnification by the

Issuer, the Issuer will grant the Trustee a lien on the Collateral other than the security interest granted to the Synthetic Security Counterparty over the Synthetic Security Counterparty Account, which lien is senior to the lien of the Secured Parties. The Trustee's lien will be exercisable by the Trustee only if the Notes have been declared due and payable following an Event of Default and such acceleration has not been rescinded or annulled.

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

The holders of a majority in Aggregate Outstanding Amount of the Controlling Class may, prior to the time a judgment or decree for the payment of money due has been obtained by the Trustee, waive any past default on behalf of the holders of all the Notes and its consequences (including rescinding the acceleration of the Notes and permitting the Reinvestment Period to continue for the remainder of its term), except a default in the payment of the principal of any Note or in the payment of interest (including any Defaulted Interest or interest on Defaulted Interest) on the Notes, in respect of a provision of the Indenture that cannot be modified or amended without the waiver or consent of the holder of each outstanding Note affected thereby, or arising as a result of an Event of Default described in clause (vi) or clause (viii) of the definition of "Event of Default."

No holder of a Note will have the right to institute any proceeding with respect to the Indenture unless (i) such holder previously has given to the Trustee written notice of an Event of Default, (ii) except in certain cases of a default in the payment of principal or interest, the holders of at least 25% in Aggregate Outstanding 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 indemnity satisfactory to it, (iii) the Trustee has for 30 days failed to institute any such proceeding and (iv) no direction inconsistent with such written request has been given to the Trustee during such 30 day period by the holders of a majority in Aggregate Outstanding Amount of the Controlling Class.

If the Trustee shall receive conflicting or inconsistent requests from two or more groups of holders of the Controlling Class, each representing less than a majority in Aggregate Outstanding Amount of the Controlling Class, the Trustee shall follow the instructions of the group representing the higher percentage of interest in the Aggregate Outstanding Amount of the Controlling Class.

In determining whether the holders of the requisite percentage of Notes or Preference Shares have given any direction, notice, consent or waiver, (i) Notes or Preference Shares owned by the Issuer, the Co-Issuer or any Affiliate thereof shall be disregarded and deemed not to be outstanding and (ii) in relation to any assignment or termination of any of the express rights of the Collateral Manager under the Collateral Management Agreement or the Indenture (including the exercise of any right to remove the Collateral Manager or terminate the Collateral Management Agreement), or any amendment or other modification of the Collateral Management Agreement or the Indenture increasing the rights or decreasing the obligations of the Collateral Manager, Collateral Manager Securities shall be disregarded and deemed not to be outstanding; *provided* that the Collateral Manager and its affiliates will be entitled to vote Notes or Preference Shares owned or controlled by them, or by accounts managed by them, with respect to all other matters.

Notices

Notices to the Noteholders will be given by first-class mail, postage prepaid, to the registered holders of the Notes at their address appearing in the Note Register. If and for so long as any Class of

Notes is listed on the Irish Stock Exchange and so long as the rules of such stock exchange so require, notices to the holders of such Notes will also be published in the Irish Stock Exchange's official list.

Modification of the Indenture

With the consent of (w) the holders of not less than a majority in Aggregate Outstanding Amount of the outstanding Notes of each Class materially and adversely affected thereby and a Majority-in-Interest of Preference Shareholders (if materially and adversely affected thereby), (x) each Hedge Counterparty (if such consent is required pursuant to the applicable Hedge Agreement), (y) the Class A-1 Swap Counterparty (if adversely affected thereby) and (z) the Credit Default Swap Counterparty (if adversely affected thereby), the Trustee and Co-Issuers may enter into one or more supplemental indentures to add provisions to, or change in any manner or eliminate any provisions of, the Indenture or modify in any manner the rights of the holders of the Notes of such Class, the Preference Shares or the Hedge Counterparties, as the case may be, under the Indenture. Unless notified by holders of a majority in Aggregate Outstanding Amount of any Class of Notes or by a Majority-in-Interest of Preference Shareholders that such Class of Notes or the Preference Shares, as the case may be, will be materially and adversely affected by such change, the Trustee is entitled to receive and conclusively rely upon an officer's certificate of the Issuer (or of the Collateral Manager on behalf of the Issuer) or an opinion of counsel, provided by and at the expense of the Issuer, stating whether or not any Class of Notes or the Preference Shares would be materially and adversely affected by such change. Such determination shall be conclusive and binding on all present and future holders of the Notes and the Preference Shareholders. As long as any Class of the Notes is listed on the Irish Stock Exchange, the Issuer will notify the Company Announcements Office of the Irish Stock Exchange following any modification to the Indenture that affects any Class of the Notes that is listed on the Irish Stock Exchange.

Notwithstanding the foregoing, the Trustee may not enter into any such supplemental indenture (other than to conform the Indenture to the final Offering Circular) without the consent of each holder of each outstanding Note of each Class materially and adversely affected thereby, each Preference Shareholder materially and adversely affected thereby (which consent shall be evidenced by an officer's certificate of the Issuer certifying that such consent has been obtained, on which the Trustee is entitled to conclusively rely), the Credit Default Swap Counterparty (if adversely affected thereby), each Hedge Counterparty (if its consent is required pursuant to the applicable Hedge Agreement) and the Class A-1 Swap Counterparty (if adversely affected thereby) if such supplemental indenture (i) changes the Stated Maturity of the principal of or the due date of any installment of interest on any Note, reduces the principal amount thereof or the rate of interest, or the redemption price with respect thereto, changes the definition of Scheduled Preference Share Redemption Date, changes the earliest date on which the Issuer may redeem any Note, changes the Priority of Payments so as to affect application of proceeds of any Collateral to the payment of principal of or interest on the Notes or (solely with respect to the Class A-1 Swap Counterparty) Class A-1 Swap Availability Fee or distributions on the Preference Shares, changes any place where, or the coin or currency in which, any Note or the principal thereof or interest or (solely with respect to the Class A-1 Swap Counterparty) Class A-1 Swap Availability Fee thereon is payable, or impairs the right to institute suit for the enforcement of any such payment on or after the Stated Maturity or the Scheduled Preference Share Redemption Date, as the case may be (or, in the case of redemption, on or after the applicable redemption date) or changes the date on which any distribution in respect of the Preference Shares is payable, (ii) reduces the percentage in Aggregate Outstanding Amount of holders of Notes of each Class or the percentage of Preference Shareholders (as applicable) whose consent is required for the authorization of any supplemental indenture or for any waiver of compliance with certain provisions of the Indenture or certain defaults thereunder or their consequences or to request that the Trustee preserve the Collateral pledged under the Indenture or rescind the election to preserve the Collateral or to sell or liquidate the Collateral pursuant to the Indenture, (iii) materially impairs or materially adversely affects the Collateral pledged under the Indenture except as otherwise permitted

thereby, (iv) permits the creation of any lien ranking prior to or on a parity with the lien created by the Indenture with respect to any part of the Collateral other than the security interest granted to the Synthetic Security Counterparty over the Synthetic Security Counterparty Account or terminates such lien on any property at any time subject thereto (other than in connection with the sale or exchange thereof in accordance with, or as otherwise permitted by, the Indenture) or deprives the holder of any Note of the security afforded by the lien created by the Indenture except, in each of the foregoing cases, as otherwise permitted by the Indenture, (v) modifies any of the provisions of the Indenture with respect to supplemental indentures requiring the consent of Noteholders except to increase the percentage of the Aggregate Outstanding Amount of holders of Notes of each Class or the percentage of Preference Shareholders (as applicable) whose consent is required for any action or to provide that other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby, (vi) modifies the definition of the term "Outstanding," the definition of the term "Event of Default" or the subordination or priority of payments provisions of the Indenture, (vii) increases the permitted minimum denominations of any Class of Notes, (viii) modifies any of the provisions of the Indenture in such a manner as to affect directly the calculation of the amount of any payment of interest on or principal of any Note or the right of the holders of Notes to the benefit of any provisions for the redemption of such Notes contained therein or to adversely affect the rights of the Preference Shareholders to the benefit of any provisions for the redemption of the Preference Shares contained therein, or (ix) amends the "non-petition" or "limited recourse" provisions of the Indenture or the Notes; *provided* that nothing in clauses (i) through (ix) above is intended to apply to a supplemental indenture otherwise permitted by the Indenture that may affect indirectly the amount available for application under the Priority of Payments. The Trustee may not enter into any supplemental indenture described in this paragraph unless the Rating Condition with respect to Standard & Poor's shall have been satisfied with respect to such supplemental indenture and the consent of each adversely affected holder of Notes, the Credit Default Swap Counterparty (if adversely affected thereby), the Class A-1 Swap Counterparty (if adversely affected thereby) and each Hedge Counterparty (to the extent required by the related Hedge Agreement) has been obtained with respect thereto.

The Co-Issuers and the Trustee may also enter into supplemental indentures without obtaining the consent of holders of any Notes, the Preference Shareholders, the Credit Default Swap Counterparty, the Class A-1 Swap Counterparty or any Hedge Counterparty (except to the extent such consent is required under the applicable Hedge Agreement), in order to (i) evidence the succession of any person to the Issuer or the Co-Issuer and the assumption by such successor of the covenants in the Indenture and the Notes, (ii) add to the covenants of the Co-Issuers or the Trustee for the benefit of the holders of all of the Notes or to surrender any right or power conferred upon the Co-Issuers, (iii) convey, transfer, assign, mortgage or pledge any property to the Trustee for the benefit of the Secured Parties, (iv) evidence and provide for the acceptance of appointment by a successor trustee and to add to or change any of the provisions of the Indenture as shall be necessary to facilitate the administration of the trusts under the Indenture by more than one Trustee, (v) correct or amplify the description of any property at any time subject to the lien created by the Indenture, or to better assure, convey and confirm unto the Trustee any property subject or required to be subject to the lien created by the Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations) or to subject to the lien created by the Indenture any additional property, (vi) modify the restrictions on and procedures for resales and other transfers of the Notes to reflect any changes in applicable law or regulation (or the interpretation thereof) or in accordance with the USA PATRIOT Act, the Proceeds of Criminal Conduct Law (as amended) (enacted in the Cayman Islands), The Money Laundering Regulations (as amended) (enacted in the Cayman Islands) and any other similar applicable laws or regulations or to enable the Co-Issuers to rely upon any less restrictive exemption from registration under the Securities Act, the Investment Company Act or other applicable law or to remove restrictions on resale and transfer to the extent not required thereunder, (vii) correct any inconsistency, defect or ambiguity in the Indenture or correct, modify or supplement any provision which is inconsistent with any rating agency methodology, (viii)

obtain ratings on one or more Classes of the Notes or Preference Shares from any rating agency, (ix) accommodate the issuance of any Class of Notes or Preference Shares to be held through the facilities of DTC, Euroclear or Clearstream, Luxembourg or otherwise or the listing or the delisting of the Notes or the Preference Shares on any exchange or the issuance of additional Preference Shares, (x) make administrative changes as the Co-Issuers deem appropriate and that do not materially and adversely affect the interests of any Noteholder, Preference Shareholder, the Credit Default Swap Counterparty or Hedge Counterparty, (xi) avoid imposition of tax on the net income of the Issuer or the Co-Issuer or of withholding tax on any payment to the Issuer or the Co-Issuer or to avoid the Issuer or the Co-Issuer being required to register as an investment company under the Investment Company Act or avoid the application of the German Investment Tax Act to the Issuer or to any of the Securities, (xii) accommodate the issuance of any Class of Notes as Definitive Notes, (xiii) to correct any non-material error in any provision of the Indenture upon receipt by the Trustee of written direction from the Issuer describing in reasonable detail such error and the modification necessary to correct such error, (xiv) conform the Indenture to the final Offering Circular, (xv) make any change required in order to permit or maintain a listing on any exchange, (xvi) correct any manifest error in the Indenture, (xvii) amend or otherwise modify (a) if the Rating Condition with respect to Moody's is satisfied, (1) the matrix attached as Part I of Schedule A hereto, (2) the Moody's Minimum Weighted Average Recovery Rate Test, the Moody's Maximum Rating Distribution Test or the Moody's Asset Correlation Test or (3) any reference in the Indenture to "Moody's Rating" or a rating assigned by Moody's or (b) if the Rating Condition with respect to Standard & Poor's is satisfied, the matrix attached as Part II of Schedule A hereto or the Standard & Poor's Minimum Recovery Rate Test or any reference in the Indenture to "Standard & Poor's Rating" or a rating assigned by Standard & Poor's; (xviii) comply with any Proposed Plan; (xix) accommodate, modify or amend existing and/or replacement Hedge Agreements or enter into one or more additional Hedge Agreements or replacements therefor; (xx) accommodate a CDS Replacement; (xxi) accommodate the replacement of the Class A-1 Swap or a TRS Replacement; (xxii) change the procedures for implementing the Auction Call Redemption, Optional Redemption or Tax Redemption (but without changing the Redemption Price or the earliest date on which such a redemption may occur), including deadlines, in each case, at the direction of the Collateral Manager; (xxiii) to give effect to any financing arrangements (an "Alternative Arrangement") entered into by the Issuer (which may be documented by a Master Agreement or may involve the issuance of debt securities or other instruments by the Issuer) following a failure by the Class A-1 Swap Counterparty to perform its obligations under the Class A-1 Swap that (1) have the economic effect of replacing such holder by providing liquidity to the Issuer in order to enable it to satisfy its obligations under, and to terminate, assign or novate (as applicable), Credit Default Swaps and (2) will not result in any reduction to amounts that would otherwise be payable or distributed to any of the Secured Parties or the Preference Shareholders under this Indenture if such failure had not occurred; or (xxiv) to facilitate the Issuer's entry into the Replacement Credit Linked Note.

In each case (other than pursuant to clause (xiv) or (xvi)), the Trustee may not enter into a supplemental indenture, unless such supplemental indenture (x) would not materially and adversely affect any Class of Notes or the Preference Shareholders and (y) would not adversely affect the Credit Default Swap Counterparty or the Class A-1 Swap Counterparty. The Trustee may not enter into any such supplemental indenture if, with respect to such supplemental indenture, the Rating Condition with respect to Standard & Poor's would not be satisfied and notice has not been delivered to Moody's; *provided* that the Trustee may, with the consent of the holders of 100% of the Aggregate Outstanding Amount of Notes of each affected Class, the Credit Default Swap Counterparty (if adversely affected thereby) or the Class A-1 Swap Counterparty (if adversely affected thereby), enter into any such supplemental indenture notwithstanding that the Rating Condition would not be satisfied with respect to such supplemental indenture; *provided further* that notice of such consent is provided to the Rating Agencies and the Collateral Manager.

The Trustee may rely upon an officer's certificate of the Issuer (or the Collateral Manager on its behalf) or an opinion of counsel, provided by and at the expense of the Issuer, as to whether the interests of any Class of Notes or the Preference Shareholders would be materially and adversely affected by any such supplemental indenture, whether the Class A-1 Swap Counterparty or Credit Default Swap Counterparty would be adversely affected by any such supplemental indenture and whether or not the consent of any Hedge Counterparty is required. The Issuer may not enter into any such supplemental indenture without the consent of each Hedge Counterparty (if its consent is required under the applicable Hedge Agreement).

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

Notwithstanding anything to the contrary in this section, if any of the Rating Agencies changes the method of calculating any of its respective Collateral Quality Tests or the Standard & Poor's CDO Monitor Test (a "Collateral Quality Test Modification"), the Issuer may, at the direction of the Collateral Manager, incorporate corresponding changes into the Indenture without the consent of the holders of the Notes, Preference Shares, the Credit Default Swap Counterparty or the Class A-1 Swap Counterparty if (i) in the case of a Collateral Quality Test Modification, the Rating Condition is satisfied with respect to the Rating Agency that made such change and (ii) if notice of such change is delivered by the Collateral Manager to the Trustee and to the holders of the Notes, Preference Shares, the Class A-1 Swap Counterparty and the Credit Default Swap Counterparty (which notice may be included in the next regular report to Noteholders). Any such modification shall be effected without execution of a supplemental indenture, subject to the consent of the Trustee solely with respect to its own administrative burdens (which consent may not be unreasonably withheld) and with respect to its increased liabilities (which consent may be withheld in its sole discretion) and the consent of the Credit Default Swap Counterparty (if adversely affected thereby), the Class A-1 Swap Counterparty (if adversely affected thereby) and each Hedge Counterparty (to the extent each such consent is required pursuant to the applicable Hedge Agreement).

The Issuer may not enter into a supplemental indenture which affects the amount or timing of deposits to or withdrawals from the CDS Reserve Account or which materially and adversely affects the Total Return Swap Counterparty unless in each case, the Total Return Swap Counterparty has consented thereto.

Promptly after the execution by the Co-Issuers and the Trustee of any supplemental indenture, the Trustee, at the expense of the Co-Issuers, will mail to the holders of the Notes, the Collateral Manager, the Preference Share Paying Agent, the Credit Default Swap Counterparty, the Class A-1 Swap Counterparty, each Hedge Counterparty, the Paying Agent in Ireland (if and for so long as any Class of Notes is listed thereon) and each Rating Agency (so long as any Class of Notes is outstanding) a copy thereof.

Modification of Certain Other Documents

Prior to entering into any amendment to or termination of the Account Control Agreement, the Collateral Management Agreement, the Collateral Administration Agreement, the Class A-1 Swap, the Administration Agreement or any Hedge Agreement, the Issuer is required by the Indenture (i) to notify the Rating Agencies of such amendment or termination and (ii) to obtain the written consent of the Credit Default Swap Counterparty and the Class A-1 Swap Counterparty to such amendment or termination. Prior to granting any waiver in respect of any of the foregoing agreements, the Issuer is required to

provide each Rating Agency, the Collateral Manager, the Credit Default Swap Counterparty, the Class A-1 Swap Counterparty, each Hedge Counterparty and the Trustee with written notice of such waiver. The amendment to and waiver of provisions of the Collateral Management Agreement are also subject to additional restrictions as described herein under "The Collateral Management Agreement." The Credit Default Swap Counterparty and certain Synthetic Security Counterparties, each Hedge Counterparty, the Collateral Manager and each Preference Shareholder will be express third party beneficiaries of the Indenture.

Consolidation, Merger or Transfer of Assets

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

Petitions for Bankruptcy

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

Acts of Noteholders or Preference Shareholders

In determining whether the holders of the requisite percentage of Notes or Preference Shares have given any direction, notice, consent or waiver, (i) prior to the Swap Period Termination Date, the Aggregate Outstanding Amount of Class A-1 Notes shall be deemed to include the Aggregate Undrawn Amount of such Notes, (ii) Notes or Preference Shares owned by the Issuer, the Co-Issuer or any Affiliate thereof shall be disregarded and deemed not to be outstanding, and (iii) in relation to any assignment or termination of any of the express rights of the Collateral Manager under the Collateral Management Agreement or the Indenture (including the exercise of any right to remove the Collateral Manager or terminate the Collateral Management Agreement), or any amendment or other modification of the Collateral Management Agreement or the Indenture increasing the rights or decreasing the obligations of the Collateral Manager, Collateral Manager Securities shall be disregarded and deemed not to be outstanding; *provided* that the Collateral Manager and its Affiliates will be entitled to vote Notes or Preference Shares owned or controlled by them, or by accounts managed by them, with respect to all other matters.

Notwithstanding anything to the contrary contained in the Indenture, with respect to any Noteholder which has notified the Trustee in writing that pursuant to such Noteholder's organizational documents or other documents governing such Noteholder's actions, such Noteholder is not permitted to take any affirmative action approving, rejecting or otherwise acting upon any Issuer request including, but not limited to, a request for the consent of such Noteholder to a proposed amendment or waiver pursuant to the Indenture, the failure by such Noteholder to consent to or reject any such requested action will be deemed a consent by such Noteholder to the requested action.

Satisfaction and Discharge of Indenture

The Indenture will be discharged with respect to the Collateral upon delivery to the Trustee for cancellation of all of the Notes, or, subject to certain limitations, upon deposit with the Trustee of funds sufficient for the payment or redemption of the Notes and the payment by the Co-Issuers of all other

amounts due under the Notes, the Indenture, the Collateral Administration Agreement, the Class A-1 Swap, the Administration Agreement, each Hedge Agreement and the Collateral Management Agreement.

Trustee

[_____] will be the Trustee under the Indenture. The Co-Issuers and their respective Affiliates may maintain other banking relationships in the ordinary course of business with the Trustee. The payment of the fees and expenses of the Trustee is solely the obligation of the Co-Issuers. The Trustee and its Affiliates may receive compensation in connection with the investment of trust assets in certain Eligible Investments as provided in the Indenture. Eligible Investments may include investments for which the Trustee and/or its Affiliates provide services. The Indenture contains provisions for the indemnification of the Trustee for any loss, liability or expense incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture. Pursuant to the Indenture, the Issuer has granted to the Trustee a lien senior to that of the Noteholders to secure payment by the Issuer of the compensation and expenses of the Trustee and any sums the Trustee may be entitled to receive as indemnification by the Issuer under the Indenture (subject to the dollar limitations set forth in the Priority of Payments with respect to any Quarterly Distribution Date), which lien the Trustee is entitled to exercise only under certain circumstances. In the Indenture, the Trustee will agree not to cause or join in the filing of a petition for winding up or a petition in bankruptcy against the Co-Issuers for nonpayment to the Trustee of amounts payable thereunder until at least one year and one day, or if longer, the applicable preference period (plus one day) then in effect, after the payment in full of all of the Notes; *provided, however*, it is entitled to file proofs of claim in connection with such proceeding. Pursuant to the Indenture, (i) the Trustee may resign at any time by providing 30 days' prior written notice to the Co-Issuers, the Noteholders, the Hedge Counterparties, each Rating Agency, the Collateral Manager and the Preference Share Paying Agent, and (ii) the Trustee may be removed at any time by holders of at least 66²/₃% of the Aggregate Outstanding Amount of the Notes or at any time on 10 days' prior written notice when an Event of Default shall have occurred and be continuing by holders of at least 66²/₃% of the Aggregate Outstanding Amount of the Controlling Class. However, no resignation or removal of the Trustee will become effective until the acceptance of appointment by a successor Trustee pursuant to the terms of the Indenture. If the Trustee shall resign or be removed, the Trustee shall also resign as Paying Agent, Calculation Agent, Note Registrar and any other capacity in which [_____] is then acting pursuant to the Indenture, the Preference Share Paying Agency Agreement, the Collateral Administration Agreement, the Account Control Agreement and each Class A-1 Swap Prefunding Account Control Agreement.

The Collateral Administration Agreement

Pursuant to the terms of the Collateral Administration Agreement (the "Collateral Administration Agreement"), dated as of the Closing Date, among the Issuer, the Collateral Manager and [_____] (in such capacity, the "Collateral Administrator"), relating to certain functions performed by the Collateral Administrator for the Issuer with respect to the Indenture and the Collateral Debt Securities, the Issuer will retain the Collateral Administrator, to assist in the preparation of certain reports with respect to the Collateral Debt Securities. The compensation paid to the Collateral Administrator by the Issuer for such services will be in addition to the fees paid to [_____] in its capacity as Trustee, will be treated as an expense of the Issuer under the Indenture and will be subject to the Priority of Payments.

Tax Characterization

The Issuer intends to treat the Notes as debt instruments of the Issuer for U.S. Federal, state and local income tax purposes, unless and until an applicable taxing authority requires otherwise. The

Indenture will provide that each registered holder and beneficial owner, by accepting a Note, agrees to such treatment and not to take any action inconsistent with such treatment unless otherwise required by any taxing authority under applicable law.

Governing Law

The Notes, the Indenture, the Collateral Management Agreement, the Collateral Administration Agreement, the Preference Share Paying Agency Agreement, the Class A-1 Swap, each Hedge Agreement and the Purchase Agreement will be governed by, and construed in accordance with, the laws of the State of New York. The Issuer Charter, the Preference Shares and the Administration Agreement will be governed by, and construed in accordance with, the laws of the Cayman Islands.

DESCRIPTION OF THE PREFERENCE SHARES

The Preference Shares will be issued pursuant to the Issuer Charter and will be subscribed for in accordance with the terms of the Investor Application Form for Preference Shares. The following summary describes certain provisions of the Preference Shares, the Issuer Charter and the Preference Share Paying 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 Issuer Charter and the Preference Share Paying Agency Agreement. After the Closing Date, copies of the Issuer Charter and the Preference Share Paying Agency Agreement may be obtained by prospective investors upon request in writing to the Preference Share Paying Agent at [_____].

Status

The Issuer is authorized to issue [_____] Preference Shares, par value U.S.\$0.01 per share, at an issue price of U.S.\$1,000 per share, having an aggregate liquidation preference of U.S.\$[_____] and on the Closing Date will issue [_____] Preference Shares with an aggregate Liquidation Preference of U.S. U.S.\$[_____]. The Issuer may issue up to an additional [●] Preference Shares subject to obtaining the unanimous consent of the holders of the Preference Shares. The Preference Shares are participating securities in the capital of the Issuer and will rank *pari passu* with respect to distributions. Under Cayman Islands law, each Preference Share is a preferred share with a par value of \$0.01 per share. The obligations of the Issuer under the Preference Shares are payable solely from amounts distributed to the Preference Shareholders in accordance with the Priority of Payments, and, following realization of the Collateral under the Indenture, any claims of the Preference Shareholders against the Issuer will be extinguished. The Preference Shares do not have any principal amount, and the Liquidation Preference is used solely for certain calculations hereunder and under the Indenture and the Preference Share Paying Agency Agreement. Under Cayman Islands law the Preference Shares are preferred shares and any distributions thereon are dividends.

Distributions

On each Quarterly Distribution Date, to the extent funds are available therefor, Interest Proceeds will be released from the lien of the Indenture for payment to the Preference Share Paying Agent only after the payment of interest on the Notes and, in certain circumstances, principal due in respect of the Notes and the payment of certain other amounts in accordance with the Priority of Payments, including the Class E/F/G/H Special Redemption or the Class F Overcollateralization Test Redemption. Any Interest Proceeds permitted to be released from the lien of the Indenture and paid to the Preference Share Paying Agent will be distributed to the Preference Shareholders on such Quarterly Distribution Date. See "Description of the Notes—Interest Proceeds" and "—Principal Proceeds" and "Security for the Notes."

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

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

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

If a Rating Confirmation Failure occurs, funds that would otherwise be paid to the Preference Share Paying Agent for distribution to the Preference Shareholders (subject to the payment of certain other amounts prior thereto) will be used to redeem the Notes to the extent necessary (after the application of Uninvested Proceeds for such purpose) to obtain a Rating Confirmation from each Rating Agency. Pursuant to a Class E/F/G/H Special Redemption, on each Quarterly Distribution Date from and including the Quarterly Distribution Date in [●] [2007] to and including the Quarterly Distribution Date in [●] [___], the Class E/F/G/H Payment Amount will be applied to pay principal of the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes. In addition, in connection with a Class F Overcollateralization Test Redemption, Interest Proceeds that may otherwise have been available to be released from the lien of the Indenture and paid to the Preference Share Paying Agent will be applied to pay principal of the Notes (other than the Class G Notes and Class H Notes) or make a deposit to the CDS Reserve Account in accordance with the Sequential Payment Priority. See "Description of the Notes—Priority of Payments—Interest Proceeds."

Redemption of the Preference Shares

The Scheduled Preference Share Redemption Date is the Quarterly Distribution Date in [●] [2049].

On any Quarterly Distribution Date on or after the Quarterly Distribution Date on which the Notes have been paid in full, the Preference Shares may be redeemed (in whole but not in part) at the direction of a Majority-in-Interest of Preference Shareholders given not less than 15 Business Days (but not more than 90 days) prior to such Quarterly Distribution Date, at a redemption price equal to the amount distributed in accordance with the Liquidation Priority of Payments.

The Preference Shares shall be redeemed (without any action of the Preference Shareholders) upon a Tax Redemption of the Notes.

The Issuer Charter

The following summary describes certain provisions of the Issuer Charter, the Indenture, the Preference Share Paying Agency Agreement and the Collateral Management 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 Issuer Charter, the Indenture, the Preference Share Paying Agency Agreement and the Collateral Management Agreement.

Notices

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

Voting Rights

Set forth below is a summary of certain matters with respect to which Preference Shareholders are entitled to vote. This summary is not meant to be an exhaustive list, and, subject to covenants made by each Preference Shareholder in the Investor Application Form for Preference Shares (in the case of Original Purchasers of the Preference Shares) and in the transfer certificates (in the case of transferees of the Preference Shares), the Indenture, the Preference Share Documents, the Collateral Management Agreement and Cayman Islands law afford Preference Shareholders of the Issuer the right to vote on matters in addition to those mentioned below.

Redemption of the Preference Shares: On any Quarterly Distribution Date on or after the Quarterly Distribution Date on which the Notes have been paid in full, the Preference Shares may be redeemed (in whole but not in part) at the direction of a Majority-in-Interest of Preference Shareholders and the Preference Shares shall be redeemed (without any action of the Preference Shareholders) upon a Tax Redemption of the Notes, as described above under "—Redemption of the Preference Shares."

The Collateral Management Agreement: For a description of certain of the provisions relating to the termination of the Collateral Management Agreement, the objection to the appointment of a replacement Collateral Manager, see "The Collateral Management Agreement."

The Indenture: The Issuer is not permitted to enter into certain supplemental indentures without the consent of a specified percentage of the Preference Shareholders under the circumstances described under "Description of the Notes—The Indenture—Modification of the Indenture."

Preference Share Paying Agency Agreement: The Issuer is not permitted to consent to any amendment of the Preference Share Paying Agency Agreement without the consent of Preference Shareholders whose Voting Percentages equal [100]% of the Voting Percentages of all Preference Shareholders if such amendment would (i) reduce in any manner the amount of, or delay the timing of, or change the allocation of, the payment of any dividends or final distributions on the Preference Shares, (ii) reduce the Voting Percentage of Preference Shareholders required to consent to any amendment to the Preference Share Paying Agency Agreement that requires the consent of the Preference Shareholders, or (iii) increase the minimum number of Preference Shares required to be held at any time by a single Preference Shareholder.

The Hedge Agreements: 100% of the Preference Shareholders have the right to consent to the payment by the Issuer of Deferred Termination Payments out of distributions (if any) payable to the Preference Shareholders. See "Security for the Notes—The Hedge Agreements."

Dissolution: Liquidating Distributions

The Issuer will be wound up on the earliest to occur of (i) at any time on or after the date that is one year and two days after the Stated Maturity of the Notes, upon the directors' resolution to wind up the Issuer, (ii) at any time after the sale or other disposition of all of the Issuer's assets, upon the directors' resolution to wind up the Issuer, (iii) at any time after the Notes are paid in full, upon the directors' resolution to wind up the Issuer and (iv) on the date of a winding up pursuant to the provisions of or as

contemplated by The Companies Law (2004 Revision) of the Cayman Islands as then in effect. The directors of the Issuer currently intend, in the event that the Preference Shares are not redeemed at the option of a Majority-in-Interest of Preference Shareholders following the repayment in full of the Notes, to liquidate all of the Issuer's remaining investments in an orderly manner and distribute the proceeds of such liquidation to the Preference Shareholders. However, there can be no assurance that the Notes will be repaid before their Stated Maturity. See "Maturity, Prepayment and Yield Considerations" and "Risk Factors—Average Life of the Notes and Prepayment Considerations."

On the passing of a resolution to wind up the Issuer, its affairs will be wound up and its assets sold or distributed. Subject to the terms of the Indenture, the Preference Share Documents and Cayman Islands law, the assets of the Issuer shall be applied in the following order of priority:

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

Consolidation, Merger or Transfer of Assets

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

Petitions for Bankruptcy

The Preference Share Paying Agent will agree in the Preference Share Paying Agency Agreement that it will not cause or join in the filing of a winding-up petition or a petition in bankruptcy against the Issuer before one year and one day have elapsed since the payment in full of the Notes or, if longer, the applicable preference period (plus one day) then in effect.

Governing Law

The Preference Share Paying Agency Agreement will be governed by, and construed in accordance with, the laws of the State of New York. The Issuer Charter, the Preference Shares and the Administration Agreement will be governed by, and construed in accordance with, the laws of the Cayman Islands.

Form, Registration and Transfer

General

(i) Preference Shares that are sold or transferred outside the United States to persons that are not U.S. Persons ("Regulation S Preference Shares") will be represented by either (i) one or more permanent global Preference Share certificates (each, a "Regulation S Global Preference Share") in fully registered form without interest coupons deposited with the Preference Share Paying Agent as custodian for, and registered in the name of, DTC (or its nominee) and deposited with or on behalf of DTC initially for the accounts of Euroclear, and/or Clearstream, Luxembourg or (ii) in the limited circumstances described herein, Preference Share certificates in definitive, fully registered form, registered in the name of the legal and beneficial owner thereof (or a nominee acting on behalf of the disclosed legal and beneficial owner thereof) ("Regulation S Definitive Preference Shares"). Interests in the Regulation S Global Preference Shares will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and Indirect Participants (including Euroclear and Clearstream, Luxembourg). By acquisition of a Regulation S Preference Share, any purchaser thereof will be required to represent and warrant in a transfer certificate (in the case of the Regulation S Definitive Preference Shares) or be deemed to represent and warrant (in the case of the Regulation S Global Preference Shares) that (a) it is not a U.S. Person and is purchasing such Regulation S Preference Share for its own account and not for the account or benefit of a U.S. Person and (b) if in the future it decides to transfer such Regulation S Preference Share, it will transfer such Regulation S Preference Share to a person that is not a U.S. Person only in an offshore transaction in accordance with Regulation S or to a person who takes delivery in the form of a Restricted Definitive Preference Share. Preference Shares that are sold or transferred to a U.S. Person or in the United States in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof will be represented by certificates ("Restricted Definitive Preference Shares" and, together with the Regulation S Definitive Preference Shares, the "Definitive Preference Shares") in definitive, fully registered form, registered in the name of the legal and beneficial owner thereof. Interests in a Regulation S Preference Share will be exchangeable or transferable, as the case may be, for a Regulation S Definitive Preference Share if (a) DTC notifies the Issuer that it is unwilling or unable to continue as depository for such Regulation S Definitive Preference Share, (b) DTC ceases to be a "Clearing Agency" registered under the Exchange Act, and a successor depository is not appointed by the Issuer within 90 days, (c) the transferee of an interest in a Regulation S Global Preference Share is required by law to take physical delivery of securities in definitive form, (d) the transferee is unable to pledge its interest in a Regulation S Global Preference Share or (e) the Issuer otherwise consents to such exchange or transfer for a Definitive Preference Share.

(ii) The Preference Shares will be subject to the restrictions on transfer set forth in this Preliminary Offering Circular under "Transfer Restrictions." Preference Shares may not be transferred if, after giving effect to such transfer, the transferee (and, if the transferor retains any Preference Shares, the transferor) would own less than 250 Preference Shares.

(iii) [] (or any successor thereto) will be appointed as transfer agent with respect to the Preference Shares (the "Preference Share Paying Agent").

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

(v) The Administrator will be appointed as Preference Share Registrar (the "Preference Share Registrar"). The Preference Share Registrar will provide for the registration of Preference Shares and the registration of transfers of Preference Shares in the register maintained by it (the "Preference Share Register"). Written instruments of transfer are available at the office of the Issuer and the designated office of the Preference Share Paying Agent.

(vi) The Issuer is authorized to issue [●] Preference Shares, par value U.S.\$0.01 per share and on the Closing Date will issue [●] Preference Shares, par value U.S.\$0.01 per share. The Issuer may issue an additional [●] Preference Shares subject to obtaining the unanimous written consent of the holders of the Preference Shares].

(vii) The minimum number of Preference Shares to be issued to an investor will initially be 250, or integral multiples of one share in excess thereof.

Transfer and Exchange

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

The holder of a beneficial interest in a Regulation S Global Preference Share may transfer such interest to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Preference Share; *provided* that any such transfer may only be made to a person that is not a U.S. Person and that is not acquiring such beneficial interest for the account or benefit of a U.S. Person and any such transfer may only be effected in an offshore transaction in accordance with Regulation S and only in accordance with the Applicable Procedures. Any such transferee must be able to make the representations set forth under "Transfer Restrictions," including the deemed representation that it is not a Benefit Plan Investor or a Controlling Person.

Transfers or exchanges by a holder of a Definitive Preference Share to a transferee who takes delivery of such interest in the form of a beneficial interest in a Regulation S Global Preference Share will be made only (a) in accordance with the Applicable Procedures and (b) upon receipt by the Preference Share Paying Agent of written certification from each of the transferor and transferee in the form provided in the Preference Share Paying Agency Agreement to the effect that, among other things, such transfer is being made to a person that is not a U.S. Person, that is not a Benefit Plan Investor nor a Controlling Person and that is not acquiring such beneficial interest for the account or benefit of a U.S. Person and that such transfer is being effected in an offshore transaction in accordance with Regulation S.

Definitive Preference Shares may be exchanged or transferred in whole or in part in numbers not less than the applicable minimum trading lot by surrendering such Definitive Preference Shares at the office designated by the Preference Share Paying Agent with a written instrument of transfer and written certification from each of the transferor and the transferee in the form provided in the Preference Share Paying Agency Agreement to the effect that, among other things, the transferee (i) is (x) a Qualified

Institutional Buyer or (y) entitled to take delivery of such Restricted Definitive Preference Share pursuant to another exemption from the registration requirements of the Securities Act (subject to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act), (ii) is a Qualified Purchaser, (iii) is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle) and (iv) except as otherwise provided herein with respect to Restricted Definitive Preference Shares, is not a Benefit Plan Investor or a Controlling Person. With respect to any transfer of a portion of Definitive Preference Shares, the transferor will be entitled to receive new Restricted Definitive Preference Shares or Regulation S Definitive Preference Shares, as the case may be, representing the liquidation amount retained by the transferor after giving effect to such transfer. Definitive Preference Shares issued upon any such exchange or transfer (whether in whole or in part) will be made available at the office of the Preference Share Paying Agent.

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

(ii) No Reg Y Institution may transfer any Preference Shares held by it to any person other than (a) a person or group of persons under common control that controls the Issuer without reference to any Preference Shares transferred to such person or group by such Reg Y Institution (a "Controlling Party"), (b) a person or persons designated by a Controlling Party, (c) in a widespread public distribution as part of a public offering, (d) in amounts such that, after giving effect thereto, no single transferee and its Affiliates will hold more than 2% of the aggregate number of Preference Shares (including all options, warrants and similar rights exercisable or convertible into Preference Shares) or (e) as otherwise permitted by applicable U.S. Federal banking law and regulations. See "Transfer Restrictions."

(iii) No Regulation S Preference Share may be transferred to a Benefit Plan Investor or a Controlling Person, and no Restricted Definitive Preference Share may be transferred to a Benefit Plan Investor or a Controlling Person unless, after giving effect to such transfer, less than 25% (or such greater percentage as may be specified in regulations promulgated by the U.S. Department of Labor) of Preference Shares would be held by Benefit Plan Investors (determined after disregarding the Preference Shares held by Controlling Persons). None of the Issuer, the Preference Share Paying Agent or the Preference Share Registrar will recognize any such transfer. See "Transfer Restrictions."

The Preference Share Paying Agency Agreement provides that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that (i) any beneficial owner or holder of a Regulation S Preference Share is a Benefit Plan Investor or a Controlling Person, (ii) an Original Purchaser of a Preference Share or an interest therein or a subsequent transferee of a Restricted Definitive Preference Share that is a Benefit Plan Investor or a Controlling Person did not disclose in an Investor Application Form, or a transfer certificate in the form attached to the Preference Share Paying Agency Agreement delivered to the Issuer at the time of its acquisition of such Preference Share or beneficial interest in such Preference Share that it is a Benefit Plan Investor or a Controlling Person, (iii) subsequent to the purchase of a Preference Share, any beneficial owner becomes a Benefit Plan Investor or a Controlling Person or (iv) as a result of a transfer of a Preference Share or interest therein, 25% or more of the Preference Shares are held by Benefit Plan Investors (determined after disregarding the Preference Shares held by Controlling Persons), then the Issuer (or the Collateral Manager on its behalf) shall require, by notice to such beneficial owner, that such beneficial owner sell all of its right, title and interest in or to such Preference Shares (or interest therein) to a Person that is not a Benefit Plan Investor nor a Controlling Person and otherwise satisfies the requirements for holding such Preference Shares with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner or holder

fails to effect the transfer required within such 30-day period, (x) upon written direction from the Issuer (or the Collateral Manager on behalf of the Issuer), the Preference Share Paying Agent (on behalf of and at the expense of the Issuer) shall cause such beneficial owner's or holder's interest in such Preference Shares to be transferred in a commercially reasonable sale (conducted by an investment bank selected by the Preference Share Paying Agent and approved by the Collateral Manager on behalf of the Issuer in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Preference Share Paying Agent, Preference Share Registrar, the Issuer and the Collateral Manager, in connection with such transfer, that such person is not a Benefit Plan Investor nor a Controlling Person otherwise satisfies the requirements for holding such Preference Shares and (y) pending such transfer, no payments will be made on such Preference Shares from the date notice of the sale requirement is sent to the date on which such Preference Shares are sold and such Preference Shares shall be deemed not to be outstanding for the purposes of any vote, consent or direction of the Preference Shareholders and shall not be taken into account for the purposes of calculating any quorum or majority requirements relating thereto.

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

(v) The Preference Share Paying Agent will effect exchanges and transfers of Preference Shares. All Preference Shares issued upon any exchange or registration of transfer are entitled to the same benefits as the Preference Shares surrendered upon exchange or registration of transfer.

(vi) In addition, the Preference Share Registrar will keep in the Preference Share Register records of the ownership, exchange and transfer of the Preference Shares in definitive form. Transfers of beneficial interests in Regulation S Global Preference Shares will be effected in accordance with the Applicable Procedures.

(vii) The Issuer may impose additional transfer restrictions to comply with the USA PATRIOT Act, to the extent it is applicable to the Issuer and any applicable anti-money laundering legislation in the Cayman Islands and, in such event, each holder of Preference Shares will be required to comply with such transfer restrictions.

Definitive Regulation S Preference Shares

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

the principal amount of Definitive Preference Shares surrendered for transfer, exchange or replacement that bear such Legend, or will refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of U.S. counsel, as may reasonably be required by the Issuer that neither the Legend nor the restrictions on transfer set forth therein is required to ensure compliance with the provisions of the Securities Act or the Investment Company Act. Definitive Preference Shares will be exchangeable or transferable for interests in other Definitive Preference Shares as described above.

No Gross-Up

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

Tax Characterization

The Issuer intends to treat the Preference Shares as equity interests in the Issuer for U.S. Federal, state and local income tax purposes. The Preference Share Issuing and Paying Agency Agreement will provide that each registered holder and beneficial owner of Preference Shares, by accepting such securities, agrees to such treatment, to report all income (or loss) in accordance with such characterization and not to take any action inconsistent with such treatment unless otherwise required by any taxing authority under applicable law.

USE OF PROCEEDS

The gross proceeds which the Issuer expects to receive from the issuance and sale of the Funded Notes and Preference Shares will be approximately U.S.\$[●] on the Closing Date and U.S.\$[●]. The net proceeds which the Issuer expects to receive from the issuance and sale of the Funded Notes, Preference Shares and from the Up Front Payment are expected to be approximately U.S.\$ [●] on the Closing Date, which reflects the payment from the gross proceeds of organizational and structuring fees and expenses of the Co-Issuers (including Closing Costs) and the initial deposits into the Expense Account and the Reserve Account. In addition, after the Closing Date, up to U.S.\$[] in Class A-1 Fundings may be made under the Class A-1 Swap. It is expected that the total expenses relating to the application for admission of the Notes to the official list of the Irish Stock Exchange and to trading on its regulated market will be approximately U.S.\$[●]. Such net proceeds will be used by the Issuer to (i) make a deposit of U.S.\$ [●] to the CDS Reserve Account on the Closing Date and to Acquire a portfolio of interests in (a) certain Cash Collateral Debt Securities and (b) Synthetic Securities and (ii) make an initial payment on the Closing Date to MLI in connection with the Credit Default Swaps to be entered by the Issuer on the Closing Date. On the Closing Date, the Issuer will have purchased (or entered into agreements to purchase for settlement following the Closing Date) Collateral Debt Securities having an Aggregate Principal Balance of not less than U.S.\$[●] of which approximately U.S.\$[●] is expected to consist of the notional amount of Credit Default Swaps. The Issuer expects that, no later than the Ramp-Up Completion Date, it will have purchased (or committed to purchase) Collateral Debt Securities (assuming settlement in accordance with customary settlement procedures in the relevant markets on such day of all agreements entered into by the Issuer to Acquire Collateral Debt Securities and enter into Credit Default Swaps and other Synthetic Securities scheduled to settle on or following such day) having an Aggregate Principal Balance plus the Balance of all Eligible Investments and cash in the Accounts plus all CDS Principal Proceeds which have not been reinvested plus any Principal Proceeds distributed on any prior Quarterly Distribution Date of approximately U.S.\$[●], although the Aggregate Principal Balance may be less than such amount on such date due to principal payments on the Collateral Debt Securities or, in the case of Synthetic Securities, the related Reference Obligations following Acquisition by the Issuer of such Collateral Debt Securities. Any such proceeds not invested in Collateral Debt Securities or deposited into the Expense Account, the CDS Reserve Account or the Reserve Account will be deposited by the Trustee in the Uninvested Proceeds Account and invested in Eligible Investments as directed by the Collateral Manager pending the use of such proceeds for the purchase of Collateral Debt Securities during the Ramp-Up Period, as described herein, and, in certain limited circumstances described herein, for the payment of the Notes or for distributions on the Preference Shares. See "Security for the Notes."

RATINGS OF THE NOTES

It is a condition to the issuance of the Notes that the Class A-1 Notes be rated "[Aaa]" by Moody's and "[AAA]" by Standard & Poor's, that the Class A-2 Notes be rated "Aaa" by Moody's and "[AAA]" by Standard & Poor's, that the Class B Notes be rated at least "[Aa2]" by Moody's and at least "[AA]" by Standard & Poor's, that the Class C Notes be rated at least "[Aa3]" by Moody's and at least "[AA-]" by Standard & Poor's, that the Class D Notes be rated at least "[A2]" by Moody's and at least "[A]" by Standard & Poor's, that the Class E Notes be rated at least "[Baa2]" by Moody's and at least "[BBB]" by Standard & Poor's, that the Class F Notes be rated at least "[Baa3]" by Moody's and at least "[BBB-]" by Standard & Poor's, that the Class G Notes be rated at least "[]" by Moody's and at least "[]" by Standard & Poor's and that the Class H Notes be rated at least "[]" by Moody's and at least "[]" by Standard & Poor's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision at any time.

The Standard & Poor's rating and the Moody's rating of the Class G Notes and the Class H Notes will address only the ultimate receipt of (i) the Class G Notional Amount and a return of interest calculated at the Class G Stated Interest Rate and (ii) the Class H Notional Amount and a return of interest calculated at the Class H Stated Interest Rate, respectively. Upon the Class G Notional Amount or the Class H Notional Amount being reduced to zero, the rating of the Class G Notes or Class H Notes, as applicable, will not apply with respect to any additional payments thereon.

Following the Ramp-Up Completion Date, the Issuer will request that each Rating Agency confirm to the Issuer that it has not reduced or withdrawn the rating assigned by it on the Closing Date to any Class of Notes (a "Rating Confirmation"); *provided* that, if the Ramp-Up Completion Date occurs on the Closing Date (as shall be evidenced by the schedule of Collateral Debt Securities and an accountant's report delivered on the Closing Date pursuant to the Indenture), then (i) the Issuer will not request a Rating Confirmation, (ii) the initial assignment by Moody's and Standard & Poor's of their ratings to the Notes on the Closing Date will constitute a Rating Confirmation, and (iii) no further action (including any redemption of the Notes to obtain a Rating Confirmation) will be required in connection with the Ramp-Up Completion Date. See "Description of the Notes—Mandatory Redemption" and "—Priority of Payments."

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 the ratings assigned to any Class of Notes are reduced or withdrawn.

MATURITY, PREPAYMENT AND YIELD CONSIDERATIONS

The Stated Maturity of the Notes is [●] [2049]. The Notes will mature at their Stated Maturity unless redeemed or repaid prior thereto. The Preference Shares will be redeemed by the Issuer on the Scheduled Preference Share Redemption Date unless redeemed prior thereto. However, the average lives of the Notes and the duration of the Preference Shares are expected to be less than the number of years until the Stated Maturity (in the case of the Notes) and the Scheduled Preference Share Redemption Date (in the case of the Preference Shares). Assuming (a) no Collateral Debt Securities default or are sold, (b) any optional redemption of the Collateral Debt Securities occurs in accordance with their respective terms, (c) all outstanding Notes are redeemed on the Quarterly Distribution Date occurring in [●] pursuant to an Auction Call Redemption and (d) LIBOR for each future Interest Period equals the rate for such Interest Period based on the zero coupon swap curve with such rate initially to be equal to approximately [●]%, (i) the average life of the Class A-1 Notes would be approximately [●] years from the Closing Date, (ii) the average life of the Class A-2 Notes would be approximately [●] years from the Closing Date, (iii) the average life of the Class B Notes would be approximately [●] years from the Closing Date, (iv) the average life of the Class C Notes would be approximately [●] years from the Closing Date, (v) the average life of the Class D Notes would be approximately [●] years from the Closing Date, (vi) the average life of the Class E Notes would be approximately [●] years from the Closing Date, (vii) the average life of the Class F Notes would be approximately [●] years from the Closing Date, (viii) the average life of the Class G Notes would be approximately [●] years from the Closing Date and (ix) the average life of the Class H Notes would be approximately [●] years from the Closing Date. Such average lives of the Notes are presented for illustrative purposes only. The assumed identity of the portfolio purchased by the Issuer and the other assumptions used to calculate such average lives of the Notes are necessarily arbitrary, do not necessarily reflect historical experience with respect to securities similar to the Collateral Debt Securities and do not constitute a prediction with respect to the rates or timing of receipts of Interest Proceeds or Principal Proceeds, the Acquisition of Collateral Debt Securities on or prior to the last day of the Reinvestment Period, defaults, recoveries, Dispositions, reinvestments, prepayments or optional redemptions to which the Collateral Debt Securities may be subject. Actual experience as to these matters will differ, and may differ materially, from that assumed in calculating the illustrative average lives set forth above, and consequently the actual average lives of the Notes will differ, and may differ materially, from those set forth above. Accordingly, prospective investors should make their own determinations of the expected weighted average lives and maturity of the Notes and, accordingly, their own evaluation of the merits and risks of an investment in the Notes or the Preference Shares. See "Risk Factors—Projections, Forecasts and Estimates."

Average life refers to the average number of years that will elapse from the date of delivery of a security until each dollar of the principal of such security will be paid to the investor.

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

THE CO-ISSUERS

General

The Issuer, a special purpose vehicle, was incorporated as an exempted company with limited liability and registered on December 7, 2006 in the Cayman Islands pursuant to the Issuer Charter, has a registered number of WK-178654 and is in good standing under the laws of the Cayman Islands. The registered office of the Issuer is at the offices of Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands. The telephone number is (345) 945-3727. The Issuer has no prior operating experience and the Issuer will not have any substantial assets other than the Collateral pledged to secure the Notes, the Issuer's obligations under the Collateral Management Agreement, the Hedge Agreements and the Issuer's obligations to the Trustee. The entire authorized share capital of the Issuer will consist of (a) 1,000 ordinary shares, par value U.S.\$1.00 per share (which will be held in trust for charitable purposes by Walkers SPV Limited in the Cayman Islands (in such capacity, the "Share Trustee") under the terms of a declaration of trust) and (b) [●] preferred shares, par value U.S.\$0.01 per share. On the Closing Date, the issued share capital of the Issuer will consist of (a) 1,000 ordinary shares, par value U.S.\$1.00 per share and (b) [] preference shares, par value U.S.\$0.01 per share.

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

The Co-Issuer, a special purpose vehicle formed solely for the purpose of co-issuing the Notes, was organized on December 8, 2006 under the laws of the State of Delaware with the state identification number 4264414 and its registered office is c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. The independent manager of the Co-Issuer is Donald J. Puglisi and he may be contacted at c/o Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware 19711, telephone number (302) 738-6680. The Co-Issuer has no prior operating experience. It will not have any assets (other than U.S.\$10 received in connection with the issuance of the undivided limited liability company interest owned by the Issuer) and will not pledge any assets to secure the Notes. The Co-Issuer will not have any interest in the Collateral Debt Securities or other assets held by the Issuer and will have no claim against the Issuer with respect to the Collateral Debt Securities or otherwise.

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

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

The Administrator's activities will be subject to the overview of the board of directors of the Issuer. The directors of the Issuer are David Egglisshaw, John Cullinane and Derrie Boggess, each of whom is a director or officer of the Administrator and each of whose offices are at Walkers SPV Limited,

87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands, telephone number (345) 945-3727. The Administration Agreement may be terminated by either the Issuer or the Administrator upon 30 days' written notice, in which case a replacement Administrator would be appointed.

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

Capitalization and Indebtedness of the Issuer

The capitalization of the Issuer after giving effect to the issuance of the Securities (assuming that all of the Class A-1 Notes have been issued (and the Aggregate Undrawn Amount is equal to zero) and the ordinary shares of the Issuer, but before deducting expenses of the offering of the Securities and organizational expenses of the Co-Issuers is expected to be as follows:

Class A-1 Notes	U.S.\$[●]*
Class A-2 Notes	U.S.\$[●]
Class B Notes	U.S.\$[●]
Class C Notes	U.S.\$[●]
Class D Notes	U.S.\$[●]
Class E Notes	U.S.\$[●]
Class F Notes	U.S.\$[●]
Class G Notes	U.S.\$[●]
Class H Notes	U.S.\$[●]
Total Debt	<u>U.S.\$[●]</u>
Ordinary Shares	U.S.\$1,000
Preference Shares	U.S.\$[●]**
Total Equity	<u>U.S.\$[●]**</u>
Total Capitalization	<u>U.S.\$[●]</u>

* None of the U.S.\$[●] principal amount of the Class A-1 Notes will be issued on the Closing Date. However, after the Closing Date pursuant to the Class A-1 Swap, the Class A-1 Swap Counterparty will be obligated (subject to the terms and conditions of the Class A-1 Swap) to make payments to the Issuer in order to purchase, and the Issuer will be obligated to issue to the Class A-1 Swap Counterparty, Class A-1 Notes at par.

** Represents the aggregate Liquidation Preference of the Preference Shares, which may exceed by a substantial amount the proceeds received by the Issuer from the issuance of the Preference Shares.

As of the Closing Date and after giving effect to the issuance of the Preference Shares, the authorized share capital of the Issuer will be 1,000 ordinary shares, par value U.S.\$1.00 per share, and [●] preference shares, par value U.S.\$0.01 per share. The issued share capital of the Issuer will be 1,000 ordinary shares, par value U.S.\$1.00 per share, and [●] preference shares (referred to herein as the "Preference Shares"), par value U.S.\$0.01 per share.

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

The Co-Issuer will be capitalized only to the extent of its U.S.\$10 undivided limited liability company interest, will have no assets other than the proceeds from the sale of its interests to the Issuer, and will have no debt other than as Co-Issuer of the Notes. As of the Closing Date and after giving effect to the issuance of the undivided limited liability company interest to the Issuer, the Co-Issuer will have authorized and issued an undivided limited liability company interest of U.S.\$10. The Issuer will have a capital account of U.S.\$10 in the Co-Issuer representing all of the capital of the Co-Issuer.

Business

Article 3 of the Issuer Charter provides that the activities of the Issuer are limited to (i) the issuance of the Notes, the Preference Shares and its ordinary shares, (ii) the Acquisition, Disposition of, and investment in, Collateral Debt Securities, Equity Securities (to a limited extent) and Eligible Investments for its own account, (iii) the entering into, and the performance of its obligations under the Indenture, the Notes, the Class A-1 Swap, the Purchase Agreement, the Account Control Agreement, the Preference Share Paying Agency Agreement, the Collateral Management Agreement, the Synthetic Securities, the Collateral Administration Agreement, the ISDA Master Agreement, the Administration Agreement and any Hedge Agreement, (iv) the pledge of the Collateral as security for its obligations in respect of (*inter alia*) the Notes, (v) the ownership of the Co-Issuer and (vi) other incidental activities.

The Issuer has no employees and no subsidiaries other than the Co-Issuer; *provided, however*, that the Issuer may form wholly-owned subsidiaries to hold certain investments as provided in the Indenture. Section 2 of the Co-Issuer's Limited Liability Company Agreement states that the Co-Issuer will not undertake any business other than the co-issuance of the Notes.

SECURITY FOR THE NOTES

General

The Collateral securing the Notes (together with the Issuer's obligations to any Hedge Counterparty under the Hedge Agreement, to the Credit Default Swap Counterparty under the Credit Default Swaps, to the Class A-1 Swap Counterparty under the Class A-1 Swap, to MLI under the Total Return Swap, to the Collateral Manager under the Collateral Management Agreement and to the Trustee under the Indenture) will consist of: (a) the Custodial Account, the Collateral Debt Securities and the Equity Securities (if any), (b) the Accounts (other than the Hedge Counterparty Collateral Account, the Synthetic Security Issuer Account and the Class A-1 Swap Prefunding Account), all funds and other property standing to the credit of each such Account, Eligible Investments purchased with funds standing to the credit of each such Account and all income from the investment of funds therein, and the Issuer's rights in and to each Synthetic Security Issuer Account, (c) for the benefit of, *first*, the Credit Default Swap Counterparty (to the extent necessary to secure the Issuer's obligations under the Credit Default Swaps) and, *second*, the other Secured Parties, the Issuer's rights as beneficiary of the Trustee's security interest in the Class A-1 Swap Prefunding Account, (d) the Issuer's rights in and to each Hedge Counterparty Collateral Account, (e) the rights of the Issuer under the Collateral Management Agreement, the Collateral Administration Agreement, the Administration Agreement, all agreements relating to the Synthetic Securities and each Hedge Agreement, (f) for the benefit of the Credit Default Swap Counterparty only, the rights of the Issuer under the Class A-1 Swap to require Class A-1 Fundings in respect of amounts owing by the Issuer to the Credit Default Swap Counterparty under the Credit Default Swaps, (g) all cash delivered to the Trustee and (h) all proceeds, accessions, profits, income benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses, but excluding Excepted Property (collectively, the "Collateral"); *provided* that each Synthetic Security Counterparty Account (and all funds and other property credited thereto) will also be held by the Trustee for the benefit of the related Synthetic Security Counterparty. In the event of any realization on the Collateral, proceeds will be applied in accordance with the respective priorities established by the Liquidation Priority of Payments. The security interest granted under the Indenture in each Synthetic Security Counterparty Account (and all funds and other property credited thereto), for the benefit of the Secured Parties, is subject to, and subordinate to the security interest and rights of, the relevant Synthetic Security Counterparty in and to such Synthetic Security Counterparty Account.

Notwithstanding the foregoing, the amounts on deposit in a Class A-1 Swap Prefunding Account will be available only for application to Permitted Uses and distribution to the Class A-1 Swap Counterparty pursuant to the Class A-1 Swap and will not be available to the Issuer to pay amounts owed to any Secured Parties other than the Credit Default Swap Counterparty or the Class A-1 Swap Counterparty.

Collateral Debt Securities

On the Closing Date, the Issuer will have Acquired Collateral Debt Securities having an Aggregate Principal Balance (together with any Principal Proceeds and CDS Principal Proceeds) of not less than U.S.\$[●]. On and after the Closing Date, the Issuer may not invest in Prohibited Securities.

During the Ramp-Up Period, the Issuer may invest Uninvested Proceeds in Collateral Debt Securities. During the Reinvestment Period, the Issuer may reinvest Principal Proceeds in Collateral Debt Securities and may apply CDS Principal Proceeds to Acquire substitute Credit Default Swaps.

Ramp-Up Period

During the period from and including the Closing Date to and including the Ramp-Up Completion Date (the "Ramp-Up Period") the Issuer will use its commercially reasonable efforts to Acquire or enter into binding agreements to Acquire Collateral Debt Securities which, together with the Balance of all Eligible Investments purchased with Principal Proceeds, all CDS Principal Proceeds which have not been reinvested and any Principal Proceeds distributed on any prior Distribution Date, have an Aggregate Principal Balance of not less than U.S.\$[●]. During the Ramp-Up Period the Collateral Manager may also, on behalf of the Issuer, direct the Trustee to reinvest Principal Proceeds and CDS Principal Proceeds to Acquire Collateral Debt Securities designated by the Collateral Manager for inclusion in the Collateral.

On or before the tenth Business Day after the Ramp-Up Completion Date the Issuer is required to notify the Trustee, each of the Rating Agencies, and the Credit Default Swap Counterparty of the occurrence of the Ramp-Up Completion Date (such notification, a "Ramp-Up Notice") and deliver an accountant's report and a certificate to each such Person (a) demonstrating compliance with specified paragraphs of the Eligibility Criteria, satisfaction of the Class A Overcollateralization Test and satisfaction of each applicable Collateral Quality Test or (b) if on the Ramp-Up Completion Date any such paragraphs of the Eligibility Criteria, the Class A Overcollateralization Test or any of the Collateral Quality Tests is not satisfied, the Issuer will be required to deliver a certificate to the Trustee and each Rating Agency specifying the details of such failure. On or before the tenth Business Day after the Ramp-Up Completion Date, the Issuer is required to request that each Rating Agency confirm in writing that it has not reduced or withdrawn the ratings (including any private or confidential ratings) assigned by it on the Closing Date to the Notes (such confirmation, a "Rating Confirmation"); *provided*, if the Issuer has delivered a certificate described in clause (a) above to Moody's, a Rating Confirmation will be deemed to have been received from Moody's and the Issuer will not be required to request a Rating Confirmation from Moody's.

If the Ramp-Up Completion Date occurs on the Closing Date, (a) the Issuer will not be required to deliver a Ramp-Up Notice, (b) the initial assignment by Moody's and Standard & Poor's of their ratings to the Notes on the Closing Date shall constitute a Rating Confirmation and (c) no further action will be required in connection with the Ramp-Up Completion Date under the Indenture.

After the Ramp-Up Completion Date, if a Rating Confirmation is not received (or earlier if, in the Collateral Manager's sole judgment, it does not believe a Rating Confirmation will be obtained), the Collateral Manager on behalf of the Issuer may propose a plan (a "Proposed Plan") to the Rating Agencies to obtain a Rating Confirmation, which Proposed Plan may include a proposal (a) to make certain payments of principal of and accrued interest on the aggregate outstanding amount of the Notes in accordance with the Priority of Payments, (b) to make a deposit to the CDS Reserve Account to permanently reduce the Aggregate Undrawn Amount and to apply CDS Principal Proceeds to permanently reduce the Aggregate Undrawn Amount, (c) to Dispose of a portion of the Collateral Debt Securities, (d) subject to the terms of the Issuer Charter and with the consent of 100% of the Preference Shareholders, to issue additional Preference Shares and to use the proceeds of the sale of such Preference Shares to Acquire Collateral Debt Securities, (e) to postpone the Ramp-Up Completion Date to a date to occur no later than 180 days following the Closing Date or (f) to take any other action not otherwise prohibited by the Indenture as may be proposed in such Proposed Plan.

If the Issuer fails to obtain a Rating Confirmation prior to the first Determination Date that is at least 45 Business Days following the Ramp-Up Completion Date and a Proposed Plan has not been approved by the Rating Agencies prior to such Determination Date (a "Rating Confirmation Failure"), on the first Distribution Date following such Rating Confirmation Failure the Issuer will apply Uninvested

Proceeds and, to the extent Uninvested Proceeds are insufficient to obtain a Rating Confirmation, Interest Proceeds and Principal Proceeds shall be applied in accordance with the Priority of Payments to the repayment, of principal of the Notes and reduction of the Aggregate Undrawn Amount in accordance with the Sequential Payment Priority, to the extent specified by each relevant Rating Agency to obtain a Rating Confirmation or to the extent specified in a Proposed Plan which satisfies the Rating Condition with respect to any Rating Agencies which did not previously issue a Rating Confirmation. CDS Principal Proceeds will also be applied to reduce the Aggregate Undrawn Amount if required to obtain a Rating Confirmation in accordance with the CDS Application Priority.

Reinvestment Period

During the Reinvestment Period, the Collateral Manager on behalf of the Issuer may invest any Principal Proceeds that are not Specified Principal Proceeds in Cash Collateral Debt Securities and Defeased Synthetic Securities in accordance with the Eligibility Criteria. If the Collateral Manager wishes to increase the percentage of the Net Outstanding Portfolio Collateral Balance which consists of Defeased Synthetic Securities and Cash Collateral Debt Securities, the Collateral Manager may direct the Trustee to transfer any CDS Reserve Account Excess Withdrawal Amount to the Principal Collection Account where it will be available for investments in such securities on or prior to the Determination Date for the third Quarterly Distribution Date after the CDS Principal Receipt Date on which the CDS Reserve Account Excess occurred. Such transfers may be made no more than once during any 30 consecutive days and on the seventh calendar day of each month (or, if such day is not a Business Day, the next succeeding Business Day) of each month (in each case, on at least five Business Days' prior notice by the Collateral Manager to the Trustee and MLI). Such transfers may not be made during the period from and including the Determination Date to but excluding the Quarterly Distribution Date. Any such transfer of the CDS Reserve Account Excess Withdrawal Amount will reduce the Issuer's capacity to reinvest CDS Principal Proceeds in Credit Default Swaps. However, no investment may be made in Cash Collateral Debt Securities and Defeased Synthetic Securities if at such time there is or (as a result of such investment) there will be a Notional Amount Shortfall in excess of zero.

During the Reinvestment Period, the Collateral Manager on behalf of the Issuer may apply CDS Principal Proceeds that are not Specified CDS Principal Proceeds to Acquire new Credit Default Swaps in accordance with the Eligibility Criteria below. The CDS Principal Proceeds are not cash received by the Issuer but instead represent the aggregate principal amortization which has occurred on the Reference Obligations under the Credit Default Swaps and the notional amount of Credit Default Swaps which have been terminated, assigned or hedged by the Issuer during the current Due Period and the immediately preceding Due Period, which have not been reinvested or applied to reduce the Aggregate Undrawn Amount pursuant to the CDS Application Priority. The CDS Principal Proceeds will not include the reductions in the notional amount of the Credit Default Swaps resulting from Credit Events or Floating Amount Events, because this notional amount reduction may not be reinvested. The Issuer may not Acquire a Credit Default Swap if there is or (as a result of such investment) there will be a Notional Amount Shortfall in excess of zero. The Notional Amount Shortfall compares the Remaining Exposure under the Credit Default Swaps with the sum of the Aggregate Undrawn Amount and the CDS Reserve Account Balance. During the Reinvestment Period, if the Collateral Manager wishes to increase the percentage of the Net Outstanding Portfolio Collateral Balance which consists of Credit Default Swaps, the Collateral Manager may direct the Trustee to transfer any Principal Proceeds (that are not Specified Principal Proceeds) to the CDS Reserve Account which will enable the Issuer to Acquire additional Credit Default Swaps by the Determination Date for the third Quarterly Distribution Date after such Principal Proceeds were received. Such transfers may be made no more than once during any 30 consecutive days and on the seventh calendar day of each month (or, if such day is not a Business Day, the next succeeding Business Day) of each month (in each case, on at least five Business Days' prior notice by the Collateral Manager to the Trustee and MLI). Such transfers may not be made during the

period from and including the Determination Date to but excluding the Quarterly Distribution Date. The Total Return Swap may contain additional limitations on the increase in the notional amount of the Total Return Swap by virtue of such transfers during any Due Period.

The Issuer may not Acquire any Cash Collateral Debt Security, Credit Default Swap or other Synthetic Security after the Reinvestment Period ends except (i) to complete Acquisitions which the Issuer committed to make during the Reinvestment Period and (ii) Hedge Rebalancing Purchases. The Reinvestment Period is scheduled to end on the Quarterly Distribution Date in [•] [2012], but may be terminated earlier (i) at the election of the Collateral Manager, (ii) as the result of a Tax Redemption, (iii) upon the occurrence of an Event of Default that results in the acceleration of the Notes, (iv) upon resignation or termination of NIR as Collateral Manager or (v) on any date after NIR has resigned or been removed as Collateral Manager, if the holders of at least a majority in Aggregate Outstanding Amount of the Controlling Class or a Majority-in-Interest of the Preference Shareholders notify the Trustee and the Collateral Manager that the Reinvestment Period shall be terminated.

Eligibility Criteria

The Issuer is permitted to (a) Acquire Collateral Debt Securities on the Closing Date, (b) during the Ramp-Up Period and the Reinvestment Period, apply Uninvested Proceeds, Principal Proceeds, any CDS Reserve Account Excess Withdrawal Amount and proceeds received from any Disposition during the Reinvestment Period to Acquire Cash Collateral Debt Securities, Defeased Synthetic Securities and Credit Default Swaps, (c) during the Reinvestment Period, in connection with any CDS Principal Payments under, and the termination, hedging or assignment of, individual Credit Default Swaps, apply CDS Principal Proceeds to Acquire additional Credit Default Swaps and (d) after the Reinvestment Period, apply Unscheduled Fixed Rate Principal Proceeds to Acquire Fixed Rate Securities in Hedge Rebalancing Purchases, only if in each case, after giving effect to such investment on the trade date, each of the following criteria (the "Eligibility Criteria") is satisfied with respect to such Collateral Debt Security:

- | | |
|---------------------------------------|--|
| Assignable | (1) the Underlying Instrument pursuant to which such security was issued permits the Issuer to purchase it and pledge it to the Trustee and such security is a type subject to Article 8 or Article 9 of the UCC; |
| Jurisdiction of obligor/issuer | (2) the obligor on or issuer of such security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security) (x) is organized or incorporated under the laws of the United States or a State thereof or in a Special Purpose Vehicle Jurisdiction or (y) is a Qualifying Foreign Obligor; <i>provided</i> that the Aggregate Principal Balance of all Pledged Collateral Debt Securities that are issued by Qualifying Foreign Obligors located in all jurisdictions (other than the United States or a Special Purpose Vehicle Jurisdiction) does not exceed []% of the Net Outstanding Portfolio Collateral Balance; |
| Dollar denominated | (3) such security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security) is denominated and payable only in Dollars and may not be converted into a security payable in any other currency; |

Fixed principal amount	(4) other than any Defeased Synthetic Security or Credit Default Swap, such security requires the payment of a fixed amount of principal in cash no later than its stated maturity or termination date;
Rating	(5) (A) such security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security) has a Moody's Rating and a Standard & Poor's Rating, (B) the lower of the Moody's Rating and the public rating (if any) by Standard & Poor's of such security (or Reference Obligation) is at least "Baa3" or "BBB-," as applicable, (C) the Standard & Poor's rating of such security (or Reference Obligation) does not contain the subscript "r," "t," "p," "pi" or "q"; (D) the rating of such security (or Reference Obligation) has not been downgraded (i) by more than two subcategories by Standard & Poor's and by more than two subcategories by Moody's from the original rating of such security by such Rating Agency or (ii) more than once by Standard & Poor's and more than once by Moody's; and (E) if such security is on negative credit watch by Moody's or Standard & Poor's for possible downgrade, then such security, if rated by Standard & Poor's is rated at least "BBB+" or, if rated by Moody's, is rated at least "Baa1";
Registered form	(6) such security is Registered;
No withholding	(7) the Issuer will receive payments due under the terms of such security and proceeds from Disposing of such security free and clear of withholding tax, other than withholding tax as to which the obligor or issuer must make additional payments so that the net amount received by the Issuer after satisfaction of such tax is the amount due to the Issuer before the imposition of any withholding tax;
Does not subject Issuer to tax on a net income basis	(8) the Acquisition (including the manner of Acquisition), ownership, enforcement and Disposition of such security will not cause the Issuer to be treated as engaged in a U.S. trade or business for U.S. Federal income tax purposes or otherwise to be subject to tax on a net income basis in any jurisdiction outside the Issuer's jurisdiction of incorporation;
Does not subject Issuer to Investment Company Act restrictions	(9) the Acquisition (including the manner of Acquisition), ownership, enforcement and Disposition of such security (in each case, as determined on the basis of applicable laws and regulations as of the Closing Date or, if later, on the date of Acquisition of such security) will not cause the Issuer or the pool of Collateral to become an investment company required to be registered under the Investment Company Act;
Prohibited Securities	(10) such security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security) is not a Defaulted Security, a Credit Risk Security, an Equity Security, a Written Down Security or a Prohibited Security;
Purchase price	(11) other than any Credit Default Swap or Defeased Synthetic Security, the purchase price (expressed as a percentage) of such security is not less than (A) <input type="text"/> % multiplied by (B) the Adjusted Issue Price of such security;

No foreign exchange controls	(12) payments in respect of such security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security) are not made from a country that imposes foreign exchange controls that effectively limit the availability or use of Dollars to make when due the scheduled payments of principal of and interest on such security;
No Margin Stock	(13) such security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security) is not, and any Equity Security Acquired in connection with such security is not, Margin Stock;
No debtor-in-possession financing	(14) such security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security) is not a financing by a debtor-in-possession in any insolvency proceeding;
No optional or mandatory conversion or exchange	(15) such security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security) is not a security that by the terms of its Underlying Instruments provides for conversion or exchange (whether mandatory, at the option of the issuer or the holder thereof or otherwise) into equity capital at any time prior to its maturity;
Not subject to an Offer or called for redemption	(16) such security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security) is not the subject of an Offer (other than an Offer to exchange such security for a security that constitutes a Collateral Debt Security and that such Offer is registered under the Securities Act or such security is issued pursuant to Rule 144A (or another exemption from registration) under the Securities Act, where the replacement security would have terms that are similar to, or more favorable to the Issuer than, the security being exchanged) and has not been called for redemption;
No future advances	(17) such security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security) is not a security with respect to which the Issuer is required by the Underlying Instruments to make any payment or advance to the issuer thereof or to the related Synthetic Security Counterparty (other than a Credit Default Swap or Defeased Synthetic Security);
Fixed Rate Securities	(18) if such security is a Fixed Rate Security, a Deemed Fixed Rate Security or a Hybrid Security currently bearing interest at a fixed rate, the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed []% of the Net Outstanding Portfolio Collateral Balance;
Pure Private Collateral Debt Securities	(19) if such security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security) is a Pure Private Collateral Debt Security, the Aggregate Principal Balance of all such Pledged Collateral Debt Securities (together with the Aggregate Principal Balance of any Single Obligation Synthetic Securities the Reference Obligations of which are such securities) does not exceed []% of the Net Outstanding Portfolio Collateral Balance;
Specified Type	(20) such security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security) is a Specified Type;

Single Servicer

(21) with respect to the Servicer of the security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security) being Acquired:

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

(B) if the senior unsecured long-term obligations of such Servicer (or, if an Affiliate of such Servicer is required to perform the obligations of such Servicer, such Affiliate) does not satisfy the requirements of clause (A) above and is rated (1) "A3" or higher but below "Aa3" by Moody's or (2) "A-" or higher but below "AA-" by Standard & Poor's or it has a servicer ranking of "Above Average" by Standard & Poor's, the Aggregate Principal Balance of all Pledged Collateral Debt Securities serviced by such Servicer (together with the Aggregate Principal Balance of any Single Obligation Synthetic Securities the Reference Obligations of which are such securities) does not exceed []% of the Net Outstanding Portfolio Collateral Balance;

(C) if the Servicer does not meet the requirements of either of clauses (A) or (B), the Aggregate Principal Balance of all Pledged Collateral Debt Securities serviced by such Servicer (together with the Aggregate Principal Balance of any Single Obligation Synthetic Securities the Reference Obligations of which are such securities) does not exceed []% of the Net Outstanding Portfolio Collateral Balance; *provided that*

(x) if such Servicer is Countrywide Financial Corporation ("Countrywide") (or, if an Affiliate of Countrywide is required to perform the obligations of Countrywide, such Affiliate), the Aggregate Principal Balance of all Pledged Collateral Debt Securities that are serviced by Countrywide and its affiliates (together with the Aggregate Principal Balance of each Single Obligation Synthetic Security the Reference Obligations of which are such securities) does not exceed []% of the Net Outstanding Portfolio Collateral Balance;

(y) if such Servicer is Wells Fargo Bank, National Association ("Wells Fargo") (or, if an Affiliate of Wells Fargo is required to perform the obligations of Wells Fargo, such Affiliate), the Aggregate Principal Balance of all Pledged Collateral Debt Securities that are serviced by Wells Fargo and its Affiliates (together with the Aggregate Principal Balance of each Single Obligation Synthetic Security the Reference Obligations of which are such securities) does not exceed []% of the Net Outstanding Portfolio Collateral Balance; and

(z) if such Servicer is JPMorgan Chase Bank, National Association ("JPMorgan Chase") (or, if an Affiliate of JPMorgan Chase is required to

perform the obligations of JPMorgan Chase, such Affiliate), the Aggregate Principal Balance of all Pledged Collateral Debt Securities that are serviced by JPMorgan Chase and its Affiliates (together with the Aggregate Principal Balance of each Single Obligation Synthetic Security the Reference Obligations of which are such securities) does not exceed []% of the Net Outstanding Portfolio Collateral Balance;

Synthetic Securities

(22) if such security is a Synthetic Security, then (A) such Synthetic Security is Acquired from (or entered into with) a Synthetic Security Counterparty (or, in the case of a Replacement Credit Linked Note, from a Credit Linked Note Issuer which has entered into Embedded Credit Default Swaps with a Synthetic Security Counterparty), (B) (i) in the case of a Single Obligation Synthetic Security, any Reference Obligation to which such Synthetic Security relates would (treating the Acquisition of the Synthetic Security as Acquisition of the Reference Obligation from the Synthetic Security Counterparty) satisfy clauses [(7)] and [(8)] of the Eligibility Criteria or (ii) the Issuer and the Trustee receive written advice from nationally recognized U.S. tax counsel to the effect that such Synthetic Security satisfies clauses [(7)] and [(8)] of the Eligibility Criteria, (C) the Acquisition of such Pledged Collateral Debt Security that is a Credit Default Swap will not cause or increase any Notional Amount Shortfall greater than zero, (D) no such Pledged Collateral Debt Securities are Unhedged Short Credit Default Swaps, (E) each Reference Obligation under a Credit Default Swap is an RMBS, a CMBS or a CDO Obligation and is not an ABS REIT Debt Security, a Hybrid Security, a Principal Only Security or a Prohibited Security and (F) such Synthetic Security is a Credit Default Swap under the ISDA Master Agreement or a Defeased Synthetic Security, unless a CDS Replacement has occurred;

CDO Obligations

(23) if such security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security) is a CDO Obligation, (A) the Aggregate Principal Balance of all Pledged Collateral Debt Securities that are CDO Obligations (together with the Aggregate Principal Balance of any Single Obligation Synthetic Security as to which the Reference Obligation is such a security) does not exceed []% of the Net Outstanding Portfolio Collateral Balance, (B) the Collateral Manager or an Affiliate thereof is not the collateral manager for the CDO Obligation and (C) the Aggregate Principal Balance of all Pledged Collateral Debt Securities that are Trust Preferred CDO Securities (together with the Aggregate Principal Balance of any Single Obligation Synthetic Security as to which the Reference Obligation is such a security) does not exceed []% of the Net Outstanding Portfolio Collateral Balance and the legal final maturity of such Trust Preferred CDO Security must be before the Stated Maturity of the Notes;

Frequency of Interest Payments

(24) if such security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security) provides for periodic payments of interest in cash less frequently than [quarterly], the Aggregate Principal Balance of all Pledged Collateral Debt Securities that provide for periodic payments of interest in cash less frequently than [quarterly] (together with the Aggregate Principal Balance of any Single Obligation Synthetic Security as to which the Reference Obligation is such a security) does not exceed []% of

the Net Outstanding Portfolio Collateral Balance;

**Collateral
Quality Tests**

(25) (A) on or prior to the Ramp-Up Completion Date, each of the Moody's Asset Correlation Test, Moody's Minimum Weighted Average Recovery Rate Test, the Weighted Average Spread Test and the Moody's Maximum Rating Distribution Test is satisfied or, if immediately prior to such Acquisition one or more of the Moody's Asset Correlation Test or Moody's Minimum Weighted Average Recovery Rate Test was not satisfied, the extent of compliance with any such the Moody's Asset Correlation Test or Moody's Minimum Weighted Average Recovery Rate Test which was not satisfied is maintained or improved by such Acquisition and (B) after the Ramp-Up Completion Date, each of the applicable Collateral Quality Tests and (except in the case of reinvestment of Disposition Proceeds of a Credit Risk Security) the Standard & Poor's CDO Monitor Test is satisfied or, if immediately prior to such Acquisition one or more of such Collateral Quality Tests or the Standard & Poor's CDO Monitor Test was not satisfied, the extent of compliance with any such Collateral Quality Test or the Standard & Poor's CDO Monitor Test which was not satisfied is maintained or improved by such Acquisition;

**Limitation on
Stated
Maturity**

(26) such security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security) does not have a Stated Maturity that occurs later than the Stated Maturity of the Notes; *provided* that (I)(i) the Issuer may Acquire a Collateral Debt Security having a Stated Maturity not later than five years after the Stated Maturity of the Notes (A) if the Aggregate Principal Balance of all such Collateral Debt Securities (including those described in clause (ii) below) (together with the Aggregate Principal Balance of each Single Obligation Synthetic Security, the Reference Obligation of which are such securities) does not exceed []% of the Net Outstanding Portfolio Collateral Balance, and (B) the Weighted Average Life of all such Collateral Debt Securities is less than 12 years (ii) the Issuer may acquire a Collateral Debt Security having a Stated Maturity not later than [] years after the Stated Maturity of the Notes if either (A) the Aggregate Principal Balance of all such Collateral Debt Securities (together with the Aggregate Principal Balance of each Single Obligation Synthetic Security, the Reference Obligation of which are such securities) does not exceed []% of the Net Outstanding Portfolio Collateral Balance or (B) the Collateral Manager certifies to the Trustee that, assuming a []% constant prepayment rate for such security, the cash flows for such security will be received prior to the Stated Maturity of the Notes, and (iii) if such Collateral Debt Security is a CMBS, the Stated Maturity of such CMBS shall be deemed to be the earlier of (A) the Stated Maturity of such CMBS as specified in the related Underlying Instrument and (B) the date which is five years after the later of (x) the last occurring balloon date with respect to any balloon loan securing such CMBS and (y) the last scheduled amortization date with respect to any other loans securing such CMBS); and (II) the expected life of such security (as determined by the Collateral Manager) ends no later than the Stated Maturity of the Notes;

PIK Bonds

(27) if such security is a PIK Bond (or the related Reference Obligation in the case of any Single Obligation Synthetic Security), (i) it is not a Deferred

Interest PIK Bond or a PIK Bond with respect to which payment of interest either in whole or in part is currently being deferred or capitalized in an amount less than the amount of interest payable in respect of one payment period, and (ii) the Aggregate Principal Balance of all such PIK Bonds (together with the Aggregate Principal Balance of each Single Obligation Synthetic Security the Reference Obligation of which is such a security) does not exceed []% of the Net Outstanding Portfolio Collateral Balance;

Floating Rate Securities

(28) if such security is a Floating Rate Security, a Deemed Floating Rate Security or a Hybrid Security currently bearing interest at a floating rate (including any Single Obligation Synthetic Security, which, taking into account the investments in the Synthetic Security Counterparty Account, provides for payments at a floating rate), (i) the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed []% of the Net Outstanding Portfolio Collateral Balance and (ii) such Security is not an Inverse Floating Rate Security or a Non-LIBOR Floating Rate Security;

Deemed Floating Rate Securities; Deemed Fixed Rate Securities

(29) if such security is a Deemed Floating Rate Security or a Deemed Fixed Rate Security, the Aggregate Principal Balance of all such Pledged Collateral Debt Securities does not exceed []% of the Net Outstanding Portfolio Collateral Balance;

Single Issuer Concentration

(30) (A) after giving effect to Acquisition of such security, the Aggregate Principal Balance of all Pledged Collateral Debt Securities (together with the Aggregate Principal Balance of each Single Obligation Synthetic Security the Reference Obligation of which is such a security) issued by the issuer of such security does not exceed []% of the Net Outstanding Portfolio Collateral Balance; *provided* that: with respect to not more than [] issuers, the Aggregate Principal Balance of all Collateral Debt Securities of each such issuer (together with the Aggregate Principal Balance of any Synthetic Securities the Reference Obligations of which are such securities), may be greater than []% but not more than []% of the Net Outstanding Portfolio Collateral Balance,

Minimum Aggregate Principal Balance of Credit Default Swaps

(31) the Aggregate Principal Balance of all Pledged Collateral Debt Securities that are Credit Default Swaps is not less than []% of the Net Outstanding Portfolio Collateral Balance;

Hedge Rebalancing Purchases

(32) if such security is Acquired after the Reinvestment Period, it is a Hedge Rebalancing Purchase and, at the time of Acquisition, (i) no rating assigned to any Outstanding Class of the Notes has been reduced or withdrawn, (ii) the Class F Overcollateralization Ratio is not less than the amount thereof on the Ramp-Up Completion Date and (iii) the Moody's Maximum Rating Distribution Test is satisfied;

Prohibited Securities

(33) such security is not a Prohibited Security and is a Specified Type;

Negative Amortization Securities; Principal Only Securities,

(34) (A) if such security is a Negative Amortization Security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security) the Aggregate Principal Balance of all Collateral Debt Securities that are

Automobile Securities, Credit Card Securities; Small Business Loan Securities and NIM Securities	<p>Negative Amortization Securities (together with the Aggregate Principal Balance of any Synthetic Securities the Reference Obligations of which are such securities) does not exceed []% of the Net Outstanding Portfolio Collateral Balance; (B) if such security is a Principal Only Security, the Aggregate Principal Balance of all such Pledged Collateral Debt Securities (together with the Aggregate Principal Balance of each Single Obligation Synthetic Security the Reference Obligation of which is such a security) does not exceed []% of the Net Outstanding Portfolio Collateral Balance and it is rated by Standard & Poor's and by Moody's, (C) if such security is an Automobile Security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security), the Aggregate Principal Balance of all Collateral Debt Securities that are Automobile Securities (together with the Aggregate Principal Balance of any Synthetic Securities the Reference Obligations of which are such securities) does not exceed []% of the Net Outstanding Portfolio Collateral Balance, (D) if such security is a Credit Card Security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security), the Aggregate Principal Balance of all such securities (together with the Aggregate Principal Balance of any Synthetic Securities the Reference Obligations of which are such securities) does not exceed []% of the Net Outstanding Portfolio Collateral Balance (E) if such security is a Small Business Loan Security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security), the Aggregate Principal Balance of all such securities (together with the Aggregate Principal Balance of any Synthetic Securities the Reference Obligations of which are such securities) does not exceed []% of the Net Outstanding Portfolio Collateral Balance and (F) if such security is a NIM Security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security) the Aggregate Principal Balance of all Collateral Debt Securities that are NIM Securities (together with the Aggregate Principal Balance of any Synthetic Securities the Reference Obligations of which are such securities) does not exceed []% of the Net Outstanding Portfolio Collateral Balance;</p>
Cap Corridor Securities	<p>(35) if such security is a Cap Corridor Security (or the related Reference Obligation in the case of any Single Obligation Synthetic Security), the Aggregate Principal Balance of all Collateral Debt Securities that are Cap Corridor Securities (together with the Aggregate Principal Balance of any Synthetic Securities the Reference Obligations of which are such securities) does not exceed []% of the Net Outstanding Portfolio Collateral Balance;</p>
ABS REIT Debt Securities and Step- Down Bonds and Step- Up Bonds	<p>(36) (A) if such security is an ABS REIT Debt Security, the Aggregate Principal Balance of all such Collateral Debt Securities does not exceed []% of the Net Outstanding Portfolio Collateral Balance and (B) if such security is either a Step-Down Bond or a Step-Up Bond, the Aggregate Principal Balance of all such Collateral Debt Securities does not exceed []% of the Net Outstanding Portfolio Collateral Balance;</p>
Class F Overcollateralization Test	<p>(37) prior to Acquisition of such Collateral Debt Security, the Class F Overcollateralization Test is satisfied.</p>

For purposes of paragraphs [(2), (5), (18) through (19), (21) through (24), (26) through (29), (31) and [(34)] through (36)] of the "Eligibility Criteria" and for certain other purposes specified in the Indenture, the Net Outstanding Portfolio Collateral Balance prior to the Ramp-Up Completion Date will be deemed to equal the Aggregate Principal Balance of the Pledged Collateral Debt Securities (or, in the case of paragraph (30) of the "Eligibility Criteria", U.S.\$[_____]). As a result, in the event that the Net Outstanding Portfolio Collateral Balance has been reduced (through distribution of Principal Proceeds or losses) to less than U.S.\$[●], the percentage concentration limits in clause (30) Eligibility Criteria will be applied with respect to reinvestment of Principal Proceeds as if such reduction did not occur.

In the case of a commitment made after the Closing Date, if the Issuer has made a commitment to Acquire a security, then the Eligibility Criteria need not be satisfied when the Issuer Grants such security to the Trustee if (A) the Issuer Acquires such security, within, in the case of new issuances of mortgage-backed securities, 45 days, and otherwise, 30 days, after making the commitment to Acquire such security and (B) the Eligibility Criteria were satisfied immediately after the Issuer made such commitment. With respect to paragraphs [(2), (5), (18) through (19), (21) through (24), (26) through (31) and (34) through (36)] above, if at any time during the Reinvestment Period any requirement set forth therein is not satisfied immediately prior to the Acquisition of the related securities, such requirement is deemed satisfied if the extent of non-compliance with such requirement is not made worse after giving effect to such Acquisition.

If at any time any of the Eligibility Criteria is not satisfied, the Acquisition of additional or replacement Collateral Debt Securities by the Issuer will be limited as described above, but the Issuer will not be required to Dispose of any Collateral Debt Security in order to cause any Eligibility Criteria to be satisfied except in the limited circumstances described under "—Dispositions of Collateral Debt Securities." After the Reinvestment Period, it is expected that not all of the Eligibility Criteria will be satisfied.

In the case of an investment by the Issuer in a Synthetic Security, the Eligibility Criteria will be applicable to the Reference Obligation rather than to the Synthetic Security or the Synthetic Security Collateral, except that, to the extent provided above and for purposes of certain of the Collateral Quality Tests, the Eligibility Criteria will take into account the terms of the Synthetic Security. See "—Synthetic Securities." Upon the termination of a Synthetic Security, any Synthetic Security Collateral in a Synthetic Security Counterparty Account that does not consist of cash or Eligible Investments and which is not liquidated in connection with the termination of the Synthetic Security will be transferred to the Custodial Account and held therein as Collateral Debt Securities and Disposed of only in accordance with "—Disposition of Collateral Debt Securities."

Notwithstanding the foregoing provisions, if an Event of Default shall have occurred and be continuing, no Collateral Debt Security may be Acquired by the Issuer unless it was the subject of a commitment entered into by the Issuer prior to the occurrence of such Event of Default or is a Deliverable Obligation delivered to the Issuer pursuant to a Synthetic Security. After the Reinvestment Period ends, no Collateral Debt Security may be Acquired by the Issuer unless it was the subject of a commitment entered into by the Issuer prior to the end of the Reinvestment Period, or it is a Hedge Rebalancing Purchase or is a Deliverable Obligation delivered to the Issuer pursuant to a Synthetic Security.

The Issuer shall not become the owner of any asset (i) that is treated as an equity interest in an entity that is treated as a partnership or other fiscally transparent entity for U.S. Federal income tax purposes that is engaged in a U.S. trade or business for U.S. Federal income tax purposes or (ii) the gain from the disposition of which will be subject to U.S. Federal income or withholding tax under Section 897 or Section 1445, respectively, of the Internal Revenue Code of 1986, as amended; *provided*,

however, that the Issuer may acquire the assets listed in (i) or (ii) above only through a wholly-owned subsidiary treated as a corporation for U.S. Federal income tax purposes.

Asset-Backed Securities

Most of the Collateral Debt Securities (and the Reference Obligations under the Synthetic Securities) will consist of Asset-Backed Securities. See "Risk Factors - Risk Factors Relating to the Collateral Debt Securities".

Specified Types

For purposes of determining compliance with the Eligibility Criteria set forth above, the Asset-Backed Securities to be pledged to the Trustee on and after the Closing Date are divided into Specified Types, which are defined below.

Subject to compliance with the Eligibility Criteria and certain other limitations described herein, the Issuer may invest in (or designate as Reference Obligations under Synthetic Securities) the following Specified Types of Asset-Backed Securities (each, a "Specified Type"): ABS CDO Securities, ABS REIT Debt Securities, Automobile Securities, CDO Commercial Real Estate Securities, CMBS Conduit Securities, CMBS Large Loan Securities, Credit Card Securities, Home Equity Loan Securities, Residential A Mortgage Securities, Residential B/C Mortgage Securities and Small Business Loan Securities.

The Issuer may not invest in (or designate as Reference Obligations under Synthetic Securities) the following Specified Types of securities (the "Prohibited Securities"): ABS Natural Resource Receivable Securities, Aerospace and Defense Securities, Manufactured Housing Securities, Aircraft Lease Securities, Bespoke CDO Securities, Car Rental Receivable Securities, Catastrophe Bonds, CDO of CDO Securities, CLO Securities, CMBS Single Property Securities, CMBS Credit Tenant Lease Securities, Corporate CDO Securities, EETC Securities, Emerging Market Securities, Equipment Leasing Securities, Interest Only Securities, Investment Grade CDO Securities, Franchise Securities, Healthcare Securities, High Yield CDO Securities, Market Value CDO Securities, Monoline Guaranteed Securities, Mutual Fund Securities, Oil and Gas Securities, Future Flow Securities, Project Finance Securities, Recreational Vehicle Securities, Restaurant and Food Services Securities, Shipping Securities, Stadium Receivables Securities, Structured Settlement Securities, Student Loan Securities, Subprime Automobile Securities, Tax Lien Securities, Time Share Securities, Chassis Leasing Securities, Container Leasing Securities, Lottery Receivable Securities or Tobacco Litigation Securities, Insurance Company Guaranteed Securities. For the avoidance of doubt, the Collateral Debt Securities listed on a schedule to the Indenture as of the Closing Date will be excluded from this definition of Prohibited Securities.

Synthetic Securities

At least []% of the Aggregate Principal Balance of the Collateral Debt Securities is expected to consist of Credit Default Swaps entered into by the Issuer with MLI. Each Synthetic Security will consist of a credit default swap, a total return swap or a combination of the foregoing. On the Closing Date, the Issuer expects to enter into (or commit to enter into) Synthetic Securities with MLI, consisting of Credit Default Swaps, with an aggregate notional amount equal to approximately U.S.\$[●]. The Reference Obligations related to the Credit Default Swaps are expected to be primarily RMBS, CMBS and CDO Obligations. The Issuer may enter into additional Synthetic Securities after the Closing Date until the end of the Reinvestment Period. Each Credit Default Swap shall constitute a "Synthetic Security" for all purposes of the Indenture. The term "Credit Default Swap" includes Unhedged Long Credit Default Swaps, Hedged Long Credit Default Swaps and Hedging Short Credit Default Swaps.

The Collateral Manager may, instead of terminating or assigning a Long Credit Default Swap, cause the Issuer to enter into a Hedging Short Credit Default Swap. The only Credit Default Swaps that the Issuer may enter are Hedging Short Credit Default Swaps, Hedged Long Credit Default Swaps and Unhedged Long Credit Default Swaps. The Issuer may not enter into Unhedged Short Credit Default Swaps. If the Issuer has entered into a Hedging Short Credit Default Swap, the related Long Credit Default Swap or portion of the Reference Obligation Notional Amount thereof that is subject to the Hedging Short Credit Default Swap is referred to herein as a "Hedged Long Credit Default Swap." A Long Credit Default Swap or portion of Reference Obligation Notional Amount thereof that is not subject to a related Hedging Short Credit Default Swap and is not a Hedged Long Credit Default Swap is referred to herein as an "Unhedged Long Credit Default Swap."

In connection with (or after) the Acquisition of the Credit Default Swaps, the Issuer will grant to MLI a first priority security interest in the CDS Reserve Account. Amounts on deposit in such account may be invested in accordance with the terms of the Indenture in Synthetic Security Collateral, and the proceeds of which may be applied to make payments to MLI under the terms of the related Credit Default Swaps.

For purposes of the Weighted Average Coupon Test and the Weighted Average Spread Test, the interest payable with respect to a Synthetic Security shall take into account interest on securities and investments credited to any Synthetic Security Counterparty Account that are not otherwise payable to a Synthetic Security Counterparty, payments to the Issuer under any related total return swap and the Fixed Rate to be paid by a Synthetic Security Counterparty to the Issuer under a Synthetic Security.

For purposes of the Moody's Asset Correlation Test and the Standard & Poor's CDO Monitor Test, unless otherwise specified, (i) a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation (and the issuer thereof will be deemed to be the related Reference Obligor and not the Synthetic Security Counterparty) and (ii) a Multiple Obligation Synthetic Security or an Index Synthetic Security will be included as a Collateral Debt Security having the characteristics of the related Reference Obligations with the principal balance thereof allocated to each Reference Obligation in the same proportion as each such Reference Obligation bears to the aggregate principal balance of such Synthetic Security. For purposes of the Collateral Quality Tests other than the Moody's Asset Correlation Test and the Standard & Poor's CDO Monitor Test, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the Synthetic Security and not of the related Reference Obligation(s), Reference Obligor or Synthetic Security Collateral, except that, for purposes of determining the industry with respect to any Synthetic Security for the Standard & Poor's CDO Monitor Test and for purposes of determining the rating of a Credit Default Swap or a Defeased Synthetic Security that is a Single Obligation Synthetic Security, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation(s) or Reference Obligor.

Unless otherwise specified by the applicable Rating Agency in connection with the approval of a Form Approved Synthetic Security or the grant of the Rating Condition for a Synthetic Security, for purposes of the Eligibility Criteria (except as otherwise provided in the Eligibility Criteria) (i) a Single Obligation Synthetic Security will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation (and the issuer thereof will be deemed to be the related Reference Obligor and not the Synthetic Security Counterparty), rather than the Synthetic Security or the Synthetic Security Collateral and (ii) a Multiple Obligation Synthetic Security or an Index Synthetic Security will have the rating applicable to the Synthetic Security and otherwise will be included as having the characteristics of the related Reference Obligations (and the issuers thereof will be deemed to be the related Reference Obligors) with the Principal Balance thereof allocated to each Reference Obligation in the same proportion as each such Reference Obligation bears to the Aggregate Principal Balance of such

Multiple Obligation Synthetic Security or Index Synthetic Security. The Eligibility Criteria will not apply to any purchase of Synthetic Security Collateral.

The Collateral Manager (on behalf of the Issuer) may apply Uninvested Proceeds, Principal Proceeds and proceeds from any Disposition during the Reinvestment Period to cause the Issuer to Acquire additional Synthetic Securities, by depositing such funds in the CDS Reserve Account or in a Synthetic Security Counterparty Account. In addition, during the Reinvestment Period, the Collateral Manager (on behalf of the Issuer) may apply CDS Principal Proceeds to Acquire one or more replacement Credit Default Swaps by no later than the Determination Date for the first Quarterly Distribution Date succeeding the Due Period during which the CDS Principal Receipt Date occurred.

The Issuer will not Acquire any Credit Default Swap (or any other Synthetic Security which is not a Defeased Synthetic Security) unless, immediately after giving effect to such Acquisition, (a) the sum of (i) the Aggregate Undrawn Amount plus (ii) the Balance of all Eligible Investments in the CDS Reserve Account standing to the credit of the Reserve Account (other than any portion thereof that is investment income or that has irrevocably been designated for withdrawal therefrom as Principal Proceeds) is greater than or equal to (b) the aggregate Remaining Exposure under all Credit Default Swaps immediately after giving effect to such Acquisition.

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

The Credit Default Swaps, the Total Return Swap and the Class A-1 Swap will be made pursuant to a single 1992 ISDA Master Agreement (the "ISDA Master Agreement") between the Issuer and MLI.

The following is a summary of certain terms of the Credit Default Swaps which the Issuer will enter into with MLI on the Closing Date. Subsequent to the Closing Date the Issuer may amend the terms of the Credit Default Swaps and other Synthetic Securities which it entered into on the Closing Date and may enter into additional Synthetic Securities on terms that differ in material respects from the terms summarized herein.

All of the Credit Default Swaps entered into on the Closing Date will be Single Obligation Synthetic Securities. After the Closing Date, the Issuer also may enter into Index Synthetic Securities and other Multiple Obligation Synthetic Securities. However, unless a CDS Replacement has occurred, the Issuer may not enter into any Synthetic Securities other than the Credit Default Swaps and Defeased Synthetic Securities, without the prior written consent of the Credit Default Swap Counterparty.

The Credit Default Swaps

Each Credit Default Swap Transaction will be entered into under a separate trade confirmation in the form attached to a master confirmation and constitute a separate transaction thereunder. The Credit Default Swaps which the Issuer will enter into (or commit to enter into) on the Closing Date will be documented based on the "Standard Terms Supplement for a Credit Derivative Transaction on Mortgage-Backed Security With Pay As You Go or Physical Settlement (Form 1) (Dealer Form)" template confirmations published in November 2006, by the International Swaps and Derivatives Association, Inc. ("ISDA") that each relate to RMBS and CMBS securities (a "MBS PAUG Credit Default Swap"), with the elections set forth below under "—Terms of Credit Default Swaps" and certain important modifications. In addition, the Issuer may also enter into Credit Default Swaps based on the form of the "Credit Derivative Transaction on Asset-Backed Security With Pay As You Go or Physical Settlement (Dealer Form)" template confirmation published in June 2006, as amended in August 2006, by ISDA that relate to CDO Obligations (a "CDO PAUG Credit Default Swap"), with the elections set forth below

under "—Terms of Credit Default Swaps" and certain important modifications. The Credit Default Swaps made on the Closing Date will be both Form Approved Synthetic Securities and Single Obligation Synthetic Securities. With respect to the Long Credit Default Swaps, the initial Form Approved Synthetic Security master confirmations that the Issuer will enter into (or commit to enter into) with the Credit Default Swap Counterparty on the Closing Date are expected to be attached as Exhibits B and C to the final Offering Circular.

Both the MBS PAUG Credit Default Swap and the CDO PAUG Credit Default Swap have a pay-as-you-go settlement format with a physical settlement option. The discussion below assumes that each Credit Default Swap will be in the form of a MBS PAUG Credit Default Swap. The CDO PAUG Credit Default Swap related to CDO Obligations will be substantively similar to the MBS Pay As You Go Confirmation, with the differences summarized below under "—Terms of CDO PAUG Credit Default Swaps." The Issuer may, however, enter into other Credit Default Swaps that may have terms different from those described below, so long as the Rating Condition has been satisfied and five Business Days prior written notice has been delivered to the Noteholders.

Each Credit Default Swap will be subject to and incorporate the 2003 ISDA Credit Derivatives Definitions, as published by ISDA, as such definitions may be modified in a Form-Approved Synthetic Security ("Credit Derivatives Definitions").

Each Credit Default Swap will permit the Credit Default Swap Counterparty to elect physical settlement upon the occurrence of a Credit Event thereunder by delivery of a Deliverable Obligation to the Issuer, requiring the Issuer to pay the principal amount of the Reference Obligation to the Credit Default Swap Counterparty unless, with respect to a Failure to Pay Principal or Writedown, the Credit Default Swap Counterparty elects that the Issuer instead pay Floating Amounts.

Each Credit Default Swap will generally terminate on the last to occur of (a) the fifth Business Day following the earlier of the scheduled termination date of the Credit Default Swap and the Final Amortization Date (the "Effective Maturity Date"), (b) the last date on which any Floating Amounts will be paid pursuant to the Credit Default Swap, (c) the last date on which a Deliverable Obligation will be delivered and (d) the last date on which any Principal Reimbursements and Interest Reimbursements will be made.

Terms of Credit Default Swaps. The "credit events" ("Credit Events") applicable to each Credit Default Swap will be:

1. "Failure to Pay Principal." This Credit Event will occur upon the occurrence of the following:

(i) a failure by the Reference Obligor (or any insurer thereof) to pay an expected amount of principal on the Final Amortization Date or the legal final maturity date, as the case may be, or

(ii) payment on any such day of an actual amount of principal that is less than the expected amount of principal;

provided that the failure by the Reference 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.

For purposes of the foregoing, "Final Amortization Date" means the first to occur of (i) the date on which the Reference Obligation Notional Amount of the Credit Default Swap is reduced to zero and (ii) the date on which the assets securing the Reference Obligation or designated to fund amounts due in respect of the Reference Obligation are liquidated, distributed or otherwise disposed of in full and the proceeds thereof are distributed or otherwise disposed of in full.

2. "Writedown." This Credit Event will occur if at any time any of the following occurs:

(i) (A) a writedown or applied loss (however described in the Underlying Instruments) resulting in a reduction in the outstanding principal amount (other than as a result of a scheduled or unscheduled payment of principal) of the Reference Obligation; or

(B) the attribution of a principal deficiency or realized loss (however described in the Underlying Instruments) to the Reference Obligation resulting in a reduction of the current interest payable on the Reference Obligation;

(ii) the forgiveness of any amount of principal by the holders of the Reference Obligation pursuant to an amendment to the Underlying Instruments resulting in a reduction in the outstanding principal amount of the Reference Obligation (except where MLI or its Affiliates owns 100% of the outstanding principal amount of the Reference Obligation, in which case, such forgiveness will not constitute a Writedown Credit Event); 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 Credit Default Swap Counterparty in its capacity as calculation agent.

For purposes of the foregoing, "Implied Writedown Amount" means, (a) if the Underlying Instruments relating to the Reference Obligation do not provide for writedowns, applied losses, principal deficiencies or realized losses as described in clause (i) above to occur in respect of the Reference Obligation, on any Reference Obligation Payment Date, an amount determined by the Credit Default Swap Counterparty in its capacity as calculation agent equal to the excess, if any, of the "implied writedown" for the interest accrual period relating to the current Reference Obligation payment date over the "implied writedown" for the immediately preceding interest accrual period and (b) in any other case, zero. In the MBS PAUG Credit Default Swap, the Credit Default Swap Counterparty acting in its role as calculation agent determines, for each related calculation period, an "implied writedown" which is an amount greater than zero equal to the product of (x) the Implied Writedown Percentage and (y) the lesser of (a) the outstanding principal amount of debt that ranks *pari passu* in the Reference Obligation's capital structure plus the outstanding principal amount of the Reference Obligation (the "Pari Passu Amount") and (b) the Pari Passu Amount plus the outstanding principal amount of all senior debt in the same capital structure minus the aggregate outstanding asset pool balance securing the payment obligations on the Reference Obligation (based upon the most recent servicer report), calculated based on the face amount of the assets then in such pool, whether or not any such asset is performing. The "Implied Writedown Percentage" means (i) the outstanding principal balance of the Reference Obligation divided by (ii) the Pari Passu Amount.

3. "Distressed Ratings Downgrade."

This Credit Event will occur if this Credit Event is elected as applicable and if the Reference Obligation:

(i) if publicly rated by Moody's, (A) is downgraded to "Caa2" or below by Moody's or (B) has the rating assigned to it by Moody's withdrawn and, in either case, not reinstated within five business days of such downgrade or withdrawal; *provided* that if such Reference Obligation was assigned a public rating of "Baa3" or higher by Moody's immediately prior to the occurrence of such withdrawal, it shall not constitute a Distressed Ratings Downgrade if such Reference Obligation is assigned a public rating of at least "Caal" by Moody's within three calendar months of 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 of such withdrawal; or

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

Credit Events under each Credit Default Swap will be physically settled at the option of the Credit Default Swap Counterparty; *provided* that, in the case of a Writedown or Failure to Pay Principal, the Credit Default Swap Counterparty may instead elect to receive a Floating Amount from the credit protection seller. Upon the occurrence of a Distressed Ratings Downgrade, the Credit Default Swap Counterparty may elect physical settlement but the Issuer will not be required to pay Floating Amounts based on that Credit Event. Multiple Credit Event Notices may be delivered by the Credit Default Swap Counterparty with respect to each Credit Default Swap.

In the event that the Credit Default Swap Counterparty elects to deliver a credit event notice in respect of a Credit Event, a Credit Default Swap may be considered a Defaulted Synthetic Security, and therefore a Defaulted Security. In certain cases, a ratings downgrade will trigger a Credit Event under a Credit Default Swap that might not result in a Reference Obligation's being classified as a Defaulted Security if such Reference Obligation were held directly by the Issuer.

As well as the Credit Events that trigger physical settlement described above, each Credit Default Swap requires the Issuer to make payments to the Credit Default Swap Counterparty in amounts equal to (subject to any adjustments set forth in the relevant confirmation to reflect any applicable percentage or reference price) any Principal Shortfall Amounts, Writedown Amounts and Interest Shortfall Payment Amounts under the Reference Obligation upon the occurrence of, respectively, a Failure to Pay Principal, Writedown or Interest Shortfall (any such payment, a "Floating Amount"). A Credit Default Swap may, therefore, in some respects, be more akin to a total return swap than a credit default swap, although in the case of a Writedown or Failure to Pay Principal or (solely with respect to a CDO PAUG Credit Default Swap) Failure to Pay Interest, the Credit Default Swap Counterparty may elect to deliver a Credit Event Notice in respect thereof (in which case, the relevant Credit Default Swap will be physically settled).

Each Credit Default Swap will specify whether the amount payable by the Issuer in respect of an Interest Shortfall Payment Amount will be subject to any cap. If "Fixed Cap" is applicable, then the Interest Shortfall Payment Amount will reduce the Fixed Amount paid by the Credit Default Swap Counterparty to zero, but the Issuer will not pay any additional amount to the Credit Default Swap Counterparty. Most of the Credit Default Swaps which the Issuer will enter into on the Closing Date are expected to provide that "fixed cap" is applicable, but the Issuer may also enter into a small number of Credit Default Swaps to which a "variable cap" or no cap is applicable. If "variable cap" is elected as applicable, then the Interest Shortfall Payment Amount will reduce the Fixed Amount paid by the Credit Default Swap Counterparty to zero, and if the expected interest less the actual interest is greater than the Fixed Amount, the Issuer will pay the Credit Default Swap Counterparty the amount by which the expected interest less the actual interest exceeds the Fixed Amount. Whether "fixed cap" or "variable cap" are elected as applicable, any Interest Shortfall Payment Amount will reduce the Interest Proceeds available to pay expenses to the Issuer, interest on the Notes and distributions on the Preference Shares.

Floating Amounts paid by the Issuer will be contingent insofar as the Credit Default Swap Counterparty will be required to reimburse all or part of such Floating Amounts to the Issuer (any such reimbursement, (a) if made in respect of an amount received as a result of a Writedown or Failure to Pay Principal, a "Principal Reimbursement" or (b) if made in respect of an amount received as a result of an Interest Shortfall, an "Interest Reimbursement") if they are paid by the Reference Obligor to holders of the Reference Obligation within the earlier of (i) one year after the Effective Maturity Date of the Reference Obligation under such Credit Default Swap and (ii) payment in full of the Notes. However, in the case of an Interest Reimbursement, the Credit Default Swap Counterparty generally will be entitled to receive recovery of any portion of the Interest Shortfall for which it was not compensated by the Issuer before it makes any payment in respect of an Interest Reimbursement to the Issuer.

The initial Credit Default Swaps are expected to provide that the Issuer will pay each Writedown Amount and Principal Shortfall Amount on the next Quarterly Distribution Date that is at least two business days after notice from the Credit Default Swap Counterparty that any such amount is due. Similarly, the initial Credit Default Swaps are expected to provide that the Credit Default Swap Counterparty will pay Principal Reimbursements on the next Quarterly Distribution Date that is at least two business days after notice from the Issuer that any such amount is due.

If "Not CMBS Convention" is specified in a Credit Default Swap, on each day falling five business days after a Reference Obligation Payment Date (the "Fixed Rate Payer Payment Date"), the buyer of protection (with respect to any Credit Default Swap that is a Hedging Short Credit Default Swap, the Issuer, and with respect to any Credit Default Swap that is a Long Credit Default Swap, the Credit Default Swap Counterparty), will be required to pay to the seller of protection with respect to each Credit Default Swap (and not on a portfolio basis) a premium (the "Fixed Amount") equal to the product of (i) if "No Delay" is specified in the relevant Credit Default Swap, (a) the applicable Fixed Rate multiplied by (b) an amount equal to (A) the sum of the Reference Obligation Notional Amounts as at a specified time on each day during the related Reference Obligation Calculation Period divided by (B) the actual number of days in the related Reference Obligation Calculation Period multiplied by (c) the actual number of days in the related Reference Obligation Calculation Period divided by 360 or (ii) if "Delay" is specified in the relevant Credit Default Swap, (a) the applicable Fixed Rate multiplied by (b) the Reference Obligation Notional Amount outstanding on the last day of the related Reference Obligation Calculation Period (as adjusted for any increases or decreases in the Reference Obligation Notional Amount on the Reference Obligation Payment Date immediately preceding the Reference Obligation Payment Date related to such Fixed Amount) multiplied by (c) the actual number of days in the related Reference Obligation Calculation Period divided by 360. Where the "CMBS Convention" is specified as applicable in a Credit Default Swap, the buyer of protection will pay the seller of protection the Fixed Amount on the 25th calendar day of the next following month after the Reference Obligation Payment Date; provided that the

final Fixed Rate Payer Payment Date will fall on the fifth business day following the Effective Maturity Date.

Each MBS PAUG Credit Default Swap may provide for an election by the Credit Default Swap Counterparty that the "WAC Cap Interest Provision" is not applicable. The Issuer is required to make the same election under a Hedging Short Credit Default Swap as the Credit Default Swap Counterparty makes under the related Hedged Long Credit Default Swap.

The Credit Default Swaps are expected to provide that the "step-up" provisions in the MBS PAUG Credit Default Swap will be applicable. Under the step-up provisions, the Credit Default Swap Counterparty as buyer of protection under the Credit Default Swap may elect to either terminate the Credit Default Swap or increase the Fixed Rate related to the Fixed Amount that it pays periodically to the Issuer if the Reference Obligor or a third party fails to exercise, in accordance with the Underlying Instruments, a "clean up call" or other right to purchase, redeem, cancel or terminate (however described in the Underlying Instruments) the Reference Obligation which failure results in an increase in Reference Obligation coupon. If the Credit Default Swap Counterparty does not deliver a notice that it is terminating the Credit Default Swap by the fifth business day after it receives notice of a step-up of the Reference Obligation coupon, it will be deemed to have elected to continue the Credit Default Swap at the increased Fixed Rate. The Issuer is required to make the same election under a Hedging Short Credit Default Swap as the Credit Default Swap Counterparty makes under the related Hedged Long Credit Default Swap.

Terms of CDO PAUG Credit Default Swaps. The Issuer and MLI may also enter into CDO PAUG Credit Default Swaps which are Form Approved Synthetic Securities which relate to Reference Obligations that are CDO Obligations. The CDO PAUG Credit Default Swaps will be substantively similar to the MBS PAUG Credit Default Swap, except that (1) the "WAC Cap Interest Provision" is not in the CDO PAUG Credit Default Swap (and therefore cannot be elected as being applicable or inapplicable) and (2) there is no "step-up" provision.

In addition, unlike the MBS PAUG Credit Default Swap, the CDO PAUG Credit Default Swap provides that the parties may elect not to apply "implied writedown" as a Credit Event or a "Floating Amount Event." The CDO PAUG Credit Default Swap includes an additional Credit Event, Failure to Pay Interest, which allows the Credit Default Swap Counterparty (at its option) to physically settle the Credit Default Swap. If the related Reference Obligation is a PIKable Reference Obligation, the Credit Default Swap Counterparty may not elect to physically settle the Failure to Pay Interest Credit Event until a period of 360 calendar days has elapsed since the occurrence of the Interest Shortfall giving rise to the Failure to Pay Interest Credit Event during which period the Interest Shortfall has not been reimbursed in full.

Another substantive difference between the CDO PAUG Credit Default Swap and the MBS PAUG Credit Default Swap is the way in which an "implied writedown" is determined. In the CDO PAUG Credit Default Swap, the Credit Default Swap Counterparty acting in its role as calculation agent under the Credit Default Swap determines an "implied writedown" by reference to the reported overcollateralization ratio in the servicer report for the Reference Obligation, *provided* that if the overcollateralization ratio for the Reference Obligation is not reported there, the Credit Default Swap Counterparty in its capacity as calculation agent may use the overcollateralization ratio in the servicer report for a senior obligation of the same Reference Obligor and, if not there, the Credit Default Swap Counterparty in its capacity as calculation agent may use the overcollateralization ratio in the servicer report for a junior obligation of the same Reference Obligor. If none of these yield a result, then the Credit Default Swap Counterparty in its capacity as calculation agent determines whether an "implied writedown" has occurred on the same basis as in the MBS PAUG Credit Default Swap. The

overcollateralization ratio in the servicer report generally will take into account the "haircuts" on assets provided in the indenture for the Reference Obligation (on assets that have been downgraded, have "PIKed" have defaulted or were purchased at a discount), which will make an Implied Writedown more likely to occur on the Reference Obligation.

Reference Obligation Notional Amount. The Reference Obligation Notional Amount of a Credit Default Swap may be greater or less than the outstanding principal amount of the related Reference Obligation. Following the effective date of the Credit Default Swap, the Reference Obligation Notional Amount will be reduced to reflect CDS Principal Payments, Floating Amounts paid following any Failure to Pay Principal and any Writedown and each Exercise Amount in connection with a physical settlement following a Credit Event and increased by any reimbursements of Writedowns within paragraphs (ii) or (iii) in the definition thereof.

Remaining Exposure. For the purpose of all calculations made under the Indenture or under the Class A-1 Swap which are based on the Remaining Exposure under the Credit Default Swaps, the Trustee and the Issuer will assume that the Remaining Exposure is the amount (if positive) equal to (as calculated by the Collateral Manager) (i) the Remaining Exposure shown on the most recent report delivered by the Collateral Manager to the Issuer and the Trustee (unless subsequent thereto the Credit Default Swap Counterparty provides a report to the Issuer and the Trustee, in which case, it would be the amount in such report) plus (ii) the aggregate initial Reference Obligation Notional Amount of all Credit Default Swaps which the Issuer entered into since the date of such report plus (iii) the sum of any reimbursements in respect of Writedowns (within paragraphs (ii) or (iii) of the definition thereof) paid to the Issuer under Unhedged Long Credit Default Swaps since the date of such report minus (iv) the aggregate Reference Obligation Notional Amount of all Credit Default Swaps which the Issuer disposed of since the date of such report minus (v) all Physical Settlement Amounts, Writedown Amounts and Principal Shortfall Amounts paid by the Issuer since the date of the report. Alternatively, the Trustee or the Collateral Manager on behalf of the Issuer may request a statement from the Credit Default Swap Counterparty of the Remaining Exposure and may rely on such statement in making any calculation under the Indenture.

Settlement. A Credit Default Swap will be physically settled if the Credit Default Swap Counterparty delivers a Credit Event Notice electing to physically settle the Credit Default Swap. Only the Credit Default Swap Counterparty may deliver a Credit Event Notice and, if it delivers a Credit Event Notice, in most cases in order to initiate physical settlement the Credit Default Swap Counterparty must also deliver a Notice of Publicly Available Information and a Notice of Physical Settlement to the Issuer. Upon settlement of a Credit Default Swap on the Physical Settlement Date, the Credit Default Swap Counterparty will deliver to the Issuer the Deliverable Obligation specified in the Notice of Physical Settlement and the Issuer will pay to the Credit Default Swap Counterparty the Physical Settlement Amount that corresponds to the Deliverable Obligation that the Credit Default Swap Counterparty has delivered. Each Credit Default Swap will provide that the Credit Default Swap Counterparty, when providing a Notice of Physical Settlement, may specify an amount (the "Exercise Amount") that is less than the Reference Obligation Notional Amount as of the date on which such Notice of Physical Settlement is delivered (calculated as though physical settlement in respect of all previously delivered Notices of Physical Settlement has occurred in full); in that case, the rights and obligations of the parties under the Credit Default Swap will continue and the Credit Default Swap Counterparty may deliver additional notices of physical settlement with respect to the initial Credit Event or with respect to any additional Credit Event at any time thereafter.

In addition, each Credit Default Swap will provide that only the related Reference Obligation may constitute a Deliverable Obligation. The definition of "Collateral Debt Security" includes Deliverable Obligations that are CDO Obligations or Other ABS. Accordingly, upon receipt of Deliverable Obligations the Issuer may hold Deliverable Obligations as Collateral Debt Securities and

such Deliverable Obligations will be subject to the provisions relating to the Disposition of Collateral Debt Securities set forth herein. See "—Dispositions of Collateral Debt Securities."

However, in the event that the Credit Default Swap Counterparty delivers a Credit Event Notice related to a Long Credit Default Swap in which there is a related Hedging Short Credit Default Swap, the Issuer will be deemed to deliver a Credit Event Notice under such Hedging Short Credit Default Swap. With respect to such event, the payment or delivery obligation of the Credit Default Swap Counterparty under the Long Credit Default Swap will be netted against the payment or delivery obligation of the Issuer under the Hedging Short Credit Default Swap. Therefore, if the Credit Default Swap Counterparty were required to deliver a Deliverable Obligation to the Issuer under the Long Credit Default Swap and the Issuer were required to deliver a Deliverable Obligation under the related Hedging Short Credit Default Swap, neither party would deliver such Deliverable Obligation and each party's obligation to deliver such Deliverable Obligation and to pay the Physical Settlement Amount would be satisfied.

The "Physical Settlement Amount" will generally be an amount equal to (a) the product of the Exercise Amount and an agreed reference price (which is currently expected to be 100%) *minus* (b) the sum of: (i) the product of (A) the aggregate of all Implied Writedown Amounts with respect to the relevant Reference Obligation (which have not been reimbursed) determined immediately prior to the relevant delivery and (B) the relevant Exercise Percentage *plus* (ii) the product of (A) the aggregate principal amount of the Reference Obligation which is subject to a Credit Event described within paragraph (i)(B) of the definition of "Writedown" under "—The Credit Default Swaps" (as the same has been reduced by any reimbursement obligations of the Credit Default Swap Counterparty under the relevant Credit Default Swap) and (B) the relevant Exercise Percentage. For purposes of the foregoing, "Exercise Percentage" means, with respect to a Notice of Physical Settlement, a percentage equal to the original face amount of the Deliverable Obligations specified in such Notice of Physical Settlement divided by an amount equal to (i) the initial face amount of the Reference Obligation *minus* (ii) the aggregate of the original face amount of all Deliverable Obligations specified in all previously delivered Notices of Physical Settlement. If any capitalization or deferral of interest in respect of the Reference Obligation has occurred during the term of a Credit Default Swap and has not been recovered by holders of the Reference Obligation pursuant to the terms of the Underlying Instruments, then, for the purpose of determining the amount of Deliverable Obligations to be delivered, the Exercise Amount (determined by reference to the original face amount) will represent an outstanding principal balance of the Reference Obligation to be delivered that includes the proportion of unrecovered interest attributable to the Reference Obligation to be delivered and notwithstanding the foregoing, the Physical Settlement Amount payable by the Issuer under a Long Credit Default Swap (or by the Credit Default Swap Counterparty under a Hedging Short Credit Default Swap) in relation to such Exercise Amount will not include any amount in respect of such unrecovered interest.

Where the Credit Default Swap Counterparty has delivered a Notice of Physical Settlement but does not deliver in full the Deliverable Obligations (including, without limitation, as a result of the illegality or impossibility of physical settlement) on or prior to the physical settlement date, such Notice of Physical Settlement shall be deemed not to have been delivered.

The initial Credit Default Swaps are expected to provide that the Physical Settlement Date will occur on the next Quarterly Distribution Date following satisfaction of the conditions to settlement in the Credit Default Swap.

Intermediation. The Issuer may only enter into Credit Default Swaps with MLI, unless a CDS Replacement has occurred. The Collateral Manager on behalf of the Issuer may obtain bids from Eligible Dealers solicited by it to enter into back-to-back credit default swap transactions with MLI on the same terms described herein, at a quoted fixed rate that is better than the Fixed Rate at which MLI is willing to

enter into a Credit Default Swap relating to the same Reference Obligation. In that event, the Credit Default Swap Counterparty may (but will not be obligated to) enter into a credit default swap transaction with the Eligible Dealer. If the Credit Default Swap Counterparty in its sole discretion elects to enter into a Credit Default Swap with the Issuer and a back-to-back hedging transaction with the Eligible Dealer, the fixed rate premium received by the Credit Default Swap Counterparty under a back-to-back hedging transaction related to a Long Credit Default Swap will exceed the Fixed Rate payable by the Credit Default Swap Counterparty to the Issuer under such related Long Credit Default Swap and the fixed rate premium payable by the Credit Default Swap Counterparty under a back-to-back hedging transaction related to a Hedging Short Credit Default Swap will be less than the Fixed Rate received by the Credit Default Swap Counterparty from the Issuer under such related Hedging Short Credit Default Swap, in each case, by an amount representing an intermediation fee ("Intermediation Fee") of [__]% per annum payable to the Credit Default Swap Counterparty if the relevant transaction references a single Reference Obligation or [__]% per annum payable to the Credit Default Swap Counterparty if the relevant transaction is an index transaction.

Termination or Assignment of Credit Default Swaps. The Issuer may terminate or assign a Credit Default Swap under the circumstances and subject to the conditions described under "—Dispositions of Collateral Debt Securities." The assignment payment payable in connection with an assignment of a Credit Default Swap will be based on the amount (if any) payable by the Issuer to an Eligible Dealer or by an Eligible Dealer to the Issuer, as applicable. In connection with the termination of a Credit Default Swap, the amount owed by or payable to the Issuer will be determined by the Credit Default Swap Counterparty pursuant to the standard ISDA termination methodology. See "Credit Default Swaps—Liquidation Procedures."

Hedging of Long Credit Default Swaps. The Collateral Manager may, instead of terminating or assigning a Credit Default Swap, cause the Issuer to enter into a Hedging Short Credit Default Swap in respect of any Long Credit Default Swap that is a Deferred Interest PIK Bond, Equity Security, Defaulted Security, Written Down Security, Credit Improved Security or Credit Risk Security or as a Discretionary Disposition of any Long Credit Default Swap, subject to the conditions set forth in "—Dispositions of Collateral Debt Securities." The Issuer will not have the right to deliver a Credit Event Notice or a Notice of Physical Settlement under a Hedging Short Credit Default Swap, but if the Credit Default Swap Counterparty gives such a notice, the obligations of the Issuer and the Credit Default Swap Counterparty under the Hedging Short Credit Default Swap and the Hedged Long Credit Default Swap will be set off. The Issuer may only enter into Hedging Short Credit Default Swaps with MLI, unless a CDS Replacement has occurred. If the Collateral Manager and MLI cannot agree on the terms (including the Fixed Rate) of a Hedging Short Credit Default Swap, MLI will have no obligation to enter into such Hedging Short Credit Default Swap. The Collateral Manager may obtain bids from Eligible Dealers selected by it to enter into a back-to-back credit default swap transaction with MLI on the same terms described herein at a quoted fixed rate that is better than the Fixed Rate at which MLI is willing to enter into the proposed Hedging Short Credit Default Swap. In that event the Credit Default Swap Counterparty is not obligated to enter into a credit default swap transaction with the Eligible Dealer, but if the Credit Default Swap Counterparty elects in its sole discretion to enter into such a transaction, it will be entitled to the Intermediation Fee.

Liquidation Procedures. Upon the occurrence of a Redemption Termination Event, the Issuer and the Credit Default Swap Counterparty will use the liquidation procedures (the "Liquidation Procedures") to determine the aggregate amount which the Credit Default Swap Counterparty (or an Eligible Dealer) or the Issuer would pay (or be paid) in order to terminate or replace the Credit Default Swaps on a date that would satisfy the redemption or liquidation procedures for the Collateral in the Indenture (the "Swaps Liquidation Date"). Under the Liquidation Procedures, the Credit Default Swap Counterparty will specify the swap termination payment which the Credit Default Swap Counterparty

would pay to the Issuer or the swap termination payment that the Issuer would be required to pay to the Credit Default Swap Counterparty (calculated as if the Issuer were the "defaulting party" or the "affected party" and using the standard "Loss" methodology specified in the 1992 ISDA Master Agreement) if all obligations of the parties under the Credit Default Swaps were to terminate (the "Termination Payment"). The Collateral Manager on behalf of the Issuer will either accept such Termination Payment (if the requirements under the Indenture for the redemption of the Notes or the liquidation of the Collateral have been satisfied) or reject such Termination Payment. If the Collateral Manager accepts the Termination Payment, (x) the Issuer will enter into a binding agreement with the Credit Default Swap Counterparty providing for termination of the Issuer's obligations under the Credit Default Swaps and the related payments and (y) the Credit Default Swap Counterparty will pay such Swap Termination Payment to the Issuer or the Issuer will pay the Termination Payment to the Credit Default Swap Counterparty (as applicable) on the Swaps Liquidation Date and, upon such payment all obligations of the parties with respect to the Credit Default Swaps will terminate on and as of such Swaps Liquidation Date. If the Collateral Manager rejects the Termination Payment, the Issuer (or the Collateral Manager on its behalf) may attempt to obtain firm bids with respect to the Credit Default Swaps in whole or with respect to sub-pools of the portfolio of Credit Default Swaps (which, in the aggregate, will comprise the total portfolio of Credit Default Swaps), from Eligible Dealers to replace the Issuer with respect to the Credit Default Swaps. If the Issuer obtains such bids and the aggregate amount to be paid by or to the Eligible Dealers ((after taking into account payments by the Issuer to the Eligible Dealer and amounts due but not yet paid by the Credit Default Swap Counterparty or the Issuer, as applicable) amounts due but not yet paid by the Credit Default Swap Counterparty or the Issuer, as applicable) would satisfy the requirements under the Indenture regarding the redemption of the Notes or the liquidation of the Collateral, the Issuer will make any assignment payment to the related Eligible Dealer and take all other actions necessary on or prior to the Swaps Liquidation Date in order to effect such transfer and assignment of the Credit Default Swaps to the Eligible Dealers and, upon such payment all obligations of the Issuer with respect to the Credit Default Swaps will terminate on and as of such Swaps Liquidation Date. If the amount that the Issuer would be paid by or to Eligible Dealers would not result in sufficient funds (after taking into account any amounts due and unpaid by both the Issuer and the Credit Default Swap Counterparty under the Credit Default Swaps) to satisfy the requirements under the Indenture regarding the redemption of the Notes or the liquidation of the Collateral, the valuation procedure described herein will be conducted prior to each subsequent proposed Redemption Date or proposed date for liquidation of the Collateral after an Event of Default on the same schedule set forth herein.

In accordance with "Security for the Notes—Dispositions of Collateral Debt Securities," if the Collateral Manager on behalf of the Issuer elects to terminate a Credit Default Swap, it will follow the Liquidation Procedures set forth above, *provided* that the procedures will apply to a single Credit Default Swap rather than the portfolio of Credit Default Swaps and the termination date of the Credit Default Swap will be the date specified by the Issuer (or the Collateral Manager on its behalf). The Indenture will not require that a certain amount be received (or paid) by the Issuer as a result of the termination or assignment of a Credit Default Swap. However, if the Issuer (or the Collateral Manager on its behalf) wishes to terminate a Credit Default Swap, the Issuer or the Credit Default Swap Counterparty, as applicable, will be required to pay (or will receive) any termination or assignment payment which the Credit Default Swap Counterparty or the Eligible Dealer, as applicable, determines is payable in accordance with the Liquidation Procedures. Such payment will be made in accordance with the Account Payment Priorities or from a Class A-1 Funding.

The Credit Default Swap Counterparty and the Issuer may modify these procedures without the consent of the Noteholders and the Preference Shareholders.

[Replacement Credit Linked Note. Subsequent to the Closing Date, the Issuer may, upon delivering notice to the Noteholders and if the Rating Condition is satisfied, replace, in part or in whole,

the Credit Default Swaps and the Total Return Swap, with a transaction (a "Replacement Credit Linked Note") with a trust or other special purpose vehicle (the "Credit Linked Note Issuer") which issues a security to the Issuer and enters into Credit Default Swaps with MLI (or an Affiliate) and a reinvestment transaction (which may be with MLI or an Affiliate or with an entity not Affiliated with MLI) relating to the purchase price paid by the Issuer to the Credit Linked Note Issuer. In connection with the Issuer's purchase of the Replacement Credit Linked Note, the Issuer is expected to enter into a supplement to the Indenture (which supplement would not require Noteholder consent) to amend the Indenture, *inter alia*, to revise the Eligibility Criteria to apply to the Credit Default Swaps which the Credit Linked Note Issuer enters into, to provide for the use of funds in the CDS Reserve Account to purchase the Replacement Credit Linked Note and for the use of Class A-1 Fundings to make payments related to the Replacement Credit Linked Note, and to make other changes to facilitate the Issuer's purchase of the Replacement Credit Linked Note. See "Risk Factors—Risk Factors Relating to Synthetic Securities—Replacement Credit Linked Note.]

The Total Return Swap

On the Closing Date, MLI and the Issuer will enter into a separate total return swap transaction under the ISDA Master Agreement (the "Total Return Swap") with respect to the Synthetic Security Collateral in the CDS Reserve Account. The purpose of any such Total Return Swap is to provide the Issuer with a return equal to the three-month London interbank offered rate which is likely to be higher than the Issuer would earn if it were to invest the funds in the CDS Reserve Account in Eligible Investments. In accordance with the terms of any such Total Return Swap, MLI will have the right to approve the investment of all funds in the CDS Reserve Account in Synthetic Security Collateral and MLI and the Issuer will enter into a Total Return Swap which references such Synthetic Security Collateral (each security that is subject to the Total Return Swap, a "Reference Security"). Each Reference Security will satisfy the Synthetic Security Collateral Criteria and certain rating and other requirements set forth in the Total Return Swap. The Reference Securities in the CDS Reserve Account will be available to satisfy the Issuer's obligations to MLI under any Credit Default Swap. However, the Reference Securities are expected to have very long maturities and therefore, if the Total Return Swap is no longer in effect or if MLI fails to perform its obligations under the Total Return Swap, the Issuer will be exposed to the risk of a decrease in the market value of the Reference Security if the Issuer is required to sell a Reference Security in order to make a payment under a Credit Default Swap.

Initially, the notional amount of any such Total Return Swap will be approximately equal to the amount deposited in the CDS Reserve Account. The notional amount of the Total Return Swap will be reduced by any amount withdrawn from the CDS Reserve Account to pay a Physical Settlement Amount, Floating Amount, Swap Termination Payment, Net Issuer Hedged Long Fixed Amount or payments of principal on the Notes among other amounts. Upon the termination of (or reduction in the notional amount of) the Total Return Swap (including as a result of a Credit Event or Floating Amount Event, Swap Termination Payment, Net Issuer Hedged Long Fixed Amount or payments of Principal on the Notes), the Issuer will deliver a principal amount of the Reference Security equal to the terminated portion of the notional amount of the Total Return Swap to the highest firm bidder against payment to the Issuer from such bidder. MLI, as calculation agent under the Total Return Swaps except in limited circumstances as set forth in the Total Return Swap, will solicit from independent market-makers or other major market participants such firm bids and arrange for settlement of such Reference Security. In addition, the Issuer will pay to MLI the amount by which (i) the liquidation market value of the principal amount of the Reference Security equal to the terminated portion of the Total Return Swap exceeds (ii) the principal amount of the Reference Security being delivered (the amount of such excess, if any, the "Positive Total Return Amount"). If the principal amount of the Reference Security being delivered exceeds the liquidation market value, MLI will pay to the Issuer such difference. If the Issuer fails to deliver the Reference Security, MLI will not be obligated to pay the Issuer any amount and may recover

from the Issuer a termination payment in an amount not to exceed the outstanding principal amount of the Reference Security.

The Total Return Swap will also provide for MLI to pay to the Issuer the Total Return Swap LIBOR Payment on each Quarterly Distribution Date. Pursuant to the terms of the Total Return Swap, the Issuer will pay to MLI the Reference Security Interest Distribution with respect to each Reference Security one Business Day following a date on which the Reference Security pays the Reference Security Interest Distribution to a holder of such Reference Security.

To the extent that the CDS Reserve Account Balance increases up to U.S. \$[●], if MLI and the Issuer do not agree to the terms of such increase and the selection of the Reference Security in which the Issuer will invest, MLI will have the right to designate one or more replacement Reference Securities. Similarly, if the principal balance of the Reference Securities in the CDS Reserve Account is reduced by principal payments, redemptions or other similar events or the ratings on a Reference Security fall below certain minimum levels specified in the Total Return Swap, if MLI and the Issuer do not agree promptly on a replacement Reference Security, MLI will have the right to designate one or more replacement Reference Securities. If the principal balance of the Reference Securities falls below the balance of the CDS Reserve Account due to principal payments, redemptions or other similar events (the amount of such deficiency, the "Uninvested Principal Amounts"), until either MLI and the Issuer agree to purchase another Reference Security or MLI designates another Reference Security, the Uninvested Principal Amount will be subject to a floating balance transaction (the "Floating Balance Transaction"). The Issuer will invest such Uninvested Principal Amounts in the CDS Reserve Account in Eligible Investments and MLI will continue to pay the Total Return Swap LIBOR Payment on the notional amount of such Floating Balance Transaction. In the event that the Total Return Swap terminates in whole or in part and the notional amount of the Total Return Swap reduces for any reason, the Issuer will not be entitled to receive the Total Return Swap LIBOR Payment on the amount of such reduction or termination of the notional amount and the Issuer will have to rely solely upon the return on such amount which will be invested in Eligible Investments (or, in the event that the Issuer is able to secure such amount under a TRS Replacement, the return on such amount related to such TRS Replacement).

If any reduction to the aggregate notional amount of the Total Return Swap does not occur on a Quarterly Distribution Date, the Credit Default Swap Counterparty will calculate a breakage amount (the "LIBOR Breakage Amount") based on the excess of LIBOR calculated at the beginning of the period over interpolated LIBOR from the date of termination to the next Determination Date. If the LIBOR Breakage Amount is negative, the Issuer will pay such amount to MLI and if the LIBOR Breakage Amount is positive, MLI will pay such amount to the Issuer.

If the aggregate notional amount of the Total Return Swap is reduced at any time (including on a Quarterly Distribution Date) by Swap Termination Payments or by transfers of the Reserve Account Excess to the Principal Collection Account (other than with respect to transfers as a result of Credit Events or Floating Amount Events) and any Discretionary Dispositions or terminations of Credit Default Swaps that are Credit Risk Securities or Credit Improved Securities have occurred during the related Due Period or the immediately preceding Due Period, or if the Total Return Swap is terminated on the Redemption Date in connection with an Optional Redemption, Tax Redemption, Auction Call Redemption or on the Accelerated Maturity Date, the Issuer will be required to pay to MLI an amount that MLI reasonably determines in good faith to be its net loss incurred as a result of its loss of bargain, cost of funding or termination, liquidation or reestablishment of or entry into one or more hedging transactions or related trading positions, or MLI will be required to pay to the Issuer the amount which MLI reasonably determines in good faith to be its gain, resulting from the reduction in the notional amount of the Total Return Swap (in either case, a "Hedging Amount"). MLI will determine the amount

of the gain or loss using the standard valuation methodology in the ISDA Master Agreement based upon "Loss" and "Second Method."

MLI may terminate the Total Return Swap upon the occurrence of any of the following: (i) if at any time the Reference Security Interest Distribution is less than would have been paid to a holder of the Reference Security as a result of withholding taxes, (ii) if the Issuer fails to exercise its voting rights with respect to the Reference Security at the direction of MLI, (iii) the Issuer fails to cooperate to obtain a credit enhancement of the Reference Security or (iv) the notional amount of the Total Return Swap is less than U.S.\$[●] on any date after the Reinvestment Period.

If the Total Return Swap is terminated or to the extent that the CDS Reserve Account Balance exceeds U.S.\$[●], the Issuer will invest funds in the CDS Reserve Account in Eligible Investments or a TRS Replacement and will not be entitled to receive the Total Return Swap LIBOR Payment from MLI.

The Collateral Manager may elect to cause the Issuer to enter into a TRS Replacement (which may be with MLI or another counterparty) which satisfies the Rating Condition, in respect of any or all of the Synthetic Security Collateral in the CDS Reserve Account or in any Synthetic Security Counterparty Account. The Collateral Manager also may elect to invest the funds in a Synthetic Security Counterparty Account in a reinvestment agreement or other Eligible Investments.

The ISDA Master Agreement

The Credit Default Swaps, the Class A-1 Swap and the Total Return Swap with MLI will be governed by the same ISDA Master Agreement. The ISDA Master Agreement will be subject to termination (each, a "ISDA Master Agreement Termination") by the Issuer or MLI upon the occurrence of certain "events of default" and "termination events" specified therein with respect to the other party, including (i) certain events of bankruptcy, insolvency, conservatorship, receivership or reorganization by the Issuer or MLI, (ii) a failure on the part of the Issuer or MLI to make any payment or delivery under a Credit Default Swap or the Total Return Swap within the applicable grace period, (iii) a change in law making it illegal for either the Issuer or MLI to be a party to, or perform an obligation under, the ISDA Master Agreement or (iv) a merger of the Issuer or MLI where the surviving entity does not assume the obligations under the ISDA Master Agreement, and (v) certain tax events or a change in tax law affecting the Issuer or MLI. MLI also will have the right to terminate the ISDA Master Agreement upon the occurrence of (a) a material amendment to the Indenture or an amendment of the Class A-1 Swap without the prior written consent of MLI or (b) a termination of the Class A-1 Swap (if at such time there is a Notional Amount Shortfall greater than zero) or a failure by the Class A-1 Swap Counterparty (which is not MLI or its Affiliate) to make a Class A-1 Funding thereunder or (if it does not satisfy the Class A-1 Rating Criteria) to fund the Class A-1 Swap Prefunding Account in an amount required under the Class A-1 Swap (if at such time a Notional Amount Shortfall greater than zero would exist). In the case of an event described in clause (b) MLI may terminate only the Credit Default Swaps and, at its option, in lieu of terminating all of the Credit Default Swaps, MLI may terminate a portion of the Credit Default Swaps such that the Remaining Exposure (after such partial termination) of all Credit Default Swaps does not exceed the Aggregate Undrawn Amount plus the CDS Reserve Account Balance.

Under the ISDA Master Agreement, MLI is required to post collateral with the Trustee in an amount calculated in accordance with a formula set forth in the ISDA Master Agreement or take one of the other actions required to be taken under the schedule to the ISDA Master Agreement if neither MLI nor ML&Co. maintains the CDS Required Ratings. If ML&Co. satisfies the CDS Required Ratings on the Closing Date, MLI will not be required to post collateral with the Trustee on the Closing Date. If in the future both ML&Co. and MLI do not satisfy the CDS Required Ratings, MLI (without obtaining the consent of Noteholders, Preference Shareholders or the Issuer) may obtain a guarantee of its obligations

under the ISDA Master Agreement, assign all of its rights under the ISDA Master Agreement to another party (which would become the Credit Default Swap Counterparty, the Class A-1 Swap Counterparty and the Total Return Swap Counterparty) or take any other action which satisfies the Rating Condition. If in the future neither MLI nor ML&Co. satisfies the CDS Minimum Ratings and MLI does not take one of the actions in the immediately preceding sentence, the Issuer may terminate the ISDA Master Agreement and all transactions thereunder (including the Credit Default Swaps, the Total Return Swap and Class A-1 Swap).

The ISDA Master Agreement will, subject to satisfaction of certain conditions, terminate on the occurrence of an Auction Call Redemption, a Tax Redemption or an Optional Redemption or on liquidation of the Collateral following an Event of Default under the Indenture (each, a "Redemption Termination Event"). The Issuer will be considered the sole "affected party" (as defined in the ISDA Master Agreement) if the ISDA Master Agreement terminates as a result of a Redemption Termination Event. In the event of a termination of the ISDA Master Agreement pursuant to a Redemption Termination Event, in lieu of the standard unwind methodology set forth by ISDA, the Credit Default Swaps and the termination payment associated with the termination of such Credit Default Swaps will be terminated pursuant to the Liquidation Procedures. In addition, in the event that the ISDA Master Agreement Termination is a result of an "event of default" or a "termination event" (other than due to a "tax event" or "illegality") where MLI is the "defaulting party" or sole "affected party," the amount payable on the termination date related to the Credit Default Swaps will be equal to (A) the Unpaid Amounts owing to the Issuer less (B) the Unpaid Amounts owing to MLI (and no other payments will be payable by either party related to the Credit Default Swaps). If that amount is a negative number, the Issuer will pay the absolute value of that amount to MLI in accordance with the Priority of Payments and if it is a positive number, MLI will pay it to the Issuer. Further, in the event that the ISDA Master Agreement Termination is a result of an "event of default" or a "termination event" where the Issuer is the "defaulting party" or "affected party" or due to a "tax event" or "illegality" where MLI is the "defaulting party" or "affected party," the standard unwind methodology of "Loss" set forth in the ISDA Master Agreement will apply with respect to the Credit Default Swaps and the termination payment related to such termination will be determined in accordance with Loss. In lieu of the standard unwind methodology set forth by ISDA, for all purposes, the Total Return Swap termination payments will be calculated in accordance with the Total Return Swap, which generally does not require MLI or the Issuer to pay any termination payment unless the Issuer fails to deliver a Reference Security to MLI or any other purchaser. Neither the Issuer nor MLI will make a termination payment (other than Unpaid Amounts) relating to the Class A-1 Swap in the event of an ISDA Master Agreement Termination.

Replacement of the ISDA Master Agreement

In the event that MLI designates an Early Termination Date under the ISDA Master Agreement, the Credit Default Swaps, the Class A-1 Swap and the Total Return Swap will be terminated and the Issuer may be required to pay a termination payment to the Credit Default Swap Counterparty or the Credit Default Swap Counterparty may be required to pay a termination payment to the Issuer. Any such termination of the ISDA Master Agreement will constitute an Event of Default under the Indenture and, if the maturity of the Notes is accelerated, will result in the liquidation of the Collateral if any of the Liquidation Conditions is satisfied. If the Issuer designates an Early Termination Date under the ISDA Master Agreement, the same consequences will ensue as described above, except that such termination by the Issuer will only constitute an Event of Default under the Indenture if a Majority of each Class of Notes consent to such termination constituting an Event of Default.

If an Early Termination Date has been designated by the Issuer or by MLI under the ISDA Master Agreement, at any time prior to the commencement of liquidation of the Collateral the Issuer may enter into a replacement ISDA Master Agreement with a dealer (each such dealer, a "Replacement CDS

Counterparty") and replacement Credit Default Swaps (a "CDS Replacement"). A CDS Replacement will not be effective until (i) the Rating Condition is satisfied, and (ii) a Majority of each Class of Notes and a Majority-in-Interest of Preference Shareholders have consented to it. It is very likely that any CDS Replacement would be on significantly different terms than the ISDA Master Agreement and Credit Default Swaps with MLI, including changes in the identity of the Reference Obligations and the amount of the Fixed Rates applicable to the Credit Default Swaps. The CDS Replacement could be implemented either before or after the end of the Reinvestment Period. The CDS Replacement may, but is not required to, include a TRS Replacement.

There can be no assurance that the Issuer could arrange a CDS Replacement if the ISDA Master Agreement is terminated, and any CDS Replacement may be on significantly less favorable terms to the Issuer than the Credit Default Swaps with MLI.

Payments Under the Credit Default Swaps

Payments to MLI in respect of any Credit Default Swap (excluding any Defaulted Synthetic Termination Payment, but including any other Swap Termination Payment) will be made on the date when such payment is due without regard to the Priority of Payments in accordance with the Account Payment Priority from the Uninvested Proceeds Account, the Principal Collection Account and the CDS Reserve Account or, if insufficient funds are available in such Accounts for such payment, by the Issuer applying Class A-1 Fundings under the Class A-1 Swap to such payment. See "Description of the Notes—Priority of Payments."

So long as the Total Return Swap remains in effect, the Credit Default Swaps will provide for the Issuer to pay Physical Settlement Amounts and Floating Amounts (other than Interest Shortfall Payment Amounts), and the Credit Default Swap Counterparty to pay Principal Reimbursements to the Issuer, on the next Quarterly Distribution Date following the date on which any such amount otherwise would be payable.

The Credit Default Swap Counterparty

The information appearing in this section has been prepared by the initial Credit Default Swap Counterparty and has not been independently verified by the Co-Issuers, the Collateral Manager, the Trustee or the Initial Purchaser. Accordingly, notwithstanding anything to the contrary herein, none of the Co-Issuers, the Collateral Manager, the Trustee or the Initial Purchaser assumes any responsibility for the accuracy, completeness or applicability of such information. The Credit Default Swap Counterparty accepts responsibility only for the information contained in the following three paragraphs.

The Credit Default Swap Counterparty will be Merrill Lynch International ("MLI"), which is incorporated under the laws of England with its registered address at Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ, United Kingdom. MLI is a wholly owned indirect subsidiary of Merrill Lynch & Co., Inc. ("ML&Co."). MLI does not publish financial statements. The payment obligations of MLI under the ISDA Master Agreement under which the Synthetic Securities will be made will be guaranteed by ML&Co.

ML&Co. is incorporated under the laws of the State of Delaware and has its principal executive office at 4 World Financial Center, New York, New York 10281 (212) 449-1000. Its registered office in the State of Delaware is c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801.

ML&Co. files reports, proxy statements and other information with the SEC. The SEC filings are also available over the Internet at the SEC's web site at <http://www.sec.gov>. Investors may also read and copy any document filed at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information on the public reference rooms and their copy charges. Investors may also inspect the SEC reports and other information at the New York Stock Exchange, 20 Broad Street, New York, New York 10005. ML&Co. will provide without charge to each person to whom this Preliminary Offering Circular is delivered, on written request of such person, a copy (without exhibits) of any or all such documents so filed since January 1, 2001. Requests for such copies should be directed to the Corporate Secretary, Merrill Lynch & Co., Inc., 222 Broadway, New York, NY 10038, telephone (212) 670-0432.

The Collateral Quality Tests

On the Ramp-Up Completion Date, in addition to the requirement to satisfy the Eligibility Criteria, the Issuer will be required to satisfy the Collateral Quality Tests. The failure to satisfy any of the Collateral Quality Tests or the Eligibility Criteria as of the Ramp-Up Completion Date will not constitute an Event of Default but such failure could result in a Rating Confirmation Failure and, consequently, the repayment or redemption of a portion of the Notes in accordance with the Priority of Payments. During the Reinvestment Period, the Issuer's ability to Acquire Collateral Debt Securities will be restricted by the Collateral Quality Tests. See "Security for the Notes—Ramp-Up Period" and "Description of the Notes—Mandatory Redemption."

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

Ratings Matrix. On any Measurement Date on or after the Ramp-Up Completion Date, any of the rows of the table below (each a "Ratings Matrix"), one of which (as designated from time to time by the Collateral Manager, on behalf of the Issuer) shall be applicable for purposes of determining compliance with the Moody's Asset Correlation Test and the Moody's Maximum Rating Distribution Test as described below. The maximum Moody's Asset Correlation Factor required to satisfy the Moody's Asset Correlation Test (the "Designated Maximum Moody's Asset Correlation Factor") and the maximum Moody's Maximum Rating Distribution required to satisfy the Moody's Maximum Rating Distribution Test (the "Designated Moody's Maximum Rating Distribution") for each Rating Matrix are set forth opposite such Rating Matrix in the table below.

Ratings Matrix	Designated Maximum Moody's Asset Correlation Factor	Designated Moody's Maximum Rating Distribution
1	<input type="text"/> %	<input type="text"/>
2	<input type="text"/> %	<input type="text"/>
3	<input type="text"/> %	<input type="text"/>
4	<input type="text"/> %	<input type="text"/>
5	<input type="text"/> %	<input type="text"/>
6	<input type="text"/> %	<input type="text"/>
7	<input type="text"/> %	<input type="text"/>
8	<input type="text"/> %	<input type="text"/>
9	<input type="text"/> %	<input type="text"/>

Moody's Asset Correlation Test. The "Moody's Asset Correlation Test" will be satisfied on the Ramp-Up Completion Date and any Measurement Date thereafter if the Moody's Asset Correlation Factor on such Measurement Date (calculated based on a model that assumes [] separate obligors) is equal to or less than the Designated Maximum Moody's Asset Correlation Factor for any of Ratings Matrix [1, 2, 3, 4, 5, 6, 7, 8 or 9]; *provided* that the applicable Moody's Maximum Rating Distribution on such Measurement Date is equal to or less than the Designated Moody's Maximum Rating Distribution for the same Ratings Matrix. For purposes of the Moody's Asset Correlation Test, RMBS with a weighted average FICO score equal to or greater than 700 shall be classified as "RMBS - Prime," RMBS with a weighted average FICO score greater than or equal to 625 but less than 700 shall be classified as "RMBS - Midprime" and RMBS with a weighted average FICO score less than 625 shall be classified as "RMBS - Subprime." The "Moody's Asset Correlation Factor" is a percentage determined in accordance with any of the one or more asset correlation methodologies provided from time to time to the Collateral Manager and the Collateral Administrator by Moody's. For purposes of the Moody's Asset Correlation Test, a Synthetic Security will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation, and a Multiple Obligation Synthetic Security or Index Security will be included as having the characteristics of the related Reference Obligations with the Principal Balance thereof allocated to each Reference Obligation in the same proportion as each such Reference Obligation bears to the Aggregate Principal Balance of such Synthetic Security.

Moody's Maximum Rating Distribution Test. The "Moody's Maximum Rating Distribution Test" will be satisfied on the Ramp-Up Completion Date and any Measurement Date thereafter if the Moody's Maximum Rating Distribution of the Collateral Debt Securities as of such Measurement Date is equal to or less than the Designated Moody's Maximum Rating Distribution for any of Ratings Matrix [1, 2, 3, 4 or 5, 6, 7, 8 or 9]; *provided* that the applicable Moody's Asset Correlation Factor on such Measurement Date is equal to or less than the Designated Maximum Moody's Asset Correlation Factor for the same Ratings Matrix. The "Moody's Maximum Rating Distribution" on any such Measurement Date is the number determined by dividing (i) the summation of the series of products obtained for any Pledged Collateral Debt Security that is not a Deferred Interest PIK Bond, Defaulted Security or Written Down Security, by multiplying (1) the Principal Balance as of such Measurement Date of each such Pledged Collateral Debt Security by (2) its respective Moody's Rating Factor as of such Measurement Date by (ii) the Aggregate Principal Balance as of such Measurement Date of all Pledged Collateral Debt Securities that are not Deferred Interest PIK Bonds, Defaulted Securities or Written Down Securities and rounding the result up to the nearest whole number.

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

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

Moody's Rating	Moody's Rating Factor	Moody's Rating	Moody's Rating Factor
Baa3	610	Ca or lower	10,000

For purposes of the Moody's Maximum Rating Distribution Test:

- (a) If a Collateral Debt Security does not have a Moody's Rating at the date of Acquisition thereof, the Moody's Rating Factor with respect to such Collateral Debt Security shall be 10,000 for a period of 90 days from the Acquisition of such Collateral Debt Security. After such 90 day period, if such Collateral Debt Security is not rated by Moody's and no other security or obligation of the issuer thereof or obligor thereon is rated by Moody's and the Issuer or the Collateral Manager seeks to obtain an estimate of a Moody's Rating Factor, then the Moody's Rating Factor of such Collateral Debt Security will be deemed to be such estimate thereof as may be assigned by Moody's upon the request of the Issuer or the Collateral Manager; provided that such estimate will be subject to annual review by Moody's; and
- (b) With respect to any Synthetic Security the Moody's Rating Factor shall be determined as specified by Moody's at the time such Synthetic Security is Acquired by the Issuer, except that in the case of a Form Approved Synthetic Security the Moody's Rating Factor shall be the same as for the Reference Obligation.

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

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

Weighted Average Spread Test. The "Weighted Average Spread Test" will be satisfied if, on any Measurement Date on or after the Ramp-Up Completion Date, the Weighted Average Spread as of such Measurement Date is equal to or greater than [•]%.

The "Weighted Average Spread" means, as of any Measurement Date, the sum (expressed as a percentage) (rounded up to the next 0.001%) of (A) the amount obtained by summing (a)(i) the products obtained by multiplying (x) the Current Spread with regard to each Pledged Collateral Debt Security (excluding any Synthetic Security) that is a Floating Rate Security or a Deemed Floating Rate Security (other than a Defaulted Security, a Deferred Interest PIK Bond or a Written Down Amount) as of such date by (y) the Principal Balance of such Pledged Collateral Debt Security (excluding any Synthetic Security) as of such date, plus (ii) the sum of the products obtained by multiplying (x) the Fixed Rate payable by the applicable Synthetic Security Counterparty, as buyer of protection, under each Synthetic Security structured as a credit default swap under which the Issuer is acting as seller of protection (excluding any Hedged Long Credit Default Swap) by (y) the Principal Balance of such Synthetic Security plus (iii) the sum of the products obtained by multiplying (x) the Net Counterparty Hedged Long Fixed Amount (if any) expressed as a percentage payable by the Credit Default Swap Counterparty to the Issuer under each Hedged Long Credit Default Swap by (y) the Reference Obligation Notional Amount of

such Hedged Long Credit Default Swap minus (iv) the sum of the products obtained by multiplying (x) the Net Issuer Hedged Long Fixed Amount (if any) expressed as a percentage payable to the Credit Default Swap Counterparty by the Issuer under each Hedged Long Credit Default Swap by (y) the Reference Obligation Notional Amount of such Hedged Long Credit Default Swap and dividing (b) such amount by the sum of (i) the Aggregate Principal Balance of all Pledged Collateral Debt Securities that are Floating Rate Securities or Deemed Floating Rate Securities (excluding all Defaulted Securities, Deferred Interest PIK Bonds and Written Down Amounts) plus (ii) the Aggregate Principal Balance of all Synthetic Securities that are structured as credit default swaps under which the Issuer is acting as seller of protection, but not including Hedged Long Credit Default Swaps plus (B) if such amount obtained pursuant to clause (A) is less than the applicable percentage specified in the definition of "Weighted Average Spread Test," the Fixed Rate Excess, if any, as of such Measurement Date. For purposes of this definition, (1) no contingent payment of interest will be included in such calculation and (2) if on such Measurement Date such rate is calculated as a spread below a London interbank offered rate, such spread shall be expressed as a negative number for purposes of making the calculation described in clause (i) of the preceding sentence. When calculating the Weighted Average Spread, a Hybrid Security that is bearing interest at a floating rate shall be considered a Floating Rate Security after the Reset Date.

Weighted Average Coupon Test. The "Weighted Average Coupon Test" means a test that is satisfied if, on any Measurement Date on or after the Ramp-Up Completion Date on which the Issuer holds any Fixed Rate Securities, the Weighted Average Coupon as of such Measurement Date is equal to or greater than [•] %.

The "Weighted Average Coupon" means, as of any Measurement Date, the sum (rounded up to the next 0.001%) of (a) the number obtained by (i) summing the products obtained by multiplying (x) the Current Interest Rate with respect to each Pledged Collateral Debt Security that is a Fixed Rate Security or Deemed Fixed Rate Security (other than a Defaulted Security, Deferred Interest PIK Bond or Written Down Amount) by (y) the Principal Balance of each such Pledged Collateral Debt Security and (ii) dividing such sum by the Aggregate Principal Balance of all Pledged Collateral Debt Securities that are Fixed Rate Securities or Deemed Fixed Rate Securities (excluding all Defaulted Securities, Deferred Interest PIK Bonds and Written Down Amounts) plus (b) if such sum of the numbers obtained pursuant to clause (a) is less than the applicable percentage specified in the definition of "Weighted Average Coupon Test," the Spread Excess, if any, as of such Measurement Date. For purposes of this definition, no contingent payment of interest will be included in such calculation. When calculating the Weighted Average Coupon, a Hybrid Debt Security that is currently bearing interest at a fixed rate shall be considered a Fixed Rate Security.

Weighted Average Life Test. "Weighted Average Life Test" means a test satisfied if, on any Measurement Date on or after the Ramp-Up Completion Date, the Weighted Average Life of all Pledged Collateral Debt Securities is equal to or less than the number of years set forth in the table below opposite the period in which such Measurement Date occurs:

As of any Measurement Date occurring during the period below:	Weighted Average Life (in years)
Ramp-Up Completion Date to and including the Quarterly Distribution Date in [•] 2007	<input type="checkbox"/>
Thereafter to and including the Quarterly Distribution Date in [•] 2008	<input type="checkbox"/>
Thereafter to and including the Quarterly Distribution Date in [•] 2009	<input type="checkbox"/>

**As of any Measurement Date occurring
during the period below:**

**Weighted Average Life
(in years)**

Thereafter to and including the Quarterly Distribution Date in
[•] 2010
Thereafter

On any Measurement Date with respect to any Pledged Collateral Debt Securities, the "Weighted Average Life" is the number obtained by (i) summing the products obtained by multiplying (a) the Average Life at such time of each such Pledged Collateral Debt Security by (b) the outstanding principal balance of such Pledged Collateral Debt Security and (ii) dividing such sum by the Aggregate Principal Balance at such time of all such Pledged Collateral Debt Securities; *provided* that the Weighted Average Life of all Trust Preferred CDO Securities is assumed to have been 20 years on the date of issuance of such securities.

On any Measurement Date with respect to any Pledged Collateral Debt Security, the "Average Life" is the quotient obtained by dividing (i) the sum of the products of (a) the number of years (rounded to the nearest one tenth thereof) from such Measurement Date to the respective dates of each successive scheduled distribution of principal of such Pledged Collateral Debt Security and (b) the respective amounts of principal of such scheduled distributions by (ii) the sum of all successive scheduled distributions of principal on such Pledged Collateral Debt Security (as determined by the Collateral Manager).

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

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

Standard & Poor's CDO Monitor Test

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

The "Standard & Poor's CDO Monitor Test" is a test satisfied on any Measurement Date on or after the Ramp-Up Completion Date if after giving effect to the Disposition of a Collateral Debt Security

or the Acquisition of a Collateral Debt Security (or both), as the case may be, on such Measurement Date each Class Loss Differential of the Proposed Portfolio is positive or if any Class Loss Differential of the Proposed Portfolio is negative prior to giving effect to such sale or purchase, the extent of compliance is improved after giving effect to the Acquisition or Disposition of a Collateral Debt Security.

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

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

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

The "Proposed Portfolio" means each proposed portfolio (measured by Principal Balance) of Pledged Collateral Debt Securities and Specified Assets that will result from the proposed sale, maturity or other Disposition of a Collateral Debt Security or a proposed Acquisition of a Collateral Debt Security, as the case may be.

The "Current Portfolio" means the portfolio (measured by Principal Balance) of Pledged Collateral Debt Securities and Specified Assets existing immediately prior to the sale, maturity or other Disposition of a Collateral Debt Security or immediately prior to the Acquisition of a Collateral Debt Security, as the case may be.

"Specified Assets" means, at any time, (a) Principal Proceeds or Uninvested Proceeds held as cash and (b) Eligible Investments purchased with Principal Proceeds or Uninvested Proceeds.

The "Standard & Poor's CDO Monitor" is the dynamic, analytical computer model (including all written instructions and assumptions necessary for running the model) provided by Standard & Poor's to the Issuer, the Collateral Manager and the Collateral Administrator on or prior to the Ramp-Up Completion Date for the purpose of estimating the default risk of Collateral Debt Securities, as amended by Standard & Poor's from time to time. For purposes of the Standard & Poor's CDO Monitor Test, unless otherwise specified, (i) a Single Obligation Synthetic Security will be included as a Collateral Debt Security having the characteristics of the related Reference Obligation (and the issuer thereof will be deemed to be the related Reference Obligor and not the Synthetic Security Counterparty) and (ii) a Multiple Obligation Synthetic Security or an Index Synthetic Security will be included as a Collateral Debt Security having the characteristics of the Synthetic Security.

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

average maturity of the Collateral Debt Securities and calculates a cumulative default rate based on the statistical probability of distributions of defaults on the Collateral Debt Securities.

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

Dispositions of Collateral Debt Securities

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

(i) The Issuer may, at the direction of the Collateral Manager, Dispose of any Deferred Interest PIK Bond, Defaulted Security, Written Down Security or Equity Security at any time;

(ii) The Issuer may, at the direction of the Collateral Manager, Dispose of any Credit Risk Security at any time; *provided* that (A) during the Reinvestment Period, (1) the Collateral Manager must elect, in its sole discretion, on the date of the Disposition of a Credit Risk Security, either to apply the related Disposition Proceeds or CDS Principal Proceeds to Acquire additional Collateral Debt Securities or to treat such Disposition Proceeds or CDS Principal Proceeds as Specified Principal Proceeds or Specified CDS Principal Proceeds and (2) if the Collateral Manager elects, in its sole discretion, to use such Disposition Proceeds or CDS Principal Proceeds to Acquire additional Collateral Debt Securities, the Collateral Manager will use commercially reasonable efforts to Acquire, by no later than the Determination Date for the third Quarterly Distribution Date succeeding the end of the Due Period in which the Disposition of such security occurred, additional Collateral Debt Securities in compliance with the Eligibility Criteria (other than the requirement of the Eligibility Criteria relating to the Standard & Poor's CDO Monitor Test) with an Aggregate Principal Balance at least equal to the percentage of the Disposition Proceeds or CDS Principal Proceeds (exclusive of accrued interest) thereof that the Collateral Manager elects to reinvest; *provided* that any such Disposition Proceeds or CDS Principal Proceeds (exclusive of the accrued interest) that the Collateral Manager does not elect to reinvest in one or more additional Collateral Debt Securities by the Determination Date for the third Quarterly Distribution Date succeeding the end of the Due Period in which they were received shall be treated as Specified Principal Proceeds or Specified CDS Principal Proceeds; and (B) after the end of the Reinvestment Period, if the Collateral Manager determines, taking into account any factors it deems relevant, that such Dispositions and any related purchases or substitutions will, in the judgment of the Collateral Manager (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), benefit the Issuer in one or more of the following manners: (1) an improvement in one or more of the Collateral Quality Tests, (2) an improvement in the credit quality of the portfolio, (3) a narrowing of interest rate mismatches or (4) any other improvement which, in the judgment of the Collateral Manager (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), would result in a benefit to the Issuer;

(iii) The Issuer may, at the direction of the Collateral Manager, Dispose of any Credit Improved Security at any time; *provided* that (A) during the Reinvestment Period, (1) a Disposition of a Credit Improved Security may only occur if the Collateral Manager elects, in its sole discretion, on the date of such sale, to apply the Disposition Proceeds or CDS Principal Proceeds to Acquire additional Collateral Debt Securities or to be treated as Specified Principal Proceeds or Specified CDS Principal Proceeds, (2) a Credit Improved Security may be Disposed of only if, in the case that the Collateral Manager elects in its sole discretion to reinvest the Disposition Proceeds or CDS Principal Proceeds, in the Collateral Manager's judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), the resulting Disposition Proceeds or CDS Principal Proceeds may be reinvested by Acquiring additional Collateral Debt Securities by no later than the Determination Date for the third Quarterly Distribution Date succeeding the end of the Due Period in which the Disposition of such Credit Improved Security occurred in one or more additional Collateral Debt Securities which, if the Class A Overcollateralization Ratio is less than it was on the Ramp Up Completion Date, have an Aggregate Principal Balance at least equal to 100% of the Principal Balance of such Credit Improved Security that the Collateral Manager elects to reinvest (and, in the case of a Credit Default Swap, *plus* any termination payment received by the Issuer from the Credit Default Swap Counterparty but less any Swap Termination Payments paid by the Issuer in connection with the termination of such Credit Default Swap) (without, in the case of a Credit Default Swap, causing or increasing a Notional Amount Shortfall), *provided* that (x) any such Disposition Proceeds or CDS Principal Proceeds (exclusive of the accrued interest or accrued Fixed Amount component of Disposition Proceeds) not reinvested in one or more additional Collateral Debt Securities by the Determination Date for the second Quarterly Distribution Date succeeding the end of the Due Period in which they were received shall be treated as Specified Principal Proceeds or Specified CDS Principal Proceeds, and (y) such Acquisition shall be made in compliance with the Eligibility Criteria and any other criteria specified in the Indenture, (3) in connection with the reinvestment of Disposition Proceeds or CDS Principal Proceeds from any Credit Improved Security, any determination of whether the extent of non-compliance with any of the Eligibility Criteria may not be made worse by such reinvestment shall be made by comparing the Collateral Debt Securities held by the Issuer immediately prior to the Disposition of such Credit Improved Security to the Collateral Debt Securities held by the Issuer immediately after such reinvestment, (B) after the Reinvestment Period a Credit Improved Security may be Disposed of (but the Disposition Proceeds or CDS Principal Proceeds may not be reinvested) only (1) if the Collateral Manager certifies to the Trustee in writing that (x) the Collateral Manager has determined that such security constitutes a Credit Improved Security and (y) on the date of such Disposition, in the Collateral Manager's judgment (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), the Disposition Proceeds or CDS Principal Proceeds (net of any accrued interest included therein) from such Disposition will be equal to or greater than the Principal Balance of the Credit Improved Security being sold; and (2) if the Collateral Manager determines, taking into account any factors it deems relevant, that such Dispositions and any related purchases or substitutions will, in the judgment of the Collateral Manager (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), benefit the Issuer in one or more of the following manners: (w) an improvement in one or more of the Collateral Quality Tests or the Standard & Poor's CDO Monitor Test, (x) an improvement in the credit quality of the portfolio, (y) a narrowing of interest rate mismatches or (z) any other improvement which, in the judgment of the Collateral Manager (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), would result in a benefit to the Issuer;

(iv) The Issuer may Dispose of any Collateral Debt Security that is not a Credit Improved Security, Defaulted Security, Deferred Interest PIK Bond, Equity Security, Credit Risk

Security or Written Down Security at any time after the Closing Date and prior to the end of the Reinvestment Period (any such Disposition, termination or assignment, a "Discretionary Disposition"); *provided* that (A) any Disposition Proceeds or CDS Principal Proceeds therefrom (exclusive of the accrued interest or accrued Fixed Amount component of Disposition Proceeds) will be treated as Specified Principal Proceeds or Specified CDS Principal Proceeds unless, the Collateral Manager, in its sole discretion, Acquires by the Determination Date for the second Quarterly Distribution Date succeeding the end of the Due Period in which the Disposition occurred, one or more additional Collateral Debt Securities having an Aggregate Principal Balance (together with the remaining such Disposition Proceeds or CDS Principal Proceeds from such Disposition not so reinvested, and exclusive of the accrued interest or Fixed Amount component of the Disposition Proceeds) at least equal to 100% of the Principal Balance of such Collateral Debt Security (and, in the case of a Credit Default Swap, plus any termination payment received by the Issuer from the Credit Default Swap Counterparty but minus any Swap Termination Payment paid by the Issuer in connection with the termination of such Credit Default Swap) that the Collateral Manager elects to reinvest, (B) a Discretionary Disposition may occur only if: (1) the Aggregate Principal Balance of all Collateral Debt Securities (excluding any Collateral Debt Securities with a Weighted Average Life of under one year) Disposed of in Discretionary Dispositions pursuant to this clause (iv) during any Annual Period does not exceed []% of the Net Outstanding Portfolio Collateral Balance as of the first Determination Date preceding such Annual Period (or as the Closing Date in the case of the first Annual Period), (2) the Collateral Manager determines, taking into account any factors it deems relevant, that such Dispositions and any related purchases or substitutions will, in the judgment of the Collateral Manager (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), benefit the Issuer in one or more of the following manners: (w) an improvement in one or more of the Collateral Quality Tests or the Standard & Poor's CDO Monitor Test, (x) an improvement in the credit quality of the portfolio, (y) a narrowing of interest rate mismatches or (z) any other improvement which, in the judgment of the Collateral Manager (exercised in accordance with the standard of care set forth in the Collateral Management Agreement), would result in a benefit to the Issuer and (3) a Limited Discretion Period is not in effect; and (C) in connection with any reinvestment of the proceeds of such Discretionary Disposition, any determination of whether the extent of non-compliance with any of the Eligibility Criteria may not be made worse by such reinvestment shall be made by comparing the Collateral Debt Securities held by the Issuer immediately prior to the Disposition of such Collateral Debt Security to the Collateral Debt Securities held by the Issuer immediately after such reinvestment;

(v) The Issuer, at the direction of the Collateral Manager, shall Dispose of (a) any Defaulted Security within three years after such Collateral Debt Security became a Defaulted Security (or by such later date as such Defaulted Security may first be sold in accordance with its terms and applicable law) and (b) any Equity Security or other consideration received by the Issuer in exchange for a Defaulted Security (or any Synthetic Security that becomes a Defaulted Security) and is not a Security that may be Acquired under item (6), (7) or (8) of the Eligibility Criteria and is not Margin Stock within one year after the Issuer's receipt thereof (or within one year after such later date as such Equity Security may first be sold in accordance with its terms and applicable law); *provided* that any Defaulted Security not sold within three years after such Collateral Debt Security becomes a Defaulted Security shall be deemed to have a Principal Balance of zero;

(vi) The Issuer, at the direction of the Collateral Manager, shall Dispose of each Margin Stock within five Business Days and each Equity Security or security or other consideration that is received in an exchange and any Defaulted Security that does not comply

with paragraphs [(6), (7) and (8)] of the Eligibility Criteria not later than five Business Days after the Issuer's receipt thereof (or within five Business Days or such later date as such Equity Security or other security or consideration may first be Disposed of accordance with its terms and applicable law); and

(vii) The Issuer shall, in the event of an Auction Call Redemption, Optional Redemption, Tax Redemption or at the Stated Maturity, direct the Trustee to sell (or terminate or assign, in the case of a Synthetic Security), at the direction of the Collateral Manager, Collateral Debt Securities without regard to the foregoing limitations.

The Collateral Manager may determine that a Synthetic Security is a Credit Risk Security or a Credit Improved Security based on either a change in the credit quality or rating of the Synthetic Security Counterparty or based on the credit quality, value, rating or credit spread of the Reference Obligation or the value or credit spread of the Synthetic Security.

The Issuer may not Dispose of a Credit Default Swap by entering into a Hedging Short Credit Default Swap unless the Issuer satisfies the Hedging Short Credit Default Swap Premium Test (or, if the Issuer was not in compliance with such test prior to entering into such Disposition, the extent of the Issuer's noncompliance with the Hedging Short Credit Default Swap Premium Test is improved after giving effect to such Disposition).

During the Reinvestment Period, Disposition Proceeds consisting of accrued interest may be applied, in the Collateral Manager's discretion, to purchase accrued interest on additional Collateral Debt Securities in accordance with the Eligibility Criteria on or prior to the end of the Due Period in which such funds were received if the Collateral Manager certifies to the Trustee that, after taking into account such application of Interest Proceeds, the Interest Proceeds will be sufficient to pay, on the Quarterly Distribution Date following the Due Period during which such purchase is made, all accrued interest owed by the Issuer on the Notes and any other amounts required to be paid pursuant to clauses [(1)] through [(23)] of the Interest Proceeds Waterfall in accordance with the Priority of Payments, and any payments of Net Issuer Hedged Fixed Amounts payable by the Issuer in accordance with the Account Payment Priority.

Any Disposition by the Issuer of an Equity Security, a Written Down Security or a Defaulted Security will be conducted on an "arm's-length basis." Any Defaulted Security not sold within three years after such Collateral Debt Security becomes a Defaulted Security will be deemed to have a Principal Balance of zero.

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

The Collateral Manager, its Affiliates and any account for which the Collateral Manager or an Affiliate of the Collateral Manager acts as investment adviser (and for which the Collateral Manager or such Affiliate has discretionary authority) will be entitled to bid on any Collateral Debt Security to be

sold by the Issuer pursuant to the Indenture; *provided* that *bona fide* bids have been received with respect to such Collateral Debt Security from at least two other nationally recognized independent dealers.

The Hedge Agreements

On the Closing Date, the Issuer does not expect to enter into an interest rate protection agreement. After the Closing Date, at the direction of the Collateral Manager, the Issuer may enter into interest rate protection agreements consisting of fixed rate for floating rate interest swaps, floating/floating interest rate swaps, timing swaps, basis swaps, interest rate caps or other forms of interest rate derivatives, with hedge counterparties (such parties together with the Initial Hedge Counterparty, the "Hedge Counterparties") in accordance with the Indenture. On and after the Closing Date, at the direction of the Collateral Manager, the Issuer may enter into Deemed Fixed Rate Hedge Agreements and Deemed Floating Rate Hedge Agreements, in order to hedge the interest rate risks on the Pledged Collateral Debt Securities. Each interest rate protection agreement, any Deemed Fixed Rate Hedge Agreement or any Deemed Floating Rate Hedge Agreement, together with any replacement therefor, together with the Proceeds Swap, is referred to herein as a "Hedge Agreement."

On the Closing Date, the Issuer may enter into a Master Agreement and a confirmation thereunder (the "Proceeds Swap") providing for a payment of U.S.\$[_____] by the Initial Hedge Counterparty to the Issuer on the Closing Date (the "Up Front Payment") and Issuer will be obligated to pay the Initial Hedge Counterparty a floating amount equal to the Proceeds Swap Installment. The initial Hedge Counterparty (the "Initial Hedge Counterparty") will be [_____] with its principal office located at [_____]. The Proceeds Swap will not hedge any of the interest rate risks to which the Issuer is exposed.

The Issuer may not enter into additional or replacement Hedge Agreements after the Closing Date without satisfaction of the Rating Condition (unless such Hedge Agreement is in the form of a Form-Approved Hedge Agreement) and may not terminate, reduce or increase the notional amount of a Hedge Agreement without satisfying the Rating Condition with respect to Standard & Poor's.

The Issuer will not, however, enter into any hedge agreement (including any Hedge Agreement) the payments from which are subject to withholding tax (unless only the hedge counterparty is required to withhold and the hedge counterparty shall be required in accordance with the terms of the hedge agreement to pay additional amounts to the Issuer sufficient to cover any withholding tax due on payments made by the hedge counterparty to the Issuer under such hedge agreement (subject to the Issuer making customary tax representations) and the Issuer shall not be required to pay additional amounts to the hedge counterparty sufficient to cover any withholding tax due on payments made by the Issuer to the hedge counterparty). The Issuer shall not enter into any hedge agreement (including any Hedge Agreement) the entry into, performance or termination of which would subject the Issuer to net income tax in any jurisdiction outside the Issuer's jurisdiction of incorporation.

A Hedge Agreement in the form of a fixed/floating interest rate swap (a "Fixed/Floating Hedge Agreement") is intended to protect, in part, against increases in LIBOR payable on the Notes and to mitigate in part (to the extent practicable) the Issuer's exposure to such interest rate risk. Pursuant to a fixed/floating interest rate swap, the Issuer will be obligated to make a fixed rate payment to the Hedge Counterparty and the Hedge Counterparty will be obligated to make a floating rate payment to the Issuer equal to the London interbank offered rate (as defined in the Hedge Agreement), in each case based on the notional amount specified in the Hedge Agreement. If the Issuer enters into the floating/floating interest rate (or timing) swaps with a Hedge Counterparty, the purpose of such swaps will be to mitigate in part the basis risk to the Issuer resulting from timing mismatches between the Floating Rate Securities

paying interest based on London interbank offered rates set at different times throughout an interest accrual period and the Notes which pay interest based on LIBOR set on LIBOR Determination Dates.

The Notes will bear interest at three-month LIBOR (which resets quarterly) whereas a high percentage of the Cash Collateral Debt Securities are expected to bear interest based on the one-month London interbank offered rate (which resets monthly) and pay interest monthly; to mitigate in part the risk to the Issuer from this interest rate mismatch, the Issuer may enter into one or more basis swaps on or after the Closing Date under which the Issuer will pay interest on a notional amount at the one-month London interbank offered rate plus a spread, resetting monthly, and the Hedge Counterparty will pay interest at the three-month London interbank offered rate on the same notional amount, resetting on LIBOR Determination Dates.

Only a single net payment will be made on each date on which payments are due under the Hedge Agreement. If the payment owed by the Hedge Counterparty to the Issuer pursuant to the fixed/floating interest rate swap (and any floating/floating interest rate swap) is greater than the payment owed by the Issuer pursuant to such swap(s), then the Hedge Counterparty will pay the difference to the Issuer. If the payment owed by the Issuer to the Hedge Counterparty pursuant to the fixed/floating interest rate swap (and any floating/floating interest rate swap) exceeds the payment owed by the Hedge Counterparty pursuant to such swap(s), then the Issuer will pay the difference to the Hedge Counterparty. See "Risk Factors—Interest Rate Risk."

Pursuant to the Priority of Payments, scheduled payments required to be made by the Issuer under each Hedge Agreement, together with any termination payments payable by the Issuer other than Deferred Termination Payments, will be payable pursuant to clause (4) under "Description of the Notes—Priority of Payments—Interest Proceeds."

In respect of each Hedge Counterparty, the applicable Hedge Agreement is expected to provide that:

- (i) if a Collateralization Event occurs, the Issuer may terminate (which event shall be a "termination event" where the Hedge Counterparty will be the "affected party") such Hedge Agreement unless the Hedge Counterparty, and solely at the expense of the Hedge Counterparty, has (A) entered into an agreement in the form of an ISDA Credit Support Annex satisfying the Rating Condition with respect to Standard & Poor's and provided sufficient collateral as required under the Hedge Agreement, (B) assigned its rights and obligations in and under the Hedge Agreement to another Hedge Counterparty satisfying the Hedge Counterparty Ratings Requirement, (C) obtained an absolute and unconditional guarantee of the obligations of the Hedge Counterparty under the Hedge Agreement from a guarantor that satisfies the Hedge Counterparty Ratings Requirement, which guarantee must satisfy the Rating Condition (unless such guarantee satisfies Standard & Poor's then-current criteria with respect to guarantees, in which event satisfaction of the Rating Condition with respect to Standard & Poor's will not be required but a copy thereof shall be delivered by the Issuer to Standard & Poor's) or (D) taken such other steps as each Rating Agency that has downgraded the Hedge Rating Determining Party in respect of the Hedge Counterparty may require to cause the obligations of the Hedge Counterparty under the Hedge Agreement to be treated by such Rating Agency as if such obligations were owed by a counterparty satisfying the Hedge Counterparty Ratings Requirement; and
- (ii) following the occurrence of a Ratings Event (which event shall be a "termination event" where the Hedge Counterparty will be the "affected party"), the Issuer may terminate the

related Hedge Agreement unless the Hedge Counterparty shall, solely at the expense of the Hedge Counterparty, either (i) assign its rights and obligations in and under the Hedge Agreement to another Hedge Counterparty that has ratings at least equal to the Hedge Counterparty Ratings Requirement in accordance with the terms of the Hedge Agreement or (ii) if the Hedge Counterparty is unable to assign its rights and obligations, (1) with the consent of the Issuer, takes the actions in accordance with the preceding paragraph while such Hedge Counterparty continues to use its best efforts to effectuate such assignment (and taken such other action required under the Hedge Agreement), or (2) enters into any other agreement with or arrangement for the benefit of the Issuer and the Trustee that is reasonably satisfactory to the Collateral Manager on behalf of the Issuer, that satisfies the Rating Condition with respect to Standard & Poor's and with respect to which written notice has been provided to Moody's.

The requirements relating to a Collateralization Event or a Ratings Event will not apply to the Proceeds Swap.

Notwithstanding the foregoing, there can be no assurance that, if any rating of a Hedge Counterparty is reduced or withdrawn, the ratings assigned to the Notes will not be reduced or withdrawn. There also can be no assurance that, if a Ratings Event occurs, the Issuer will be able to obtain a replacement Hedge Agreement.

The Collateral Manager may direct the Issuer to request the Hedge Counterparty to agree to a reduction or an increase in the notional amount of any interest rate swap under a Hedge Agreement; *provided* that (except as described below with respect to Deemed Fixed/Floating Rate Hedge Agreements) a reduction or increase in the notional amount of any Hedge Agreement by 10% or more shall be subject to satisfaction of the Rating Condition with respect to Moody's and any increase or reduction shall be subject to the Rating Condition with respect to Standard & Poor's.

The Hedge Agreements are also expected to be subject to termination by the Hedge Counterparty if an "event of default" or "termination event" occurs with respect to the Issuer under the Master Agreement or upon the earlier to occur of (a) an Event of Default followed by the liquidation of the Collateral in accordance with the Indenture and (b) any Auction Call Redemption, Optional Redemption or Tax Redemption. In the event that amounts are applied to the redemption of Notes on any Quarterly Distribution Date in accordance with the Priority of Payments by reason of a Rating Confirmation Failure, then, subject to the satisfaction of the Rating Condition, a Hedge Agreement (other than any basis swap or Deemed Fixed/Floating Rate Hedge Agreement) may be subject to partial termination by the Hedge Counterparty on such Quarterly Distribution Date with respect to a portion of the notional amount thereof.

Upon any termination of a Hedge Agreement or reduction of the notional amount of a Hedge Agreement, a termination payment with respect to the notional amount terminated or reduced may become payable by a Hedge Counterparty or by the Issuer to the other party under the related Hedge Agreement. Amounts payable upon any termination or reduction of a Hedge Agreement are expected to be based upon standard replacement transaction valuation methodology set forth in the 1992 ISDA Master Agreement published by the International Swaps and Derivatives Association, Inc. (the "Master Agreement").

If any amount is payable by the Issuer to the Hedge Counterparty in connection with the occurrence of any such termination or notional amount reduction of a Hedge Agreement, such amount, together with interest on such amount for the period from and including the date of termination to but excluding the date of payment at a rate per annum equal to the interest rate specified in the Hedge

Agreement, shall be payable on the next succeeding Quarterly Distribution Date to the extent funds are available for such purpose in accordance with the Priority of Payments, and any amount not so paid on such Quarterly Distribution Date shall be payable on the first Quarterly Distribution Date on which such amount may be paid in accordance with the Priority of Payments.

Notwithstanding the foregoing, the Issuer will agree not to exercise its right to terminate a Hedge Agreement if such Hedge Agreement becomes subject to early termination due to the occurrence of a Subordinated Termination Event, unless (i) no amount would be owed by the Issuer to the Hedge Counterparty as a result of such termination, (ii) the replacement Hedge Counterparty pays such termination payment or (iii) 100% of the Preference Shareholders consent to the payment by the Issuer of such termination payment (or any lesser amount consented to by such holders and the Hedge Counterparty) solely out of distributions (if any) payable to the Preference Shareholders.

If at any time a Hedge Agreement becomes subject to early termination due to the occurrence of an "event of default" or a "termination event" as to which the Hedge Counterparty party thereto is the sole "defaulting party" or the sole "affected party" (as each such term is defined in the relevant Hedge Agreement), the Issuer and the Trustee shall take such actions (following the expiration of any applicable grace period) to enforce the rights of the Issuer and the Trustee thereunder as may be permitted by the terms of such Hedge Agreement and consistent with the terms hereof, and shall apply the proceeds of any such actions (including the proceeds of the liquidation of any collateral pledged by such Hedge Counterparty) to enter into a replacement Hedge Agreement on substantially identical terms or on such other terms satisfying the Rating Condition with respect to Standard & Poor's, and with a Hedge Counterparty with respect to which the Rating Condition with respect to Standard & Poor's shall have been satisfied. In addition, the Issuer will use its best efforts to cause the termination of a Hedge Agreement to become effective simultaneously with the entry into a replacement Hedge Agreement described as aforesaid.

Except as otherwise provided in this paragraph, no Deemed Fixed Rate Hedge Agreement or Deemed Floating Rate Hedge Agreement shall be subject to early termination by the Issuer without satisfaction of the Rating Condition with respect to Standard & Poor's and Moody's, other than by reason of (A) an event of default or termination event relating to the Issuer or the relevant Hedge Counterparty specified in Section 5 of the ISDA Master Agreement relating to such Hedge Agreement or in the Schedule thereto (*provided* that the Issuer, or the Collateral Manager on behalf of the Issuer, notifies Standard & Poor's and Moody's of such termination) or (B) the Issuer, pursuant to the terms of the Indenture, sells or otherwise Disposes of the Floating Rate Security or Fixed Rate Security, as applicable, that is the subject of such Deemed Fixed Rate Hedge Agreement or Deemed Floating Rate Hedge Agreement; *provided* that, (a) either (i) the Collateral Manager certifies to the Trustee prior to such termination that, after taking into account the effect of such sale of the Related Security and such termination (including any obligation that the Issuer may have to make a termination payment) the Net Outstanding Portfolio Collateral Balance immediately following such termination will not be less than the Net Outstanding Portfolio Collateral Balance immediately prior to such termination, or (ii) following such termination (taking into account any reinvestment of the Disposition Proceeds from the underlying asset), the Issuer satisfies the Collateral Quality Tests and the Standard & Poor's CDO Monitor Test, (b) any termination payment payable to a Hedge Counterparty in connection with such a termination shall be payable, *first*, from the Disposition Proceeds from the sale of the Related Security (if the Related Security was sold in connection with such termination), *second*, from Interest Proceeds and *third*, from Principal Proceeds and (c) the Issuer (or the Collateral Manager on behalf of the Issuer) notifies Standard & Poor's and Moody's of such termination. For the avoidance of doubt, a sale of a portion of a Related Security or amortization on the Related Security which causes the notional amount of the related Deemed Fixed/Floating Rate Hedge Agreement to exceed the principal amount of such Related Security shall be viewed as the sale of the Related Security for purposes of the immediately preceding sentence, to the

extent of the principal amount sold or of such excess. The Issuer's entry into each Deemed Fixed/Floating Rate Hedge Agreement after the Closing Date will be subject to the satisfaction of the Rating Condition (unless it is a Form Approved Hedge Agreement entered into at the then-current market rate with no upfront payment by the Issuer or the Hedge Counterparty) with respect to Standard & Poor's and Moody's unless the following conditions are satisfied: (a) the initial notional balance of each Deemed Fixed/Floating Rate Hedge Agreement shall be equal to the initial scheduled principal amount of the Related Security; (b) each Deemed Fixed/Floating Rate Hedge Agreement will amortize according to the same expected schedule as, and terminate on the expected maturity date of, the Related Security; (c) the payment dates of the Deemed Fixed/Floating Rate Hedge Agreement must match either the payment dates of the Related Security or the payment dates of the Notes; (d) if the Related Security is sold by the Issuer, the Deemed Fixed/Floating Rate Hedge Agreement must be terminated and the amount due or received in connection with such termination will be subtracted from or added to the Principal Proceeds received in connection with such sale; (e) (i) if the Related Security is not a Defaulted Security and such Related Security is called or prepaid, the Deemed Fixed/Floating Rate Hedge Agreement must be terminated and any amount received in connection with such termination will be considered Principal Proceeds and any amount payable in connection with such termination will be paid first from any call, redemption and prepayment premiums received from such Related Security and second from Principal Proceeds received from such Related Security and (ii) if the Related Security is a Defaulted Security, the Deemed Fixed/Floating Rate Hedge Agreement must be terminated and any amount received in connection with such termination will be considered Principal Proceeds and any amount payable in connection with such termination will be paid from Interest Proceeds in accordance with the Priority of Payments; (f) each Deemed Fixed/Floating Rate Hedge Agreement will contain appropriate limited recourse and non-petition provisions equivalent to those contained in the Indenture and will require termination if the Related Security becomes a Defaulted Security; (g) if the Deemed Fixed/Floating Rate Hedge Agreement is terminated by reason of an event of default or termination event relating to the Issuer or the relevant Hedge Counterparty specified in Section 5 of the ISDA Master Agreement relating to such Hedge Agreement or the Schedule thereto, any termination payment due to the Hedge Counterparty shall be payable, *first*, from Interest Proceeds of the Related Security, *second*, from Principal Proceeds of the Related Security, and, *third*, in accordance with the Priority of Payments; and (h) with respect to any Deemed Floating Asset Hedge entered into by the Issuer after the Closing Date, at the time of entry into the Deemed Floating Asset Hedge the average life of the Deemed Floating Collateral Asset based upon (1) for issues outstanding less than 6 months, its pricing speed or (2) for issues outstanding for 6 months or more, the average of the last 6 months prepayment speed, must not increase or decrease by more than one year when modeled to prepay at either 200% or 50% of such pricing or prepayment speed.

The Trustee shall deposit all collateral received from each Hedge Counterparty under a Hedge Agreement in one or more non-interest bearing securities accounts in the name of the Trustee that will be designated the "Hedge Counterparty Collateral Account," which will be maintained for the benefit of the Issuer and the related Hedge Counterparty.

The obligations of the Issuer under the Hedge Agreements are limited recourse obligations payable solely from the Collateral pursuant to the Priority of Payments, and will be secured under the Indenture and will be senior in priority to the Issuer's obligations to pay interest on, and principal of, the Notes.

The Accounts

On or prior to the Closing Date the Trustee will have established each of the following segregated, non-interest bearing trust accounts and the Hedge Counterparty Collateral Account (the "Accounts"). Any investments of funds in the Accounts will be made in accordance with the direction of the Collateral Manager on behalf of the Issuer.

Collection Accounts

All distributions on the Collateral Debt Securities and any proceeds received from the Disposition of any such Collateral Debt Securities, to the extent such distributions or proceeds constitute Interest Proceeds (other than the portion of any interest payments on a semi-annual interest paying security received in cash by the Issuer in any Due Period which will be deposited in the Semi-Annual Interest Reserve Account), and any amounts paid to the Issuer by a Hedge Counterparty under any Hedge Agreement (other than amounts received by the Issuer by reason of an event of default or termination event under a Hedge Agreement or other comparable event that are required to be used for the purchase by the Issuer of a replacement Hedge Agreement) will be remitted to a single, segregated account established and maintained under the Indenture by the Trustee (the "Interest Collection Account"). All distributions on the Collateral Debt Securities and any proceeds received from the Disposition of any such Collateral Debt Securities to the extent such distributions or proceeds constitute Principal Proceeds will be remitted to the Principal Collection Account (the "Principal Collection Account" and, together with the Interest Collection Account, the "Collection Accounts"). The Collection Accounts shall be maintained for the benefit of the Secured Parties and amounts on deposit therein will be available, together with investment earnings thereon, (i) for application in the order of priority set forth under "Description of the Notes—Priority of Payments," (ii) to pay Floating Amounts and Physical Settlement Amounts payable by the Issuer in accordance with the Account Payment Priority, (iii) to fund Swap Termination Payments payable by the Issuer in accordance with the Account Payment Priority and (iv) to pay to the extent required as such amounts become due and payable, Net Issuer Hedged Long Premiums payable by the Issuer under Hedged Long Credit Default Swaps in accordance with the Account Payment Priority.

During the Reinvestment Period, any amounts in the Principal Collection Account that are not Specified Principal Proceeds, at the direction of the Collateral Manager, will be reinvested in additional Collateral Debt Securities or transferred to the CDS Reserve Account. However, on any Quarterly Distribution Date on which a Notional Amount Shortfall in excess of zero exists, an amount equal to the lesser of the funds in the Principal Collection Account and the Notional Amount Shortfall shall be transferred to the CDS Reserve Account.

Amounts received in the Collection Accounts during a Due Period and amounts received in prior Due Periods and retained in the Collection Accounts under the circumstances set forth above in "Description of the Notes—Priority of Payments" will be invested in Eligible Investments (as described below) with stated maturities no later than the Business Day immediately preceding the next Quarterly Distribution Date. All such proceeds will be retained in the Collection Accounts unless such proceeds are used as otherwise permitted under the Indenture. See "—Eligibility Criteria."

Payment Account

On or prior to the Business Day prior to each Quarterly Distribution Date, the Trustee will deposit into a single, segregated account established and maintained by the Trustee under the Indenture (the "Payment Account") for the benefit of the Secured Parties all Interest Proceeds and Principal Proceeds (other than Interest Proceeds and Principal Proceeds reinvested in accordance with the Indenture) received, with respect to the related Due Period, in the Collection Accounts during the related Due Period for payments to Noteholders and payments of fees and expenses and other amounts in accordance with the priority described under "Description of the Notes—Priority of Payments." If invested, any funds on deposit in the Payment Account shall be invested in Eligible Investments.

Semi-Annual Interest Reserve Account

The Trustee will from time to time deposit the Semi-Annual Interest Distributions received in Cash by the Issuer in any Due Period into a single, segregated account established and maintained by the Trustee under the Indenture (the "Semi-Annual Interest Reserve Account"). At least one Business Day prior to each Quarterly Distribution Date, the Trustee shall transfer the aggregate Semi-Annual Interest Release Amounts for all Collateral Debt Securities for such Quarterly Distribution Date (including any interest accrued on any such amount) to the Payment Account for application as Interest Proceeds in accordance with the Priority of Payments and such transfer will be the only permitted withdrawal (other than on the maturity date of the Notes) from, or application of funds on deposit in, or otherwise standing to the credit of, the Semi-Annual Interest Reserve Account. On any Quarterly Distribution Date on which the Issuer would otherwise have insufficient Interest Proceeds to pay the Interest Distribution Amount on all of the Notes in accordance with the Priority of Payments, the Trustee will transfer from the Semi-Annual Interest Reserve Account to the Payment Account, for application as Interest Proceeds on such Quarterly Distribution Date, an amount up to an amount sufficient (together with other Interest Proceeds available for such purpose) to pay the Interest Distribution Amount on all of the Notes in accordance with the Priority of Payments from Interest Proceeds.

Uninvested Proceeds Account

On the Closing Date the Trustee will deposit Uninvested Proceeds into a single, segregated account established and maintained by the Trustee under the Indenture (the "Uninvested Proceeds Account"). Interest and other income from such investments shall be deposited in the Uninvested Proceeds Account, any gain realized from such investments shall be credited to the Uninvested Proceeds Account, and any loss resulting from such investments shall be charged to the Uninvested Proceeds Account. All investment earnings on Eligible Investments in the Uninvested Proceeds Account will be transferred to the Interest Collection Account and treated as Interest Proceeds. If the first Quarterly Distribution Date occurs prior to Rating Confirmation or Rating Confirmation Failure, an amount equal to the Interest Excess on the related Determination Date will be withdrawn from the Uninvested Proceeds Account and transferred to the Payment Account for application as Interest Proceeds in accordance with the Priority of Payments.

Except as provided in a Proposed Plan, at least one Business Day prior to the first Quarterly Distribution Date following the occurrence of either a Rating Confirmation Failure or a Rating Confirmation after the Ramp-Up Completion Date (which will be the first Quarterly Distribution Date after the Closing Date if the Ramp-Up Completion Date is the same date as the Closing Date), the Trustee will transfer all remaining Uninvested Proceeds that are not required to complete purchases of Collateral Debt Securities to the Payment Account, to be treated *first*, as Interest Proceeds, if there has been a Rating Confirmation from Standard & Poor's and either a Rating Confirmation from Moody's or delivery of a Ramp-Up Completion Date Report to Moody's, (or if the Closing Date is the Ramp-Up Completion Date) and, *second*, as Principal Proceeds, and distributed in accordance with the Priority of Payments; *provided* that such Uninvested Proceeds will be applied first to the payment of principal of the Notes in direct order of seniority if a Rating Confirmation Failure occurs. During the Ramp-Up Period, the Collateral Manager on behalf of the Issuer may by notice to the Trustee direct the Trustee to, and upon receipt of the Issuer order, the Trustee shall (i) apply cash in the Uninvested Proceeds Account to Acquire Collateral Debt Securities, (ii) withdraw cash in the Uninvested Proceeds Account and deposit it into a Synthetic Security Counterparty Account in connection with the Acquisition of a Defeased Synthetic Security or (iii) withdraw cash in the Uninvested Proceeds Account and deposit it in the CDS Reserve Account. Amounts on deposit in the Uninvested Proceeds Account will be available, together with investment earnings thereon, (i) for application in the order of priority set forth under "Description of the Notes—Priority of Payments," (ii) to pay Floating Amounts and Physical Settlement Amounts payable by the Issuer in

accordance with the Account Payment Priority, (iii) to fund Swap Termination Payments payable by the Issuer in accordance with the Account Payment Priority and (iv) to pay to the extent required as such amounts become due and payable, Net Issuer Hedged Long Premiums payable by the Issuer under Hedged Long Credit Default Swaps in accordance with the Account Payment Priority.

Expense Account

After payment of the organizational and structuring fees, the fee to the Collateral Manager and expenses of the Co-Issuers (including, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Collateral Manager and the Initial Purchaser) and the expenses of offering the Securities, on the Closing Date, at least U.S.\$[•] from the proceeds of the offering of the Securities will be deposited by the Trustee into a single, segregated account established and maintained by the Trustee under the Indenture (the "Expense Account"). Amounts in the Expense Account will be replenished (i) with Interest Proceeds on each Quarterly Distribution Date in accordance with the Priority of Payments and (ii) with Principal Proceeds on any Quarterly Distribution Date in an amount not to exceed the amount from the Expense Account that previously was designated by the Collateral Manager as Principal Proceeds. Amounts on deposit in the Expense Account may be withdrawn from time to time to pay accrued and unpaid Administrative Expenses of the Co-Issuers. All funds on deposit in the Expense Account will be invested in Eligible Investments. All amounts remaining on deposit in the Expense Account at the time when substantially all of the Issuer's assets have been sold or otherwise disposed of will be deposited by the Trustee into the Payment Account for application as Interest Proceeds on the immediately succeeding Quarterly Distribution Date.

Any amounts on deposit in the Expense Account in excess of U.S.\$[•] may, at the option of the Collateral Manager by written notice to the Trustee, be designated as Interest Proceeds or Principal Proceeds and applied in accordance with the Priority of Payments on the next subsequent Quarterly Distribution Date.

Custodial Account

The Trustee will, prior to the Closing Date, cause the Custodian to establish a Securities Account which shall be designated as the "Custodial Account," which shall be held in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties and into which the Trustee shall from time to time deposit Pledged Securities. All Pledged Securities from time to time deposited in, or otherwise standing to the credit of, the Custodial Account pursuant to the Indenture will be held by the Trustee as part of the Collateral. The Co-Issuers shall not have any legal, equitable or beneficial interest in the Custodial Account other than in accordance with the Priority of Payments.

Reserve Account

On the Closing Date, approximately U.S.\$[•] will be deposited by the Trustee from the proceeds of the sale of the Securities into a single, segregated account established and maintained by the Trustee under the Indenture (the "Reserve Account"). All funds on deposit in the Reserve Account will be invested in Eligible Investments. On each Quarterly Distribution Date, an amount in the Reserve Account shall be transferred by the Trustee to the Payment Account for application as Interest Proceeds on such Quarterly Distribution Date to make distributions equal to the lesser of (i) the amount on deposit in the Reserve Account and (ii) the amount required (together with all other Interest Proceeds) to make distributions on such Quarterly Distribution Date to the Preference Shareholders equal to [•]% per annum on the aggregate Liquidation Preference of the Preference Shares (based on a year of 360 days and twelve 30-day months) after all amounts payable prior thereto in the Interest Proceeds Waterfall on such Quarterly Distribution Date. For the avoidance of doubt, any amount distributed from the Reserve

Account on any Quarterly Distribution Date shall be applied to pay amounts due under the Interest Proceeds Waterfall in accordance with the priority set forth therein and, as a result, any such amount shall be applied first to pay any other amounts payable under the Interest Proceeds Waterfall (which have not been paid from other Interest Proceeds) on such Quarterly Distribution Date, before such funds are applied to make distributions on the Preference Shares.

CDS Reserve Account

The Trustee shall, prior to the Closing Date, cause to be established a single, segregated securities account which shall be designated as the "CDS Reserve Account," which shall be held in the name of the Trustee in trust for the benefit of the Secured Parties. The Trustee shall deposit in the CDS Reserve Account, in each case for investment in Synthetic Security Collateral, in accordance with the written instructions of the Collateral Manager on behalf of the Issuer, (i) the initial deposit on the Closing Date of U.S.\$[●] from the net proceeds of the offering of the Securities, (ii) such amounts as are required to be deposited into the CDS Reserve Account pursuant to the Priority of Payments, (iii) any Principal Reimbursements received by the Issuer in respect of any Credit Default Swaps, (iv) the excess (if any) of the amount of any Class A-1 Funding over the amount required to make a payment in connection with the applicable Permitted Use for which such Class A-1 Funding was requested, (v) on any Quarterly Distribution Date, amounts in the Principal Collection Account required to be transferred to the CDS Reserve Account if a Notional Amount Shortfall exists, and (vi) amounts in the Principal Collection Account which the Collateral Manager elects to transfer either on the [●] calendar day of each month (or, if such day is not a Business Day, the next succeeding Business Day) or on one other day during any 30 consecutive days (in each case, on five Business Days prior notice to the Trustee and the Total Return Swap Counterparty). Any funds or other property standing to the credit of the CDS Reserve Account may be withdrawn therefrom: (1) to pay (A) Floating Amounts and Physical Settlement Amounts payable by the Issuer, (B) Swap Termination Payments payable by the Issuer and (C) to the extent required as such amounts become due and payable, Net Issuer Hedged Long Premiums payable by the Issuer under Hedged Long Credit Default Swaps, in each case in accordance with the Withdrawal Payment Priority, (2) after payment of all amounts due under the Credit Default Swaps, for deposit in the Principal Collection Account upon any Optional Redemption, Auction Call Redemption or Tax Redemption or the liquidation in full of the Collateral upon the Stated Maturity of the Notes or following the occurrence of an Event of Default, (3) to make a transfer to the Payment Account to pay principal on the Notes so long as it will not result in or increase a Notional Amount Shortfall that is greater than zero, (4) at the option of the Collateral Manager, to make a transfer to the Principal Collection Account, to fund the Acquisition of Cash Collateral Debt Securities or Defeased Synthetic Securities prior to the end of the Reinvestment Period so long as no such Acquisition will result in or increase a Notional Amount Shortfall that is greater than zero and the Aggregate Principal Balance of the Credit Default Swaps is not less than []% of the Net Outstanding Portfolio Collateral Balance, and any such transfer is made either on the seventh calendar day of each month (or, if such day is not a Business Day, the next succeeding Business Day) or on one other day during any 30 consecutive days (in each case, on five Business Days prior notice to the Trustee and the Total Return Swap Counterparty), (5) to make any payment or delivery required to be made under the Total Return Swap or a TRS Replacement and (6) as otherwise described herein, to pay the Outstanding Class A-1 Funded Amount. Transfers from the CDS Reserve Account to the Principal Collection Account are subject to additional restrictions under the Indenture.

All funds credited to the CDS Reserve Account shall be invested by the Trustee at the direction of the Issuer (or the Collateral Manager on behalf of the Issuer) in Synthetic Security Collateral which satisfies the Synthetic Security Collateral Criteria.

In addition, if on any Determination Date relating to a Quarterly Distribution Date, a CDS Reserve Account Excess exists, an amount equal to any CDS Reserve Account Excess Withdrawal

Amount will, as and to the extent provided in the Modified Sequential Payment Priority or the Sequential Payment Priority (whichever is applicable), be withdrawn and deposited to the Payment Account for application in accordance with the Modified Sequential Payment Priority or the Sequential Payment Priority on the Quarterly Distribution Date relating to such Determination Date so long as, and only to the extent that, no Notional Amount Shortfall shall exist after such transfer (after all payments are made under the Credit Default Swaps and any resulting withdrawals are made from the CDS Reserve Account and any Class A-1 Fundings are made on the Quarterly Distribution Date). On any Determination Date on which any portion of the CDS Reserve Account Excess Withdrawal Amount would otherwise have been withdrawn from and redeposited to the CDS Reserve Account on such related Quarterly Distribution Date pursuant to the Priority of Payments, such portion shall be retained in the CDS Reserve Account by the Trustee and shall be deemed to be Principal Proceeds and to have been deposited to the CDS Reserve Account on such Quarterly Distribution Date with the same effect as if such amounts were deposited thereto in accordance with the Priority of Payments on such Quarterly Distribution Date. On the date on which substantially all of the Issuer's assets have been Disposed of, the Issuer shall direct the Trustee to transfer all funds and other property standing to the credit of the CDS Reserve Account to the Principal Collection Account for application as Principal Proceeds in accordance with the Priority of Payments.

Except to the extent (1) required in order for the Issuer to comply with its obligations in respect of any Remaining Exposure or Swap Termination Payments in respect of a Credit Default Swap or (2) such transfer would cause or increase a Notional Amount Shortfall greater than zero, the Trustee, upon the Collateral Manager's direction, will transfer on each Quarterly Distribution Date, all interest and other income received in respect of Synthetic Security Collateral (which is not payable under the Total Return Swap) standing to the credit of the CDS Reserve Account to the Interest Collection Account for application as Interest Proceeds in accordance with the Priority of Payments on such Quarterly Distribution Date. Until any such transfer, all interest and other income from Synthetic Security Collateral standing to the credit of the CDS Reserve Account will be deposited in the CDS Reserve Account. Any gain realized from Synthetic Security Collateral standing to the credit of the CDS Reserve Account (which is not payable under the Total Return Swap) will be credited to the CDS Reserve Account, and any loss resulting from Synthetic Security Collateral will be charged to the CDS Reserve Account, in each case for the applicable Due Period in which such gain or loss occurs.

The Issuer expects to enter into the Total Return Swap with respect to the Synthetic Security Collateral. See "—The Total Return Swap."

The Trustee shall give the Issuer and the Credit Default Swap Counterparty prompt notice if it has actual knowledge or receives written notice that the CDS Reserve Account or any funds or other property standing to the credit of the CDS Reserve Account shall become subject to any writ, order, judgment, warrant of attachment, execution or similar process.

Synthetic Security Counterparty Accounts

For each Defeased Synthetic Security, the Trustee will establish a single, segregated account (each such account, a "Synthetic Security Counterparty Account") that will be held in the name of the Trustee in trust for the benefit of the related Synthetic Security Counterparty and over which the Trustee will have exclusive control and the sole right of withdrawal in accordance with the applicable Synthetic Security and the Indenture; *provided* that a single Synthetic Security Counterparty Account may be established for all (or a designated portion) of the Synthetic Securities with the same Synthetic Security Counterparty. The Trustee and the Issuer shall, in connection with the establishment of a Synthetic Security Counterparty Account, enter into a separate account control and security agreement with the Synthetic Security Counterparty setting forth the rights and obligations of the Issuer, the Trustee and the Synthetic Security Counterparty with respect to such account and pursuant to which the Issuer shall grant

the Trustee a first priority security interest in such Synthetic Security Counterparty Account for the benefit of the Synthetic Security Counterparty; *provided* that no security interest in favor of a Synthetic Security Counterparty in such Synthetic Security Counterparty Account shall include any income from investments of funds in such Synthetic Security Counterparty Account to which the Issuer is entitled pursuant to the terms of such Synthetic Security. As directed by Issuer order (which may be executed by the Collateral Manager), the Trustee will withdraw from the Uninvested Proceeds Account or the Principal Collection Account and deposit into each Synthetic Security Counterparty Account the amount required to secure the obligations of the Issuer in accordance with the terms of the related Defeased Synthetic Security or Defeased Synthetic Securities, as applicable, which amount shall be at least equal to the amount referred to in paragraph (a) of the definition of Defeased Synthetic Security. The Collateral Manager will direct any such deposit during the Ramp-Up Period and during the Reinvestment Period and only to the extent that monies are available for the Acquisition of Collateral Debt Securities from Uninvested Proceeds and Disposition Proceeds in accordance with the terms of the Indenture. Notwithstanding the foregoing, after the Ramp-Up Period ends, the Issuer may Acquire Collateral Debt Securities that are the subjects of commitments entered into by the Issuer prior to the end of the Ramp-Up Period. To the extent required by a Synthetic Security, the Trustee shall, as directed by Issuer order (which may be executed by the Collateral Manager), deposit the related Principal Shortfall Reimbursement Payments received by the Issuer into the applicable Synthetic Security Counterparty Account.

In accordance with the terms of the applicable Defeased Synthetic Security and related account control and security agreement, amounts standing to the credit of a Synthetic Security Counterparty Account shall be invested in Synthetic Security Collateral designated by the Synthetic Security Counterparty and approved by the Collateral Manager, which may be subject to derivatives transactions (including total return swaps) between the Issuer and the Synthetic Security Counterparty (or, subject to the consent of the Synthetic Security Counterparty and satisfaction of the Rating Condition, between the Issuer and other parties). Amounts and property credited to a Synthetic Security Counterparty Account shall be withdrawn by the Trustee and applied to the payment of any amounts payable by, or to the delivery of securities deliverable by, the Issuer to the related Synthetic Security Counterparty in accordance with the terms of such Defeased Synthetic Security or the related account control agreement. The Issuer also shall sell all or any part of the Synthetic Security Collateral at the times and in the manner provided in the applicable Synthetic Security. To the extent that the Issuer is entitled to receive interest on securities credited to a Synthetic Security Counterparty Account, the Collateral Manager shall, by Issuer order, direct the Trustee to deposit such amounts in the Interest Collection Account (and such amounts shall be Interest Proceeds). After payment of all amounts owing by the Issuer to a Synthetic Security Counterparty in accordance with the terms of the related Defeased Synthetic Security or termination of a Synthetic Security following an event described in clause (c) of the definition of "Defeased Synthetic Security" (in which event no termination payment shall be due from the Issuer to such Synthetic Security Counterparty), the Collateral Manager, by Issuer order, shall direct the Trustee to withdraw all funds and other property credited to the Synthetic Security Counterparty Account related to such Defeased Synthetic Security and credit such funds and other property to (i) the Principal Collection Account (in the case of cash and Eligible Investments), for application as Principal Proceeds (other than any investment income thereon, which will be Interest Proceeds) in accordance with the terms of the Indenture, and (ii) the Custodial Account (in the case of Collateral Debt Securities and other financial assets), which shall not be liquidated except in accordance with "Security for the Notes—Dispositions of Collateral Debt Securities"; *provided, however*, that if any other Defeased Synthetic Security secured by the same Synthetic Security Counterparty Account will remain in effect, (x) the funds and property to be withdrawn from the Synthetic Security Counterparty Account shall be selected in accordance with the Synthetic Security or the related account control agreement and (y) such withdrawal shall not cause the balance of the Synthetic Security Collateral in such Synthetic Security Counterparty Account to be less than the aggregate notional amount of the Synthetic Securities then in effect.

Except for interest on securities standing to the credit of a Synthetic Security Counterparty Account payable to the Issuer as described pursuant to the preceding paragraph, funds and other property standing to the credit of a Synthetic Security Counterparty Account shall not be considered to be an asset of the Issuer for purposes of the Collateral Quality Tests or the Overcollateralization Ratios; however, the Defeased Synthetic Security that relates to such Synthetic Security Counterparty Account shall be considered an asset of the Issuer for such purposes.

A modification to the terms of the Indenture relating to a Synthetic Security Counterparty Account will require the consent of any Synthetic Security Counterparty materially and adversely affected by such modification.

Synthetic Security Issuer Accounts

If the terms of any Synthetic Security require the Synthetic Security Counterparty to secure its obligations with respect to such Synthetic Security, the Trustee shall cause to be established a segregated, non-interest bearing Securities Account in respect of such Synthetic Security (each such account, a "Synthetic Security Issuer Account"), which shall be held in the name of the Trustee as Entitlement Holder in trust for the benefit of the Secured Parties; *provided* that a single Synthetic Security Issuer Account may be established for all (or a designated portion) of the Synthetic Securities with the same Synthetic Security Counterparty. Upon Issuer order, the Trustee, the Synthetic Security Counterparty and the Custodian shall enter into an account control agreement with respect to such account in a form substantially similar to the Account Control Agreement. The Trustee shall credit to any such Synthetic Security Issuer Account all funds and other property received from the applicable Synthetic Security Counterparty to secure the obligations of such Synthetic Security Counterparty in accordance with the terms of such Synthetic Security.

A Synthetic Security Issuer Account will be established for MLI on the Closing Date.

Amounts credited to a Synthetic Security Issuer Account shall be invested as directed by an Issuer order executed by the Collateral Manager in writing and in accordance with the terms of the applicable Synthetic Security in Synthetic Security Collateral. Income received on amounts credited to such Synthetic Security Issuer Account shall be withdrawn from such account and paid to the related Synthetic Security Counterparty in accordance with the terms of the applicable Synthetic Security.

Funds and other property standing to the credit of any Synthetic Security Issuer Account shall not be considered to be an asset of the Issuer for purposes of any of the Collateral Quality Tests or the Overcollateralization Ratios; however, the Synthetic Security that relates to such Synthetic Security Issuer Account shall be considered an asset of the Issuer for such purposes.

In accordance with the terms of the applicable Synthetic Security or account control agreement, funds and other property standing to the credit of the related Synthetic Security Issuer Account shall, as directed by the Collateral Manager by Issuer order, be withdrawn by the Trustee and applied to the payment of any amount owing by the related Synthetic Security Counterparty to the Issuer under the applicable Synthetic Security or Synthetic Securities. After payment of all amounts owed by the Synthetic Security Counterparty to the Issuer in accordance with the terms of the related Synthetic Security, all funds and other property standing to the credit of the related Synthetic Security Issuer Account shall be withdrawn from such Synthetic Security Issuer Account and paid or transferred to the related Synthetic Security Counterparty in accordance with the applicable Synthetic Security; *provided, however*, that if the obligations of the same Synthetic Security Counterparty under another Synthetic Security which will remain in effect are secured by the same Synthetic Security Issuer Account, the amount withdrawn therefrom shall not cause the remaining balance thereof to be less than the amount

required to be posted by the Synthetic Security Counterparty to secure its obligations under the Synthetic Securities which will remain in effect.

A modification of the terms of the Indenture relating to a Synthetic Security Issuer Account will require the consent of any Synthetic Security Counterparty materially and adversely affected thereby.

Class A-1 Swap Prefunding Accounts

If the Class A-1 Swap Counterparty does not at any time prior to the Swap Period Termination Date satisfy the Class A-1 Rating Criteria and does not assign the Class A-1 Swap to a Person that meets the Class A-1 Rating Criteria, or obtain a guarantee that meets the Class A-1 Rating Criteria, the Class A-1 Swap Counterparty is required under the Class A-1 Swap to be established and maintained by the Custodian, an Account (the "Class A-1 Swap Prefunding Account"), which Account shall be in the name of the Trustee in trust for the benefit of the Secured Parties. The Class A-1 Swap Counterparty, the Trustee and the Issuer shall enter into an account control agreement (each a "Class A-1 Swap Prefunding Account Control Agreement") with the Custodian in respect of such Class A-1 Swap Prefunding Account in a form satisfactory to each such party. The Class A-1 Swap Counterparty will remit to the Trustee for credit to such Class A-1 Swap Prefunding Account Cash or Class A-1 Swap Prefunding Account Eligible Investments, the aggregate outstanding principal amount of which is equal to the Class A-1 Swap Prefunding Amount. The Trustee shall cause all such Cash or Class A-1 Swap Prefunding Account Eligible Investments received by it from the Class A-1 Swap Counterparty to be credited to the Class A-1 Swap Prefunding Account.

As directed by a written notice from the Class A-1 Swap Counterparty to the Trustee, funds standing to the credit of a Class A-1 Swap Prefunding Account may be invested and reinvested in Class A-1 Swap Prefunding Account Eligible Investments. Income received on funds or other property credited to such Class A-1 Swap Prefunding Account shall be withdrawn from such Class A-1 Swap Prefunding Account monthly on the last Business Day of each month and paid to the Class A-1 Swap Counterparty. None of the Co-Issuers or the Trustee shall in any way be held liable for reason of any insufficiency of any Class A-1 Swap Prefunding Account resulting from any loss relating to any investment of funds standing to the credit of such account.

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

The Class A-1 Swap Counterparty's obligation to make Class A-1 Fundings under the Class A-1 Swap will be satisfied by the Trustee's withdrawing funds then standing to the credit of the Class A-1 Swap Prefunding Account and issuing Class A Notes to the Class A-1 Swap Counterparty (or increasing the principal balance of a Class A-1 Note held by the Swap Counterparty) in the same principal amount.

Funds and other property on deposit in the Class A-1 Swap Prefunding Account shall be withdrawn from such account and applied to fund Class A-1 Fundings for Permitted Uses pursuant to the Class A-1 Swap if the conditions to a Class A-1 Funding have been satisfied, and shall be reimbursed to the Class Swap Counterparty when required pursuant to the Class A-1 Swap. Funds and other property on deposit in the Class A-1 Swap Prefunding Account will not be available to the Issuer for payments to any Secured Parties other than the Credit Default Swap Counterparty (in connection with a Permitted Use only), and the Class A-1 Swap Counterparty. If the Class A-1 Swap Counterparty has deposited its Class A-1 Prefunding Amount in a Class A-1 Swap Prefunding Account pursuant to the Class A-1 Swap, (i) the Trustee will apply a portion of such amount on the date of a Class A-1 Funding to the relevant Permitted Use in accordance with the Class A-1 Swap in an amount equal to the total amount specified in the applicable Class A-1 Funding Request and (ii) on each Quarterly Distribution Date, without regard to the

Priority of Payments, the Trustee will pay directly to the Class A-1 Swap Counterparty any interest in an amount equal to earnings in respect of Eligible Investments standing to the credit of the Class A-1 Swap Prefunding Account. Investment earnings on Eligible Investments standing to the credit of the Class A-1 Swap Prefunding Account will not be transferred to the Interest Collection Account or treated as Interest Proceeds. None of the Co-Issuers or the Noteholders other than the Class A-1 Swap Counterparty will have any rights to the amounts in the Class A-1 Swap Prefunding Account except to satisfy the obligations of the Class A-1 Swap Counterparty to the Co-Issuers.

The Trustee shall withdraw all funds and other property standing to the credit of the Class A-1 Swap Prefunding Account and pay or transfer the same to the Class A-1 Swap Counterparty pursuant to and in accordance with the Class A-1 Swap.

THE COLLATERAL MANAGER

The information appearing below under the subheadings "NIR Capital Management, LLC" and "Key Personnel" have been prepared by the Collateral Manager and has not been independently verified by the Co-Issuers, the Initial Purchaser, the Trustee or any other person. Accordingly, the Collateral Manager assumes the responsibility for the accuracy, completeness or applicability of such information appearing under such subheading.

NIR Capital Management, LLC

NIR Capital Management, LLC, a Delaware limited liability company ("NIR" or the "Collateral Manager") is an Affiliate of The NIR Group, LLC. The NIR Group, LLC, through its various pooled investment vehicles, has been investing in public companies since the early 1990's and had assets under management of approximately U.S.\$590 million as of September 1, 2006. Investment clients include foundations, family offices, high net worth individuals and professional investment managers. The NIR Group, LLC includes NIR Credit Partners, LLC and the Collateral Manager.

The Collateral Manager and NIR Credit Partners have entered into agreements (each, a "Services Agreement") pursuant to which NIR Credit Partners will provide management advice to the Collateral Manager in connection with its management of CDOs managed by the Collateral Manager, including the Issuer. In exchange for such services, the Collateral Manager will pay at least []% of the collateral management fees earned by it with respect to CDOs managed by the Collateral Manager (including the Management Fees) to NIR Credit Partners. See "Risk Factors—Risk Factors Relating to Conflicts of Interest and Dependence on the Collateral Manager—Conflicts of Interest Involving the Collateral Manager."

The Collateral Manager is not registered as an investment adviser with the SEC under the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act").

The equity interests of NIR Credit Partners are owned principally by Messrs. Corey S. Ribotsky and Lloyd A. Groveman, and by Structured Equity Capital Partners, LLC, a Delaware limited liability company that is owned primarily by Messrs. Joseph Parish and Scott Shannon.

Various potential and actual conflicts of interest may arise from the overall investment activity of the Collateral Manager, its clients and its Affiliates, in particular its contractual relationships with NIR Credit Partners. See "Risk Factors—Risk Factors Relating to Conflicts of Interest and Dependence on the Collateral Manager—Conflicts of Interest Involving the Collateral Manager."

The Collateral Manager's principal mailing address is 227 West Trade Street, Suite 1850, Charlotte, North Carolina 28202. Its telephone number is (704) 333-5333.

Key Personnel

Set forth below is biographical information regarding certain persons who are currently employed by NIR Credit Partners. NIR Credit Partners will be providing the Collateral Manager with their management expertise pursuant to a Services Agreement. The individuals listed below may not, however, have any responsibility with respect to the day-to-day management of the transaction and may not necessarily continue to be so employed during the entire term of the Collateral Management Agreement.

Joseph G. Parish III

Mr. Parish is a Managing Partner and co-founder of NIR Capital with 28 years experience in structured and corporate finance. Previously, he served as head of the Asset Securitization Division (ASD) in the Structured Products Group at Wachovia Securities (formerly First Union Securities). He established and developed the firm's asset-backed product capabilities, which included securities underwriting and management of principal finance investments. ASD's scope of activities included origination, structuring and investment portfolio management across all major asset class sectors. Prior to establishing the Asset Securitization Division, Mr. Parish founded First Union's Financial Institutions Group in 1985. He began his banking career in 1978 at the National City Bank in Louisville, Kentucky. Mr. Parish holds a B.S. in Business Administration from Indiana University.

Scott H. Shannon

Mr. Shannon is a Managing Partner and co-founder of NIR Capital with 20 years experience in corporate and structured finance. Previously, he spent seventeen years at Wachovia Securities (formerly First Union Securities), initially in the Financial Institutions Group, and subsequently in the Asset Securitization Division where his responsibilities included the management of all asset-backed origination activities. He co-founded the bank's securitization business in 1992. Additional responsibilities during this period included the creation of the Debt Advisory unit within the Financial Services investment banking group. Mr. Shannon holds a B.S. in Business Administration from Washington & Lee University.

Donna D. Ennis

Ms. Ennis is a Principal of NIR Capital with 17 years experience in investment management. Prior to joining NIR, Ms. Ennis was the Vice President and Structured Finance investment manager at Mutual of Omaha from 1997-2005, where she evaluated, monitored, and managed all structured finance investments. While there, she was an active member of the Securities Committee for all fixed income and alternative investments. Prior to joining Mutual of Omaha, she was an Assistant Vice President and taxable fixed income credit analyst at T. Rowe Price.

Ms. Ennis received an MBA from Tulane University's A.B. Freeman School of Business, and her B.A. from the University of Pittsburgh. She is a member of the CFA Institute and the local Society of Financial Analysts.

John A. Ruddy

Mr. Ruddy is a Principal of NIR Capital with 10 years experience in the structured finance and consulting businesses. Prior to joining NIR Capital, he managed his own CDO consulting business where he reverse engineered and evaluated CDO structures. He also provided bond analytics and conducted M&A valuations for CDO issuers. From 1998-2004, Mr. Ruddy worked at Wachovia Securities (formerly First Union Securities) where he structured over \$5 billion of ABS, real estate, bank loan, and hybrid CDOs.

Prior to joining Wachovia, he was a manager in KPMG's Structured Finance Group in Washington, D.C. where he modeled agency, equipment, auto loan, RMBS and CMBS transactions. Before joining KPMG, he worked for the FDIC/RTC where he performed due diligence on commercial loan portfolios of failed financial institutions. Mr. Ruddy received a MBA from the George Washington University and a B.S. in Accounting from the University of Scranton.

John D. Keeling

Mr. Keeling is a Principal of NIR Capital with 8 years of experience in structured finance analytics and software. From 2000-2005 at Wachovia (formerly First Union), he worked on structural and collateral analysis of various residential and commercial asset classes, and led development of a portfolio valuation software system. Prior to joining Wachovia, Mr. Keeling pioneered development of the Desktop application for Intex Solutions, Inc. Desktop (formerly Trader) grew to be a standard tool for various asset classes and for both the dealer and investor community. Mr. Keeling holds a M.S. in Economics from MIT and a B.S. from Transylvania University.

Chris Guella

Mr. Guella is a Principal of NIR Capital with 10 years experience in financial services consulting and systems development. Mr. Guella has recently worked as a consultant to Bank of America in Wholesale Mortgage where he managed origination process, market segmentation and channel strategy work. In this role he also led the successful re-design and implementation of Mortgage Network. Prior to working with Bank of America, Mr. Guella was a Principal at Seurat Company, a consulting firm, where he worked on business, technology and channel strategy. Mr. Guella was also a Principal with CGI-AMS where he developed line of business strategy and deployed business solutions in the areas of international trade, multi-national commercial and consumer banking. Mr. Guella received an MBA from the Leonard N. Stern School of Business at New York University and a B.S. from the School of Management at Boston College.

Corey S. Ribotsky

Mr. Ribotsky is a co-founder of NIR Capital and is the Managing Member of The NIR Group, LLC, a boutique investment management firm. He has been investing in public companies since 1992. Mr. Ribotsky graduated with a BA from the State University of New York at Stony Brook and attended The New York University, Leonard N. Stern Graduate School of Business for an MBA in Finance and Operations. Mr. Ribotsky also attended Brooklyn Law School. Prior to becoming a member of NIR, Mr. Ribotsky was a member of the investment management firm, The Rainmaker Group, LLC located in Red Bank, New Jersey.

Lloyd A. Groveman

Mr. Groveman is a co-founder of NIR Capital. He has been involved in the securities industry for over a decade with extensive risk management experience. Mr. Groveman, currently a Managing Director of NIR LLC, most recently managed a derivatives consulting practice as well as an asset management firm that was originally founded while he was employed at Banc of America Securities LLC. Previously, he was co-head of the equity derivatives effort at Lehman Brothers focusing on high net-worth individuals and non-tier one institutional accounts and was the chairman of the global risk management committee for the private client services division. He was also Lehman Brothers senior registered options principal (SROP). Mr. Groveman was also a member of the derivatives group and risk committee at Morgan Stanley. Mr. Groveman graduated from Polytechnic University with Honors with a Bachelor of Science in Computer Science and graduated from Columbia University School of Business with Honors with a Major in Finance.

Ken D. Yellin

Mr. Yellin is a co-founder of NIR Capital, and is a Principal of The NIR Group, LLC. Mr. Yellin has been structuring transactions and working with NIR client companies since 2001. Previously, Mr.

Yellin worked as a financial advisor for the Cowan Financial Group of Manhattan. Mr. Yellin specialized in structuring financial products for estate and corporate planning. He also implemented deferred compensation plans as well as asset allocation models. Mr. Yellin graduated from The University of Hartford with a Bachelor of Arts in Communications.

THE COLLATERAL MANAGEMENT AGREEMENT

The following summary describes certain provisions of the Collateral Management 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 Collateral Management Agreement.

General

The Collateral Manager will perform certain investment management functions, including directing and supervising the investment by the Issuer in Eligible Investments and, during the period from the Closing Date to (and including) the last day of the Reinvestment Period, in Collateral Debt Securities, and will perform certain administrative functions on behalf of the Issuer in accordance with the applicable provisions of the Collateral Management Agreement. The Collateral Manager will be authorized to supervise and direct the investment, reinvestment and Disposition of Collateral Debt Securities, Equity Securities and Eligible Investments, with full authority and at its discretion (without specific authorization from the Issuer), on the Issuer's behalf and at the Issuer's risk.

The Collateral Manager shall advise the Trustee and the Collateral Administrator on or prior to each Determination Date if it determines that any Principal Reimbursement or Interest Shortfall Reimbursement Payment was paid or is to be paid during the related Due Period by a Synthetic Security Counterparty, that any Fixed Amount paid or to be paid by a Synthetic Security Counterparty during the related Due Period has been or will be reduced by any Floating Amount Event or that the Issuer made or is required to make a payment as a result of a Credit Event or a Floating Amount Event.

Compensation

As compensation for rendering its services under the Collateral Management Agreement, the Collateral Manager will be entitled to receive on each Quarterly Distribution Date a fee (the "Management Fee") in an amount equal to []% *per annum* of the Quarterly Asset Amount for such Quarterly Distribution Date. The Management Fees will be paid in accordance with the Priority of Payments. The Management Fee for any Quarterly Distribution Date will be calculated on the basis of a 360-day year of twelve 30 day months. Additionally, to the extent the holders of Class G Notes, the Class H Notes and the Preference Shares have achieved in the aggregate an IRR of at least []% as of any Quarterly Distribution Date, the Collateral Manager will also receive a fee (the "Incentive Fee") equal to (a) []% of Interest Proceeds remaining after disbursements of all amounts pursuant to clauses (1) through (20) under the Interest Proceeds Waterfall plus (b) []% of Principal Proceeds remaining after disbursements of all amounts pursuant to clauses (1) through (7) under the Principal Proceeds Waterfall on such Quarterly Distribution Date. See "Description of the Notes—Priority of Payments."

The Management Fee will accrue from the Closing Date. To the extent not paid when due the Management Fee will be deferred and will be payable on subsequent Quarterly Distribution Dates in accordance with the Priority of Payments. The Collateral Manager will have the right to elect to defer payment of the Management Fee on any Quarterly Distribution Date. Any accrued but unpaid Management Fee that is deferred (whether as a result of the operation of the Priority of Payments as described herein or at the option of the Collateral Manager) will not accrue interest. In addition, the Collateral Manager will be reimbursed for certain other amounts owed to it under the Collateral Management Agreement pursuant to the Priority of Payments.

No Management Fee payable to a successor Collateral Manager from payments on the Collateral will be greater than the Management Fee payable to the Collateral Manager without the prior written consent of a Majority-in-Interest of Preference Shareholders and satisfaction of the Rating Condition. In

determining whether a specified percentage of Noteholders or Preference Shareholders has directed any such increase, Collateral Manager Securities will be excluded.

Removal

If the Collateral Management Agreement is terminated for any reason, or the entity then serving as Collateral Manager resigns or is removed, the Management Fee owing to such entity will be prorated for any partial periods between Quarterly Distribution Dates, and such prorated amount shall be due and payable on the first Quarterly Distribution Date following the date of such termination, subject to the Priority of Payments.

The Collateral Manager may resign, upon 60 days' (or such shorter period as is acceptable to the Issuer) written notice to the Issuer, the Trustee, the Credit Default Swap Counterparty, the Class A-1 Swap Counterparty and the Rating Agencies. If the Collateral Manager resigns, the Issuer agrees to use its commercially reasonable efforts to appoint a successor Collateral Manager, and the effectiveness of such resignation will be conditioned upon the appointment of such successor in the manner specified below.

The Collateral Manager may be removed for cause by the Issuer or the Trustee, at the direction of a Majority-In-Interest of Preference Shareholders (excluding any Preference Shares that are Collateral Manager Securities) or by the holders of a majority of the Aggregate Outstanding Amount of the Notes of the Controlling Class (excluding any Collateral Manager Securities), upon 10 days' prior written notice to the Collateral Manager. The Collateral Manager may not be removed other than for "cause."

For purposes of determining "cause" with respect to any such termination of the Collateral Management Agreement, such term shall mean the occurrence and continuation of any one of the following events:

(1) the Collateral Manager willfully violates, or takes any action that it knows breaches, any material provision of the Collateral Management Agreement or the Indenture applicable to it;

(2) the Collateral Manager breaches in any material respect any provision of the Collateral Management Agreement or any terms of the Indenture applicable to it or any representation, certificate or other statement made or given in writing by the Collateral Manager (or any of its directors or officers) pursuant to the Collateral Management Agreement or the Indenture shall prove to have been incorrect in any material respect when made or given and, within 45 days of its becoming aware (or receiving notice from the Trustee, any Noteholder or any Preference Shareholder) of such breach, or such materially incorrect representation, certificate or statement, the Collateral Manager fails to cure such breach, or to take such action so that the facts (after giving effect to such actions) conform in all material respects to such representation, certificate or statement;

(3) the Collateral Manager is wound up or dissolved or there is appointed over it or a substantial portion of its assets in connection with any winding up, liquidation, reorganization or other relief under any bankruptcy, insolvency, receivership or similar law, a receiver, administrator, administrative receiver, trustee or similar officer; or the Collateral Manager (i) ceases to be able 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; (ii) 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 Collateral Manager or of any substantial part of its properties or assets in connection with any winding up, liquidation, reorganization or other relief under any bankruptcy, insolvency, receivership or

similar law, or authorizes such an application or consent, or proceedings seeking such appointment are commenced without such authorization, consent or application against the Collateral Manager and continue undismissed for 60 consecutive days; (iii) 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 Collateral Manager 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 (iv) permits or suffers all or any substantial part of its properties or assets to be sequestered or attached by court order and the order remains undismissed for 60 consecutive days;

(4) the occurrence of an Event of Default under the Indenture described under clause (i) or clause (ii) of "Description of the Notes—The Indenture—Events of Default," or an Event of Default that results from a breach by the Collateral Manager of its duties under the Indenture or the Collateral Management Agreement;

(5) the occurrence of an act by the Collateral Manager that constitutes fraud or a felony criminal offense, or the Collateral Manager is convicted, or any of its executive officers having responsibility over the management of the Collateral Debt Securities are convicted, of a criminal offense materially related to its primary business of managing of collateral or investments or its investment advisory activities; or

(6) the occurrence of a Key Person Event.

The Collateral Manager will notify the Issuer, the Trustee, the Preference Share Paying Agent, the Credit Default Swap Counterparty, the Class A-1 Swap Counterparty and the Rating Agencies if it knows that a "cause" event, or an event which with the giving of notice or the lapse of time (or both) would become "cause," occurs.

Any resignation or removal of the Collateral Manager, or termination of this Agreement, will be effective only upon the appointment by the Issuer at the direction of (i) a Majority-In Interest of Preference Shareholders (excluding Preference Shares that are Collateral Manager Securities) of an institution as successor Collateral Manager that is not an Affiliate of the Collateral Manager, *provided* that the holders of a majority of the Aggregate Outstanding Amount of each Class of Notes (excluding Collateral Manager Securities) or (ii) holders of a majority of the Aggregate Outstanding Amount of Notes of the Controlling Class (excluding Collateral Manager Securities) do not disapprove such institution within 30 days of notice of such appointment. If a Majority-in-Interest of Preference Shareholders are Collateral Manager Securities or an Event of Default has occurred and is continuing, the Controlling Class shall have the exclusive right to designate the replacement. Any such replacement must (1) have demonstrated an ability to professionally and competently perform duties similar to those imposed upon the Collateral Manager under the Collateral Management Agreement, (2) be legally qualified and has the capacity to act as Collateral Manager under the Collateral Management Agreement as successor to the Collateral Manager, (3) have agreed in writing to assume all of the responsibilities, duties and obligations of the Collateral Manager under the Collateral Management Agreement and under the applicable terms of the Indenture and (4) not cause the Issuer, the Co-Issuer or the Collateral to be required to register as an investment company under the Investment Company Act; and (5) satisfy the Rating Condition with respect to such appointment (clauses (1) through (5), the "Replacement Manager Conditions").

The Issuer, the Trustee and the successor Collateral Manager shall take such action (or cause the outgoing Collateral Manager to take such action) consistent with the Collateral Management Agreement

and the terms of the Indenture applicable to the Collateral Manager as shall be necessary to effectuate any such succession. If the Collateral Manager shall resign or be removed but a successor Collateral Manager shall not have assumed all of the Collateral Manager's duties and obligations under the Collateral Management Agreement within 60 days after notice of such resignation or removal, then the holders of a majority of the Aggregate Outstanding Amount of the Notes of the Controlling Class (excluding any Collateral Manager Securities) will have the right to appoint a successor Collateral Manager.

If the Collateral Manager is terminated or resigns and neither the Issuer nor the Trustee shall have appointed a successor on or prior to the date that is 90 days following the date of the termination notice, the Collateral Manager will be entitled to appoint a successor and will so appoint a successor within 90 days thereafter, subject to such successor's satisfaction of the Replacement Manager Conditions and the approval of such successor by holders of a majority of the Aggregate Outstanding Amount of each Class of Notes (excluding any Collateral Manager Securities). In lieu thereof, or, if the successor Collateral Manager appointed by the resigning or removed Collateral Manager is disapproved, the resigning or removed Collateral Manager, the Issuer or the holders of at least 25% of the Preference Shares (excluding any Collateral Manager Securities) or at least 25% of the Aggregate Outstanding Amount of any Class of Notes (excluding any Collateral Manager Securities) may petition any court of competent jurisdiction for the appointment of a successor Collateral Manager that is not Affiliated with NIR, which appointment shall not require the consent of, nor be subject to the disapproval of, the Issuer or any holder of Notes or Preference Shares.

Any Collateral Manager Securities will have no voting rights with respect to any vote (i) in connection with the removal of the Collateral Manager or (ii) increasing the rights or decreasing the obligations of the Collateral Manager, and will be deemed not to be outstanding in connection with any such vote; *provided*, that, except as provided in the immediately preceding paragraph, any such Collateral Manager Securities will have voting rights and will be deemed outstanding with respect to all other matters as to which holders of Securities are entitled to vote.

The Collateral Management Agreement may not be delegated or assigned by the Collateral Manager, 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 Aggregate Outstanding Amount of Notes of the Controlling Class (excluding any Collateral Manager Securities) and (iii) satisfaction of the Rating Condition with respect to such assignment or delegation and, notwithstanding any such consent, no delegation of duties by the Collateral Manager shall relieve it from any liability under the Collateral Management Agreement.

The Collateral Management Agreement may not be assigned by the Issuer without the prior written consent of the Collateral Manager and the prior written consent of or affirmative vote by a majority of the Aggregate Outstanding Amount of the Notes of the Controlling Class and a Special-Majority-in-Interest of Preference Shareholders, except in the case of assignment by the Issuer (i) to an entity which is a successor to the Issuer permitted under the Indenture, in which case such successor organization shall be bound under the Collateral Management Agreement and by the terms of such assignment in the same manner as the Issuer is bound under the Indenture or (ii) to the Trustee as contemplated by the Indenture. In the event of any assignment by the Issuer, the Issuer shall use its best efforts to cause its successor to execute and deliver to the Collateral Manager such documents as the Collateral Manager shall consider reasonably necessary to effect fully such assignment.

The Collateral Management Agreement may not be amended, modified or waived without satisfaction of the Rating Condition with respect to Standard & Poor's.

The Collateral Manager, its Affiliates and their respective members, principals, partners, managers, directors, officers, stockholders, agents and employees will not be liable to the Co-Issuers, the Trustee, the Collateral Administrator, the Credit Default Swap Counterparty, the Class A-1 Swap Counterparty, the Preference Share Paying Agent, the holders of the Securities 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 Credit Default Swap Counterparty, the Class A-1 Swap Counterparty, the Preference Share Paying Agent, the holders of the Securities or any other person that arise out of or in connection with the performance by the Collateral Manager of its duties under the Collateral Management Agreement or the Indenture, or for any decrease in the value of the Collateral or the Securities; *provided* that the Collateral Manager shall be subject to liability: (i) by reason of acts or omissions of the Collateral Manager constituting bad faith, willful misconduct or gross negligence in the performance, or reckless disregard, of the obligations of the Collateral Manager under the Collateral Management Agreement and under the terms of the Indenture applicable to the Collateral Manager; or (ii) with respect to any representation or warranty made by the Collateral Manager regarding the information concerning the Collateral Manager provided by it for the inclusion in this Offering Circular, which information is contained solely under the heading "The Collateral Manager" and the subsections of the Risk Factors entitled "Risk Factors Relating to Conflicts of Interest and Dependence on the Collateral Manager—Conflicts of Interest Involving the Collateral Manager" and "Risk Factors Relating to Conflicts of Interest and Dependence on the Collateral Manager—Dependence on the Collateral Manager and Key Personnel and Prior Investment Results," such information containing any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading (the occurrence of events described in either of clause (i) or (ii), a "Collateral Manager Breach"); *provided* that in no event shall the Collateral Manager or any of its Affiliates be liable for indirect, consequential, special, exemplary or punitive damages. Any stated limitations on liability shall not relieve the Collateral Manager from any responsibility it has under any state or Federal statutes.

Indemnification

The Issuer will agree to indemnify and hold harmless the Collateral Manager and its Affiliates (each, an "Indemnified Party") from and against any and all losses, claims, damages, judgments, assessments, costs or other liabilities, and will reimburse each such Indemnified Party for all reasonable fees and expenses (including reasonable fees and expenses of counsel) as such fees and expenses are incurred in investigating, preparing, pursuing or defending any claim, action, proceeding or investigation with respect to any pending or threatened litigation, caused by, or arising out of or in connection with, the issuance of the Securities, the transactions contemplated by this Offering Circular, the Indenture or the Collateral Management Agreement, and/or any action taken by, or any failure to act by, the Collateral Manager or any of its Affiliates; *provided* that the Collateral Manager and its Affiliates will not be indemnified for any such losses, claims, damages, judgments, assessments, costs or other liabilities or any fees or expenses to the extent that they are incurred as a result of any acts or omissions constituting a Collateral Manager Breach. Any such indemnification by the Issuer will be paid subject to, and in accordance with, the Priority of Payments.

The Collateral Manager will agree to indemnify and hold harmless the Issuer from and against any and all losses, claims, damages, demands, charges, judgments, assessments, costs or other liabilities, and will reimburse the Issuer from and against any and all reasonable fees and expenses (including reasonable fees and expenses of counsel) incurred in investigating, preparing, pursuing or defending any claim, action, proceeding or investigation with regard to any pending or threatened litigation, to the extent caused by, or arising out of (i) any acts or omissions of the Collateral Manager or any of its Affiliates constituting bad faith, willful misconduct or gross negligence in the performance, or reckless disregard, of the obligations of the Collateral Manager under the Collateral Management Agreement and under the

terms of the Indenture applicable to the Collateral Manager or (ii) with respect to any representation or warranty made by the Collateral Manager regarding the information concerning the Collateral Manager provided by it for inclusion in this Offering Circular, which information is contained solely under the sections entitled "Risk Factors—Risk Factors Relating to Conflicts of Interest and Dependence on the Collateral Manager—Conflicts of Interest Involving the Collateral Manager" and "Collateral Manager" herein, except for liability to which the Issuer would be subject by reason of bad faith, willful misconduct, gross negligence or reckless disregard of the obligations of the Issuer under the Collateral Management Agreement or under the Indenture or the Preference Share Paying Agency Agreement. The Collateral Manager shall not be liable for consequential, special, exemplary or punitive damages, and shall not be responsible for any action or omission of the Issuer, including (without limitation) in following or declining to follow any advice, recommendation or direction of the Collateral Manager, which advice, recommendation or direction does not constitute a Collateral Manager Breach and is not inconsistent with the Collateral Manager's obligations under the Collateral Management Agreement. For the avoidance of doubt, the Initial Purchaser will be indemnified by the Issuer pursuant to the Purchase Agreement.

Investment Guidelines

Pursuant to the Collateral Management Agreement, the Collateral Manager may Acquire a Collateral Debt Security or enter into a Synthetic Security, in each case on behalf of the Issuer, only if it complies with certain investment guidelines set forth in the Collateral Management Agreement. The Collateral Manager will be deemed to have complied with its obligation not to acquire securities or obligations the acquisition (including manner of acquisition), ownership, enforcement or disposition of which will cause the Issuer to be engaged in a U.S. trade or business for U.S. Federal income tax purposes, when it (i) complies with the investment guidelines set forth in the Collateral Management Agreement or (ii) the Issuer (or the Collateral Manager on the Issuer's behalf) has received a written opinion of nationally recognized tax counsel in the United States that, taking into account the relevant facts and circumstances and the Issuer's other activities, the Issuer's acquisition, entry into, ownership, enforcement or disposition of the obligation or security will not cause the Issuer to be engaged in a trade or business within the United States for U.S. Federal income tax purposes or otherwise subject the Issuer to U.S. Federal tax on a net income basis. The Collateral Manager shall direct the Issuer and the Trustee to dispose of, in the open market or otherwise, certain Equity Securities, equity securities received in an exchange or Defaulted Securities, as provided in the Indenture.

INCOME TAX CONSIDERATIONS

U.S. Tax Considerations

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

THE STATEMENTS AS TO U.S. FEDERAL INCOME TAX CONSIDERATIONS ARE MADE TO SUPPORT THE MARKETING OF THE NOTES AND CANNOT BE USED BY ANY TAXPAYER TO AVOID PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE BASED ON ITS OWN PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES UNDER THE LAWS OF THE CAYMAN ISLANDS, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTIONS WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, a "Holder" is a beneficial owner of a Security. A "U.S. Holder" is a Holder that is, for U.S. Federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation, partnership or other entity organized in or under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. Federal income taxation regardless of its source. A "Non-U.S. Holder" is any Holder other than a U.S. Holder.

Tax Treatment of Issuer

The Issuer will be treated as a foreign corporation for U.S. Federal income tax purposes. Freshfields Bruckhaus Deringer LLP, special U.S. Federal income tax counsel to the Issuer, will provide the Issuer with an opinion that the Issuer will not be engaged in a trade or business within the United States except to the extent the Indenture permits investments in certain Equity Securities, Defaulted Securities or any security or other consideration received in an exchange issued by non-corporate entities that are so engaged. The opinion will be based on the assumption that the Issuer and the Collateral Manager will operate in accordance with restrictions in the transaction documents. As long as the Issuer conducts its affairs so that it is not engaged in a trade or business within the United States, its net income will not be subject to U.S. Federal income tax. Should the Issuer acquire Equity Securities or certain Defaulted Securities issued by a non-corporate entity engaged in a U.S. trade or business, those investments will not cause the Issuer's income from other investments to become subject to net income tax in the United States. The Issuer also expects that payments received on the Collateral Debt Securities, Eligible Investments, the Credit Default Swap Agreement and the Hedge Agreements generally will not be subject to withholding taxes imposed by the United States or other countries from which such payments are sourced. There can be no assurance, however, that the Issuer's income will not be subject to net income or withholding taxes in the United States or other countries as the result of unanticipated activities by the Issuer, changes in law, contrary conclusions by relevant tax authorities or other causes. Payments from Equity Securities or certain Defaulted Securities of U.S. issuers are likely to be subject to U.S. tax. The extent to which United States or other source-country withholding taxes may apply to the

Issuer's income will depend on the actual composition of its assets. The imposition of unanticipated net income or withholding taxes could materially impair the Issuer's ability to make payments of principal and interest on the Notes or payments on the Preference Shares.

Tax Treatment of U.S. Holders of the Notes

Freshfields Bruckhaus Deringer LLP, special U.S. Federal income tax counsel to the Issuer, believes that the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will and the Class E Notes and Class F should be treated as debt for U.S. Federal income tax purposes. The Issuer intends and the Indenture provides that each registered holder and beneficial owner agrees to treat all of the Notes as debt for such purposes, and the following discussion assumes that the Notes will be debt.

Interest paid on the Offered Notes generally will be includible in the gross income of a U.S. Holder in accordance with its regular method of tax accounting.

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

It is not anticipated that the Class A Notes, the Class B Notes or the Class C Notes will be issued with OID. Therefore, U.S. Holders of the Class A Notes, the Class B Notes and the Class C Notes will include stated interest thereon as ordinary interest income generally from sources outside the United States, in accordance with their method of accounting.

Because the Issuer has not determined that deferral of interest on the Class D Notes, Class E Notes and Class F Notes is a remote possibility, it will treat all interest on the Class D Notes, Class E Notes and Class F Notes as original issue discount ("OID"). A U.S. Holder must include OID in income on a constant yield to maturity basis whether or not it receives a cash payment on any payment date. Even if the likelihood of deferral were remote, a U.S. Holder would be required to accrue OID on the principal amount (including accrued but undistributed OID) of any Class of Notes on which interest actually is deferred.

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

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

A U.S. Holder of a Class A-1 Note, if any, whose funds are deposited in the Class A-1 Swap Prefunding Account is expected to be treated as owning the Eligible Investments in that Account and will be subject to tax on income from them.

Premium, if any, on the Notes. In general, if the Issue Price of a Note exceeds the Stated Redemption Price at Maturity of such Note, a U.S. Holder will be considered to have purchased such Note at a premium. In this event, a U.S. Holder may elect to amortize the amount of such premium, using a constant rate, as an offset to interest income. It is not anticipated that the Notes will be issued at a premium.

Alternative Treatment. The U.S. Internal Revenue Service may challenge the treatment of the Notes, particularly the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes, as debt of the Issuer. If the challenge were to succeed, a U.S. Holder of the affected Notes would be treated like a Holder of Preference Shares that had not elected to treat the Issuer as a qualified electing fund, as described below.

Sale, Exchange and Retirement of the Notes. In general, a U.S. Holder of a Note will have a basis in such Note equal to the cost of such Note to such Holder increased by the amount of accrued OID, if any, and reduced by (i) any amortized premium applied to reduce, or allowed as a deduction against, interest on such Note and (ii) any payments other than payments of qualified stated interest on such Note. Upon a sale, exchange or retirement of a Note, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued interest, which would be taxable as such) and the Holder's adjusted tax basis in such Note. Generally, such gain or loss 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. Gain recognized by a U.S. Holder on the sale, exchange or retirement of a Note generally will be treated as from sources within the United States.

Tax Treatment of U.S. Holders of Preference Shares

Investment in a Passive Foreign Investment Company. The Preference Shares will constitute equity interests in the Issuer for U.S. Federal income tax purposes. In addition, the Issuer will constitute a PFIC. Accordingly, U.S. Holders of Preference Shares will be considered U.S. shareholders in a PFIC. In general, to avoid certain adverse tax rules (described below) that apply to deferred income from a PFIC, a U.S. Holder may desire to make an election to treat the Issuer as a QEF with respect to such Holder. Generally, a QEF election may be made on or before the due date for filing a U.S. Holder's U.S. Federal income tax return for the first taxable year for which such U.S. Holder held Preference Shares. An electing U.S. Holder will be required to include in gross income such Holder's *pro rata* share of the Issuer's ordinary earnings and to include as long-term capital gain such Holder's *pro rata* share of the Issuer's net capital gain (arising from realized gains upon sales of securities), whether or not distributed, assuming that the Issuer does not constitute a CFC in which the shareholder is a "U.S. Shareholder" (as defined below), as discussed below. A U.S. Holder of Preference Shares will not be eligible for the preferential income tax rate on qualified dividend income or the dividends received deduction in respect of such income or gain. In addition, a prospective U.S. Holder of Preference Shares should note that (i) any net losses of the Issuer in a taxable year (which may include losses arising from credit event or floating amount event payments made by the Issuer under any Synthetic Security, which may be substantial) will not be available to such U.S. Holder of Preference Shares, (ii) the Issuer's current year income subject to inclusion under the QEF rules is not reduced by prior years' net losses and (iii) any tax benefit from such net losses is effectively available only when a U.S. Holder of Preference Shares disposes of its shares (*i.e.*, when such U.S. Holder of Preference Shares recognizes a capital loss, or reduced capital gain, on such shares). In certain cases in which a QEF does not distribute all of its earnings in a taxable year, U.S. Holders of Preference Shares may also be permitted to elect generally to defer payment of the taxes on the QEF's undistributed earnings until such amounts are distributed or the Preference Shares are disposed of, subject to an interest charge on the deferred amount.

Prospective purchasers of Preference Shares should be aware that it is expected that some of the Collateral Debt Securities may be purchased by the Issuer with substantial original issue discount. As a result, the Issuer may recognize significant ordinary income from such instruments but the receipt of cash attributable to such income may be deferred, perhaps for a substantial period of time. Thus, absent an election to defer payment of taxes, U.S. Holders of Preference Shares that make a QEF election may owe tax on significant amounts of "phantom" income. Moreover, some or all of the income received by the

Issuer will be used to pay principal on the Notes and will not be available for distribution to Holders of the Preference Shares.

Proposed U.S. Treasury Regulations provide for certain rules applicable to QEF elections made with respect to preferred stock (for U.S. Federal income tax purposes) which, if such regulations were to apply, could modify the general treatment of a U.S. Holder that makes a QEF election with respect to the Preference Shares as described herein. U.S. Holders are strongly urged to consult their own tax advisors with respect to these matters.

The Issuer will provide all information that a U.S. Holder of Preference Shares making a QEF election with respect to the Issuer is required to obtain for U.S. Federal income tax purposes (*e.g.*, the U.S. Holder's *pro rata* share of ordinary income and net capital gain) and will provide a "PFIC Annual Information Statement" as described in U.S. Treasury Regulations, including all representations and statements required by such statement, and will take other reasonable steps to facilitate such election.

If the Issuer invests in the equity of other PFICs, a U.S. Holder of Preference Shares would have to make a separate QEF election with respect to any such other PFIC. In such case, the Issuer will provide, to the extent it receives, the information needed for U.S. Holders to make such a QEF election. Losses associated with such investments are subject to material limitations. U.S. Holders should consult their own tax advisors with respect to the tax consequences of such a situation.

If a U.S. Holder of Preference Shares does not make a timely QEF election and the PFIC rules are otherwise applicable, a U.S. Holder (other than certain U.S. Holders that are subject to the rules relating to a CFC described below) would be required to report any gain on disposition of any Preference Shares as ordinary income and to compute the tax liability on such gain and certain "excess distributions" as if the items had been earned ratably generally over each day in the U.S. Holder's holding period for the Preference Shares and would be subject to the highest ordinary income tax rate for each prior taxable year in which the items were treated as having been earned, regardless of the rate otherwise applicable to the U.S. Holder. Such U.S. Holder would also be liable for an additional tax equal to interest on the tax liability attributable to such income allocated to prior years as if such liability had been due with respect to each such prior year. For purposes of these rules, gifts, bequests or exchanges pursuant to corporate reorganizations and use of the Preference Shares as security for a loan may be treated as a taxable disposition. An "excess distribution" is the amount by which distributions during a taxable year in respect of a Preference Share exceed 125 percent of the average amount of distributions in respect thereof during the three preceding taxable years (or, if shorter, the U.S. Holder's holding period for the Preference Share). In addition, a stepped-up basis in the Preference Shares upon the death of an individual U.S. Holder may not be available.

The Synthetic Security Counterparty (under the Synthetic Securities entered into on the Closing Date) and the Issuer have agreed to treat the credit default swaps as a series of annually settled contingent put options issued to the swap counterparty by the Issuer. The Issuer will treat the total return swaps as notional principal contracts. However, because of the Issuer's and such Synthetic Security Counterparty's rights under the credit default swaps and the total return swaps, it is possible that the IRS could recharacterize the credit default swaps and the total return swaps as other than the parties' agreed treatment of the same, including treating the Issuer as purchasing a credit linked note issued by such Synthetic Security Counterparty (or other applicable counterparty, if any). Any such recharacterization, if successful, could alter the timing or character of the Issuer's income and deductions that could affect U.S. Holders of the Preference Shares. Prospective U.S. Holders of Preference Shares should consult with their tax advisors as to the consequences of such possible recharacterization.

U.S. HOLDERS OF PREFERENCE SHARES SHOULD CONSIDER CAREFULLY WHETHER TO MAKE A QEF ELECTION WITH RESPECT TO THE PREFERENCE SHARES AND THE CONSEQUENCES OF NOT MAKING SUCH AN ELECTION.

Investment in a Controlled Foreign Corporation. Depending on the degree of ownership of the equity interests in the Issuer by "U.S. Shareholders" (as defined below), the Issuer may constitute a CFC. In general, a foreign corporation will constitute a CFC if more than 50% of the shares of the corporation, measured by reference to combined voting power or value, are held, directly or indirectly, by U.S. Shareholders. A "U.S. Shareholder," for this purpose, is any person that is a U.S. person for U.S. Federal income tax purposes that possesses (actually or constructively) 10% or more of the combined voting power of all classes of shares of a corporation (persons who own interests in a U.S. pass-through entity which is a U.S. Shareholder will also be subject to the CFC rules described below). It is possible that the IRS would assert that the Preference Shares (and any Recharacterized Notes) are voting securities and that U.S. Holders possessing 10% or more of the combined voting power of the Preference Shares (and any Recharacterized Notes) are U.S. Shareholders for purposes of the CFC rules. If this argument were successful and more than 50% of such interests were held by such U.S. Shareholders, the Issuer would be treated as a CFC.

If the Issuer should constitute a CFC, each U.S. Shareholder of the Issuer would be treated, subject to certain exceptions, as receiving ordinary income at the end of the taxable year of the Issuer in an amount equal to that person's *pro rata* share of the "subpart F income" and certain other income of the Issuer. Among other items, and subject to certain exceptions, "subpart F income" includes dividends, interest, annuities, gains from the sale of shares and securities, certain gains from commodities transactions, certain types of insurance income, income from certain notional principal contracts (*e.g.*, swaps and caps) and income from certain transactions with related parties. It is likely that predominantly all of the Issuer's income would be subpart F income. If more than 70% of the Issuer's gross income is subpart F income in any year, 100% of its income in such year would be treated as subpart F income. Prospective purchasers of the Preference Shares should be aware that such income of the Issuer may significantly exceed the Issuer's distributions on the Preference Shares for one or more periods, and that a U.S. Shareholder may owe tax on significant amounts of "phantom income."

If the Issuer should be treated as a CFC, a U.S. Shareholder of the Issuer would be taxable on the subpart F income of the Issuer under the rules applicable to a CFC described in the preceding paragraph and not under the PFIC rules previously described. As a result, to the extent subpart F income of the Issuer includes net capital gains, such gains will be treated as ordinary income of the U.S. Shareholder under the CFC rules, notwithstanding the fact that the character of such gains generally would otherwise be preserved under the PFIC rules if a QEF election had been made. Also, the PFIC rule permitting the deferral of tax on undistributed earnings would not apply.

Distributions on Preference Shares. The treatment of actual distributions of cash on the Preference Shares, in very general terms, will vary depending on whether a U.S. Holder has made a timely QEF election as described above. See "—Investment in a Passive Foreign Investment Company." If a timely QEF election has been made, distributions should be allocated first to amounts previously taxed pursuant to the QEF election (or pursuant to the CFC rules, if applicable) and to this extent would not be taxable to U.S. Holders. Distributions in excess of such previously taxed amounts and any remaining amounts of earnings and profits will generally be treated first as a nontaxable return of capital to the extent of the Holders tax basis in the Preference Shares and then as capital gain.

In the event that a U.S. Holder does not make a timely QEF election, then, except to the extent that distributions may be attributable to amounts previously taxed pursuant to the CFC rules, some or all

of any distributions with respect to the Preference Shares may constitute excess distributions, taxable as previously described. See "—Investment in a Passive Foreign Investment Company."

Distributions on the Preference Shares will not constitute "qualified dividend income" eligible, in the case of individuals, for a reduced rate of tax and will not be eligible for the dividend received deduction allowed to corporations..

Sale, Redemption or Other Disposition of Preference Shares. In general, a U.S. Holder of a Preference Share will recognize gain or loss upon the sale or other disposition of a Preference Share equal to the difference between the amount realized and such Holder's adjusted tax basis in the Preference Share. If a U.S. Holder has made a timely QEF election as described above, such gain or loss will be long-term capital gain or loss if the U.S. Holder held the Preference Shares for more than 12 months at the time of the disposition.

Initially, the tax basis of a U.S. Holder should equal the amount paid for a Preference Share. Such basis will be increased by amounts taxable to such Holder by virtue of a QEF election or the CFC rules and decreased by actual distributions from the Issuer that are deemed to consist of such previously taxed amounts or are treated as nontaxable returns of capital (as described above).

If a U.S. Holder does not make a timely QEF election as described above, any gain realized on the sale or other disposition of a Preference Share will be subject to an interest charge and taxed as ordinary income under the special tax rules described above. See "—Investment in a Passive Foreign Investment Company."

If the Issuer is treated as a CFC and a U.S. Holder is treated as a "U.S. Shareholder" therein, then any gain realized by such Holder upon the disposition of Preference Shares will be treated as ordinary income to the extent of such U.S. Shareholder's share of the current and accumulated earnings and profits of the Issuer. In this respect, earnings and profits would not include any amounts previously taxed pursuant to a timely QEF election or pursuant to the CFC rules.

Transfer and Other Reporting Requirements. U.S. Holders including Tax-Exempt Investors of the Preference Shares and any Recharacterized Notes will generally be required to report to the IRS on IRS Form 926 certain information relating to such Holders' purchase of the Preference Shares and the Recharacterized Notes. **In the event a U.S. Holder fails to file any such required form, the U.S. Holder could be subject to a penalty equal to 10% of the gross amount paid for the Preference Shares and the Recharacterized Notes subject to a maximum penalty equal to \$100,000 (except in cases of intentional disregard).** U.S. Holders of Preference Shares, the Class E Notes, the Class F Notes, the Class G Notes and/or the Class H Notes are urged to consult with their own tax advisors regarding these reporting requirements and any other reporting requirements, such as an IRS Form 5471, which may apply to such Holders.

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 Offered Notes generally will not be treated as resulting in UBTI, so long as such investor's acquisition of Offered Notes is not debt-financed. A Tax-Exempt Investor that owns more than 50% of the equity (for U.S. Federal income tax purposes) of the Issuer and also owns Offered Notes treated as debt (for U.S. Federal income tax purposes) should consider the application of the special UBTI rules for interest received from controlled entities. Tax-Exempt Investors should consult their own tax advisors regarding an investment in the Offered Notes.

Tax Treatment of Non-U.S. Holders of Notes or Preference Shares

Subject to the discussion below regarding "backup withholding," a non-U.S. Holder of the Offered Notes will be exempt from any U.S. Federal income or withholding taxes with respect to gain derived from the sale, exchange, or redemption of, or any distributions received in respect of, Offered Notes of the Issuer, unless such gain or distributions are effectively connected with a U.S. trade or business of such Holder, or, in the case of a gain, such Holder is a nonresident alien individual who holds the Offered Notes as a capital asset and who is present in the United States for 183 days or more in the taxable year of the disposition, and certain other conditions are satisfied.

Information Reporting and Backup Withholding

Payments of principal and interest on the Notes, distributions on the Preference Shares and proceeds from the disposition of the Notes or Preference Shares paid to a non-corporate Holder generally will be subject to U.S. information reporting. Payments to Non-U.S. Holders that provide certification of foreign status generally are exempt from information reporting. Backup withholding tax may apply to reportable payments unless the Holder provides a correct taxpayer identification number. Any amount withheld may be credited against a Holder's U.S. Federal income tax liability or refunded to the extent it exceeds the Holder's liability.

Tax Shelter Reporting Requirements

Pursuant to Treasury Regulations directed at tax shelter activity, taxpayers are required to disclose to the IRS certain information on IRS Form 8886 if they participate in a "reportable transaction." A transaction may be a "reportable transaction" based upon any of several indicia with respect to a Holder, including the recognition of a loss. In addition, a U.S. Holder of 10% of the Preference Shares could be subject to these disclosure requirements if the Issuer engages in any "reportable transaction." A significant penalty will be imposed on taxpayers who participate in a "reportable transaction" and fail to make the required disclosure in tax returns and statements. The penalty is generally U.S.\$10,000 for natural persons and U.S.\$50,000 for other persons (increased to U.S.\$100,000 and U.S.\$200,000, respectively, if the reportable transaction is a "listed" transaction). Investors should consult their own tax advisors concerning any possible disclosure obligation with respect to their investment in the Issuer and the penalty discussed above.

Cayman Islands Tax Considerations

For purposes of Cayman Islands law, all Classes of Notes will be characterized as debt of the Issuer.

The following comments are based on advice of Walkers received by the Issuer regarding current law and practice in the Cayman Islands and are intended to assist investors in the Notes or the Preference Shares. Investors should consult their professional advisors on the possible tax consequences of such investors subscribing for, purchasing, holding, selling or redeeming Notes or Preference Shares under the laws of such investors' countries of citizenship, residence, ordinary residence or domicile.

The following is a general summary of Cayman Islands taxation in relation to the Notes and the Offered Notes.

Under existing Cayman Islands laws:

(a) payments in respect of the Notes or the Preference Shares will not be subject to taxation in the Cayman Islands, no withholding will be required on such payments to any holder of a Note or a Preference Share, and gains derived from the sale of Notes or Preference Shares 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

(b) the holder of any Note (or the legal personal representative of such holder), if such Note is brought into the Cayman Islands, may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Note. In addition, an instrument transferring title to a Note, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. No stamp duties or similar taxes or charges are payable under the laws of the Cayman Islands in respect of the execution and issue of the Preference Share certificates or in respect of the execution and delivery of an instrument of transfer of Preference Shares.

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

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

In accordance with the provisions of Section 6 of the Tax Concessions Law (1999 Revision) the Governor in Cabinet undertakes with:

Norma CDO I 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 date of such undertaking.

GOVERNOR IN CABINET"

The Cayman Islands does not have a double tax treaty arrangement with the U.S. or any other country.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN OF THE TAX IMPLICATIONS OF AN INVESTMENT IN THE NOTES OR THE PREFERENCE SHARES. PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS PRIOR TO INVESTING TO DETERMINE THE TAX IMPLICATIONS OF SUCH INVESTMENT IN LIGHT OF SUCH INVESTOR'S CIRCUMSTANCES.]

ERISA AND CERTAIN RELATED CONSIDERATIONS

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

The United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain duties on persons who are fiduciaries of employee benefit plans (as defined in Section 3(3) of ERISA) subject to Title I of ERISA ("ERISA Plans") and of entities whose underlying assets include assets of ERISA Plans by reason of an ERISA Plan's investment in such entities. These duties include investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and liquidity needs and all of the facts and circumstances of the investment, including the availability of a public market for the investment. In addition, certain U.S. Federal, state and local laws impose similar duties on fiduciaries of governmental and/or church plans that are not subject to ERISA.

Any fiduciary of an ERISA Plan, of an entity whose assets are treated as "plan assets" of ERISA Plans by reason of an ERISA Plan's investment in such entity, or of a governmental or church plan that is subject to fiduciary standards similar to those of ERISA ("plan fiduciary"), that proposes to cause such a plan or entity to purchase Securities should determine whether, under the general fiduciary standards of ERISA or other applicable law, an investment in the Offered Securities is appropriate for such plan or entity. In determining whether a particular investment is appropriate for an ERISA Plan, U.S. Department of Labor regulations provide that the fiduciaries of an ERISA Plan must give appropriate consideration to, among other things, the role that the investment plays in the ERISA Plan's portfolio, taking into consideration whether the investment is designed reasonably to further the ERISA Plan's purposes, an examination of the risk and return factors, the portfolio's composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the ERISA Plan and the projected return of the total portfolio relative to the ERISA Plan's funding objectives. Before investing the assets of an ERISA Plan in Securities, a fiduciary should determine whether such an investment is consistent with the foregoing regulations and its fiduciary responsibilities, including any specific restrictions to which such fiduciary may be subject.

Prohibited Transactions

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

Each of the Issuer, the Co-Issuer, the Trustee, the Collateral Manager, the Credit Default Swap Counterparty, each Hedge Counterparty and/or the Initial Purchaser as a result of its own activities or because of the activities of an affiliate, may be considered a Party In Interest or a Disqualified Person with respect to Plans. Accordingly, prohibited transactions within the meaning of Section 406 of ERISA and Section 4975 of the Code may arise if Offered Securities are acquired by a Plan with respect to which any of the Issuer, the Co-Issuer, the Trustee, the Collateral Manager, the Initial Purchaser, a Hedge Counterparty, the obligors on the Collateral Debt Securities or any of their respective affiliates is a Party In Interest or Disqualified Person. In addition, if a Party In Interest or Disqualified Person with respect to a Plan owns or acquires a beneficial interest in the Issuer or the Co-Issuer, the acquisition or holding of Notes by or on behalf of the Plan could be considered to constitute an indirect prohibited transaction under ERISA or Section 4975 of the Code. Moreover, the acquisition or holding of Offered Securities or other indebtedness issued by the Issuer or the Co-Issuer by or on behalf of a Party In Interest or Disqualified Person with respect to a Plan that owns or acquires a beneficial interest in the Issuer or the Co-Issuer, as the case may be, also could give rise to an indirect prohibited transaction under ERISA or Section 4975 of the Code.

Certain statutory or administrative exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of plan fiduciary making the decision to acquire Securities and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA, regarding transactions with service providers to Benefit Plan Investors; PTE 90-1, regarding investments by insurance company pooled separate accounts; PTE 91-38, regarding investments by bank collective investment funds; PTE 84-14, regarding transactions effected by independent "qualified professional asset managers"; PTE 96-23, regarding investments by certain "in house asset managers"; and PTE 95-60, regarding investments by insurance company general accounts.

Nevertheless, even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions under ERISA or Section 4975 of the Code. If a purchase of Offered Securities were to be a non-exempt prohibited transaction under ERISA or Section 4975 of the Code, the purchase might have to be rescinded.

Governmental plans, certain church plans and certain non-U.S. plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to local, state, other Federal or non-U.S. laws or regulations that are materially similar to the foregoing provisions of ERISA and the Code (any such law or regulation, a "Similar Law").

Plan Assets

The United States Department of Labor (the "DOL"), the government agency primarily responsible for administering the ERISA fiduciary rules and the prohibited transaction rules under ERISA and the Code, has issued a regulation (the "Plan Asset Regulation," codified at 29 C.F.R. § 2510.3-101) that specifies the circumstances under which the underlying assets of an entity are treated for purposes of ERISA as assets of a plan, and are subject to the fiduciary provisions of ERISA, including the prohibited transaction provisions of ERISA, and the prohibited transaction provisions of the Code, by reason of the plan's investment in the entity. The Pension Protection Act of 2006, which was signed into law on August 17, 2006, added Section 3(42) to ERISA, which confirms the DOL's authority to issue the Plan Asset Regulation but imposes certain modifications on the terms of the Plan Asset Regulation as originally adopted by the DOL.

Under specified circumstances, the Plan Asset Regulation requires plan fiduciaries, and entities with certain specified relationships to a plan, to "look through" non-publicly traded investment vehicles (such as the Issuer) in which a plan invests and treat as an "asset" of the plan each underlying investment

made by such investment vehicle. The Plan Asset Regulation provides, however, that if equity participation in any entity by "Benefit Plan Investors" is not significant then the "look-through" rule will not apply to such entity. Section 3(42) of ERISA generally confirms these rules. However, Section 3(42) defines the term "Benefit Plan Investor" more narrowly than the Plan Asset Regulation as originally adopted by the DOL: under Section 3(42), "Benefit Plan Investor" includes (1) any employee benefit plan that is subject to Part 4 of Title I of ERISA, (2) any plan that is subject to Section 4975 of the Code, and (3) any entity whose underlying assets include plan assets by reason of a plan's investment in the entity. Equity participation by Benefit Plan Investors in an entity is significant if, immediately after the most recent acquisition of any equity interests in the entity, 25% or more of the value of any class of equity interests in the entity (excluding the value of any interests held by certain persons, other than Benefit Plan Investors, exercising control over the assets of the entity or providing investment advice with respect to such assets for a fee, direct or indirect (such as the Collateral Manager), or any affiliates (within the meaning of the Plan Asset Regulation) of such persons. Under the Plan Asset Regulation as currently in effect, an equity interest is any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and that has no substantial equity features.

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

The Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes

There is little pertinent authority in this area. It is not anticipated that on the date of issuance, the [Class A Notes, the Class B Notes or the Class C Notes] will constitute "equity interests" in the Co-Issuers for purposes of ERISA and Section 4975 of the Code. Although the issue is not free from doubt, based primarily on the investment grade rating of the [Class D Notes], the unconditional obligation of the Co-Issuers to repay principal and accrued interest by a fixed maturity date and the creditors remedies available to holders of the [Class D Notes], on the date of issuance, it is anticipated that the [Class D Notes] should not constitute "equity interests" in the Co-Issuers for purpose of ERISA or Section 4975 of the Code, despite their lower position in the capital structure of the Issuers. Accordingly, no measures (such as those described below with respect to the Subordinate Notes and the Preference Shares) will be taken to restrict investment in the [Class D Notes] by Benefit Plan Investors. However, there can be no assurance that any Class of Notes would be characterized by the United States Department of Labor or others as indebtedness and not as equity interests on the date of issuance or at any given time thereafter. In addition, the status of any Class of Notes as indebtedness could be affected, subsequent to their issuance, by certain changes in the structure or financial condition of the Co-Issuers.

EACH ORIGINAL PURCHASER AND EACH SUBSEQUENT TRANSFEREE OF A NOTE OTHER THAN A SUBORDINATE NOTE WILL BE DEEMED TO REPRESENT AND WARRANT THAT (1) EITHER (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS SUCH NOTE OR INTEREST THEREIN WILL NOT BE) AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE ACTING ON BEHALF OF) A BENEFIT PLAN INVESTOR OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY SIMILAR LAW, OR (B) ITS PURCHASE AND OWNERSHIP OF SUCH NOTE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION IN VIOLATION OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAW); AND (2) IT AND ANY FIDUCIARY CAUSING IT TO ACQUIRE SUCH NOTE AGREE, TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE CO-ISSUER, THE INITIAL PURCHASER, THE TRUSTEE AND THE COLLATERAL MANAGER AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF ITS BREACH OF THE FOREGOING REPRESENTATIONS AND WARRANTIES.

The Subordinate Notes and the Preference Shares

It is possible that the Subordinate Notes and likely that the Preference Shares will constitute "equity interests" in the Issuer. Accordingly, it is intended that the ownership interests in the Subordinate Notes and the Preference Shares that are held by Benefit Plan Investors will be maintained at a level below the 25% Threshold (excluding the Subordinate Notes and Preference Shares held by Controlling Persons). To this end, transfers of Regulation S Subordinate Notes and Regulation S Preference Shares to Benefit Plan Investors or Controlling Persons will be prohibited, and transfers of Restricted Definitive Subordinate Notes and Restricted Definitive Preference Shares to Benefit Plan Investors and Controlling Persons will be restricted.

NO TRANSFER OF A RESTRICTED DEFINITIVE SUBORDINATE NOTE OR A RESTRICTED DEFINITIVE PREFERENCE SHARE TO A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON WILL BE PERMITTED, AND NEITHER THE TRUSTEE NOR PREFERENCE SHARE REGISTRAR, AS APPLICABLE, WILL RECOGNIZE ANY SUCH TRANSFER, UNLESS, AFTER GIVING EFFECT TO SUCH TRANSFER, LESS THAN 25% OF THE AGGREGATE OUTSTANDING AMOUNT OF THE APPLICABLE CLASS OF SUBORDINATE NOTES OR LESS THAN 25% OF THE AGGREGATE LIQUIDATION VALUE OF THE PREFERENCE SHARES, AS APPLICABLE, WILL BE HELD BY BENEFIT PLAN INVESTORS, EXCLUDING SUBORDINATE NOTES AND PREFERENCE SHARES HELD BY CONTROLLING PERSONS. NO TRANSFER OF A REGULATION S SUBORDINATE NOTE OR A REGULATION S PREFERENCE SHARE (OR ANY INTEREST THEREIN) TO A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON WILL BE PERMITTED AT ANY TIME, AND NEITHER THE TRUSTEE NOR THE PREFERENCE SHARE REGISTRAR, AS APPLICABLE, WILL RECOGNIZE ANY SUCH TRANSFER. IN THIS REGARD, ALTHOUGH SECTION 3(42) OF ERISA PROVIDES THAT AN ENTITY IS CONSIDERED TO HOLD PLAN ASSETS ONLY TO THE EXTENT OF THE PERCENTAGE OF THE EQUITY INTEREST HELD BY BENEFIT PLAN INVESTORS, IN APPLYING THE FOREGOING LIMITATIONS, EACH ENTITY THAT IS A BENEFIT PLAN INVESTOR BECAUSE PART OF ITS EQUITY INTERESTS ARE HELD BY BENEFIT PLAN INVESTORS WILL BE TREATED AS IF 100% OF ITS ASSETS WERE HELD BY BENEFIT PLAN INVESTORS.

EACH HOLDER OF A REGULATION S SUBORDINATE NOTE OR A REGULATION S PREFERENCE SHARE (OR AN INTEREST THEREIN) WILL BE DEEMED TO REPRESENT AND

WARRANT THAT IT IS NOT, AND FOR SO LONG AS IT HOLDS SUCH REGULATION S SUBORDINATE NOTE OR REGULATION S PREFERENCE SHARE (OR INTEREST THEREIN) WILL NOT BE, AND IS NOT ACTING ON BEHALF OF OR USING THE ASSETS OF, AND FOR SO LONG AS IT HOLDS SUCH REGULATION S SUBORDINATE NOTE OR REGULATION S PREFERENCE SHARE (OR INTEREST THEREIN) WILL NOT BE ACTING ON BEHALF OF OR USING THE ASSETS OF, A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. EACH ORIGINAL PURCHASER AND EACH SUBSEQUENT TRANSFEREE OF A RESTRICTED DEFINITIVE SUBORDINATE NOTE OR A RESTRICTED DEFINITIVE PREFERENCE SHARE WILL BE REQUIRED TO CERTIFY IN THE INVESTOR APPLICATION FORM PURSUANT TO WHICH SUCH PREFERENCE SHARES ARE PURCHASED OR IN THE APPLICABLE TRANSFER CERTIFICATE WHETHER OR NOT IT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. EACH OWNER OF AN INTEREST IN A RESTRICTED DEFINITIVE SUBORDINATE NOTE OR A RESTRICTED DEFINITIVE PREFERENCE SHARE WILL BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE TRUSTEE OR THE PREFERENCE SHARE REGISTRAR, AS APPLICABLE, A TRANSFER CERTIFICATE IN THE FORM ATTACHED AS AN EXHIBIT TO THE INDENTURE OR THE PREFERENCE SHARE PAYING AGENCY AGREEMENT, AS APPLICABLE, TO THE EFFECT THAT SUCH OWNER WILL, PRIOR TO ANY SALE, PLEDGE OR OTHER TRANSFER BY IT OF ANY DEFINITIVE SUBORDINATE NOTE OR DEFINITIVE PREFERENCE SHARE (OR ANY INTEREST THEREIN), OBTAIN FROM THE TRANSFEREE A DULY EXECUTED TRANSFEREE CERTIFICATE IN THE FORM ATTACHED TO THE INDENTURE OR THE PREFERENCE SHARE PAYING AGENCY AGREEMENT, AS APPLICABLE, AND SUCH OTHER CERTIFICATES AND OTHER INFORMATION AS THE ISSUER OR THE TRUSTEE OR PREFERENCE SHARE PAYING AGENT, AS APPLICABLE, MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED TRANSFER SUBSTANTIALLY COMPLIES WITH THE TRANSFER RESTRICTIONS CONTAINED IN THE INDENTURE OR THE PREFERENCE SHARE DOCUMENTS, AS APPLICABLE. EACH HOLDER OF A RESTRICTED DEFINITIVE SUBORDINATE NOTE OR A RESTRICTED DEFINITIVE PREFERENCE SHARE THAT IS A BENEFIT PLAN INVESTOR WILL BE REQUIRED TO CERTIFY (OR IN CERTAIN CIRCUMSTANCES WILL BE DEEMED TO REPRESENT AND WARRANT) THAT ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH SUBORDINATE NOTE OR PREFERENCE SHARE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION IN VIOLATION OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE. EACH HOLDER OF SUBORDINATE NOTES OR PREFERENCE SHARES (OR ANY INTEREST THEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT (1) EITHER (A) IT IS NOT, AND FOR SO LONG AS IT HOLDS ANY SUBORDINATE NOTE OR PREFERENCE SHARE WILL NOT BE, AND IS NOT ACTING ON BEHALF OF, AND FOR SO LONG AS IT HOLDS ANY SUBORDINATE NOTE OR PREFERENCE SHARE WILL NOT BE ACTING ON BEHALF OF, A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO ANY SIMILAR LAW, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH SUBORDINATE NOTE OR PREFERENCE SHARE WILL NOT CONSTITUTE OR RESULT IN A VIOLATION OF ANY SIMILAR LAW; (2) IT WILL NOT SELL, PLEDGE OR OTHERWISE TRANSFER SUCH SUBORDINATE NOTE OR PREFERENCE SHARE (OR AN INTEREST THEREIN) TO A PERSON TAKING DELIVERY IN THE FORM OF A REGULATION S SUBORDINATE NOTE OR A REGULATION S PREFERENCE SHARE (OR AN INTEREST THEREIN) THAT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON; AND (3) IT AND ANY FIDUCIARY CAUSING IT TO ACQUIRE SUCH SUBORDINATE NOTE OR PREFERENCE SHARE AGREE, TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE CO-ISSUER (IF APPLICABLE), THE INITIAL PURCHASER, THE TRUSTEE OR THE PREFERENCE SHARE PAYING AGENT, AS APPLICABLE, AND THE COLLATERAL MANAGER AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF ITS BREACH OF THE

FOREGOING CERTIFICATIONS, REPRESENTATIONS AND WARRANTIES THAT ARE APPLICABLE TO IT.

"BENEFIT PLAN INVESTOR" MEANS A BENEFIT PLAN INVESTOR AS DEFINED IN SECTION 3(42) OF ERISA AND INCLUDES (1) ANY EMPLOYEE BENEFIT PLAN SUBJECT TO PART 4 OF TITLE I OF ERISA, (2) ANY PLAN SUBJECT TO SECTION 4975 OF THE CODE, AND (3) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE, INCLUDING THE GENERAL ACCOUNT OF AN INSURANCE COMPANY, ANY OF WHOSE ASSETS CONSTITUTE PLAN ASSETS UNDER SECTION 401(C) OF ERISA AND A WHOLLY-OWNED SUBSIDIARY THEREOF. "CONTROLLING PERSON" MEANS A PERSON, OTHER THAN A BENEFIT PLAN INVESTORS, HAVING DISCRETIONARY AUTHORITY OR CONTROL OVER THE ASSETS OF THE ISSUER OR PROVIDING INVESTMENT ADVICE WITH RESPECT TO THE ASSETS OF THE ISSUER FOR A FEE, DIRECT OR INDIRECT, OR ANY AFFILIATES OF SUCH PERSONS. FOR THIS PURPOSE, 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. "CONTROL", WITH RESPECT TO A PERSON OTHER THAN AN INDIVIDUAL, MEANS THE POWER TO EXERCISE A CONTROLLING INFLUENCE OVER THE MANAGEMENT OR POLICIES OF SUCH PERSON.

The Indenture and the Preference Share Paying Agency Agreement provide that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that (i) any beneficial owner or holder of a Regulation S Subordinate Note or a Regulation S Preference Share is a Benefit Plan Investor or a Controlling Person, (ii) an Original Purchaser or a subsequent transferee of a Restricted Definitive Subordinate Note or a Restricted Definitive Preference Share that is a Benefit Plan Investor or a Controlling Person did not disclose in an Investor Application Form, or a transfer certificate in the form attached to the Indenture or Preference Share Paying Agency Agreement delivered to the Issuer at the time of its acquisition of such Subordinate Note or Preference Share (or beneficial interest therein) that it is a Benefit Plan Investor or a Controlling Person, (iii) subsequent to the purchase of a Subordinate Note or Preference Share, any beneficial owner or a Regulation S Subordinate Note or Regulation S Preference Share has become a Benefit Plan Investor or a Controlling Person or (iv) as a result of a transfer of a Subordinate Note or Preference Share (or interest therein), 25% or more of the same class of Subordinate Notes or of Preference Shares, as applicable, are held by Benefit Plan Investors (disregarding Subordinate Notes and Preference Shares held by Controlling Persons), then the Issuer (or the Collateral Manager on its behalf) shall require, by notice to such beneficial owner, that such beneficial owner sell all of its right, title and interest in or to such Subordinate Notes or Preference Shares (or interest therein) to a Person that is not a Benefit Plan Investor or a Controlling Person and otherwise satisfies the requirements for holding such Subordinate Notes or Preference Shares, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner or holder fails to effect the transfer required within such 30-day period, (I) upon written direction from the Issuer (or the Collateral Manager on behalf of the Issuer), the Trustee or the Preference Share Paying Agent, as applicable, (on behalf of and at the expense of the Issuer) shall cause such beneficial owner's or holder's interest in such Subordinate Notes or Preference Shares to be transferred in a commercially reasonable sale (conducted by an investment bank selected by the Trustee or Preference Share Paying Agent, as applicable, and approved by the Issuer in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Trustee or the Preference Share Paying Agent and Preference Share Registrar, as applicable, the Issuer and the Collateral Manager, in connection with such transfer, that such person is not a Benefit Plan Investor or a Controlling Person and otherwise satisfies the requirements for holding such Subordinate Notes or Preference Shares, and (II) pending such transfer, no payments will be made

on such Subordinate Notes or Preference Shares from the date notice of the sale requirement is sent to the date on which such Subordinate Notes or Preference Shares are sold and such Subordinate Notes or Preference Shares shall be deemed not to be outstanding for the purposes of any vote, consent or direction of the Noteholders or Preference Shareholders, as applicable, and shall not be taken into account for the purposes of calculating any quorum or majority requirements relating thereto.

There can be no assurance, however, that, despite the procedures described above to attempt to restrict ownership by Benefit Plan Investors of the Subordinate Notes and the Preference Shares, Benefit Plan Investors will not in actuality own 25% or more of either class of Subordinate Notes or of the Preference Shares. Although each owner will be required to indemnify the Issuer for the consequences of breaches of representations or obligations with respect to the foregoing ERISA restrictions, there can be no assurance that an owner will not breach such representations or obligations or that, if such breach occurs, such owner will have the financial capacity and willingness to indemnify the Issuer for any losses that the Issuer may suffer.

If for any reason the assets of the Co-Issuers are treated as "plan assets" of a Plan because one or more such Plans is an owner of Subordinate Notes, Preference Shares or other "equity interests" of the Issuer, certain transactions that either of the Co-Issuers might enter into, or may have entered into, in the ordinary course of business might constitute non-exempt "prohibited transactions" under Section 406 of ERISA or Section 4975 of the Code and might have to be rescinded. In addition, if the assets of the Co-Issuers are treated as "plan assets" of a Plan, the payment of certain of the fees by the Issuer might be considered to be a non-exempt "prohibited transaction" under Section 406 of ERISA or Section 4975 of the Code. Moreover, if the underlying assets of the Co-Issuers were treated as "plan assets," there are several provisions of ERISA that could be implicated if an ERISA Plan or Individual Retirement Account were to acquire and hold Preference Shares either directly or by investing in an entity whose assets are treated as assets of the ERISA Plan or Individual Retirement Account. It is not clear that Section 403(a) of ERISA, which generally requires that all of the assets of an ERISA Plan be held in trust and limits delegation of investment management responsibilities by fiduciaries of ERISA Plans, would be satisfied. It is also not clear whether Section 404(b) of ERISA, which generally provides that no fiduciary may maintain the indicia of ownership of any assets of an ERISA Plan outside the jurisdiction of the district courts of the United States, would be satisfied or any of the exceptions to this requirement set forth in 29 C.F.R. Section 2550.404b-1 would be available.

It should be noted that an insurance company's general account (and a wholly owned subsidiary of such a general account) may be deemed to include assets of ERISA Plans under certain circumstances, e.g., where an ERISA Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court in *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993). An insurance company considering the purchase of Offered Securities with assets of its general account (or the assets of a wholly owned subsidiary of such general account) should consider such purchase and the insurance company's ability to make the representations described above in light of *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, Section 401(c) of ERISA and 29 C.F.R. §2550.401c-1.

The sale of any Security to a Plan is in no respect a representation by the Co-Issuers, the Initial Purchaser, the Trustee, the Collateral Manager or any of their affiliates that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for a Plan generally or any particular Plan.

ANY PLAN FIDUCIARY THAT PROPOSES TO CAUSE A PLAN TO PURCHASE SECURITIES SHOULD CONSULT WITH ITS OWN LEGAL AND TAX ADVISORS WITH

RESPECT TO THE POTENTIAL APPLICABILITY OF ERISA, THE CODE, AND SIMILAR LAW TO SUCH INVESTMENTS, THE CONSEQUENCES OF SUCH AN INVESTMENT UNDER ERISA, THE CODE, AND SIMILAR LAW AND THE ABILITY TO MAKE THE REPRESENTATIONS DESCRIBED ABOVE. MOREOVER, EACH PLAN FIDUCIARY SHOULD DETERMINE WHETHER, UNDER THE GENERAL FIDUCIARY STANDARDS OF ERISA, OR SIMILAR LAW, AN INVESTMENT IN THE SECURITIES IS APPROPRIATE FOR THE PLAN, TAKING INTO ACCOUNT THE OVERALL INVESTMENT POLICY OF THE PLAN AND THE COMPOSITION OF THE PLAN'S INVESTMENT PORTFOLIO.

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

PLAN OF DISTRIBUTION

The Co-Issuers and the Initial Purchaser will enter into a Purchase Agreement (the "Purchase Agreement") relating to the purchase and sale of the Securities to be delivered on the Closing Date. The Securities will be offered by the Initial Purchaser to prospective investors from time to time in individually negotiated transactions at varying prices to be determined at the time of sale. The Initial Purchaser reserves the right to withdraw, cancel, or modify such offer and to reject orders in whole or in part. The Initial Purchaser's responsibility is limited to a "reasonable efforts" basis in placing the Securities, with no understanding, express or implied, on the part of the Initial Purchaser of a commitment by the Initial Purchaser, whether as principal or agent, to purchase or place the Securities. The obligations of the Initial Purchaser under the Purchase Agreement are subject to the satisfaction of certain conditions set forth in the Purchase Agreement. Pursuant to the Purchase Agreement, each of the Co-Issuers will agree to indemnify the Initial Purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchaser may be required to make in respect thereof. The Offered Notes are offered when, as and if issued by the Co-Issuers, subject to prior sale or withdrawal, cancellation or modification of the offer without notice and subject to approval of certain legal matters by counsel and certain other conditions.

Each Original Purchaser of a Subordinate Note or Preference Share will be required to execute and deliver an Investor Application Form in form and substance satisfactory to the Issuer.

The Class G Notes, the Class H Notes and the Preference Shares are not being offered hereby. The Preference Shares, the Class G Notes and the Class H Notes are being offered by the Issuer to the Initial Preference Shareholder in privately negotiated transactions. On the Closing Date, the Initial Purchaser will acquire a portion of the Preference Shares, the Class G Notes and Class H Notes, but the Initial Purchaser expects to transfer such Preference Shares and Notes to the Initial Preference Shareholder (which is not Affiliated with the Initial Purchaser) after the Closing Date.

The Securities will be sold (a) in the United States in reliance upon an exemption from the registration requirements of the Securities Act to Qualified Purchasers who are also either (i) Qualified Institutional Buyers or (ii) in the case of the Preference Shares, Accredited Investors and (b) outside the United States to persons who are not U.S. persons (as defined in Regulation S) in offshore transactions in reliance on Regulation S ("Regulation S") under the Securities Act and, in each case, in accordance with applicable laws.

CERTAIN SELLING RESTRICTIONS

United States

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

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

(2) In the Purchase Agreement, the Initial Purchaser will agree that it will not, acting either as principal or agent, offer or sell any Notes in the United States other than Notes in registered form bearing a restrictive legend thereon, and it will not, acting either as principal or agent, offer, sell, reoffer or resell any of such Notes (or approve the resale of any of such Notes):

(a) except (1) inside the United States through a U.S. broker dealer that is registered under the Exchange Act to investors each of which the Initial Purchaser reasonably believes is a Qualified Institutional Buyer that is also a Qualified Purchaser or (2) otherwise in accordance with the restrictions on transfer set forth in such Notes, the Purchase Agreement and this Preliminary Offering Circular; or

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

Prior to the sale of any Notes in registered form bearing a restrictive legend thereon, the Initial Purchaser shall have provided each offeree that is a U.S. Person with a copy of the final Offering Circular in the form the Issuer and the Initial Purchaser shall have agreed most recently shall be used for offers and sales in the United States.

United Kingdom

The Initial Purchaser will also represent and agree as follows:

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

(2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Offered Notes in circumstances in which Section 21(1) of said Act does not apply to the Co-Issuers.

Cayman Islands

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

Hong Kong

The Initial Purchaser will also represent and agree as follows:

(1) that it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, the Notes other than to persons whose ordinary business it is to buy or sell shares of debentures (whether as principal or agent) or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32) of Hong Kong (the "Companies Ordinance"); and

(2) unless it is a person permitted to do so under the securities laws of Hong Kong, it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purpose of issue, in Hong Kong, any advertisement, invitation or document relating to the Notes, other than with respect to Notes intended to be disposed of to persons outside Hong Kong or to be disposed of in Hong Kong only to persons whose business involves the acquisition, disposal, or holdings of securities, whether as principal or agent.

General

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

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

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

TRANSFER RESTRICTIONS

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

Investor Representations on Initial Purchase. Each Original Purchaser of Notes (or any beneficial interest therein) will be deemed to acknowledge, represent and warrant to and agree with the Co-Issuers and the Initial Purchaser, and each Original Purchaser of Preference Shares (or any beneficial interest therein) will be required in an Investor Application Form to acknowledge, represent and warrant to and agree with the Issuer as follows:

(1) *No Governmental Approval.* The purchaser understands that the Securities have not been approved or disapproved by the SEC or any other governmental authority or agency of any jurisdiction, nor has the SEC or any other governmental authority or agency passed upon the accuracy or adequacy of this Preliminary Offering Circular. The purchaser further understands that any representation to the contrary is a criminal offense.

(2) *Certification Upon Transfer.* Each purchaser of a Note (if required by the Indenture) and each purchaser of Preference Shares will, prior to any sale, pledge or other transfer by it of any such Security (or any interest therein), obtain from the transferee and deliver to the Issuer and the Note Registrar (in the case of a Note) or the Preference Share Paying Agent (in the case of a Preference Share) a duly executed transferee certificate in the form of the relevant exhibit attached to the Indenture or the Preference Share Paying Agency Agreement, as the case may be, and such other certificates and other information as the Issuer, the Trustee (in the case of the Notes) or the Preference Share Paying Agent (in the case of the Preference Shares) may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in this Preliminary Offering Circular and the Indenture or the Preference Share Documents.

(3) *Minimum Denominations.* The purchaser agrees that no Security (or any interest therein) may be sold, pledged or otherwise transferred in a denomination of less than the applicable minimum denomination set forth in the Indenture (in the case of the Notes) or the Preference Share Documents (in the case of the Preference Shares).

(4) *Securities Law Limitations on Resale.* The purchaser understands that the Securities have not been registered under the Securities Act and, therefore, cannot be offered or sold in the United States or to U.S. Persons unless they are registered under the Securities Act or unless an exemption from registration is available. Accordingly, the certificates representing the Securities will bear a legend stating that the Securities have not been registered under the Securities Act and setting forth certain of the restrictions on transfer of the Securities described herein. The purchaser understands that neither the Issuer nor (in the case of the Notes) the Co-Issuer has any obligation to register any of the Securities under the Securities Act or to comply with the requirements for any exemption from the registration requirements of the Securities Act (other than to supply information specified in Rule 144A(d)(4) of the Securities Act as required by the Indenture and the Preference Share Documents).

(5) *List of Participants Holding Positions in Securities.* Each purchaser of a Security understands that the Issuer may receive a list of participants holding positions in the Securities from one or more book-entry depositaries, including DTC, Euroclear and Clearstream Banking.

(6) *Qualified Institutional Buyer or Non-U.S. Person Status; Investment Intent.* In the case of a purchaser who takes delivery of the Securities in the form of a Restricted Global Note (or interest

therein) or a Restrictive Definitive Preference Share, it is (a) a Qualified Institutional Buyer or (b) in the case of a Restricted Definitive Preference Share, an Accredited Investor and is acquiring the Securities for its own account for investment purposes and not with a view to the distribution thereof (except in accordance with Rule 144A). In the case of a purchaser who takes delivery of Regulation S Notes or Regulation S Preference Shares, (i) it is not a U.S. Person and is purchasing such Note or Preference Share for its own account (or as agent on behalf of a client account) and not for the account or benefit of a U.S. Person and (ii) it understands that (A) interests in a Regulation S Global Note and a Regulation S Global Preference Share may only be held through Euroclear or Clearstream, Luxembourg. (B) in the case of Regulation S Preference Shares, delivery may be made only in accordance with the certification requirements set forth in the Preference Share Documents and the Preference Share Paying Agency Agreement and (C) if in the future it decides to transfer interests held in such Regulation S Global Note or Regulation S Global Preference Share, it will transfer the interest in such Regulation S Global Note or Regulation S Global Preference Share to a person that is not a U.S. Person only in an offshore transaction in accordance with Regulation S or to a person who takes delivery in the form of a Restricted Note or a Restricted Definitive Preference Share.

(7) *Purchaser Sophistication; Non-Reliance; Suitability; Access to Information.* The purchaser (a) has such knowledge and experience in financial and business matters that the purchaser is capable of evaluating the merits and risks (including for tax, legal, regulatory, accounting and other financial purposes) of its prospective investment in Securities, (b) is financially able to bear such risk, (c) in making such investment is not relying on the advice or recommendations of any of the Initial Purchaser, the Issuer, the Co-Issuer, the Collateral Manager or any of their respective Affiliates (or any representative of any of the foregoing) and (d) has determined that an investment in Securities is suitable and appropriate for it. The purchaser has received, and has had an adequate opportunity to review the contents of, this Preliminary Offering Circular. The purchaser has had access to such financial and other information concerning the Issuer and the Securities as it has deemed necessary to make its own independent decision to purchase Securities, including the opportunity, at a reasonable time prior to its purchase of Securities, to ask questions and receive answers concerning the Issuer and the terms and conditions of the offering of the Securities. The purchaser acknowledges that it is aware that the Collateral Management Agreement and the Indenture authorize the Collateral Manager to cause the Issuer to purchase Collateral Debt Securities from, and sell Collateral Debt Securities to, the Collateral Manager, its Affiliates and funds managed by the Collateral Manager or its Affiliates and the purchaser consents to such purchases and sales; *provided* that they are carried out in compliance with the provisions of the Collateral Management Agreement and the Indenture.

(8) *Certain Resale Limitations.* The purchaser is aware that no Securities (or any interest therein) may be offered, sold, pledged or otherwise transferred to

(a) a transferee acquiring a Restricted Note (or interest therein) or Restricted Definitive Preference Share except (i) to a transferee (A) that (I) the seller reasonably believes is a Qualified Institutional Buyer purchasing for its own account, to whom notice is given that the resale, pledge or other transfer is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and that is a Qualified Purchaser or (II) solely in the case of a Restricted Definitive Preference Share to a transferee that is entitled to take delivery of such Restricted Definitive Preference Share, in accordance with another exemption from the registration requirements of the Securities Act (subject, in each case, to the delivery of such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act), (B) that is a Qualified Purchaser, (C) that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), and (D) in the case of a transfer of an interest in a Subordinate Note or Preference Share (other than the transferee of a Restricted Definitive Subordinate Note or Restricted

Definitive Preference Share or interest therein), that is not a Benefit Plan Investor or Controlling Person; (ii) in compliance with the certification (if any) and other requirements set forth in the Indenture or the Preference Share Documents, as applicable; and (iii) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction; or

(b) a transferee acquiring an interest in a Regulation S Note or a Regulation S Preference Share except to a transferee (A) that is acquiring such interest in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (B) that is not a U.S. Person (or acquiring such interest for the account or benefit of a U.S. Person), (C) that is not a Flow-Through Investment Vehicle (other than a Qualifying Investment Vehicle), (D) in the case of any transferee of an interest in a Regulation S Preference Share or Regulation S Subordinate Note, that is not a Benefit Plan Investor or Controlling Person, (E) in compliance with the certification (if any) and other requirements set forth in the Indenture or the Preference Share Documents and (F) in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

(9) *Limited Liquidity.* The purchaser understands that there is no market for any Class of Securities and that no assurance can be given as to the liquidity of any trading market for such Class of Securities or that a trading market for such Class of Securities will develop. It further understands that, although the Initial Purchaser may from time to time make a market in a Class of Securities, the Initial Purchaser is not under any obligation to do so and, following the commencement of any market-making, may discontinue the same at any time. Accordingly, the purchaser must be prepared to hold such Securities for an indefinite period of time or until their maturity.

(10) *Investment Company Act.* The purchaser either (a) is not a U.S. Person or (b) is a Qualified Purchaser. The purchaser agrees that no sale, pledge or other transfer of a Note or Preference Share (or any interest therein) may be made (a) to a transferee acquiring Restricted Notes (or any interest therein) or Restricted Definitive Preference Shares, except to a transferee that is a Qualified Purchaser, (b) to a transferee acquiring an interest in a Regulation S Note or a Regulation S Preference Share that is not a U.S. Person in an offshore transaction in accordance with Regulation S or (c) if such transfer would have the effect of requiring either of the Co-Issuers or the Collateral to register as an investment company under the Investment Company Act. If the purchaser is a U.S. Person that is an entity that would be an investment company but for the exception provided for in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act (any such entity, an "excepted investment company"): (x) all of the beneficial owners of outstanding securities (other than short-term paper) of such entity (such beneficial owners determined in accordance with Section 3(c)(1)(A) of the Investment Company Act) that acquired such securities on or before April 30, 1996 ("pre-amendment beneficial owners"); and (y) all pre-amendment beneficial owners of the outstanding securities (other than short term paper) of any excepted investment company that, directly or indirectly, owns any outstanding securities of such entity, have consented to such entity's treatment as a Qualified Purchaser in accordance with the Investment Company Act.

(11) *ERISA.* In the case of a purchaser of a Note other than a Subordinate Note, the purchaser will be deemed to represent and warrant that (1) either (a) it is not (and for so long as it holds such Note or interest therein will not be) acting on behalf of (and for so long as it holds such note will not be acting on behalf of) a Benefit Plan Investor or a governmental, church or non-U.S. plan which is subject to any Similar Law, or (b) its purchase and ownership of such Note will not constitute or result in a non-exempt prohibited transaction in violation of Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a violation of any Similar Law); and (2) it and any fiduciary causing it to acquire such note agree, to the fullest extent permissible under applicable law, to indemnify and hold harmless the Issuer, the Co-Issuer, the Initial Purchaser, the Trustee and the Collateral Manager and their respective Affiliates from any cost, damage or loss incurred by them as a result of its breach of the foregoing representations and warranties.

In the case of an Original Purchaser of a Subordinate Note or a Preference Share (or an interest therein), the Purchaser is not, and for so long as it holds such Subordinate Note or Preference Share (or an interest therein) will not be, and is not acting on behalf of or using the assets of, and for so long as it holds such Subordinate Note or Preference Share (or an interest therein) will not be acting on behalf of or using the assets of, a Benefit Plan Investor or a Controlling Person, except, in the case of a purchaser of a Restricted Definitive Subordinate Note or a Restricted Definitive Preference Share, as disclosed in the Investor Application Form.

Each purchaser of a Subordinate Note or a Preference Share understands that (1) no transfer of a Restricted Definitive Subordinate Note or a Restricted Definitive Preference Share to a Benefit Plan Investor or a Controlling Person will be permitted, and neither the Trustee nor Preference Share Registrar, as applicable, will recognize any such transfer, unless, after giving effect to such transfer, less than 25% of the Aggregate Outstanding Amount of the applicable Class of Subordinate Notes or less than 25% of the aggregate liquidation value of the Preference Shares, as applicable, will be held by Benefit Plan Investors, excluding Subordinate Notes and Preference Shares held by Controlling Persons; and (2) no transfer of a Regulation S Subordinate Note or a Regulation S Preference Share (or any interest therein) to a Benefit Plan Investor or a Controlling Person will be permitted at any time, and neither the Trustee nor the Preference Share Registrar, as applicable, will recognize any such transfer.

Each purchaser of an interest in a Restricted Definitive Subordinate Note or a Restricted Definitive Preference agrees, prior to any sale, pledge or other transfer of such Subordinate Note or Preference Share, to execute and deliver to the Issuer and the Trustee or the Preference Share Registrar, as applicable, a transfer certificate in the form attached as an exhibit to the Indenture or the Preference Share Paying Agency Agreement, as applicable, to the effect that such owner will, prior to any sale, pledge or other transfer by it of any Definitive Subordinate Note or Definitive Preference Share (or any interest therein), obtain from the transferee a duly executed transferee certificate in the form attached to the Indenture or the Preference Share Paying Agency Agreement, as applicable, and such other certificates and other information as the Issuer or the Trustee or Preference Share Paying Agent, as applicable, may reasonably require to confirm that the proposed transfer substantially complies with the transfer restrictions contained in the Indenture or the Preference Share Documents, as applicable.

Each purchaser of a Restricted Definitive Subordinate Note or a Restricted Definitive Preference Share that is a Benefit Plan Investor represents and warrants that its acquisition, holding and disposition of such Subordinate Note or Preference Share will not constitute or result in a non-exempt prohibited transaction in violation of Section 406 of ERISA or Section 4975 of the Code.

Each purchaser of Subordinate Notes or Preference Shares (or any interest therein) understands that it is deemed to represent and warrant that (1) either (A) it is not, and for so long as it holds any Subordinate Note or Preference Share will not be, and is not acting on behalf of, and for so long as it holds any Subordinate Note or Preference Share will not be acting on behalf of, a governmental, church or non-U.S. plan that is subject to any Similar Law, or (B) its acquisition, holding and disposition of such Subordinate Note or Preference Share will not constitute or result in a violation of any Similar Law; (2) it will not sell, pledge or otherwise transfer such Subordinate Note or Preference Share (or an interest therein) to a person taking delivery in the form of a Regulation S Subordinate Note or Preference Share (or an interest therein) that is a Benefit Plan Investor or a Controlling Person; and it and any fiduciary causing it to acquire such Subordinate Note or Preference Share agree, to the fullest extent permissible under applicable law, to indemnify and hold harmless the Issuer, the Co-Issuer (if applicable), the Initial Purchaser, the Trustee or the Preference Share Paying Agent, as applicable, and the Collateral Manager and their respective Affiliates from any cost, damage or loss incurred by them as a result of its breach of the foregoing certifications, representations and warranties that are applicable to it.

Each purchaser of Subordinate Notes or Preference Shares understands that the Indenture and the Preference Share Paying Agency Agreement provide that if, notwithstanding the restrictions on transfer contained therein, the Issuer determines that (i) any beneficial owner or holder of a Regulation S Subordinate Note or a Regulation S Preference Share is a Benefit Plan Investor or a Controlling Person, (ii) an Original Purchaser or a subsequent transferee of a Restricted Definitive Subordinate Note or a Restricted Definitive Preference Share that is a Benefit Plan Investor or a Controlling Person did not disclose in an Investor Application Form, or a transfer certificate in the form attached to the Indenture or Preference Share Paying Agency Agreement delivered to the Issuer at the time of its acquisition of such Subordinate Note or Preference Share (or beneficial interest therein) that it is a Benefit Plan Investor or a Controlling Person, (iii) subsequent to the purchase of a Subordinate Note or Preference Share, any beneficial owner or a Regulation S Subordinate Note or Regulation S Preference Share has become a Benefit Plan Investor or a Controlling Person or (iv) as a result of a transfer of a Subordinate Note or Preference Share (or interest therein), 25% or more of the same class of Subordinate Notes or Preference Shares, as applicable, are held by Benefit Plan Investors (disregarding Subordinate Notes and Preference Shares held by Controlling Persons), then the Issuer (or the Collateral Manager on its behalf) shall require, by notice to such beneficial owner, that such beneficial owner sell all of its right, title and interest in or to such Subordinate Notes or Preference Shares (or interest therein) to a Person that is not a Benefit Plan Investor or a Controlling Person and otherwise satisfies the requirements for holding such Subordinate Notes or Preference Shares, with such sale to be effected within 30 days after notice of such sale requirement is given; and if such beneficial owner or holder fails to effect the transfer required within such 30-day period, (I) upon written direction from the Issuer (or the Collateral Manager on behalf of the Issuer), the Trustee or the Preference Share Paying Agent, as applicable, (on behalf of and at the expense of the Issuer) shall cause such beneficial owner's or holder's interest in such Subordinate Notes or Preference Shares to be transferred in a commercially reasonable sale (conducted by an investment bank selected by the Trustee or Preference Share Paying Agent, as applicable, and approved by the Issuer in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Trustee or the Preference Share Paying Agent and the Preference Share Registrar, as applicable, the Issuer and the Collateral Manager, in connection with such transfer, that such person is not a Benefit Plan Investor or a Controlling Person and otherwise satisfies the requirements for holding such Subordinate Notes or Preference Shares, and (II) pending such transfer, no payments will be made on such Subordinate Notes or Preference Shares from the date notice of the sale requirement is sent to the date on which such Subordinate Notes or Preference Shares are sold and such Subordinate Notes or Preference Shares shall be deemed not to be outstanding for the purposes of any vote, consent or direction of the Subordinate Noteholders or Preference Shareholders, as applicable, and shall not be taken into account for the purposes of calculating any quorum or majority requirements relating thereto.

In addition, if the purchaser of an Offered Security is, or is acting on behalf of, an employee benefit plan, the fiduciaries of such employee benefit plan represent and warrant that they have been informed of and understand the Issuer's investment objectives, policies and strategies and that the decision to invest such employee benefit plan's assets in Securities was made with appropriate consideration of relevant investment factors with regard to such employee benefit plan and is consistent with the duties and responsibilities imposed upon fiduciaries with regard to their investment decisions under Title I of ERISA or any other law applicable to such employee benefit plan.

(12) *Limitations on Flow-Through Status.* In the case of a purchaser that is a U.S. Person, it is either (a) not a Flow-Through Investment Vehicle or (b) a Qualifying Investment Vehicle. A purchaser is a "Flow-Through Investment Vehicle" if (i) in the case of a purchaser that would be an investment company but for the exception in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, the amount of the purchaser's investment in the Securities (including its investment in all Classes of Notes and the Preference Shares) exceeds 40% of the total assets (determined on a consolidated basis with its

subsidiaries) of the purchaser; (ii) any Person owning any equity or similar interest in the purchaser has the ability to control any investment decision of the purchaser or to determine, on an investment-by-investment basis, the amount of such Person's contribution to any investment made by the purchaser; (iii) the purchaser was organized or reorganized for the specific purpose of acquiring any Securities or (iv) additional capital or similar contributions were specifically solicited from any Person owning an equity or similar interest in the purchaser for the purpose of enabling the purchaser to purchase Securities. A "Qualifying Investment Vehicle" is an entity as to which all of the beneficial owners of any securities issued by such entity have made, and as to which (in accordance with the document pursuant to which such entity was organized or the agreement or other document governing such securities) each such beneficial owner must require any transferee of any such security to make, to the Issuer or the Co-Issuers, as the case may be, and the Note Registrar or the Preference Share Paying Agent, as the case may be, each of the representations set forth in the final Offering Circular, the transfer certificates, the Indenture (in the case of the Notes) or the Preference Share Documents (in the case of the Preference Shares) required to be made upon transfer of any Securities (with modifications to such representations satisfactory to the Issuer to reflect the indirect nature of the interests of such beneficial owners in such Notes or Preference Shares, including any modification permitting the beneficial owner of securities issued by such entity to represent that, in the case of Preference Shares, it is an Accredited Investor).

If the purchaser is a U.S. Person that is a Qualifying Investment Vehicle, (a) either (i) none of the beneficial owners of its securities is a U.S. Person or (ii) some or all of the beneficial owners of its securities are U.S. Persons and each such beneficial owner has certified to the purchaser that it is a Qualified Purchaser and (b) the purchaser has only one class of securities outstanding (other than any nominal share capital the distributions in respect of which are not correlated to or dependent upon distributions on, or the performance of, the Securities).

(13) *Certain Transfers Void.* The purchaser agrees that (a) any sale, pledge or other transfer of a Security (or any interest therein) made in violation of the transfer restrictions contained in the final Offering Circular and in the Indenture, or in the Preference Share Documents, or made based upon any false or inaccurate representation made by the purchaser or a transferee to the Issuer, will be void and of no force or effect and (b) none of the Issuer, the Trustee (in the case of the Notes), the Note Registrar (in the case of the Notes) and the Preference Share Paying Agent (in the case of the Preference Shares) has any obligation to recognize any sale, pledge or other transfer of a Security (or any interest therein) made in violation of any such transfer restriction or made based upon any such false or inaccurate representation.

The purchaser of a Note acknowledges that the Indenture provides that if, notwithstanding the restrictions on transfer contained therein, either of the Co-Issuers determines that any beneficial owner or holder of (A) a Regulation S Note (or any interest therein) is a U.S. Person or (B) a Restricted Note (or any interest therein) is not a Qualified Institutional Buyer and also a Qualified Purchaser, then either of the Co-Issuers shall require, by notice to such beneficial owner or holder, as the case may be, that such beneficial owner or holder sell all of its right, title and interest to such Restricted Note (or any interest therein) to a person that (1) in the case of a person holding its interest through a Regulation S Note, is not a U.S. Person or (2) in the case of a person holding its interest through a Restricted Note, is both (I) a Qualified Institutional Buyer and (II) a Qualified Purchaser, with such sale to be effected within 30 days after notice of such sale requirement is given. If such beneficial owner or holder fails to effect the transfer required within such 30-day period, (i) upon written direction from the Collateral Manager or the Issuer, the Trustee, on behalf of and at the expense of the Issuer, shall, and is hereby irrevocably authorized by such beneficial owner or holder to, cause such beneficial owner's or holder's interest in such Note to be transferred in a commercially reasonable sale (conducted by an investment bank selected by the Trustee and approved by the Collateral Manager on behalf of the Issuer in accordance with Section 9-610(b) of the Uniform Commercial Code as in effect in the State of New York as applied to securities that

are sold on a recognized market or that may decline speedily in value) to a person that certifies to the Trustee and the Co-Issuers, in connection with such transfer, that such person (x) is not a U.S. Person (in the case of a person holding its interest through a Regulation S Note) or (y) is both (1) a Qualified Institutional Buyer and (2) a Qualified Purchaser (in the case of a person holding its interest through a Restricted Note) and (ii) pending such transfer, no further payments will be made in respect of such Note held by such beneficial owner or holder and such Note shall be deemed not to be outstanding for the purpose of any vote or consent of the Noteholders. None of the Trustee, the Collateral Manager or the Issuer shall have any liability to such owner or any other Person for the results of any such sale (including the price received) conducted in good faith in accordance with the terms hereof.

(14) *Limitation on Sales of Preference Shares to Reg Y Institutions.* Each purchaser of Preference Shares understands that no Reg Y Institution may transfer any Preference Shares held by it to any person other than (i) a person or group of persons under common control that controls the Issuer without reference to any Preference Shares transferred to such person or group by such Reg Y Institution (a "Reg Y Controlling Party"), (ii) a person or persons designated by a Reg Y Controlling Party, (iii) in a widespread public distribution as part of a public offering, (iv) in amounts such that, after giving effect thereto, no single transferee and its Affiliates will hold more than 2% of the aggregate number of Preference Shares (including all options, warrants and similar rights exercisable or convertible into Preference Shares) or (v) as otherwise permitted by applicable U.S. Federal banking law and regulations.

(15) *Reliance on Representations, etc.* The purchaser acknowledges that the Issuer, the Initial Purchaser, the Trustee, the Preference Share Paying Agent, the Collateral Manager and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements and agrees that, if any of the acknowledgments, representations or warranties made or deemed to have been made by it in connection with its purchase of the Securities are no longer accurate, the purchaser will promptly notify the Issuer and the Initial Purchaser.

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

(17) Each purchaser and beneficial owner understands that the Issuer may require certification acceptable to it (i) to permit the Issuer to make payments to it without, or at a reduced rate of, withholding or (ii) to enable the Issuer to qualify for a reduced rate of withholding in any jurisdiction from or through which the Issuer receives payments on its assets. Each purchaser and beneficial owner agrees to provide any such certification that is requested by the Issuer. If the purchaser and beneficial owner is purchasing (i) Notes, each purchaser and beneficial owner agrees to treat the Notes as debt of the Issuer for U.S. Federal, state and local income tax purposes, provided, that the holders and beneficial owners of a Class E Note, Class F Note, Class G Note and Class H Note need not treat such Note as debt with respect to certain reporting requirements under Sections 6038, 6038B and 6046 of the Code for U.S. Federal income tax purposes or (ii) Preference Shares, the purchaser agrees to treat the Preference Shares as equity of the Issuer for U.S. Federal, state and local income tax purposes, and in either case further agrees to take no action inconsistent with such treatment.

(18) *Tax Characterization.* The purchaser and any beneficial owner acknowledges that it is its intent and that it understands it is the intent of the Issuer that for U.S. Federal and, to the extent permitted by law, state and local income and franchise tax purposes, the Issuer will be treated as a corporation, the Notes will be treated as debt of the Issuer only and not of the Co-Issuer and the Preference Shares will be treated as equity interests in the Issuer; it agrees to such treatment, to report all income (or loss) in accordance with such treatment and to take no action inconsistent with such treatment unless otherwise required by any relevant taxing authority.

(19) *Beneficial Owner.* The beneficial owner, if it is not a "United States person" as defined in Section 7701(a)(30) of the Code, is not acquiring any Offered Security as part of a plan to reduce, avoid or evade U.S. Federal income taxes owed, owing or potentially owed or owing.

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

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND BENEFICIAL INTERESTS HEREIN MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) (1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A AND A QUALIFIED PURCHASER UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT") OR (2) TO A PERSON THAT IS NOT A U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT ("REGULATIONS"), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. NEITHER OF THE CO-ISSUERS NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT.

NO TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) MAY BE MADE (AND NEITHER THE TRUSTEE NOR THE NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON THAT IS NOT BOTH (X) A QUALIFIED INSTITUTIONAL BUYER AND (Y) EITHER (I) A "QUALIFIED PURCHASER" AS DEFINED IN THE INVESTMENT COMPANY ACT OR (II) A COMPANY BENEFICIALLY OWNED EXCLUSIVELY BY ONE OR MORE SUCH QUALIFIED PURCHASERS (EACH OF (I) AND (II), A "QUALIFIED PURCHASER"), (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING EITHER OF THE CO-ISSUERS OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, (C) SUCH TRANSFER WOULD BE MADE TO A U.S. PERSON THAT IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE INDENTURE) OR (D) SUCH TRANSFER WOULD BE MADE TO A PERSON THAT IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE (IF ANY) ATTACHED AS AN EXHIBIT TO THE INDENTURE REFERRED TO HEREIN.

THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED ONLY IN PERMITTED DENOMINATIONS SPECIFIED IN THE INDENTURE. THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED TO A PERSON WHO ACQUIRES A BENEFICIAL INTEREST IN A [REGULATIONS NOTE]¹ [RESTRICTED

¹ Restricted Notes only.

NOTE]² UPON RECEIPT BY THE TRUSTEE OF A TRANSFER CERTIFICATE FROM THE TRANSFEROR SUBSTANTIALLY IN THE FORM SPECIFIED IN THE INDENTURE. ACCORDINGLY, AN INVESTOR IN THIS NOTE MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

IF, NOTWITHSTANDING THE RESTRICTIONS ON TRANSFER CONTAINED IN THE INDENTURE, EITHER OF THE CO-ISSUERS DETERMINES THAT ANY BENEFICIAL OWNER OR HOLDER OF (A) A REGULATION S NOTE (OR ANY INTEREST THEREIN) IS A U.S. PERSON OR (B) A RESTRICTED NOTE (OR ANY INTEREST THEREIN) IS NOT BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, THEN EITHER OF THE CO-ISSUERS SHALL REQUIRE, BY NOTICE TO SUCH BENEFICIAL OWNER OR HOLDER, AS THE CASE MAY BE, THAT SUCH BENEFICIAL OWNER OR HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO SUCH RESTRICTED NOTE (OR ANY INTEREST THEREIN) TO A PERSON THAT (1) IS NOT A U.S. PERSON (IN THE CASE OF A PERSON HOLDING ITS INTEREST THROUGH A REGULATION S NOTE) OR (2) IN THE CASE OF A PERSON HOLDING ITS INTEREST THROUGH A RESTRICTED NOTE, IS BOTH (I) A QUALIFIED INSTITUTIONAL BUYER AND (II) A QUALIFIED PURCHASER, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH BENEFICIAL OWNER OR HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (I) UPON WRITTEN DIRECTION FROM THE COLLATERAL MANAGER OR THE ISSUER, THE TRUSTEE SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH BENEFICIAL OWNER OR HOLDER TO, ON BEHALF OF AND AT THE EXPENSE OF THE ISSUER, CAUSE SUCH BENEFICIAL OWNER'S OR HOLDER'S INTEREST IN SUCH NOTE TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE (CONDUCTED BY AN INVESTMENT BANK SELECTED BY THE TRUSTEE, AND APPROVED BY THE ISSUER IN ACCORDANCE WITH SECTION 9-610(b) OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT MAY DECLINE SPEEDILY IN VALUE) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, AND THE CO-ISSUERS, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON (X) IS NOT A U.S. PERSON (IN THE CASE OF A PERSON HOLDING ITS INTEREST THROUGH A REGULATION S NOTE) OR (Y) IS BOTH (1) A QUALIFIED INSTITUTIONAL BUYER AND (2) A QUALIFIED PURCHASER (IN THE CASE OF A PERSON HOLDING ITS INTEREST THROUGH A RESTRICTED NOTE) AND (II) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF SUCH NOTE HELD BY SUCH BENEFICIAL OWNER OR HOLDER AND SUCH NOTE SHALL BE DEEMED NOT TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE NOTEHOLDERS.

IN ADDITION, NO TRANSFER OF THIS NOTE (OR ANY INTEREST HEREIN) MAY BE MADE (AND NEITHER THE TRUSTEE NOR THE NOTE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS (A) A DEALER DESCRIBED IN PARAGRAPH (A)(1)(ii) OF RULE 144A WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.\$25,000,000 IN SECURITIES OF ISSUERS THAT ARE NOT AFFILIATED PERSONS OF THE DEALER OR (B) A PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A

² Regulation S Notes only.

OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH A PLAN, UNLESS INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN. THE TRANSFEREE, AND EACH ACCOUNT FOR WHICH IT IS PURCHASING, IS REQUIRED TO HOLD AND TRANSFER AT LEAST THE MINIMUM DENOMINATION OF THE NOTES.

The following will be inserted in the case of a Note other than a Subordinate Note:

EACH HOLDER OF THIS NOTE (OR AN INTEREST THEREIN) IS DEEMED TO REPRESENT AND WARRANT THAT (1) EITHER (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS SUCH NOTE OR INTEREST THEREIN WILL NOT BE) AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE ACTING ON BEHALF OF) A BENEFIT PLAN INVESTOR OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS MATERIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") (ANY SUCH FEDERAL, STATE, LOCAL OR NON-U.S. LAW, A "SIMILAR LAW"), OR (B) ITS PURCHASE AND OWNERSHIP OF SUCH NOTE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION IN VIOLATION OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAW); AND (2) IT AND ANY FIDUCIARY CAUSING IT TO ACQUIRE SUCH NOTE AGREE, TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE CO-ISSUER, THE INITIAL PURCHASER, THE TRUSTEE AND THE COLLATERAL MANAGER AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF ITS BREACH OF THE FOREGOING REPRESENTATIONS AND WARRANTIES. "BENEFIT PLAN INVESTOR" MEANS A BENEFIT PLAN INVESTOR AS DEFINED IN SECTION 3(42) OF ERISA AND INCLUDES (1) ANY EMPLOYEE BENEFIT PLAN SUBJECT TO PART 4 OF TITLE I OF ERISA, (2) ANY PLAN SUBJECT TO SECTION 4975 OF THE CODE, AND (3) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE, INCLUDING THE GENERAL ACCOUNT OF AN INSURANCE COMPANY, ANY OF WHOSE ASSETS CONSTITUTE PLAN ASSETS UNDER SECTION 401(C) OF ERISA AND A WHOLLY-OWNED SUBSIDIARY THEREOF.

The following will be inserted in the case of Class D Notes, Class E Notes, Class F Notes, Class G Notes and the Class H Notes:

THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF OID, ISSUE DATE AND YIELD TO MATURITY OF THIS NOTE MAY BE OBTAINED BY WRITING TO : DIRECTOR, STRUCTURED CREDIT PRODUCTS GROUP, MERRILL LYNCH, PIERCE, FENNER & SMITH, INCORPORATED, (NORTH TOWER), 4 WORLD FINANCIAL CENTER, 7TH FLOOR, NEW YORK, NY 10080.

The following will be inserted in the case of the Subordinate Notes:

NO TRANSFER OF A RESTRICTED SUBORDINATE NOTE TO A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON WILL BE PERMITTED, AND NEITHER THE ISSUER NOR THE TRUSTEE WILL RECOGNIZE ANY SUCH TRANSFER, UNLESS, AFTER GIVING EFFECT TO SUCH TRANSFER, LESS THAN 25% OF THE AGGREGATE OUTSTANDING AMOUNT OF THE APPLICABLE CLASS OF SUBORDINATE NOTES WILL BE HELD BY BENEFIT PLAN INVESTORS, EXCLUDING SUBORDINATE NOTES HELD BY CONTROLLING PERSONS. NO TRANSFER OF A SUBORDINATE NOTE (OR ANY INTEREST THEREIN) TO A PERSON TAKING DELIVERY IN THE FORM OF A REGULATION S SUBORDINATE NOTE (OR AN INTEREST THEREIN) THAT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON WILL BE PERMITTED AT ANY TIME, AND NEITHER THE ISSUER NOR THE TRUSTEE WILL RECOGNIZE ANY SUCH TRANSFER. IN THIS REGARD, ALTHOUGH SECTION 3(42) OF ERISA PROVIDES THAT AN ENTITY IS CONSIDERED TO HOLD PLAN ASSETS ONLY TO THE EXTENT OF THE PERCENTAGE OF THE EQUITY INTEREST HELD BY BENEFIT PLAN INVESTORS, IN APPLYING THE FOREGOING LIMITATIONS, EACH ENTITY THAT IS A BENEFIT PLAN INVESTOR BECAUSE PART OF ITS EQUITY INTERESTS ARE HELD BY BENEFIT PLAN INVESTORS WILL BE TREATED AS IF 100% OF ITS ASSETS WERE HELD BY BENEFIT PLAN INVESTORS.

EACH HOLDER OF A REGULATION S SUBORDINATE NOTE (OR AN INTEREST THEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT, AND FOR SO LONG AS IT HOLDS SUCH REGULATION S SUBORDINATE NOTE (OR INTEREST THEREIN) WILL NOT BE, AND IS NOT ACTING ON BEHALF OF OR USING THE ASSETS OF, AND FOR SO LONG AS IT HOLDS SUCH REGULATION S SUBORDINATE NOTE (OR INTEREST THEREIN) WILL NOT BE ACTING ON BEHALF OF OR USING THE ASSETS OF, A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. EACH ORIGINAL PURCHASER AND EACH SUBSEQUENT TRANSFEREE OF A RESTRICTED SUBORDINATE NOTE WILL BE REQUIRED TO CERTIFY IN THE INVESTOR APPLICATION FORM PURSUANT TO WHICH SUCH SUBORDINATE NOTES ARE PURCHASED OR IN THE APPLICABLE TRANSFER CERTIFICATE WHETHER OR NOT IT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. EACH OWNER OF AN INTEREST IN A RESTRICTED SUBORDINATE NOTE WILL BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE TRUSTEE A TRANSFER CERTIFICATE IN THE FORM ATTACHED AS AN EXHIBIT TO THE INDENTURE TO THE EFFECT THAT SUCH OWNER WILL, PRIOR TO ANY SALE, PLEDGE OR OTHER TRANSFER BY IT OF ANY DEFINITIVE SUBORDINATE NOTE (OR ANY INTEREST THEREIN), OBTAIN FROM THE TRANSFEREE A DULY EXECUTED TRANSFEREE CERTIFICATE IN THE FORM ATTACHED TO THE INDENTURE AND SUCH OTHER CERTIFICATES AND OTHER INFORMATION AS THE ISSUER OR THE TRUSTEE MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED TRANSFER SUBSTANTIALLY COMPLIES WITH THE TRANSFER RESTRICTIONS CONTAINED IN THE INDENTURE. EACH HOLDER OF A RESTRICTED SUBORDINATE NOTE THAT IS A BENEFIT PLAN INVESTOR WILL BE REQUIRED TO CERTIFY (OR IN CERTAIN CIRCUMSTANCES WILL BE DEEMED TO REPRESENT AND WARRANT) THAT ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH SUBORDINATE NOTE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION IN VIOLATION OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE. EACH HOLDER OF SUBORDINATE NOTES (OR ANY INTEREST THEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT (1) EITHER (A) IT IS NOT,

AND FOR SO LONG AS IT HOLDS ANY SUBORDINATE NOTE WILL NOT BE, AND IS NOT ACTING ON BEHALF OF, AND FOR SO LONG AS IT HOLDS ANY SUBORDINATE NOTE WILL NOT BE ACTING ON BEHALF OF, A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED ("THE CODE") (ANY SUCH FEDERAL, STATE, LOCAL OR NON-U.S. LAW, A "SIMILAR LAW"), OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH SUBORDINATE NOTE WILL NOT CONSTITUTE OR RESULT IN A VIOLATION OF ANY SIMILAR LAW; (2) IT WILL NOT SELL, PLEDGE OR OTHERWISE TRANSFER SUCH SUBORDINATE NOTE (OR AN INTEREST THEREIN) TO A PERSON TAKING DELIVERY IN THE FORM OF A REGULATION S SUBORDINATE NOTE (OR AN INTEREST THEREIN) THAT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON; AND (3) IT AND ANY FIDUCIARY CAUSING IT TO ACQUIRE SUCH SUBORDINATE NOTE OR PREFERENCE SHARE AGREE, TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE CO-ISSUER, THE INITIAL PURCHASER, THE TRUSTEE AND THE COLLATERAL MANAGER AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF ITS BREACH OF THE FOREGOING CERTIFICATIONS, REPRESENTATIONS AND WARRANTIES THAT ARE APPLICABLE TO IT.

"BENEFIT PLAN INVESTOR" MEANS A BENEFIT PLAN INVESTOR AS DEFINED IN SECTION 3(42) OF ERISA AND INCLUDES (1) ANY EMPLOYEE BENEFIT PLAN SUBJECT TO PART 4 OF TITLE I OF ERISA, (2) ANY PLAN SUBJECT TO SECTION 4975 OF THE CODE, AND (3) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE, INCLUDING THE GENERAL ACCOUNT OF AN INSURANCE COMPANY, ANY OF WHOSE ASSETS CONSTITUTE PLAN ASSETS UNDER SECTION 401(C) OF ERISA AND A WHOLLY-OWNED SUBSIDIARY THEREOF. "CONTROLLING PERSON" MEANS A PERSON, OTHER THAN A BENEFIT PLAN INVESTORS, HAVING DISCRETIONARY AUTHORITY OR CONTROL OVER THE ASSETS OF THE ISSUER OR PROVIDING INVESTMENT ADVICE WITH RESPECT TO THE ASSETS OF THE ISSUER FOR A FEE, DIRECT OR INDIRECT, OR ANY AFFILIATES OF SUCH PERSONS. FOR THIS PURPOSE, 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. "CONTROL", WITH RESPECT TO A PERSON OTHER THAN AN INDIVIDUAL, MEANS THE POWER TO EXERCISE A CONTROLLING INFLUENCE OVER THE MANAGEMENT OR POLICIES OF SUCH PERSON.

THE INDENTURE PROVIDES THAT IF, NOTWITHSTANDING THE RESTRICTIONS ON TRANSFER CONTAINED THEREIN, THE ISSUER DETERMINES THAT (I) ANY BENEFICIAL OWNER OR HOLDER OF A REGULATION S SUBORDINATE NOTE IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON, (II) AN ORIGINAL PURCHASER OR A SUBSEQUENT TRANSFEREE OF A RESTRICTED SUBORDINATE NOTE THAT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON DID NOT DISCLOSE IN AN INVESTOR APPLICATION FORM, OR A TRANSFER CERTIFICATE IN THE FORM ATTACHED TO THE INDENTURE DELIVERED TO THE ISSUER AT THE TIME OF ITS ACQUISITION OF SUCH SUBORDINATE NOTE (OR BENEFICIAL

INTEREST THEREIN) THAT IT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON, (III) SUBSEQUENT TO THE PURCHASE OF A SUBORDINATE NOTE, ANY BENEFICIAL OWNER OR A REGULATION S SUBORDINATE NOTE HAS BECOME A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON OR (IV) AS A RESULT OF A TRANSFER OF A SUBORDINATE NOTE (OR INTEREST THEREIN), OF THE AGGREGATE OUTSTANDING AMOUNT OF THE APPLICABLE CLASS OF SUBORDINATE NOTES ARE HELD BY BENEFIT PLAN INVESTORS (DISREGARDING SUBORDINATE NOTES SHARES HELD BY CONTROLLING PERSONS), THEN THE ISSUER (OR THE COLLATERAL MANAGER ON ITS BEHALF) SHALL REQUIRE, BY NOTICE TO SUCH BENEFICIAL OWNER, THAT SUCH BENEFICIAL OWNER SELL ALL OF ITS RIGHT, TITLE AND INTEREST IN OR TO SUCH SUBORDINATE NOTES (OR INTEREST THEREIN) TO A PERSON THAT IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND OTHERWISE SATISFIES THE REQUIREMENTS FOR HOLDING SUCH SUBORDINATE NOTES, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH BENEFICIAL OWNER OR HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (I) UPON WRITTEN DIRECTION FROM THE ISSUER (OR THE COLLATERAL MANAGER ON BEHALF OF THE ISSUER), THE TRUSTEE (ON BEHALF OF AND AT THE EXPENSE OF THE ISSUER) SHALL CAUSE SUCH BENEFICIAL OWNER'S OR HOLDER'S INTEREST IN SUCH SUBORDINATE NOTES TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE (CONDUCTED BY AN INVESTMENT BANK SELECTED BY THE TRUSTEE OR PREFERENCE SHARE PAYING AGENT, AS APPLICABLE, AND APPROVED BY THE ISSUER IN ACCORDANCE WITH SECTION 9-610(B) OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT MAY DECLINE SPEEDILY IN VALUE) TO A PERSON THAT CERTIFIES TO THE TRUSTEE, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND OTHERWISE SATISFIES THE REQUIREMENTS FOR HOLDING SUCH SUBORDINATE NOTES, AND (II) PENDING SUCH TRANSFER, NO PAYMENTS WILL BE MADE ON SUCH SUBORDINATE NOTES FROM THE DATE NOTICE OF THE SALE REQUIREMENT IS SENT TO THE DATE ON WHICH SUCH SUBORDINATE NOTES ARE SOLD AND SUCH SUBORDINATE NOTES SHALL BE DEEMED NOT TO BE OUTSTANDING FOR THE PURPOSES OF ANY VOTE, CONSENT OR DIRECTION OF THE NOTEHOLDERS, AND SHALL NOT BE TAKEN INTO ACCOUNT FOR THE PURPOSES OF CALCULATING ANY QUORUM OR MAJORITY REQUIREMENTS RELATING THERETO.

The following will be inserted in the case of Global Notes:

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

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

THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN MAY NOT BE HELD BY A U.S. PERSON AT ANY TIME.

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

THE PREFERENCE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS (X) A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), PURCHASING FOR ITS OWN ACCOUNT, TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON THE EXEMPTION FROM SECURITIES ACT REGISTRATION PROVIDED BY RULE 144A AND (Y) A QUALIFIED PURCHASER UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"), (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") OR (3) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (SUBJECT TO THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT), (B) IN COMPLIANCE WITH THE CERTIFICATION AND OTHER REQUIREMENTS SPECIFIED IN THE ISSUER CHARTER AND THE PREFERENCE SHARE PAYING AGENCY AGREEMENT REFERRED TO HEREIN AND (C) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION. NEITHER THE ISSUER NOR THE COLLATERAL HAS BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT.

NO TRANSFER OF A RESTRICTED DEFINITIVE PREFERENCE SHARE TO A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON WILL BE PERMITTED, AND NEITHER THE ISSUER NOR THE PREFERENCE SHARE PAYING AGENT WILL RECOGNIZE ANY SUCH TRANSFER, UNLESS, AFTER GIVING EFFECT TO SUCH TRANSFER, LESS THAN 25% OF THE AGGREGATE LIQUIDATION VALUE OF THE PREFERENCE SHARES WILL BE HELD BY BENEFIT PLAN INVESTORS, EXCLUDING PREFERENCE SHARES HELD BY CONTROLLING PERSONS. NO TRANSFER OF A PREFERENCE SHARE (OR ANY INTEREST THEREIN) TO A PERSON TAKING DELIVERY IN THE FORM OF A REGULATION S PREFERENCE SHARE (OR AN INTEREST THEREIN) THAT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON WILL BE PERMITTED AT ANY TIME, AND NEITHER THE ISSUER NOR THE PREFERENCE SHARE PAYING AGENT WILL RECOGNIZE ANY SUCH TRANSFER. IN THIS REGARD, ALTHOUGH SECTION 3(42) OF ERISA PROVIDES THAT AN ENTITY IS CONSIDERED TO HOLD PLAN ASSETS ONLY TO THE EXTENT OF THE PERCENTAGE OF THE EQUITY INTEREST HELD BY BENEFIT PLAN INVESTORS, IN APPLYING THE FOREGOING LIMITATIONS, EACH ENTITY THAT IS A BENEFIT PLAN INVESTOR

BECAUSE PART OF ITS EQUITY INTERESTS ARE HELD BY BENEFIT PLAN INVESTORS WILL BE TREATED AS IF 100% OF ITS ASSETS WERE HELD BY BENEFIT PLAN INVESTORS.

EACH HOLDER OF A REGULATION S PREFERENCE SHARE (OR AN INTEREST THEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT IT IS NOT, AND FOR SO LONG AS IT HOLDS SUCH REGULATION S PREFERENCE SHARE (OR INTEREST THEREIN) WILL NOT BE, AND IS NOT ACTING ON BEHALF OF OR USING THE ASSETS OF, AND FOR SO LONG AS IT HOLDS SUCH REGULATION S PREFERENCE SHARE (OR INTEREST THEREIN) WILL NOT BE ACTING ON BEHALF OF OR USING THE ASSETS OF, A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. EACH ORIGINAL PURCHASER AND EACH SUBSEQUENT TRANSFEREE OF A RESTRICTED DEFINITIVE PREFERENCE SHARE WILL BE REQUIRED TO CERTIFY IN THE INVESTOR APPLICATION FORM PURSUANT TO WHICH SUCH PREFERENCE SHARES ARE PURCHASED OR IN THE APPLICABLE TRANSFER CERTIFICATE WHETHER OR NOT IT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON. EACH OWNER OF AN INTEREST IN A RESTRICTED DEFINITIVE PREFERENCE SHARE WILL BE REQUIRED TO EXECUTE AND DELIVER TO THE ISSUER AND THE PREFERENCE SHARE PAYING AGENT A TRANSFER CERTIFICATE IN THE FORM ATTACHED AS AN EXHIBIT TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT TO THE EFFECT THAT SUCH OWNER WILL, PRIOR TO ANY SALE, PLEDGE OR OTHER TRANSFER BY IT OF ANY DEFINITIVE PREFERENCE SHARE (OR ANY INTEREST THEREIN), OBTAIN FROM THE TRANSFEREE A DULY EXECUTED TRANSFEREE CERTIFICATE IN THE FORM ATTACHED TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT AND SUCH OTHER CERTIFICATES AND OTHER INFORMATION AS THE ISSUER OR THE PREFERENCE SHARE PAYING AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED TRANSFER SUBSTANTIALLY COMPLIES WITH THE TRANSFER RESTRICTIONS CONTAINED IN THE PREFERENCE SHARE PAYING AGENCY AGREEMENT. EACH HOLDER OF A RESTRICTED DEFINITIVE PREFERENCE SHARE THAT IS A BENEFIT PLAN INVESTOR WILL BE REQUIRED TO CERTIFY (OR IN CERTAIN CIRCUMSTANCES WILL BE DEEMED TO REPRESENT AND WARRANT) THAT ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH PREFERENCE SHARE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION IN VIOLATION OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE. EACH HOLDER OF PREFERENCE SHARES (OR ANY INTEREST THEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT (1) EITHER (A) IT IS NOT, AND FOR SO LONG AS IT HOLDS ANY PREFERENCE SHARE WILL NOT BE, AND IS NOT ACTING ON BEHALF OF, AND FOR SO LONG AS IT HOLDS ANY PREFERENCE SHARE WILL NOT BE ACTING ON BEHALF OF, A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED ("THE CODE") (ANY SUCH FEDERAL, STATE, LOCAL OR NON-U.S. LAW, A "SIMILAR LAW"), SIMILAR LAW, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH PREFERENCE SHARE WILL NOT CONSTITUTE OR RESULT IN A VIOLATION OF ANY SIMILAR LAW; (2) IT WILL NOT SELL, PLEDGE OR OTHERWISE TRANSFER SUCH PREFERENCE SHARE (OR AN INTEREST THEREIN) TO A PERSON TAKING DELIVERY IN THE FORM OF A REGULATION S PREFERENCE SHARE (OR AN INTEREST THEREIN) THAT IS A

BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON; AND (3) IT AND ANY FIDUCIARY CAUSING IT TO ACQUIRE SUCH PREFERENCE SHARE OR PREFERENCE SHARE AGREE, TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE CO-ISSUER, THE INITIAL PURCHASER, THE PREFERENCE SHARE PAYING AGENT AND THE COLLATERAL MANAGER AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF ITS BREACH OF THE FOREGOING CERTIFICATIONS, REPRESENTATIONS AND WARRANTIES THAT ARE APPLICABLE TO IT.

"BENEFIT PLAN INVESTOR" MEANS A BENEFIT PLAN INVESTOR AS DEFINED IN SECTION 3(42) OF ERISA AND INCLUDES (1) ANY EMPLOYEE BENEFIT PLAN SUBJECT TO PART 4 OF TITLE I OF ERISA, (2) ANY PLAN SUBJECT TO SECTION 4975 OF THE CODE, AND (3) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE, INCLUDING THE GENERAL ACCOUNT OF AN INSURANCE COMPANY, ANY OF WHOSE ASSETS CONSTITUTE PLAN ASSETS UNDER SECTION 401(C) OF ERISA AND A WHOLLY-OWNED SUBSIDIARY THEREOF. "CONTROLLING PERSON" MEANS A PERSON, OTHER THAN A BENEFIT PLAN INVESTORS, HAVING DISCRETIONARY AUTHORITY OR CONTROL OVER THE ASSETS OF THE ISSUER OR PROVIDING INVESTMENT ADVICE WITH RESPECT TO THE ASSETS OF THE ISSUER FOR A FEE, DIRECT OR INDIRECT, OR ANY AFFILIATES OF SUCH PERSONS. FOR THIS PURPOSE, 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. "CONTROL", WITH RESPECT TO A PERSON OTHER THAN AN INDIVIDUAL, MEANS THE POWER TO EXERCISE A CONTROLLING INFLUENCE OVER THE MANAGEMENT OR POLICIES OF SUCH PERSON.

THE PREFERENCE SHARE DOCUMENTS PROVIDE THAT IF, NOTWITHSTANDING THE RESTRICTIONS ON TRANSFER CONTAINED THEREIN, THE ISSUER DETERMINES THAT (I) ANY BENEFICIAL OWNER OR HOLDER OF A REGULATION S PREFERENCE SHARE IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON, (II) AN ORIGINAL PURCHASER OR A SUBSEQUENT TRANSFEREE OF A RESTRICTED DEFINITIVE PREFERENCE SHARE THAT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON DID NOT DISCLOSE IN AN INVESTOR APPLICATION FORM, OR A TRANSFER CERTIFICATE IN THE FORM ATTACHED TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT DELIVERED TO THE ISSUER AT THE TIME OF ITS ACQUISITION OF SUCH PREFERENCE SHARE (OR BENEFICIAL INTEREST THEREIN) THAT IT IS A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON, (III) SUBSEQUENT TO THE PURCHASE OF A PREFERENCE SHARE, ANY BENEFICIAL OWNER OR A REGULATION S PREFERENCE SHARE HAS BECOME A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON OR (IV) AS A RESULT OF A TRANSFER OF A PREFERENCE SHARE (OR INTEREST THEREIN), 25% OR MORE OF THE PREFERENCE SHARES ARE HELD BY BENEFIT PLAN INVESTORS (DISREGARDING PREFERENCE SHARES HELD BY CONTROLLING PERSONS), THEN THE ISSUER (OR THE COLLATERAL MANAGER ON ITS BEHALF) SHALL REQUIRE, BY NOTICE TO SUCH BENEFICIAL OWNER, THAT SUCH BENEFICIAL OWNER SELL ALL OF ITS RIGHT, TITLE AND INTEREST IN OR TO SUCH PREFERENCE SHARES (OR INTEREST THEREIN) TO A PERSON THAT IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND OTHERWISE SATISFIES THE REQUIREMENTS FOR

HOLDING SUCH PREFERENCE SHARES, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH BENEFICIAL OWNER OR HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (I) UPON WRITTEN DIRECTION FROM THE ISSUER (OR THE COLLATERAL MANAGER ON BEHALF OF THE ISSUER), THE PREFERENCE SHARE PAYING AGENT (ON BEHALF OF AND AT THE EXPENSE OF THE ISSUER) SHALL CAUSE SUCH BENEFICIAL OWNER'S OR HOLDER'S INTEREST IN SUCH PREFERENCE SHARES TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE (CONDUCTED BY AN INVESTMENT BANK SELECTED BY THE PREFERENCE SHARE PAYING AGENT OR PREFERENCE SHARE PAYING AGENT, AS APPLICABLE, AND APPROVED BY THE ISSUER IN ACCORDANCE WITH SECTION 9-610(B) OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT MAY DECLINE SPEEDILY IN VALUE) TO A PERSON THAT CERTIFIES TO THE PREFERENCE SHARE PAYING AGENT, THE PREFERENCE SHARE REGISTRAR, THE ISSUER AND THE COLLATERAL MANAGER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON AND OTHERWISE SATISFIES THE REQUIREMENTS FOR HOLDING SUCH PREFERENCE SHARES, AND (II) PENDING SUCH TRANSFER, NO PAYMENTS WILL BE MADE ON SUCH PREFERENCE SHARES FROM THE DATE NOTICE OF THE SALE REQUIREMENT IS SENT TO THE DATE ON WHICH SUCH PREFERENCE SHARES ARE SOLD AND SUCH PREFERENCE SHARES SHALL BE DEEMED NOT TO BE OUTSTANDING FOR THE PURPOSES OF ANY VOTE, CONSENT OR DIRECTION OF THE PREFERENCE SHAREHOLDERS, AND SHALL NOT BE TAKEN INTO ACCOUNT FOR THE PURPOSES OF CALCULATING ANY QUORUM OR MAJORITY REQUIREMENTS RELATING THERETO.

NO TRANSFER OF THE PREFERENCE SHARES REPRESENTED HEREBY (OR AN INTEREST HEREIN) MAY BE MADE (AND NEITHER THE ISSUER NOR THE PREFERENCE SHARE REGISTRAR WILL RECOGNIZE ANY SUCH TRANSFER) IF (A) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON THAT IS NOT (1) A "QUALIFIED PURCHASER" AS DEFINED IN THE INVESTMENT COMPANY ACT, (2) A "KNOWLEDGEABLE EMPLOYEE" WITH RESPECT TO THE ISSUER WITHIN THE MEANING OF RULE 3c-5 OF THE INVESTMENT COMPANY ACT OR (3) A COMPANY BENEFICIALLY OWNED EXCLUSIVELY BY ONE OR MORE SUCH QUALIFIED PURCHASERS AND/OR KNOWLEDGEABLE EMPLOYEES (EACH OF (1), (2) AND (3), A "QUALIFIED PURCHASER"), (B) SUCH TRANSFER WOULD HAVE THE EFFECT OF REQUIRING THE ISSUER OR THE COLLATERAL TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, [(C) SUCH TRANSFER IS MADE TO A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON, [EXCEPT TO A BENEFIT PLAN INVESTOR WHOSE INVESTMENT IN PREFERENCE SHARES WOULD NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A VIOLATION OF ANY SUCH LAW OR SUCH SIMILAR LAW) OR TO A CONTROLLING PERSON AND ONLY IF, AFTER GIVING EFFECT TO SUCH PURCHASE, LESS THAN 25% (OR SUCH GREATER PERCENTAGE AS MAY BE SPECIFIED IN REGULATIONS PROMULGATED BY THE U.S. DEPARTMENT OF LABOR) OF THE CLASS OF SUCH PREFERENCE SHARES (DISREGARDING PREFERENCE SHARES HELD BY CONTROLLING

PERSONS) WOULD BE HELD BY BENEFIT PLAN INVESTORS],^{3]} (D) SUCH TRANSFER WOULD BE MADE TO A TRANSFEREE THAT IS A U.S. PERSON WHICH IS A FLOW-THROUGH INVESTMENT VEHICLE OTHER THAN A QUALIFYING INVESTMENT VEHICLE (EACH AS DEFINED IN THE TRANSFER CERTIFICATE ATTACHED TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT) OR (E) SUCH TRANSFER WOULD BE MADE TO A PERSON THAT IS OTHERWISE UNABLE TO MAKE THE CERTIFICATIONS AND REPRESENTATIONS REQUIRED BY THE APPLICABLE TRANSFER CERTIFICATE ATTACHED AS AN EXHIBIT TO THE PREFERENCE SHARE PAYING AGENCY AGREEMENT REFERRED TO HEREIN. ACCORDINGLY, AN INVESTOR IN THE PREFERENCE SHARES MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. EACH HOLDER HEREOF IS REQUIRED IN WRITING OR DEEMED TO REPRESENT AND WARRANT (1) IN THE CASE OF A TRANSFEREE OF A RESTRICTED DEFINITIVE PREFERENCE SHARE, EITHER (X) THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS PREFERENCE SHARE OR AN INTEREST HEREIN WILL NOT BE) A BENEFIT PLAN INVESTOR OR CONTROLLING PERSON (Y) ITS HOLDING OF RESTRICTED DEFINITIVE PREFERENCE SHARES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN, WILL NOT RESULT IN A VIOLATION OF ANY SUCH LAW OR SUCH SIMILAR LAW) OR (2) IN THE CASE OF A TRANSFEREE OF A REGULATION S PREFERENCE SHARE, THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS PREFERENCE SHARE OR AN INTEREST THEREIN, WILL NOT BE) A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON.

THE PREFERENCE SHARES REPRESENTED HEREBY OR ANY BENEFICIAL INTEREST HEREIN MAY BE TRANSFERRED IN AN AMOUNT NOT LESS THAN THE MINIMUM TRADING LOT SPECIFIED IN THE PREFERENCE SHARE PAYING AGENCY AGREEMENT. IF, NOTWITHSTANDING THE RESTRICTIONS SET FORTH IN THE PREFERENCE SHARE PAYING AGENCY AGREEMENT, THE ISSUER DETERMINES THAT ANY HOLDER OF THIS PREFERENCE SHARE OR AN INTEREST HEREIN (X) IS A U.S. PERSON (IN THE CASE OF A PERSON ACQUIRING (A) REGULATION S DEFINITIVE PREFERENCE SHARES OR (B) ITS INTEREST THROUGH A REGULATION S GLOBAL PREFERENCE SHARE), OR (Y) IS NOT BOTH (I) (A) A QUALIFIED INSTITUTIONAL BUYER OR (B) ENTITLED TO TAKE DELIVERY OF SUCH RESTRICTED DEFINITIVE PREFERENCE SHARE PURSUANT TO ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (II) A QUALIFIED PURCHASER (IN THE CASE OF A PERSON ACQUIRING A RESTRICTED DEFINITIVE PREFERENCE SHARE), THEN THE ISSUER (OR THE COLLATERAL MANAGER ON ITS BEHALF) SHALL REQUIRE, BY NOTICE TO SUCH HOLDER THAT SUCH HOLDER SELL ALL OF ITS RIGHT, TITLE AND INTEREST TO THIS PREFERENCE SHARE (OR INTEREST HEREIN) TO A PERSON THAT (1) IS NOT A U.S. PERSON (IN THE CASE OF A PERSON HOLDING (A) REGULATION S DEFINITIVE PREFERENCE SHARES OR (B) ITS INTEREST THROUGH A REGULATION S GLOBAL PREFERENCE SHARE) OR (2) IS BOTH (A)(X) A QUALIFIED INSTITUTIONAL BUYER OR (Y) ENTITLED TO TAKE DELIVERY OF SUCH RESTRICTED DEFINITIVE PREFERENCE SHARE PURSUANT TO ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (B) A QUALIFIED

³ Restricted Definitive Preference Shares only.

PURCHASER (IN THE CASE OF A PERSON HOLDING RESTRICTED DEFINITIVE PREFERENCE SHARES) AND (3) IN ALL CASES, IS NOT A BENEFIT PLAN INVESTOR OR A CONTROLLING PERSON, WITH SUCH SALE TO BE EFFECTED WITHIN 30 DAYS AFTER NOTICE OF SUCH SALE REQUIREMENT IS GIVEN. IF SUCH HOLDER FAILS TO EFFECT THE TRANSFER REQUIRED WITHIN SUCH 30-DAY PERIOD, (X) UPON WRITTEN DIRECTION FROM THE ISSUER (OR THE COLLATERAL MANAGER ON BEHALF OF THE ISSUER), THE PREFERENCE SHARE PAYING AGENT SHALL, AND IS HEREBY IRREVOCABLY AUTHORIZED BY SUCH HOLDER TO, CAUSE SUCH HOLDER'S INTEREST IN THIS PREFERENCE SHARE TO BE TRANSFERRED IN A COMMERCIALY REASONABLE SALE ARRANGED BY THE ISSUER (CONDUCTED BY AN INVESTMENT BANK SELECTED BY THE PREFERENCE SHARE PAYING AGENT AND APPROVED BY THE ISSUER IN ACCORDANCE WITH SECTION 9-610(b) OF THE UCC AS IN EFFECT IN THE STATE OF NEW YORK AS APPLIED TO SECURITIES THAT ARE SOLD ON A RECOGNIZED MARKET OR THAT MAY DECLINE SPEEDILY IN VALUE) TO A PERSON THAT CERTIFIES TO THE PREFERENCE SHARE PAYING AGENT AND THE ISSUER, IN CONNECTION WITH SUCH TRANSFER, THAT SUCH PERSON (I) IS NOT A U.S. PERSON (IN THE CASE OF A PERSON HOLDING (A) REGULATION S DEFINITIVE PREFERENCE SHARES OR (B) ITS INTEREST THROUGH A REGULATION S GLOBAL PREFERENCE SHARE) OR (II) IS BOTH (1)(A) A QUALIFIED INSTITUTIONAL BUYER OR (B) ENTITLED TO TAKE DELIVERY OF SUCH RESTRICTED DEFINITIVE PREFERENCE SHARE PURSUANT TO ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (2) A QUALIFIED PURCHASER (IN THE CASE OF A PERSON HOLDING RESTRICTED DEFINITIVE PREFERENCE SHARES) AND (III) IN ALL CASES, IS NOT A BENEFIT PLAN INVESTOR NOR A CONTROLLING PERSON, AND (Y) PENDING SUCH TRANSFER, NO FURTHER PAYMENTS WILL BE MADE IN RESPECT OF THE INTEREST IN THE PREFERENCE SHARE HELD BY SUCH HOLDER, AND THE INTEREST IN THIS PREFERENCE SHARE SHALL NOT BE DEEMED TO BE OUTSTANDING FOR THE PURPOSE OF ANY VOTE OR CONSENT OF THE HOLDERS OF THE PREFERENCE SHARES. NONE OF THE ISSUER, THE COLLATERAL MANAGER OR THE TRUSTEE SHALL HAVE ANY LIABILITY TO SUCH OWNER (OR OTHER PERSON) FOR THE RESULTS OF ANY SUCH SALE (INCLUDING THE PRICE RECEIVED) CONDUCTED IN GOOD FAITH IN ACCORDANCE WITH THE FOREGOING TERMS.

The following shall be inserted in the case of Regulation S Global Preference Shares:

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

The following shall be inserted in the case of Regulation S Preference Shares:

THIS PREFERENCE SHARE OR ANY BENEFICIAL INTEREST HEREIN MAY NOT BE HELD BY A U.S. PERSON AT ANY TIME.

Investor Representations on Resale. Except as provided below, each transferee of a Security will be required to deliver to the Co-Issuers, the Note Registrar or the Preference Share Paying Agent, as the case may be, a duly executed transferee certificate in the form of the relevant exhibit attached to the Indenture or the Preference Share Paying Agency Agreement, as the case may be, and such other certificates and other information as the Issuer, the Co-Issuer, the Trustee or the Preference Share Paying Agent may reasonably require to confirm that the proposed transfer complies with the transfer restrictions contained in the final Offering Circular. An owner of a beneficial interest in a Regulation S Global Note may transfer such interest in the form of a beneficial interest in such Regulation S Global Note without the provision of written certification; *provided* that (1) such transfer is not made to a U.S. Person or for the account or benefit of a U.S. Person and such transfer is effected through Euroclear or Clearstream, Luxembourg in an offshore transaction as required by Regulation S and only in accordance with the Applicable Procedures and (2) any transfer not effected in an offshore transaction in accordance with Rule 904 of Regulation S may be made only upon provision to the Note Registrar of written certification from the transferee and transferor in the form provided for in the Indenture. An owner of a beneficial interest in a Restricted Global Senior Note may transfer such interest in the form of a beneficial interest in such Restricted Global Senior Note without the provision of written certification if the transferee is both a Qualified Institutional Buyer and a Qualified Purchaser.

Each transferee of a beneficial interest in a Regulation S Global Note, Restricted Global Note or Regulation S Global Preference Share will be deemed to make the same representations and warranties at the time of purchase that a transferee of a Note or Preference Share subject to equivalent transfer restrictions that is required to deliver a transfer certificate would be required to make pursuant to such transferee certificate.

Each transferee of a Security that is required to deliver a transfer certificate will be required, pursuant to such transferee certificate, and each transferee who is not required to deliver a certificate will be deemed (a) to acknowledge, represent and warrant to and agree with the Issuer and the Trustee as to the matters set forth in each of paragraphs (1) through [(21)] above, as applicable to the Notes or the Preference Shares, as if each reference therein to "the purchaser" were instead a reference to the transferee and (b) to further represent and warrant to and agree with the Co-Issuers and the Trustee (in the case of a Note) or the Preference Share Paying Agent (in the case of Preference Share) as follows:

(1) In the case of a transferee who takes delivery of a beneficial interest in a Restricted Note, it (i) is both a Qualified Institutional Buyer and a Qualified Purchaser; (ii) is not a dealer described in paragraph (a)(1)(ii) of Rule 144A unless such purchaser owns and invests on a discretionary basis at least U.S.\$25,000,000 in securities of issuers that are not Affiliated persons of the dealer; (iii) is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan; (iv) it will provide written notice of the foregoing, and of any applicable restrictions on transfer, to any transferee; and (v) is acquiring such Securities for its own account. In the case of a transferee who takes delivery of a Restricted Definitive Preference Share, unless such transfer is effected in accordance with another exemption from the registration requirements of the Securities Act (and such certifications, legal opinions or other information as the Issuer has reasonably required to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities

Act have been delivered), it is a Qualified Institutional Buyer purchasing for its own account. In the case of a transferee who takes delivery of Regulation S Notes or Regulation S Preference Shares, it (i) is acquiring such Notes or Preference Shares in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; (ii) is acquiring such Notes or Preference Shares for its own account; (iii) is not acquiring, and has not entered into any discussions regarding its acquisition of, such Notes or Preference Shares while it is in the United States or any of its territories or possessions; (iv) understands that such Notes and Preference Shares are being sold without registration under the Securities Act by reason of an exemption that depends, in part, on the accuracy of these representations; (v) understands that such Notes or Preference Shares may not, absent an applicable exemption, be transferred without registration and/or qualification under the Securities Act and applicable state securities laws and the laws of any other applicable jurisdiction; (vi) in the case of a transferee of a Regulation S Note, understands that interests in a Regulation S Global Note may only be held through Euroclear or Clearstream, Luxembourg and (vii) in the case of a transferee of a Regulation S Preference Share, understands that an interest in a Regulation S Global Preference Share may only be held through Euroclear or Clearstream, Luxembourg and that such interest may not be held by or transferred to a Benefit Plan Investor or a Controlling Person.

(2) It acknowledges that the foregoing acknowledgements, representations, warranties and agreements will be relied upon by the Co-Issuer and the Trustee (in the case of a Note) or the Preference Share Paying Agent (in the case of Preference Share) for the purpose of determining its eligibility to purchase Securities. It agrees to provide, if requested, any additional information that may be required to substantiate its status as a Qualified Institutional Buyer or under the exception provided pursuant to Section 3(c)(7) of the Investment Company Act and Rule 3c-5 promulgated under the Investment Company Act, to determine compliance with ERISA and/or Section 4975 of the Code and/or Similar Law or to otherwise determine its eligibility to purchase Securities.

LISTING AND GENERAL INFORMATION

1. Application will 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. No assurances can be given that any such listing will be obtained with respect to the Notes. No application will be or will be made to list the Notes on any other stock exchange.

2. For as long as the Notes are listed on the Irish Stock Exchange, following the date of the final Offering Circular, copies of the Issuer Charter and the Limited Liability Company Agreement of the Co-Issuer, the final Offering Circular, the Indenture, the Collateral Management Agreement, the Class A-1 Swap, any Hedge Agreement, the Preference Share Paying Agency Agreement, the Administration Agreement, the Paying Agency Agreement for Ireland (such agreements, collectively, the "Material Contracts") and a description of the Collateral will be available for inspection, in electronic or physical form, and will be obtainable at the registered office of the Issuer, where copies thereof may be obtained upon request.

3. If and for so long as any Class of Notes is listed on the Irish Stock Exchange, copies of the Material Contracts, the Issuer Charter, the Certificate of Incorporation of the Issuer, the Limited Liability Company Agreement of the Co-Issuer, the resolutions of the board of directors of the Issuer authorizing the issuance of the Notes and the resolutions of the sole member of the Co-Issuer authorizing the issuance of the Notes will be available for inspection during the terms of the Notes at the office of the Trustee. The Issuer is not required by the laws of Cayman Islands, and the Issuer does not intend, to publish annual reports and accounts. The Co-Issuer is not required by the laws of the State of Delaware, and the Co-Issuer does not intend, to publish annual reports and accounts. The Indenture, however, requires the Issuer to provide the Trustee with written notice, on an annual basis, that to the best of its knowledge, following review of the activities in the prior year, no Event of Default or other matter required to be brought to the Trustee's attention has occurred or, if one has, specifying the same.

4. Each of the Co-Issuers will represent that, as of the date of the final Offering Circular, there has been no material adverse change in its financial position since the date of its creation. Neither of the Co-Issuers is involved, or has been involved since its organization, in any governmental, legal or arbitration proceedings relating to claims on amounts which may have or have had a significant effect on the Co-Issuers' financial position or profitability in the context of the issuance of the Notes, nor, so far as such Co-Issuer is aware, is any such governmental, legal or arbitration involving it pending or threatened.

5. The issuance of the Notes will be authorized by the board of directors of the Issuer by resolutions passed on or prior to the Closing Date. The issuance of the Notes will be authorized by the sole member of the Co-Issuer by resolutions passed on or prior to the Closing Date. Since its organization, neither the Issuer nor the Co-Issuer has commenced trading, established any accounts or declared any dividends, except for the transactions described herein relating to the issuance of the Securities.

6. The Securities sold in offshore transactions in reliance on Regulation S under the Securities Act and represented by Global Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear under the Common Codes set forth below. The CUSIP (CINS) Numbers and International Securities Identification Numbers (ISIN) for each Class of Securities are as set forth in the table below:

	Regulation S Common Codes	Regulation S Note CUSIP Numbers	Restricted Note CUSIP Numbers	Regulation S International Securities Identification Numbers
Class A-1 Notes ⁴	[•]	[•]	[•]	[•]
Class A-2 Notes	[•]	[•]	[•]	[•]
Class B Notes	[•]	[•]	[•]	[•]
Class C Notes	[•]	[•]	[•]	[•]
Class D Notes	[•]	[•]	[•]	[•]
Class E Notes	[•]	[•]	[•]	[•]
Class F Notes	[•]	[•]	[•]	[•]
Class G Notes	[•]	[•]	[•]	[•]
Class H Notes	[•]	[•]	[•]	[•]
Preference Shares	[•]	[•]	[•]	[•]

⁴ For the portion of the Class A Notes not drawn on the Closing Date, there will be multiple CUSIP numbers.

LEGAL MATTERS

Certain legal matters with respect to New York law will be passed upon for the Issuer by Freshfields Bruckhaus Deringer LLP, New York, New York. Certain matters with respect to Cayman Islands corporate law and tax law will be passed upon for the Issuer by Walkers. Certain legal matters with respect to the Initial Purchaser will be passed upon by [McKee Nelson LLP].

SCHEDULE A

**Part I
Moody's Recovery Rate Matrix**

(see definition of "Applicable Recovery Rate")

A. ABS Type Diversified Securities

Percentage of Total Capitalization	Moody's Rating*					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	70%	60%	50%	40%
Less than or equal to 70%, but greater than 10%	75%	70%	60%	50%	40%	30%
Less than or equal to 10%	70%	65%	55%	45%	35%	25%

B. ABS Type Residential Securities

Percentage of Total Capitalization	Moody's Rating*					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	65%	55%	45%	30%
Less than or equal to 70%, but greater than 10%	75%	70%	55%	45%	35%	25%
Less than or equal to 10%, but greater than 5%	65%	55%	45%	40%	30%	20%
Less than or equal to 5%, but greater than 2%	55%	45%	40%	35%	25%	15%
Less than or equal to 2%	45%	35%	30%	25%	15%	10%

C. ABS Type Undiversified Securities

Percentage of Total Capitalization	Moody's Rating*					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	65%	55%	45%	30%
Less than or equal to 70%, but greater than 10%	75%	70%	55%	45%*	35%	25%
Less than or equal to 10%, but greater than 5%	65%	55%	45%	35%	25%	15%
Less than or equal to 5%, but greater than 2%	55%	45%	35%	30%	20%	10%
Less than or equal to 2%	45%	35%	25%	20%	10%	5%

D. CDO Obligations with a Moody's Asset Correlation of 15% or more

Percentage of Total Capitalization	Moody's Rating*					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	80%	75%	60%	50%	45%	30%
Less than or equal to 70%, but greater than 10%	70%	60%	55%	45%	35%	25%
Less than or equal to 10%, but greater than 5%	60%	50%	45%	35%	25%	15%
Less than or equal to 5%, but greater than 2%	50%	40%	35%	30%	20%	10%
Less than or equal to 2%	30%	25%	20%	15%	7%	6%

E. CDO Obligations with a Moody's Asset Correlation less than 15%

Percentage of Total Capitalization	Moody's Rating*					
	Aaa	Aa	A	Baa	Ba	B
Greater than 70%	85%	80%	65%	55%	45%	30%
Less than or equal to 70%, but greater than 10%	75%	70%	60%	50%	40%	25%
Less than or equal to 10%, but greater than 5%	65%	55%	50%	40%	30%	20%
Less than or equal to 5%, but greater than 2%	55%	45%	40%	35%	25%	10%
Less than or equal to 2%	45%	35%	30%	25%	10%	5%

* The rating assigned by Moody's on the closing date for such Collateral Debt Security.

Part II

Standard & Poor's Recovery Rate Matrix

- A. If the Collateral Debt Security (other than a Synthetic Security, an ABS REIT Debt Security, a Project Finance Security, a future flow security, a market value CDO Obligation, a Form Approved Synthetic Security or a Corporate Guaranteed Security) is the senior-most tranche of securities issued by the issuer of such Collateral Debt Security the recovery rate is as follows:***

Standard & Poor's Rating of Collateral Debt Security	Recovery Rate by Rating of Notes						
	AAA	AA	A	BBB	BB	B	CCC
"AAA"	80.0%	85.0%	90.0%	90.0%	90.0%	90.0%	90.0%
"AA-," "AA" or "AA+"	70.0%	75.0%	85.0%	90.0%	90.0%	90.0%	90.0%
"A-," "A" or "A+"	60.0%	65.0%	75.0%	85.0%	90.0%	90.0%	90.0%
"BBB-," "BBB" or "BBB+"	50.0%	55.0%	65.0%	75.0%	85.0%	85.0%	85.0%

- B. If the Collateral Debt Security (other than a Synthetic Security, an ABS REIT Debt Security, a Project Finance Security, a future flow security, a market value CDO Obligation, a Form Approved Synthetic Security or a Corporate Guaranteed Security) is not the senior-most tranche of securities issued by the issuer of such Collateral Debt Security the recovery rate is as follows:***

Standard & Poor's Rating of Collateral Debt Security	Recovery Rate by Rating of Notes						
	AAA	AA	A	BBB	BB	B	CCC
"AAA"	65.0%	70.0%	80.0%	85.0%	85.0%	85.0%	85.0%
"AA-," "AA" or "AA+"	55.0%	65.0%	75.0%	80.0%	80.0%	80.0%	80.0%
"A-," "A" or "A+"	40.0%	45.0%	55.0%	65.0%	80.0%	80.0%	80.0%
"BBB-," "BBB" or "BBB+"	30.0%	35.0%	40.0%	45.0%	50.0%	60.0%	70.0%
"BB-," "BB" or "BB+"	10.0%	10.0%	10.0%	25.0%	35.0%	40.0%	50.0%
"B-," "B" or "B+"	2.5%	5.0%	5.0%	10.0%	10.0%	20.0%	25.0%
"CCC+" and below	0.0%	0.0%	0.0%	0.0%	2.5%	5.0%	5.0%

C. If the Collateral Debt Security is a CMBS, the recovery rate is as follows:*

Standard & Poor's Rating of Collateral Debt Security	Recovery Rate by Rating of Notes						
	AAA	AA	A	BBB	BB	B	CCC
"AAA"	80.0%	85.0%	90.0%	90.0%	90.0%	90.0%	90.0%
"AA-," "AA" or "AA+"	70.0%	75.0%	85.0%	90.0%	90.0%	90.0%	90.0%
"A-," "A" or "A+"	60.0%	65.0%	75.0%	85.0%	90.0%	90.0%	90.0%
"BBB-," "BBB" or "BBB+"	45.0%	50.0%	55.0%	60.0%	65.0%	70.0%	75.0%
"BB-," "BB" or "BB+"	35.0%	40.0%	45.0%	45.0%	50.0%	50.0%	50.0%
"B-," "B" or "B+"	20.0%	25.0%	30.0%	35.0%	35.0%	40.0%	40.0%
"CCC+" and below	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
NR	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

D. If the Collateral Debt Security is a Project Finance Security, a future flow security, a market value CDO Obligation or a Synthetic Security (other than a Form Approved Synthetic Security), the recovery rate will be assigned by Standard & Poor's upon the Acquisition of such Security by the Issuer. A Form Approved Synthetic Security that is a Single Obligation Synthetic Security will have the recovery rate applicable to the related Reference Obligation.

E. If the Collateral Debt Security (other than a Corporate Guaranteed Security) is an ABS REIT Debt Security, the recovery rate for senior debt will be 40% and, for subordinated debt, assigned by Standard & Poor's upon the Acquisition of such security by the Issuer.

***If the Collateral Debt Security is a Corporate Guaranteed Security, the recovery rate will be (a) if such Corporate Guaranteed Security is secured and not by its terms subordinate in right of payment, 47.5%, (b) if such Corporate Guaranteed Security is not secured and is not by its terms subordinate in right of payment, 37% and (c) otherwise, 21.5%.**

Exhibit A

Glossary of Certain Defined Terms

"**ABS CDO Security**" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) primarily on the cash flow from a portfolio of Asset-Backed Securities; *provided* that ABS CDO Securities shall also include Asset-Backed Securities that entitle the holders thereof to receive payments that depend on the cash flow from a credit swap linked to a notional portfolio of Asset-Backed Securities and from the cash flow from a repurchase agreement, interest rate swap, total return swap, investment contract, sovereign debt or other highly rated securities purchased with the proceeds of such Asset-Backed Securities.

"**ABS Natural Resource Receivable Security**" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend on the cash flow from the sale of products derived from the right to harvest, mine, extract or exploit a natural resource such as timber, oil, gas and minerals, generally having the following characteristics: (i) the contracts have standardized payment terms, (ii) the contracts are the obligations of a few consumers of natural resources and accordingly represent an undiversified pool of credit risk and (iii) the repayment stream on such contracts is primarily determined by a contractual payment schedule.

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

"**ABS Type Diversified Securities**" means (1) Automobile Securities; (2) Credit Card Securities; (3) Student Loan Securities; and (4) any other type of Asset-Backed Securities that becomes a Specified Type after the Closing Date as described below and are designated as "ABS Type Diversified Securities" in connection therewith.

"**ABS Type Residential Securities**" means (1) Home Equity Loan Securities; (2) Residential A Mortgage Securities; (3) Residential B/C Mortgage Securities; and (4) any other type of Asset-Backed Securities that becomes a Specified Type after the Closing Date and is designated as "ABS Type Residential Securities" in connection therewith.

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

"**Account Control Agreement**" means the Account Control Agreement, dated as of the Closing Date, among the Issuer, the Trustee and the Custodian, relating to the Accounts opened on the Closing Date.

"**Acquire**" means any purchase or other acquisition by the Issuer of, or entry by the Issuer into, any Collateral Debt Security which, for purposes of determining the date of such acquisition or entry, shall be deemed to occur on the trade date of the transaction (which may be the date on which the Issuer has irrevocably committed to acquire or enter into that transaction) pursuant to which such Collateral Debt Security is acquired or entered into (or if a Hedging Short Credit Default Swap is terminated when

the related Long Credit Default Swap remains in effect, the date of such termination), assuming for these purposes, (x) settlement on the specified settlement date in accordance with the customary settlement procedures in the relevant market for such Collateral Debt Security and (y) the receipt by the Issuer of Class A-1 Fundings under the Class A-1 Swap in an amount sufficient to satisfy the Issuer's payment obligations under the transactions referred to in clause (x) on such settlement date; *provided* that (1) if such transaction does not settle by its customary settlement date, such Collateral Debt Security will be deemed not to have been "Acquired" by the Issuer for purposes of this definition until settlement is actually effected, (2) if at any time the Collateral Manager or the Trustee determines in good faith that the relevant transaction will not settle by its customary settlement date, then such Collateral Debt Security will, immediately upon such determination, be deemed not to have been "Acquired" by the Issuer for purposes of this definition until settlement is actually effected and (3) the term "Acquisition" shall be construed in accordance with the foregoing. For the avoidance of doubt, (i) entering into a Long Credit Default Swap or terminating a Hedging Short Credit Default Swap results in an Acquisition and (ii) the simultaneous termination of a Hedged Long Credit Default Swap and the related Hedging Short Credit Default Swap does not result in an Acquisition.

"**Adjusted Issue Price**" means, with respect to any security, (a) the price at which such security was issued upon original issuance minus (b) if the Issue Price Adjustment with respect to such security on such date of determination is positive, such Issue Price Adjustment plus (c) if the Issue Price Adjustment with respect to such security on such date of determination is negative, the absolute value of such Issue Price Adjustment.

"**Adjusted Weighted Average Spread**" means, as of any date of determination, the Weighted Average Spread calculated without regard to clause (B) of the definition thereof.

"**Administrative Expenses**" means, with respect to any Quarterly Distribution Date, (a) Trustee Expenses and (b) all amounts (including indemnities) due or accrued with respect to such Quarterly Distribution Date and payable by the Issuer or the Co-Issuer to (i) the Administrator in respect of fees and expenses under the Administration Agreement, (ii) the independent accountants, agents and counsel of the Issuer for reasonable fees and expenses (including amounts payable in connection with the preparation of tax forms on behalf of the Co-Issuers), (iii) the Collateral Manager in respect of fees and expenses pursuant to the Collateral Management Agreement, (iv) any other Person in respect of any governmental fee, registered office fee, charge or tax in relation to the Issuer or the Co-Issuer (in each case as certified by an Authorized Officer of the Issuer or the Co-Issuer to the Trustee), (v) the Initial Purchaser in respect of amounts payable to it under the Purchase Agreement, (vi) the Rating Agencies in respect of any ongoing Rating Agency Expenses, (vii) expenses and indemnities payable to MLI (or a Replacement CDS Counterparty) under the ISDA Master Agreement (other than termination payments or amounts payable in respect of Credit Default Swaps or the Total Return Swap), (viii) amounts payable to any other Person in respect of any other fees or expenses permitted under the Indenture and the documents delivered pursuant to or in connection with the Indenture and the Notes and (ix) any exchange or any listing agent or paying agent appointed in connection with the listing of the Notes or the Preference Shares on any exchange; *provided* that Administrative Expenses shall not include (A) any amounts due or accrued with respect to the actions taken on or in connection with the Closing Date, (B) amounts payable in respect of the Notes, (C) any Management Fee payable to the Collateral Manager, (D) amounts payable under any Hedge Agreement and (E) the Trustee Fee.

"**Aerospace and Defense Securities**" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from leases and subleases of aircraft, vessels and telecommunications equipment to businesses for use in the provision of goods or services to consumers, the military or the government, generally having the

following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the leases or subleases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, sublessee or third party of the underlying equipment; (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of lease term for excess usage or wear and tear; and (5) the obligations of the lessors or sublessors may be secured not only by the leased equipment but also by other assets of the lessee, sublessee or guarantees granted by third parties.

"Affiliate" means, with respect to any specified person, (i) any other person controlling, controlled by, or under common control with such specified person or (ii) any other person who is a director, member, officer, employee, managing member or general partner of (a) any specified person or (b) any such other person described in clause (i) above. For the purposes of this definition, "control," when used with respect to any specified person, means the power, direct or indirect, (i) to vote more than 50% of the securities having ordinary voting power for the election of directors of such person or (ii) to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. For purposes of this definition, the management of an account by one person for the benefit of any other person shall not constitute "control" of such other person. Notwithstanding the foregoing, "Affiliate," with respect to the Issuer, does not include entities that are under common control by virtue of the affiliations of the directors of the Issuer or the Administrator.

"Aggregate Outstanding Amount" means, when used with respect to any of the Notes at any time, the aggregate principal amount of such Notes outstanding at such time. For purposes of any vote, objection, direction or consent of Noteholders, the Class of A-1 Note Parties or of the Controlling Class, the Aggregate Outstanding Amount of the Notes, the Class A-1 Notes or the Controlling Class shall include the Aggregate Undrawn Amount. Except as otherwise expressly provided herein, the Aggregate Outstanding Amount of Class A-1 Notes at any time shall not include the Aggregate Undrawn Amount.

"Aggregate Principal Balance" means, when used with respect to any Pledged Securities or Collateral Debt Securities as of any date of determination, the sum of the Principal Balances on such date of determination of all such Pledged Securities or Collateral Debt Securities.

"Aggregate Undrawn Amount" means with respect to any date of determination, the excess (if any) of: (A) U.S. \$[•] over (B) the sum of (x) the Outstanding Class A-1 Funded Amount and (y) the Permanent Reduction Amount. For the avoidance of doubt, the Aggregate Undrawn Amount shall not be reduced by the amount of any funds deposited in a Class A-1 Swap Prefunding Account by the Class A-1 Swap Counterparty until such amounts are applied to a Permitted Use as a Class A-1 Funding, thereby increasing the Outstanding Class A-1 Funded Amount. At the close of business in New York on the Swap Period Termination Date the Aggregate Undrawn Amount will be permanently reduced to zero.

"Aircraft Lease Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a portfolio consisting of aircraft leases and subleases generally having the following characteristics: (1) such leases and subleases have varying contractual maturities; (2) such leases and subleases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly

dependent upon the disposition to a lessee, sublessee or third party of the underlying equipment; (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of the lease term for excess usage or wear and tear; and (5) the obligations of the lessors or sublessors may be secured not only by the leased equipment but also by other assets of the lessee or sublessee or guarantees granted by third parties.

"**Annual Period**" means the period (i) from the Closing Date to (and including) the [●] 2007 Quarterly Distribution Date, and (ii) from (but excluding) the [●] Quarterly Distribution Date in a year to (and including) the [●] Quarterly Distribution Date in the next calendar year.

"**Applicable Recovery Rate**" means, with respect to any Collateral Debt Security on any Measurement Date, the lower of (a) an amount equal to the percentage for such Collateral Debt Security set forth in the Moody's recovery rate matrix set forth in Part I of Schedule A hereto (or, in the case of a Single Obligation Synthetic Security that is a Form Approved Synthetic Security, 100% of such percentage for the related Reference Obligation or such other percentage, if any, assigned by Moody's upon request by the Issuer or the Collateral Manager on behalf of the Issuer) in (x) the table corresponding to the relevant Specified Type of CDO Obligation or Other ABS, (y) the column in such table setting forth the Moody's Rating of such Collateral Debt Security as of the date of issuance of such Collateral Debt Security and (z) the row in such table opposite the ratio (expressed as a percentage) of (i) the Issue of which such Collateral Debt Security is a part relative to (ii) the total capitalization of (including both debt and equity securities issued by) the relevant issuer of or obligor on such Collateral Debt Security, determined on the original issue date of such Collateral Debt Security; *provided* that (1) if the Collateral Debt Security is a Corporate Guaranteed Security, the recovery rate will be 30%, (2) if such Collateral Debt Security is an ABS REIT Debt Security, such amount shall be 40% (or 10% in the case of REIT Debt Securities—Health Care or REIT Debt Securities—Mortgage) and (3) if the Collateral Debt Security is a Synthetic Security (other than a Single Obligation Synthetic Security that is a Form Approved Synthetic Security), the recovery rate will be that assigned by Moody's and (b) an amount equal to the percentage for such Collateral Debt Security set forth in the Standard & Poor's recovery rate matrix set forth in Part II of Schedule A hereto (or, in the case of a Single Obligation Synthetic Security that is a Form Approved Synthetic Security, 100% of such percentage for the related Reference Obligation) in (x) the applicable table and (y) the row in such table opposite the Standard & Poor's Rating of such Collateral Debt Security at the time of issuance and (z) for purposes of determining the "Calculation Amount" of a Defaulted Security or Deferred Interest PIK Bond, the column in such table below the then-current rating of the most senior Class of Notes outstanding and, for purposes of determining the "Standard & Poor's Recovery Rate" in connection with the Standard & Poor's Minimum Recovery Rate Test, the column in such table below the rating of the applicable Class of Notes; *provided* that if such Collateral Debt Security is a Synthetic Security (other than a Single Obligation Synthetic Security that is a Form Approved Synthetic Security), the recovery rate will be that assigned by Standard & Poor's.

"**Asset-Backed Securities**" means obligations or securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool or index of (a) financial assets, either static or revolving (the identity of which cannot vary as a result of a decision by the Collateral Manager, any Synthetic Security Counterparty or their Affiliates), that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities or (b) real estate mortgages, either static or revolving, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities; *provided* that, in the case of clause (b), such obligations or securities do not entitle the holders to a right to share in the appreciation in value of or the profits generated by the related real estate assets. The Specified Types of Asset-Backed Securities in which the Issuer may invest, subject to compliance with the Eligibility Criteria and to certain other limitations and restrictions described herein, are described under "Security for the Notes—Asset-Backed Securities."

"Automobile Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from installment sale loans made to finance the Acquisition of, or from leases of, automobiles, generally having the following characteristics: (1) the loans or leases may have varying contractual maturities; (2) the loans or leases are obligations of numerous borrowers or lessees and accordingly represent a very diversified pool of obligor credit risk; (3) the borrowers or lessees under the loans or leases generally do not have a poor credit rating; (4) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; and (5) such leases typically provide for the right of the lessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"Available Redemption Funds" means Disposition Proceeds, together with the assignment or termination payments (if any) to be made to the Issuer upon termination of the Hedge Agreements and the Synthetic Securities and all cash and Eligible Investments maturing on or prior to the scheduled Redemption Date (including all interest income to be received prior to the Redemption Date) credited to the Accounts (other than the Hedge Counterparty Collateral Account, the Synthetic Security Issuer Account or the Class A-1 Swap Prefunding Account) and the proceeds of Synthetic Security Collateral in the CDS Reserve Account (other than amounts payable to the Total Return Swap Counterparty).

"Balance" means at any time, with respect to cash or Eligible Investments in any Account at such time, the aggregate of the (i) current balance of cash, demand deposits, time deposits, certificates of deposit, federal funds and money market funds; (ii) principal amount owing in respect of interest-bearing corporate and government securities, money market accounts, repurchase obligations and guaranteed reinvestment agreements; and (iii) purchase price (but not greater than the face amount) of non-interest-bearing government and corporate securities and commercial paper.

"Bank Guaranteed Securities" means any Asset-Backed Security as to which, if interest thereon is not timely paid when due, or the principal thereof is not timely paid at stated legal maturity, a national banking association organized under United States law or banking corporation organized under the laws of a state of the United States has undertaken in an irrevocable letter of credit or other similar instrument to make such payment against the presentation of documents, but only if such letter of credit or similar instrument (1) expires no earlier than such stated maturity (or contains "evergreen" provisions entitling the beneficiary thereof to draw the entire undrawn amount thereof upon the failure of the expiration date of such letter of credit or other similar instrument to be extended beyond its then current expiry date), (2) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset-Backed Security and (3) was issued by a bank having a credit rating assigned by each nationally recognized statistical rating organization that currently rates such Asset-Backed Security higher than the credit rating assigned by such rating organization to such Asset-Backed Security, determined without giving effect to such letter of credit or similar instrument; *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"Bank Trust Preferred CDO Securities" means CDO Obligations that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the securities) on the cash flow from a pool of trust preferred securities issued by a wholly-owned trust subsidiary of a U.S. financial institution which uses the proceeds of such issuance to purchase a portfolio of debt securities issued by its parent.

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

"Base Rate Reference Bank" means [____], or if such bank ceases to exist or is not quoting a base rate, prime rate, reference rate or similar rate for Dollar loans, such other major money center commercial bank in New York City as is selected by the Calculation Agent (after consultation with the Collateral Manager).

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

"Benchmark Rate Change" means, as of any date of determination with respect to any Fixed Rate Security, an amount (expressed as a percentage, which may be positive or negative) equal to (a) the Benchmark Rate with respect to such Fixed Rate Security on such date of determination minus (b) the Benchmark Rate with respect to such Fixed Rate Security on its date of original issuance.

"Bespoke CDO Security" means Managed Bespoke CDO Securities and Static Bespoke CDO Securities.

"Business Day" means a day on which commercial banks are open for business in each of New York, New York, London, England and the city in which the corporate trust office of the Trustee is located and, in the case of the final payment of principal of any Note, the place of presentation of such Note. To the extent action is required of the Paying Agent in Ireland, Dublin, Ireland will be considered in determining "Business Day" for purposes of determining when such Paying Agent action is required.

"Calculation Amount" means with respect to any Defaulted Security or Deferred Interest PIK Bond at any time, the lesser of (a) the fair market value of such Defaulted Security or Deferred Interest PIK Bond and (b) the amount obtained by multiplying the Applicable Recovery Rate by the Principal Balance of such Defaulted Security or Deferred Interest PIK Bond.

"Car Rental Receivable Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from leases and subleases of vehicles to car rental systems (such as Hertz, Avis, National, Dollar, Budget, *etc.*) and their franchisees, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the subleases are obligations of numerous franchisees and accordingly represent a very diversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee or third party of the underlying vehicle; and (4) such leases or subleases typically provide for the right of the lessee or

sublessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"Cash Collateral Debt Securities" means any CDO Obligation or Other ABS.

"Catastrophe Bonds" means Asset-Backed Securities that entitle the holders thereof to receive a fixed principal or similar amount and a specified return on such amount, generally having the following characteristics: (1) the issuer of such Asset-Backed Security has entered into a swap, insurance contract or similar arrangement with a counterparty pursuant to which such issuer agrees to pay amounts to the counterparty upon the occurrence of certain specified events, including but not limited to: hurricanes, earthquakes and other events; and (2) payments on such Asset-Backed Security depend primarily upon the occurrence and/or severity of such events.

"CDO Commercial Real Estate Securities" means CDO Obligations that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such CDO Obligations) on the cash flow from (and not the market value of) a portfolio of at least 80.0% by principal balance of commercial real estate assets (including, without limitation, CMBS, ABS REIT Debt Securities, mortgage loans, mezzanine loans and loan participations).

"CDO of CDO Security" means a CDO Obligation that entitles the holder thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the CDO Obligation) on the market value of, credit exposure to, or cash flow from, a portfolio of securities or other obligations with respect to which the aggregate principal balance of CDO Obligations permitted to be included therein under the terms thereof is greater than 35.0% of the aggregate principal balance of such portfolio.

"CDS Minimum Ratings" means (x) a short-term debt rating of at least "A-2" by Standard & Poor's or (if it has no short-term debt rating from Standard & Poor's) a long-term debt rating of at least "BBB+" by Standard & Poor's (provided that MLI is not required to satisfy such ratings if MLI posts collateral with the Trustee in the amount required under the ISDA Master Agreement and delivers an opinion of counsel satisfactory to Standard & Poor's regarding the ability of the Trustee to apply the posted collateral in the event of the bankruptcy of MLI), and (y) a short-term debt rating of at least "P-2" by Moody's (which, if such rating is "P-2" is not on credit watch for possible downgrade) or a long-term debt rating of at least "A2" by Moody's (which, if such rating is "A2", is not on credit watch for possible downgrade).

"CDS Principal Payments" means, on any date of determination following the effective date of the Credit Default Swap, the amount that the Reference Obligation Notional Amount will be reduced to reflect principal payments made under the related Reference Obligation.

"CDS Principal Proceeds" means the reduction in the Aggregate Principal Balance of the Credit Default Swaps resulting from (1) CDS Principal Payments on the Reference Obligations, and (2) Dispositions of Credit Default Swaps (including through entry into Hedging Short Credit Default Swaps) but, in the case of a Disposition, only to the extent that the related reduction in the Principal Balance exceeds the amount of any Swap Termination Payment paid by the Issuer (other than from the Principal Collection Account or the Interest Collection Account) in connection with such Disposition and, for the avoidance of doubt, without considering payment by the Issuer of a Physical Settlement Amount or a Principal Shortfall Amount to constitute a Disposition for this purpose. For this purpose, the Trustee shall assume that (i) any application of CDS Principal Proceeds is made first from the CDS Principal Proceeds with the earliest CDS Principal Receipt Date, and (ii) the amount of any Principal Proceeds transferred, at

the discretion of the Collateral Manager, to the CDS Reserve Account will be deemed to be Specified CDS Principal Proceeds on the Determination Date for the third Quarterly Distribution Date following the Due Period in which such Principal Proceeds were received (if the amount thereof has not been reinvested in Credit Default Swaps, as determined in accordance with clause (i) with the date of receipt of Principal Proceeds treated as the CDS Principal Receipt Date).

"CDS Principal Receipt Date" means, in the case of a Disposition of a Long Credit Default Swap (including by entering into a Hedging Short Credit Default Swap) the trade date of such Disposition and, in the case of a CDS Principal Payment, the date on which such payment is made.

"CDS Required Rating" means (x) a short-term debt rating of "A-1+" by Standard & Poor's or (if it has no short-term debt rating from Standard & Poor's) a long-term debt rating of at least "AA-" by Standard & Poor's (provided that MLI or a Replacement CDS Counterparty is not required to satisfy such ratings if MLI or the Replacement CDS Counterparty posts collateral with the Trustee in the amount required under the ISDA Master Agreement) and (y) a short-term debt rating of at least "P-1" by Moody's (which, if such rating is "P-1," is not on credit watch for possible downgrade) and a long-term debt rating of at least "Aa3" by Moody's (which, if such rating is "Aa3," is not on credit watch for possible downgrade).

"CDS Reserve Account Balance" means the aggregate principal balance of the Synthetic Security Collateral (including the Balance of Eligible Investments therein) standing to the credit of the CDS Reserve Account, including amounts irrevocably designated for deposit in the CDS Reserve Account but excluding any portion thereof consisting of (i) investment income or the Total Return Swap LIBOR Payment or (ii) amounts irrevocably designated for withdrawal from the CDS Reserve Account for application as Principal Proceeds or for transfer to the Principal Collection Account.

"CDS Reserve Account Excess" means the amount, if any, by which (a) the sum of (i) the Aggregate Undrawn Amount plus (ii) the CDS Reserve Account Balance exceeds (b) the aggregate Remaining Exposure under all Credit Default Swaps.

"CDS Reserve Account Excess Withdrawal Amount" means the lesser of (i) the CDS Reserve Account Excess (determined as of the time specified in the Indenture) and (ii) the CDS Reserve Account Balance.

"Chassis Leasing Securities" means Asset-Backed Securities (other than Aircraft Lease Securities and Restaurant and Food Services Securities) that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from leases and subleases of chassis (other than automobiles) to commercial and industrial customers, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the leases or subleases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, sublessee or third party of the underlying chassis; and (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the chassis for their stated residual value, subject to payments at the end of lease term for excess usage.

"Class" means each of the Class A-1 Notes, the Class A-2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes.

"Class A Overcollateralization Test" means a test satisfied on any Determination Date occurring on or after the Ramp-Up Completion Date if the Class A Overcollateralization Ratio on such Measurement Date is equal to or greater than [●] %.

"Class A Overcollateralization Ratio" means, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the sum of (i) the Outstanding Class A-1 Funded Amount plus (ii) the Aggregate Undrawn Amount plus (iii) the Aggregate Outstanding Amount of the Class A-2 Notes.

"Class A Parties" means the Class A-1 Swap Counterparty (which shall be deemed for this purpose to be a holder of Class A-1 Notes with an Aggregate Outstanding Amount equal to the Aggregate Undrawn Amount), the holders of the Class A-1 Notes (which may include the Class A-1 Swap Counterparty to the extent it is a holder of any Class A-1 Notes) and the holders of the Class A-2 Notes.

"Class A-1 Funding" means each purchase that the Class A-1 Swap Counterparty will make pursuant to the Class A-1 Swap of Class A-1 Notes from the Co-Issuers at a purchase price equal to the principal amount of the Class A-1 Notes so issued to fund a Permitted Use, including any excess deposited in the CDS Reserve Account (due to the applicability of the Minimum Funding Amount) of the amount funded over the amount required to make the relevant payment, but not including any amounts the Class A-1 Swap Counterparty deposited in a Class A-1 Swap Prefunding Account; *provided* that amounts deposited in a Class A-1 Swap Prefunding Account shall be deemed to be a Class A-1 Funding upon the application thereof to a Permitted Use.

"Class A-1 Note Parties" means the Class A-1 Swap Counterparty (which shall be deemed for this purpose to be a holder of Class A-1 Notes with an Aggregate Outstanding Amount equal to the Aggregate Undrawn Amount) and the holders of the Class A-1 Notes (which may include the Class A-1 Swap Counterparty to the extent it is a holder of any Class A-1 Notes).

"Class A-1 Principal Payment" means, with respect to any Quarterly Distribution Date, an amount equal to the positive difference between (i) the lesser of (x) the Class A Principal Payment Amount and (y) the sum of the CDS Reserve Account Excess Withdrawal Amount and the Distributable Principal Proceeds for the Due Period relating to such Quarterly Distribution Date and (ii) the Class A-2 Reduction Amount.

"Class A-1 Rating Criteria" means criteria that will be satisfied on any date with respect to the Class A-1 Swap Counterparty if its short-term debt, deposit or similar obligations (or the obligations of the guarantor of its obligations) are on such date rated (a) "P-1" by Moody's (and not on credit watch for downgrade) and its long-term debt (or the long-term debt of the guarantor of its obligations) is rated at least "Aa3" by Moody's (and not on credit watch for downgrade) and (b) at least "A-1" (or "A-1+" if the Class A-1 Swap Counterparty is not acting as Credit Default Swap Counterparty) by Standard & Poor's or (if it has no short-term debt rating from Standard & Poor's) its long-term debt is rated at least "A+" by Standard & Poor's.

"Class A-1 Reduction Amount" means, with respect to any Quarterly Distribution Date, an amount equal to the least of (i) the Specified CDS Principal Proceeds or (on or after the last day of the Reinvestment Period) CDS Principal Proceeds for the Due Period and (ii) the positive difference between (A) the Class A-1 Share multiplied by the Class A Principal Payment Amount and (B) the Class A-1 Principal Payment on the Quarterly Distribution Date, or on a Quarterly Distribution Date on or after the occurrence of the Enhanced Level Triggering Event the Class A-1 Enhanced Principal Payment, on the Quarterly Distribution Date and (iii) the largest reduction in the Aggregate Undrawn Amount which would not result in a Notional Amount Shortfall greater than zero after all distributions, payments under

the Credit Default Swaps and Class A-1 Fundings have been made on the Quarterly Distribution Date; *provided*, however, that if after the application of the CDS Reserve Account Excess Withdrawal Amount and the Distributable Principal Proceeds pursuant to the Modified Sequential Payment Priority on a Quarterly Distribution Date, the Total Due Period Amortization for the Due Period exceeds the sum of the Class A-1 Reduction Amount (as calculated without this proviso), the CDS Reserve Account Excess Withdrawal Amount and the Distributable Principal Proceeds, then clause (ii) of this definition shall be increased by the amount of such excess.

"Class A-1 Share" means, for each Quarterly Distribution Date, the ratio (determined as of the close of business on the immediately preceding Quarterly Distribution Date or as of the Closing Date with respect to the first Quarterly Distribution Date) of (a) the sum of (i) the Outstanding Class A-1 Funded Amount and (ii) the Aggregate Undrawn Amount to (b) the sum of (i) the Aggregate Outstanding Amount of the Class A-2 Notes plus (ii) the Outstanding Class A-1 Funded Amount and the Aggregate Undrawn Amount determined pursuant to clause (a)(i) and (ii) above.

"Class A-1 Swap Availability Fee" means the fee payable pursuant to the Class A-1 Swap by the Issuer to the Class A-1 Swap Counterparty on the daily average Aggregate Undrawn Amount under the Class A-1 Swap, for each day from and including the Closing Date to but excluding the Swap Period Termination Date at the Class A-1 Swap Availability Fee Rate.

"Class A-1 Swap Availability Fee Amount" means as of any Quarterly Distribution Date, the sum of (a) the aggregate amount of Class A-1 Swap Availability Fee accrued during the Interest Period ending on such Quarterly Distribution Date plus (b) any Class A-1 Swap Availability Fee Amount due but not paid in any previous Interest Period plus (c) any Defaulted Interest in respect of any Class A-1 Swap Availability Fee Amount due but not paid on any prior Quarterly Distribution Date (which Defaulted Interest shall accrue at the Note Interest Rate applicable to the Class A-1 Notes).

"Class A-1 Swap Prefunding Account Eligible Investments" means any investment which the ISDA Master Agreement (or the related Credit Support Annex) permits the Class A-1 Swap Counterparty to deposit in the Class A-1 Swap Prefunding Account.

"Class A-1 Swap Prefunding Amount" means the amount required to be delivered by the Class A-1 Swap Counterparty to the Class A-1 Swap Prefunding Account pursuant to the Class A-1 Swap if the Class A-1 Swap Counterparty does not satisfy the Class A-1 Rating Criteria and fails to take one of the other actions necessary to satisfy the Class A-1 Rating Criteria within the required period.

"Class A-2 Reduction Amount" means, with respect to any Quarterly Distribution Date, an amount equal to the lesser of (A)(i) the Class A-2 Share multiplied by (ii) the Class A Principal Payment Amount for the Due Period relating to such Quarterly Distribution Date and (B) the difference between (i) the sum of the CDS Reserve Account Excess Withdrawal Amount and the Distributable Principal Proceeds for the Due Period relating to such Quarterly Distribution Date and (ii) the Excess CDS Proceeds Amount (if any) on such Quarterly Distribution Date.

"Class A-2 Share" means an amount equal to 100% minus the Class A-1 Share.

"Class B Overcollateralization Ratio" means, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the sum of (i) the Outstanding Class A-1 Funded Amount plus (ii) the Aggregate Undrawn Amount plus (iii) the Aggregate Outstanding Amount of the Class A-2 Notes plus (iv) the Aggregate Outstanding Amount of the Class B Notes.

"Class C Overcollateralization Ratio" means, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the sum of (i) the Outstanding Class A-1 Funded Amount plus (ii) the Aggregate Undrawn Amount plus (iii) the Aggregate Outstanding Amount of the Class A-2 Notes plus (iv) the Aggregate Outstanding Amount of the Class B Notes plus (v) the Aggregate Outstanding Amount of the Class C Notes.

"Class D Deferred Interest Amount" means any interest on the Class D Notes plus accrued interest thereon at the Class D Rate which is not paid as a result of the operation of the Priority of Payments on any Quarterly Distribution Date on which any Class A Notes, Class B Notes or Class C Notes are outstanding (or the Swap Period Termination Date has not occurred).

"Class D Overcollateralization Ratio" means, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the sum of (i) the Outstanding Class A-1 Funded Amount plus (ii) the Aggregate Undrawn Amount plus (iii) the Aggregate Outstanding Amount of the Class A-2 Notes plus (iv) the Aggregate Outstanding Amount of the Class B Notes plus (v) the Aggregate Outstanding Amount of the Class C Notes plus (vi) the Aggregate Outstanding Amount of the Class D Notes plus (vii) the Class D Deferred Interest Amount.

"Class E Deferred Interest Amount" means any interest on the Class E Notes plus accrued interest thereon at the Class E Rate which is not paid as a result of the operation of the Priority of Payments on any Quarterly Distribution Date on which any Class A Notes, Class B Notes, Class C Notes or Class D Notes are outstanding (or the Swap Period Termination Date has not occurred).

"Class E Overcollateralization Ratio" means, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the sum of (i) the Outstanding Class A-1 Funded Amount plus (ii) the Aggregate Undrawn Amount plus (iii) the Aggregate Outstanding Amount of the Class A-2 Notes plus (iv) the Aggregate Outstanding Amount of the Class B Notes plus (v) the Aggregate Outstanding Amount of the Class C Notes plus (vi) the Aggregate Outstanding Amount of the Class D Notes plus (vii) the Class D Deferred Interest Amount plus (viii) the Aggregate Outstanding Amount of the Class E Notes plus (ix) the Class E Deferred Interest Amount.

"Class E/F/G/H Payment Amount" means, on any Quarterly Distribution Date, from and including the Quarterly Distribution Date in [____] [2007] to and including the Quarterly Distribution Date in [____] [____], an amount equal to [____]% of the difference between (x) the amount of Interest Proceeds remaining after the application of amounts pursuant to clauses (1) through [(19)] of the Interest Proceeds Waterfall minus (y) the Minimum Dividend Yield Amount as of such Quarterly Distribution Date.

"Class F Deferred Interest Amount" means any interest on the Class F Notes plus accrued interest thereon at the Class F Rate which is not paid as a result of the operation of the Priority of Payments on any Quarterly Distribution Date on which any Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes are outstanding (or the Swap Period Termination Date has not occurred).

"Class F Overcollateralization Ratio" means, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the sum of (i) the Outstanding Class A-1 Funded Amount plus (ii) the Aggregate Undrawn Amount plus (iii) the Aggregate Outstanding Amount of the Class A-2 Notes plus (iv) the Aggregate Outstanding Amount of the Class B Notes plus (v) the Aggregate Outstanding Amount

of the Class C Notes plus (vi) the Aggregate Outstanding Amount of the Class D Notes plus (vii) the Class D Deferred Interest Amount plus (viii) the Aggregate Outstanding Amount of the Class E Notes plus (ix) the Class E Deferred Interest Amount plus (x) the Aggregate Outstanding Amount of the Class F Notes plus (xi) the Class F Deferred Interest Amount.

"Class F Overcollateralization Test" means, for so long as any Class of Notes remain Outstanding (or if the Swap Period Termination Date has not occurred), a test satisfied on any Determination Date occurring on or after the Ramp-Up Completion Date if the Class F Overcollateralization Ratio on such Measurement Date is equal to or greater than []% (and solely in connection with determining if clause (37) of the Eligibility Criteria has been satisfied, after taking into account any Class F Overcollateralization Test Redemption to occur on the related Quarterly Distribution Date).

"Class G Deferred Interest Amount" means any interest on the Class G Notes plus accrued interest thereon at the Class G Rate which is not paid as a result of the operation of the Priority of Payments on any Quarterly Distribution Date on which any Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class F Notes are outstanding (or the Swap Period Termination Date has not occurred).

"Class G Notional Amount" means an amount equal to (i) on the Closing Date, U.S.\$[____], and (ii) on each Quarterly Distribution Date thereafter, the Class G Notional Amount on the immediately preceding Quarterly Distribution Date (or, if there is no such date, on the Closing Date), reduced by any payments of principal or Non-Rated Interest Excess received on the Class G Notes on such Quarterly Distribution Date.

"Class G Overcollateralization Ratio" means, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the sum of (i) the Outstanding Class A-1 Funded Amount plus (ii) the Aggregate Undrawn Amount plus (iii) the Aggregate Outstanding Amount of the Class A-2 Notes plus (iv) the Aggregate Outstanding Amount of the Class B Notes plus (v) the Aggregate Outstanding Amount of the Class C Notes plus (vi) the Aggregate Outstanding Amount of the Class D Notes plus (vii) the Class D Deferred Interest Amount plus (viii) the Aggregate Outstanding Amount of the Class E Notes plus (ix) the Class E Deferred Interest Amount plus (x) the Aggregate Outstanding Amount of the Class F Notes plus (xi) the Class F Deferred Interest Amount plus (xii) the Aggregate Outstanding Amount of the Class G Notes plus (xiii) the Class G Deferred Interest Amount.

"Class G Stated Interest Rate" means a floating rate per annum equal to three-month LIBOR plus []%.

"Class H Deferred Interest Amount" means any interest on the Class H Notes plus accrued interest thereon at the Class H Rate which is not paid as a result of the operation of the Priority of Payments on any Quarterly Distribution Date on which any Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class E Notes, Class F Notes or Class G Notes are outstanding (or the Swap Period Termination Date has not occurred).

"Class H Notional Amount" means an amount equal to (i) on the Closing Date, U.S.\$[____], and (ii) on each Quarterly Distribution Date thereafter, the Class H Notional Amount on the immediately preceding Quarterly Distribution Date (or, if there is no such date, on the Closing Date), reduced by any payments of principal or Non-Rated Interest Excess received on the Class H Notes on such Quarterly Distribution Date.

"Class H Overcollateralization Ratio" means, as of any Measurement Date, the number (expressed as a percentage) calculated by dividing (a) the Net Outstanding Portfolio Collateral Balance on such Measurement Date by (b) the sum of (i) the Outstanding Class A-1 Funded Amount plus (ii) the Aggregate Undrawn Amount plus (iii) the Aggregate Outstanding Amount of the Class A-2 Notes plus (iv) the Aggregate Outstanding Amount of the Class B Notes plus (v) the Aggregate Outstanding Amount of the Class C Notes plus (vi) the Aggregate Outstanding Amount of the Class D Notes plus (vii) the Class D Deferred Interest Amount plus (viii) the Aggregate Outstanding Amount of the Class E Notes plus (ix) the Class E Deferred Interest Amount plus (x) the Aggregate Outstanding Amount of the Class F Notes plus (xi) the Class F Deferred Interest Amount plus (xii) the Aggregate Outstanding Amount of the Class G Notes plus (xiii) the Class G Deferred Interest Amount plus (xiv) the Aggregate Outstanding Amount of the Class H Notes plus (xv) the Class H Deferred Interest Amount.

"Class H Stated Interest Rate" means a floating rate per annum equal to three-month LIBOR plus [___] %.

"CLO Securities" means a CDO Obligation the terms of which permit more than [50.0] % of the underlying portfolio of assets to consist of investment in (or credit exposure to) commercial and industrial bank loans.

"Closing Costs" means, without limitation, the legal fees and expenses of counsel to the Co-Issuers, the Collateral Manager and the Initial Purchaser, the expenses, fees and commissions incurred in connection with the Acquisition of the Collateral Debt Securities for inclusion in the Collateral on or prior to the Closing Date, the expenses of offering of the Securities (including fees payable to the Initial Purchaser in connection with the offering of the Securities).

"CMBS Conduit Securities" means Asset-Backed Securities (A) issued by a single-seller or multi-seller conduit under which the holders of such Asset-Backed Securities have recourse to a specified pool of assets (but not other assets held by the conduit that support payments on other series of securities) and (B) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of commercial mortgage loans generally having the following characteristics: (1) the commercial mortgage loans have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the commercial mortgage loans are obligations of a relatively limited number of obligors (with the creditworthiness of individual obligors being less material than for CMBS Large Loan Securities and Credit Tenant Lease Securities) and accordingly represent a relatively undiversified pool of obligor credit risk; (4) upon original issuance of such Asset-Backed Securities no five commercial mortgage loans account for more than 20.0% of the aggregate principal balance of the entire pool of commercial mortgage loans supporting payments on such securities; and (5) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium.

"CMBS Credit Tenant Lease Securities" means Asset-Backed Securities (other than CMBS Large Loan Securities and CMBS Conduit Securities) that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties leased to corporate tenants (or on the cash flow from such leases). They generally have the following characteristics: (1) the commercial mortgage loans or leases have varying contractual maturities; (2) the

commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the leases are secured by leasehold interests; (4) the commercial mortgage loans or leases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment thereof can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans or termination of leases depending on numerous factors specific to the particular obligors or lessees and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; and (6) the creditworthiness of such corporate tenants is the primary factor in any decision to invest in these securities.

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

"CMBS Securities" or **"CMBS"** means CMBS Conduit Securities, CMBS Credit Tenant Lease Securities and CMBS Large Loan Securities and CMBS Single Property Securities.

"CMBS Single Property Securities" means Asset- Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from one or more commercial mortgage loans made to finance the acquisition, construction and improvement of a single property. They generally have the following characteristics: (1) the commercial mortgage loans have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the commercial mortgage loans or leases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; and (4) payment thereof can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans or termination of leases depending on numerous factors specific to the particular obligors or leases and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium.

"Collateral Debt Security" means (i) any CDO Obligation, (ii) any Other ABS, (iii) any Synthetic Security (including a Credit Default Swap) each Reference Obligation of which, and each Deliverable Obligation under which, is a CDO Obligation or Other ABS that would qualify to be included as a Collateral Debt Security hereunder if purchased directly by the Issuer or (iv) any Deliverable Obligation that is a CDO Obligation or Other ABS that would qualify to be included as a Collateral Debt Security hereunder if purchased directly by the Issuer.

"Collateralization Event" means, in respect of any Hedge Counterparty, the occurrence of any event defined in the applicable Hedge Agreement as a "Collateralization Event" thereunder.

"Container Leasing Securities" means Asset-Backed Securities (other than Aircraft Lease Securities and Restaurant and Food Services Securities) that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from leases and subleases of containers to commercial and industrial customers, generally having the following characteristics: (1) the leases or subleases have varying contractual maturities; (2) the leases or subleases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (3) the repayment stream on such leases or subleases is primarily determined by a contractual payment schedule, with early termination of such leases or subleases predominantly dependent upon the disposition to a lessee, sublessee or third party of the underlying containers; and (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the containers for their stated residual value, subject to payments at the end of lease term for excess usage.

"Controlling Class" means the Class A-1 Notes Parties or, if there is no Outstanding Class A-1 Funded Amount and the Swap Period Termination Date has occurred, *then* the Class A-2 Notes or, if there are no Class A-2 Notes outstanding, *then* the Class B Notes or, if there are no Class B Notes outstanding, *then* the Class C Notes or, if there are no Class C Notes outstanding, *then* the Class D Notes, or, if there are no Class D Notes outstanding, *then* the Class E Notes or, if there are no Class E Notes outstanding, *then* the Class F Notes or, if there are no Class F Notes outstanding, *then* the Class G Notes or, if there are no Class G Notes outstanding, *then* the Class H Notes.

"Corporate CDO Security" means any CDO Obligation that entitles the holder thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the CDO Obligations) on the market value of, credit exposure to, or cash flow from, a portfolio of securities or other obligations with respect to which the aggregate principal balance of corporate debt obligations, Investment Grade CDO Securities and High Yield CDO Securities, or any combination of the foregoing (achieved either via cash or synthetically), permitted to be included therein under the terms thereof is greater than 10.0% of the aggregate principal balance of such portfolio.

"Corporate Debt Security" means any outstanding debt security, whether secured or unsecured, that on the date of Acquisition thereof by the Issuer, (i) if subordinated by its terms, is subordinated only to indebtedness for borrowed money, trade claims, capitalized leases or other similar obligations, (ii) is publicly issued or privately placed, (iii) is issued by an issuer incorporated or organized under the laws of the United States or any state thereof or by a Qualifying Foreign Obligor and (iv) is not a CDO Obligation or Other ABS.

"Corporate Guaranteed Security" means any Asset-Backed Security as to which the timely payment of interest when due, and the payment of principal no later than stated legal maturity thereof, is unconditionally guaranteed by a corporation organized in a state of the United States pursuant to a corporate guarantee or other similar instrument, but only if such guarantee or instrument (a) expires no earlier than such stated or actual legal maturity, (b) provides that payment thereunder is independent of the performance by the obligor on such Asset-Backed Security and (c) is issued by an issuer having a credit rating assigned by each nationally recognized statistical rating organization that currently rates such Asset-Backed Security higher than the rating assigned to such Asset-Backed Security determined without giving effect to such corporate guarantee or similar instrument.

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

"Credit Default Swap Counterparty" means MLI, in its capacity as buyer or seller of credit protection under the Credit Default Swaps entered into under the ISDA Master Agreement, together with its successors and assigns in such capacity, or any other Replacement CDS Counterparty that serves in an equivalent capacity hereunder.

"Credit Event Notice" means an irrevocable written notice from the buyer of protection to the seller of protection that describes a Credit Event that occurred during the Notice Delivery Period. A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is effective.

"Credit Improved Security" means any Collateral Debt Security that the Collateral Manager believes, subject to the standard of care in the Collateral Management Agreement (as of the date of the Collateral Manager's determination based upon currently available information), has, since such Collateral Debt Security was purchased by the Issuer, improved in credit quality or value which improvement may (but need not) be evidenced by one of the following: (a) such Collateral Debt Security has been upgraded or put on a watch list for possible upgrade by any of the Rating Agencies, (b) the issuer of such Collateral Debt Security has shown improved financial results, (c) the obligor of or insurer of such Collateral Debt Security has raised significant equity capital or has raised other capital that in the Collateral Manager's judgment has improved the liquidity or credit standing of such obligor or insurer, (d) in the case of an Asset-Backed Security, an improvement in the performance of the underlying pool of assets or an increase in the level of subordination or (e) (1) in the case of a Collateral Debt Security that is rated "Aaa" by Moody's or "AAA" by Standard & Poor's, such Collateral Debt Security has decreased its spread over the applicable benchmark by an amount exceeding 0.10%, (2) in the case of a Collateral Debt Security that is rated "Aa1," "Aa2" or "Aa3" by Moody's or "AA+," "AA" or "AA-" by Standard & Poor's, such Collateral Debt Security has decreased its spread over the applicable benchmark by an amount exceeding 0.10%, (3) in the case of a Collateral Debt Security that is rated "A1," "A2" or "A3" by Moody's or "A+," "A" or "A-" by Standard & Poor's, such Collateral Debt Security has decreased its spread over the interest rate on the applicable benchmark by an amount exceeding 0.15% and (4) in the case of a Collateral Debt Security that is rated "Baa1," "Baa2," "Baa3," "Ba1," "Ba2," or "Ba3" by Moody's or "BBB+," "BBB," "BBB-," "BB+," "BB," or "BB-" by Standard & Poor's, such Collateral Debt Security has decreased its spread over the applicable benchmark by an amount exceeding 0.25%, *provided that*, during any Limited Discretion Period a Collateral Debt Security shall not be a Credit Improved Security unless the Collateral Manager believes such Collateral Debt Security is a Credit Improved Security and either (a) such Collateral Debt Security has been upgraded by Moody's at least one rating subcategory since it was acquired by the Issuer or put on a watch list by Moody's for possible upgrade or (b) such Collateral Debt Security has experienced a decrease in credit spread of 10% or more of the credit spread at which such Collateral Debt Security was purchased by the Issuer, determined by reference to an applicable index selected by the Collateral Manager (subject to the Issuer's delivery of written notice to Moody's of such index and satisfaction of the Rating Condition with respect to Standard & Poor's and such index).

"Credit Risk Security" means any Collateral Debt Security that the Collateral Manager believes, subject to the standard of care in the Collateral Management Agreement (as of the date of the Collateral Manager's determination based upon currently available information), has, since such Collateral Debt Security was purchased by the Issuer, declined, or has a significant risk of declining in credit quality or value (or, there has occurred, or is expected to occur, a deterioration in the quality of the underlying pool of assets) or, with a lapse of time, a significant risk of becoming a Defaulted Security; *provided that*, during any Limited Discretion Period a Collateral Debt Security shall not be a Credit Risk Security unless the Collateral Manager believes such Collateral Debt Security is a Credit Risk Security and either (a) such Collateral Debt Security has been downgraded by Moody's at least one or more rating subcategories since it was acquired by the Issuer or placed by Moody's on a watch list with negative implications since the date on which such Collateral Debt Security was purchased by the Issuer or (b) such Collateral Debt Security has experienced an increase in credit spread of 10% or more of the credit spread at which such Collateral Debt Security was purchased by the Issuer, determined by reference to an applicable index selected by the Collateral Manager subject to the Issuer's delivery of written notice to Moody's of such index and satisfaction of the Rating Condition with respect to Standard & Poor's and such index.

"Current Interest Rate" means, as of any date of determination, (i) with respect to any Fixed Rate Security, the stated rate at which interest accrues on such Fixed Rate Security, (ii) with respect to any Deemed Fixed Rate Security, the Deemed Fixed Spread plus the Deemed Fixed Rate, each related to such Deemed Fixed Rate Security and (iii) with respect to any Hybrid Security prior to the Reset Date, the rate at which interest is payable on such Hybrid Security.

"Current Spread" means, as of any date of determination, (a) with respect to any Floating Rate Security, the stated spread above or below the London interbank offered rate or other applicable floating rate index for such Floating Rate Security at which interest accrues on such Floating Rate Security and (b) with respect to any Deemed Floating Rate Security, the Deemed Floating Rate plus the Deemed Floating Spread, each related to such Deemed Floating Rate Security. For the purpose of this definition, in the case of a Non-LIBOR Floating Rate Security or a Hybrid Security after the Reset Date, the Collateral Manager shall determine (and inform the Issuer and the Trustee in writing of) the Current Spread as the difference between the applicable interest rate payable on such Collateral Debt Security and LIBOR, with LIBOR to be determined as set forth in the definition of LIBOR or, if the Collateral Manager determines that it more accurately reflects the rate applicable to the security, to be determined as if such Floating Rate Security or Hybrid Security after the Reset Date were a Note and using an Interest Period based on the terms of such Floating Rate Security or the Underlying Hybrid Collateral for such Hybrid Security after the Reset Date.

"Custodian" means the custodian under the Account Control Agreement.

"Deemed Fixed Rate" means, with respect to a Deemed Fixed Rate Security, a rate equal to the fixed rate that the relevant Hedge Counterparty agrees to pay to the Issuer under the related Deemed Fixed Rate Hedge Agreement.

"Deemed Fixed Rate Hedge Agreement" means, with respect to a Floating Rate Security, an agreement consisting of a Master Agreement and Schedule and an interest rate swap confirmation with a Hedge Counterparty having a notional amount (or scheduled notional amounts) equal to the principal amount (as it may be reduced by expected amortization) of such Floating Rate Security the interest rate of which is hedged.

"Deemed Fixed Rate Security" means a Floating Rate Security the interest rate of which is hedged into a Fixed Rate Security pursuant to the terms of a Deemed Fixed Rate Hedge Agreement.

"Deemed Fixed Spread" means, with respect to a Deemed Fixed Rate Security, the spread above or below the London interbank offered rate on the Floating Rate Security that comprises such Deemed Fixed Rate Security less the amount of such spread, if any, required to be paid to the relevant Hedge Counterparty under the applicable Deemed Fixed Rate Hedge Agreement.

"Deemed Fixed/Floating Rate Hedge Agreement" means a Deemed Fixed Rate Hedge Agreement or a Deemed Floating Rate Hedge Agreement.

"Deemed Floating Rate" means, with respect to a Deemed Floating Rate Security, the floating rate in excess of or less than the London interbank offered rate that the relevant Hedge Counterparty agrees to pay to the Issuer under a Deemed Floating Rate Hedge Agreement.

"Deemed Floating Rate Hedge Agreement" means, with respect to a Deemed Floating Rate Security, an agreement consisting of a Master Agreement and Schedule and an interest rate swap confirmation with a Hedge Counterparty having a notional amount (or scheduled notional amounts) equal to the principal amount (as it may be reduced by expected amortization) of such Fixed Rate Security the interest rate of which is hedged.

"Deemed Floating Rate Security" means a Fixed Rate Security the interest rate of which is hedged into a Floating Rate Security pursuant to the terms of a Deemed Floating Rate Hedge Agreement.

"Deemed Floating Spread" means, with respect to a Deemed Floating Rate Security, the difference between the stated rate at which interest accrues on the Fixed Rate Security that comprises such Deemed Floating Rate Security and the Fixed Payment Rate.

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

"Defaulted Security" means any Collateral Debt Security:

(1) as to which the issuer has defaulted in the payment of principal or interest without regard to any applicable grace period or waiver; *provided* that a Collateral Debt Security will not be classified as a "Defaulted Security" under this paragraph if (i) the Collateral Manager certifies in writing to the Trustee, subject to the Standard of Care in the Collateral Management Agreement, that such payment default is due to non-credit and non-fraud related reasons and such default does not continue for more than five Business Days (or, if earlier, until the next succeeding Determination Date) or (ii) such payment default or failure to pay has been cured by the payment of all amounts that were originally scheduled to have been paid;

(2) as to which, as a result of the occurrence of an event of default in accordance with its Underlying Instruments, all amounts due under such Collateral Debt Security have been accelerated prior to its stated maturity or such Collateral Debt Security can be immediately so accelerated, unless such rights of acceleration have been waived or such default is cured;

(3) as to which the Collateral Manager knows the issuer thereof is in default (without giving effect to any applicable grace period or waiver) as to payment of principal and/or interest on another obligation (and such payment default has not been cured through the payment in cash of principal and interest then due and payable or waived by all of the holders of such security) which is senior or *pari passu* in right of payment to such Collateral Debt Security and which obligation and such Collateral Debt Security are secured by common collateral; *provided* that a Collateral Debt Security shall not constitute a "Defaulted Security" under this clause (3) if (1) the Collateral Manager has notified the Trustee and the

Rating Agencies in writing of its decision not to treat such Collateral Debt Security as a Defaulted Security and (2) such decision satisfies the Rating Condition with respect to Standard & Poor's;

(4) as to which any bankruptcy, insolvency or receivership proceeding has been initiated in connection with the issuer thereof, or there has been proposed or effected any distressed exchange or other debt restructuring pursuant to which the issuer thereof has offered the holders thereof a new security or package of securities that, the Collateral Manager believes, subject to the standard of care in the Collateral Management Agreement, amounts to a diminished financial obligation or is intended solely to enable the relevant obligor to avoid defaulting in the performance of its payment obligations under such Collateral Debt Security; *provided* that a Collateral Debt Security shall not constitute a "Defaulted Security" under this clause (4) if such Collateral Debt Security was Acquired in a distressed exchange or other debt restructuring and complies with the requirements of the definition of "Collateral Debt Security" and satisfies paragraphs [(1), (3), (4), (6) through (11) (except with respect to the prohibition on a Credit Risk Security), (12) through (17), (20) and (33)] of the Eligibility Criteria at the time of Acquisition thereof;

(5) that has a Moody's Rating of "Ca" or "C" or a Moody's Rating of "Caa3" and is placed by Moody's on a watchlist for possible downgrade by Moody's or has no rating from Moody's but the Issuer has obtained a credit estimate from Moody's that such Collateral Debt Security has a Moody's Rating Factor of 10,000;

(6) that is rated "CC," "D" or "SD" (or has had its rating withdrawn) by Standard & Poor's and the definition of Rating will not apply for purposes of this clause; *provided* that, if the Rating Condition is satisfied as to Standard & Poor's, this clause (6) may be changed by written notice from the Collateral Manager to the Issuer and to the Trustee;

(7) that is a Defaulted Synthetic Security;

(8) that is a Synthetic Security Counterparty Defaulted Obligation;

(9) that is a Deliverable Obligation that would not satisfy paragraphs [(1), (3), (4), (6) through (11) (except with respect to the prohibition on a Credit Risk Security), (12) through (17), (20) and (33)] of the Eligibility Criteria at the time such Deliverable Obligation is delivered to the Issuer; or

(10) that is a Deferred Interest PIK Bond, with respect to which the payment of interest either in whole or in part has been deferred and/or capitalized (and not subsequently paid) in an amount equal to the amount of interest payable for a period equal to the lesser of (1) at least two consecutive interest accrual periods or (2) at least twelve consecutive months.

The Collateral Manager shall be deemed to have knowledge only of information actually received by any portfolio manager employed by the Collateral Manager who performs portfolio management functions for the Issuer or by any credit analyst who performs credit analysis functions for such portfolio manager with respect to the Issuer. Notwithstanding the foregoing, the Collateral Manager may declare any Collateral Debt Security to be a Defaulted Security if, the Collateral Manager believes, subject to the standard of care in the Collateral Management Agreement, that the credit quality of the issuer of such Collateral Debt Security has significantly deteriorated such that there is a reasonable expectation of payment default. Nothing in this definition shall be deemed to require any employee (including any portfolio manager or credit analyst) of the Collateral Manager to obtain, use or share with or otherwise distribute to any other person or entity (a) any information that he or she would be prohibited from obtaining, using, sharing or otherwise distributing by virtue of the Collateral Manager's internal policies relating to confidential communications or (b) material non-public information.

"Defaulted Synthetic Security" means (a) if such Synthetic Security is a Single Obligation Synthetic Security, any Synthetic Security as to which, if the related Reference Obligation were a Collateral Debt Security, such Reference Obligation would constitute a "Defaulted Security" under the definition thereof (other than any of paragraphs (7), (8) or (9) of such definition), (b) if such security is a Bespoke CDO or a Synthetic Security which references more than one Reference Obligation, more than one Reference Obligor or an index of Reference Obligations or Reference Obligors, such Synthetic Security does not provide that the Issuer has any (contingent or otherwise) payment obligations to the Synthetic Security Counterparty after an initial payment thereunder, and the aggregate repayment obligation owing to the Issuer has been reduced by reason of the occurrence of one or more "credit events" or other similar circumstances, the aggregate amount of such reduction (to the extent that it is not already taken into account in the Principal Balance thereof) shall be a Defaulted Security and the remaining Principal Balance of such Synthetic Security shall not be a Defaulted Security, (c) if such Synthetic Security references more than one Reference Obligation, more than one Reference Obligor or an index of Reference Obligations or Reference Obligors and is a Defeased Synthetic Security, any Synthetic Security as to which the Issuer has become obligated to make one or more payments to the Synthetic Security Counterparty by reason of the occurrence of one or more "credit events" or other similar circumstances (in which event a portion of the Principal Balance equal to the maximum payment which the Issuer may be required to make by reason of such credit event shall be a Defaulted Security and the remaining Principal Balance thereof shall not be a Defaulted Security) and (d) any Single Obligation Synthetic Security as to which a Deliverable Obligation has become deliverable to the Issuer by reason of the occurrence of one or more "credit events" or other similar circumstances; *provided* that, at such time (if ever) as a Deliverable Obligation is delivered in respect of such Synthetic Security, clause (9) of the definition of "Defaulted Security" will determine whether it is a Defaulted Security.

"Defaulted Synthetic Termination Payment" means, with respect to any Synthetic Security, any termination payment (and any accrued interest thereon) payable by the Issuer pursuant to such Synthetic Security as a result of an "Event of Default" or "Termination Event" (other than an "Illegality" or "Tax Event") as to which the relevant Synthetic Security Counterparty is the "Defaulting Party" or the sole "Affected Party" (each as defined in such Underlying Instruments). For the avoidance of doubt, any unpaid amounts owed to the Synthetic Security Counterparty independent of any such termination payment shall be deemed not to be part of the Defaulted Synthetic Termination Payment.

"Defeased Synthetic Security" means any Synthetic Security that requires payment by the Issuer after the date upon which it is pledged to the Trustee and that satisfies the following: (a) the Issuer has caused to be deposited in a Synthetic Security Counterparty Account an amount at least equal to the aggregate of (or the amount required under the terms of the Synthetic Security to provide for) all further payments (contingent or otherwise) that the Issuer is or may be required to make to the Synthetic Security Counterparty under the Synthetic Security; (b) the agreement relating to such Synthetic Security contains "non-petition" provisions with respect to the Issuer and "limited recourse" provisions limiting the Synthetic Security Counterparty's rights in respect of the Synthetic Security to the funds and other property credited to the Synthetic Security Counterparty Account related to such Synthetic Security; and (c) the agreement relating to such Synthetic Security contains provisions to the effect that upon the occurrence of an "Event of Default" or "Termination Event" (other than an "Illegality" or "Tax Event"), if any, where the Synthetic Security Counterparty is the sole "Defaulting Party" or the sole "Affected Party" ("Event of Default," "Termination Event," "Illegality," "Tax Event," "Defaulting Party" or "Affected Party," as applicable, as such terms are defined in the ISDA Master Agreement relating to such Synthetic Security) (x) the Issuer may terminate its obligations under such Synthetic Security (other than with respect to any Defaulted Synthetic Termination Payments) and upon such termination and payment of any unpaid amounts payable under the Synthetic Security (other than any Defaulted Synthetic Termination Payment), any lien in favor of the Synthetic Security Counterparty over its related Synthetic Security Counterparty Account will be terminated and (y) upon payment of any Defaulted Synthetic Termination

Payment payable under the Synthetic Security, the Issuer will no longer be obligated to make any payments to the Synthetic Security Counterparty with respect to such Synthetic Security.

"Deferred Interest Amounts" means, the Class D Deferred Interest Amount, the Class E Deferred Interest Amount, the Class F Deferred Interest Amount, the Class G Deferred Interest Amount and/or the Class H Deferred Interest Amount.

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

"Deferred Termination Payment" means a termination payment due to an "Event of Default" as to which any Hedge Counterparty is the sole defaulting party or a "Termination Event" (other than "Illegality" or "Tax Event" (as such terms are defined in the relevant Hedge Agreement)) as to which the Hedge Counterparty is the sole "Affected Party" (with all such terms to have the definitions set forth in the Hedge Agreement) (each such event, a "Subordinated Termination Event").

"Deliverable Obligation" means an obligation that is delivered to the Issuer under a Synthetic Security.

"Designated Maturity" means (a) with respect to Class A-1 Notes (i) for the first Interest Period for a Class A-1 Funding made under the Class A-1 Swap, the number of calendar days from and including the relevant date of the Class A-1 Funding to, but excluding, the Quarterly Distribution Date immediately following the Interest Period in which such Class A-1 Funding is made, (ii) for each Interest Period after the first Interest Period for a Class A-1 Funding made under the Class A-1 Swap (other than the Interest Period ending in [●] [2049]), one month and (iii) for the Interest Period ending in [●] [2049], the number of calendar days from, and including, the first day of such Interest Period to, but excluding, the final Quarterly Distribution Date and (b) with respect to each other Class of Notes, (i) for the first Interest Period, the number of calendar days from and including the Closing Date to but excluding the first Quarterly Distribution Date, (ii) for each Interest Period after the first Interest Period (other than the Interest Period ending on the Quarterly Distribution Date in [●] [2049]), one month and (iii) for the Interest Period ending on the Quarterly Distribution Date in [●] [2049], the number of calendar days from, and including, the first day of such Interest Period to but excluding the final Quarterly Distribution Date.

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

"Discount Haircut Amount" means, with respect to any Discount Security, an amount equal to the greater of (a) zero and (b)(i) the principal amount or certificate balance of such Collateral Debt Security minus (ii) the cost to the Issuer (exclusive of accrued interest) of such Discount Security minus (iii) an amount equal to (A) all principal payments received by the Issuer with respect to such Discount Security multiplied by (B) a fraction the numerator of which is the cost to the Issuer (exclusive of accrued interest) and the denominator of which is the principal amount or certificate balance of such Discount Security at the time of the Acquisition thereof by the Issuer.

"Discount Security" means a Collateral Debt Security (other than a Hedging Short Credit Default Swap or Hedged Long Credit Default Swap) purchased at a cost to the Issuer (exclusive of accrued interest) of: (x) if such Collateral Debt Security is a Floating Rate Security and has a Moody's

Rating "Aa3" or higher at the time it is Acquired by the Issuer, less than [92.0]% of the principal amount (or notional amount in the case of a Synthetic Security) thereof; *provided* that a Collateral Debt Security shall cease to constitute a "Discount Security" for purposes of this clause (x) if the fair market value thereof equals or exceeds [95.0]% of its outstanding principal amount (or notional amount in the case of a Synthetic Security) for four consecutive biweekly valuation dates following the initial valuation date on which such percentage was equaled or exceeded; (y) if such Collateral Debt Security is a Fixed Rate Security and has a Moody's Rating "Aa3" or higher at the time it is Acquired by the Issuer, less than [85.0]% of the outstanding principal amount (or notional amount in the case of a Synthetic Security) thereof; *provided* that a Collateral Debt Security shall cease to constitute a "Discount Security" for purposes of this clause (y) if the fair market value thereof equals or exceeds [90.0]% of its outstanding principal amount (or notional amount in the case of a Synthetic Security) for four consecutive biweekly valuation dates following the initial valuation date on which such percentage was equaled or exceeded; and (z) for any Collateral Debt Security not described in clauses (x) and (y), less than [75.0]% of the principal amount (or notional amount in the case of a Synthetic Security) thereof; *provided* that a Collateral Debt Security shall cease to constitute a "Discount Security" for purposes of this clause (z) if the fair market value thereof equals or exceeds [85.0]% of its outstanding principal amount (or notional amount in the case of a Synthetic Security) for four consecutive biweekly valuation dates following the initial valuation date on which such percentage was equaled or exceeded; *provided*, that in the case of a Synthetic Security, for purposes of this definition only, the fair market value thereof shall be a percentage determined by the Collateral Manager, subject to the standard of care in the Collateral Management Agreement, which determination shall take into account (A) any upfront payment received by the Issuer from, or paid by the Issuer to, the related Synthetic Security Counterparty upon entry into such Synthetic Security, (B) the reference price of such Synthetic Security, (C) any adjustment to the premium payable by the buyer of protection under such Synthetic Security that has been made to reflect the fact that the related Reference Obligation is trading at a price below par and (D) the expected amortization schedule of the Reference Obligation.

"Disposition" means any sale, termination, liquidation, assignment, participation, transfer, novation or other disposition of a Collateral Debt Security (including, in the case of a Credit Default Swap or Synthetic Security, any Acquisition of a related Hedging Short Credit Default Swap or equivalent hedging Synthetic Security with respect thereto) which, for purposes of determining the date of such disposition by the Issuer of any Collateral Debt Security, shall be deemed to occur on the trade date of the transaction pursuant to which such Collateral Debt Security is disposed of, assuming for these purposes, (x) settlement on the specified settlement date in accordance with the customary settlement procedures in the relevant market for such Collateral Debt Security and (y) the receipt by the Issuer of the Proceeds of such Disposition from the relevant counterparty to such transaction on such settlement date; *provided* that (1) if such transaction does not settle by its customary settlement date, such Collateral Debt Security will be deemed not to have been "Disposed" of by the Issuer for purposes of this definition until settlement is actually effected, (2) if at any time the Collateral Manager or the Trustee determines in good faith that the relevant transaction will not settle by its customary settlement date, then such Collateral Debt Security will, immediately upon such determination, be deemed not to have been "Disposed" of by the Issuer for purposes of this definition until settlement is actually effected and (3) the terms "Dispose" and "Disposition" shall be construed in accordance with the foregoing.

"Disposition Proceeds" means (i) all proceeds received as a result of the Disposition of Collateral Debt Securities, Equity Securities and Eligible Investments pursuant to the Indenture, or an Auction, or otherwise, which shall (a) include, in the case of any Synthetic Security, the proceeds of Disposition of any Deliverable Obligations delivered in respect thereof and any distribution received with respect of property credited to a Synthetic Security Counterparty Account if the Synthetic Security or the Synthetic Security Counterparty's security interest therein is terminated or the Synthetic Security is sold, assigned or terminated prior to its scheduled maturity, and (b) be calculated net of any reasonable out-of-

pocket expenses of the Issuer, the Collateral Manager or the Trustee in connection with any such sale; and (ii) all amounts released from a Synthetic Security Counterparty Account (other than any investment income thereon) after payment of all amounts owing by the Issuer to a Synthetic Security Counterparty in accordance with the Indenture.

"Distributable Principal Proceeds" means, on any Quarterly Distribution Date, the remaining Principal Proceeds or (prior to the end of the Reinvestment Period) the remaining Specified Principal Proceeds, after application of any amounts pursuant to clauses (1), (2) and (3) of the Principal Proceeds Waterfall, on such Quarterly Distribution Date.

"Dividend Yield" means, as of any Quarterly Distribution Date, the per annum rate (expressed as a percentage) determined by multiplying (a) the percentage obtained by dividing (i) the aggregate amount of Interest Proceeds remaining after application of amounts pursuant to clause [(19)] of the Interest Proceeds Waterfall on such Quarterly Distribution Date by (ii) the original aggregate Liquidation Preference of all Preference Shares issued on the Closing Date and (b) the number obtained by dividing (i) 360 by (ii) the number of days during the related Interest Period (calculated on the basis of a 360 day year consisting of twelve 30-day months).

"Due Period" means with respect to any Quarterly Distribution Date, each period from, but excluding, the last calendar day of the month prior to the immediately preceding Quarterly Distribution Date to, and including, the last calendar day of the month immediately prior to such Quarterly Distribution Date, except that (a) the initial Due Period will commence on, and include, the Closing Date, (b) the final Due Period will end on, and include, the day preceding the Stated Maturity of the Notes and (c) the last day of each Due Period may be no earlier than the last calendar day of the month of the calendar month preceding the applicable Quarterly Distribution Date or, if such date is not a Business Day, the immediately following Business Day (and if the last day of a Due Period is adjusted pursuant to this clause (c), the succeeding Due Period shall commence on the day immediately following the last day of such Due Period). Amounts that would otherwise have been payable in respect of a Pledged Collateral Debt Security on the last day of a Due Period but for such day's (or, in the case of a Credit Default Swap, the Reference Obligation Payment Date) not being a designated business day in the Underlying Instruments or a Business Day under the Indenture shall be considered included in collections received during such Due Period *provided* that such amounts are received by the Business Day immediately preceding the Quarterly Distribution Date. The Quarterly Distribution Date relating to any Due Period will be the Quarterly Distribution Date that next succeeds the last day of such Due Period. With respect to the Credit Default Swaps, amounts that are received prior to the Quarterly Distribution Date following a Due Period, shall be considered included in collections received during such Due Period.

"EETC Security" means an enhanced equipment trust certificate.

"Eligible Dealer" means a counterparty which meets the following criteria: (1) it has an executed 1992 ISDA Master Agreement with the Credit Default Swap Counterparty or agrees to execute promptly an 1992 ISDA Master Agreement with the Credit Default Swap Counterparty with terms acceptable to the Credit Default Swap Counterparty, (2) it agrees to assume all of the Issuer's obligations under each Credit Default Swap (as modified to conform to the MBS PAUG Credit Default Swap or the CDO PAUG Credit Default Swap published by ISDA that relates to the applicable Reference Obligation, if applicable to a credit default swap transaction), (3) it satisfies the definition of "Dealer" (if any), in the applicable Confirmation, and (4) it satisfies the Credit Default Swap Counterparty's legal and credit criteria in accordance with the credit and legal policies of the Credit Default Swap Counterparty in effect at the time.

"Eligible Investments" include any Dollar-denominated investment that is one or more of the following (and may include investments for which the Trustee and/or its Affiliates or the Collateral Manager and/or its Affiliates provides services or receives compensation):

- (a) cash;
- (b) direct Registered obligations of, and Registered obligations the timely payment of principal and interest on which is fully and expressly guaranteed by, the United States or any agency or instrumentality of the United States the obligations of which are expressly backed by the full faith and credit of the United States;
- (c) demand and time deposits in, certificates of deposit of, bankers' acceptances payable within 183 days of issuance issued by, or Federal funds sold by any depository institution or trust company incorporated under the laws of the United States or any state thereof and subject to supervision and examination by Federal and/or state banking authorities so long as the commercial paper and/or the debt obligations of such depository institution or trust company (or, in the case of a trust company or depository institution in a holding company system, the commercial paper or debt obligations of such holding company (a "Holding Company")) at the time of such investment or contractual commitment providing for such investment have a credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2," such rating is not on watch for possible downgrade by Moody's) and not less than "AA+" by Standard & Poor's in the case of long-term debt obligations, or "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's), "A-1+" by Standard & Poor's (or "A-1" by Standard & Poor's with respect to overnight investments offered by the Bank, so long as the Bank is the Trustee) in the case of commercial paper and short term debt obligations including time deposits; *provided* that in the case of commercial paper and short-term debt obligations with a maturity of longer than 91 days, the issuer thereof (or the Holding Company) must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's and not less than "Aa2" by Moody's (and, if such rating is "Aa2," such rating is not on watch for possible downgrade by Moody's);
- (d) unleveraged repurchase obligations with respect to (i) any security described in clause (b) above or (ii) any other Registered obligation issued or guaranteed by an agency or instrumentality of the United States (in each case without regard to the stated maturity of such security), in either case entered into with a U.S. Federal or state depository institution or trust company (acting as principal) described in clause (c) above or entered into with a corporation (acting as principal) whose long-term rating (or the rating of its Holding Company) is not less than "Aa2" by Moody's (and, if such rating is "Aa2," such rating is not on watch for possible downgrade by Moody's) and not less than "AA+" by Standard & Poor's or whose short term credit rating (or the rating of its Holding Company) is "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and "A-1+" by Standard & Poor's at the time of such investment; *provided* that if such security has a maturity of longer than 91 days, the issuer thereof (or the Holding Company) must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's and a long-term credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2," such rating is not on watch for possible downgrade by Moody's);
- (e) Registered debt securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States or any state thereof that have a credit rating of not less than "Aa2" by Moody's (and, if such rating is "Aa2," such rating is not on watch for possible downgrade by Moody's) and not less than "AA+" by Standard & Poor's;

- (f) commercial paper or other short-term obligations with a maturity of not more than 183 days from the date of issuance and having at the time of such investment a credit rating of "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and not less than "A-1" by Standard & Poor's; *provided* that if such security has a maturity of longer than 91 days, the issuer thereof must also have at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's and not less than "Aa2" by Moody's (and, if such rating is "Aa2," such rating is not on watch for possible downgrade by Moody's);
- (g) Registered reinvestment agreements issued or unconditionally guaranteed by any bank, or a Registered reinvestment agreement issued or unconditionally guaranteed by any insurance company or by any other corporation or entity (if treated as debt by the issuer), in each case, that (i) has a credit rating of "P-1" by Moody's (and such rating is not on watch for possible downgrade by Moody's) and "A-1+" by Standard & Poor's; or (ii) the issuer or guarantor thereof has at the time of such investment a long-term credit rating of not less than "AA+" by Standard & Poor's and not less than "Aa1" by Moody's (and, if such rating is "Aa1," such rating is not on watch for possible downgrade by Moody's); and
- (h) interests in any money market fund or similar investment vehicle having at the time of investment therein the highest credit rating assigned by Moody's and a rating of "AAAm" by Standard & Poor's; *provided* that (i) such fund or similar investment vehicle is formed or has its principal office outside the United States or (ii) payments in respect of an interest in such fund or investment vehicle are not subject to United States withholding tax;

and, in each case (other than clause (a) or (h)), with a stated maturity or, in the case of clause (g), a withdrawal date (in each case giving effect to any applicable grace period) no later than the Business Day immediately preceding the Quarterly Distribution Date next following the Due Period in which the date of investment occurs; *provided* that Eligible Investments may not include (a) any mortgaged-backed security, (b) any security that does not provide for payment or repayment of a stated principal amount in one or more installments, (c) any security purchased at a price in excess of 100% of the par value thereof, (d) any investment the income from or proceeds of Disposition of which is or will be subject to reduction for or on account of any withholding or similar tax, (e) any security the Acquisition (including the manner of Acquisition), ownership, enforcement or Disposition of which will subject the Issuer to net income tax in any jurisdiction outside its jurisdiction of incorporation, (f) any Floating Rate Security (other than the time deposits described in paragraph (c) above) whose interest rate is inversely or otherwise not proportionately related to an interest rate index or is calculated as other than the sum of an interest rate index plus or minus a spread; (g) any security whose rating by Standard & Poor's includes the subscript "r," "t," "p," "pi" or "q," (h) any security that is subject to an Offer; or (i) any security that the Collateral Manager determines to be subject to substantial non-credit-related risk; or (j) any Interest Only Securities; *provided* that notwithstanding the foregoing, (i) when used in relation to a Synthetic Security Counterparty Account, Eligible Investments shall include any investments approved in writing by the related Synthetic Security Counterparty and (ii) Eligible Investments with a maturity greater than one Business Day and a rating of "A-1" by Standard & Poor's may only be held by the Issuer in an amount up to [20]% of the Aggregate Outstanding Amount of the Notes (including for this purpose, the Aggregate Undrawn Amount). Eligible Investments may be obligations of, and may be purchased from, the Trustee and its Affiliates, and may include obligations for which the Trustee or an Affiliate thereof receives compensation for providing services.

"Eligible Successor" means an established institution that (i) has demonstrated an ability to professionally and competently perform duties similar to those imposed upon the Collateral Manager hereunder with at least a substantially similar level of expertise, (ii) is legally qualified and has the capacity to act as Collateral Manager under the Collateral Management Agreement, as successor to the

Collateral Manager under the Collateral Management Agreement in the assumption of all of the responsibilities, duties and obligations of the Collateral Manager under the Collateral Management Agreement and under the applicable terms of the Indenture, (iii) (c) shall not cause the Issuer or the Co-Issuer or the pool of Collateral to become required to register under the provisions of the Investment Company Act and (iv) will perform its duties as Collateral Manager under the Collateral Management Agreement in a jurisdiction where such activities will not cause adverse tax consequences to the Issuer, the Co-Issuer or any holder of Notes or Preference Shares.

"Emerging Market Security" means any security (i) the obligor of which is an Emerging Market Issuer or (ii) that is an ABS CDO Security the Underlying Instruments of which permit more than 20% of its assets to be invested in securities the obligors of which are Emerging Market Issuer, or (iii) that is a Synthetic Security based in whole or in part on a security described in clause (i) or (ii) above.

"Enhanced Class A Overcollateralization Level" means [●] %.

"Enhanced Class B Overcollateralization Level" means [●] %.

"Enhanced Class C Overcollateralization Level" means [●] %.

"Enhanced Class D Overcollateralization Level" means [●] %.

"Enhanced Class E Overcollateralization Level" means [●] %.

"Enhanced Class F Overcollateralization Level" means [●] %.

"Enhanced Class G Overcollateralization Level" means [●] %.

"Enhanced Class H Overcollateralization Level" means [●] %.

"Enhanced Level Triggering Event" means the first date on which the Net Outstanding Portfolio Collateral Balance is less than [50.0] % of the Net Outstanding Portfolio Collateral Balance on the Ramp-Up Completion Date.

"Enhanced Overcollateralization Levels" means the Enhanced Class A Overcollateralization Level, the Enhanced Class B Overcollateralization Level, the Enhanced Class C Overcollateralization Level, the Enhanced Class D Overcollateralization Level, the Enhanced Class E Overcollateralization Level, the Enhanced Class F Overcollateralization Level, the Enhanced Class G Overcollateralization Level and the Enhanced Class H Overcollateralization Level.

"Equipment Leasing Security" means any Asset-Backed Security (other than an Aerospace and Defense Security, Healthcare Security, Restaurant and Food Services Security, Small Business Loan Security and Oil and Gas Security) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from loans, leases and subleases of equipment (other than automobiles, trucks, buses and planes) to commercial and industrial customers, generally having the following characteristics: (1) the loans, leases and subleases have varying contractual maturities; (2) the loans, leases or subleases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (3) the repayment stream on such loans, leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, sublessee or third party of the underlying equipment; and (4) in the case of leases or subleases, such leases or subleases typically

provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of lease term for excess usage.

"Equity Security" means (1) any security that does not entitle the holder thereof to receive periodic payments of interest and one or more installments of principal, unless it is an Asset-Backed Security that is an Interest Only Security or a Principal Only Security, or (2) any class of a REMIC that is not a regular interest as defined in Section 860G(a)(1) of the Code.

"Excepted Property" means (a) the U.S.\$1,000 of capital contributed by the owners of the Issuer's ordinary shares in accordance with the Preference Share Documents and U.S.\$1,000 representing a profit fee to the owners of the Issuer's ordinary shares, together with, in each case, any interest accruing thereon and the bank account in which such cash is held and (b) the membership interests of the Co-Issuer and any assets of the Co-Issuer.

"Excess CDS Proceeds Amount" means, with respect to any Quarterly Distribution Date, an amount (if positive) equal to (i) the Class A-1 Share multiplied by the Distributable Principal Proceeds for the Due Period minus (ii) the Aggregate Undrawn Amount.

"Expense Year" means each 12-month period commencing on the Business Day following a Quarterly Distribution Date (or in the case of the first Expense Year, commencing on the Closing Date) and ending on the Quarterly Distribution Date in the same month in the following year (or, in the case of the first Expense Year, ending on the [•] 2008 Quarterly Distribution Date.

"Failure to Pay Interest" means, with respect to a CDO Obligation, the occurrence of an Interest Shortfall or Interest Shortfalls that in the aggregate exceeds a threshold specified in such CDO PAUG Credit Default, which is expected to be equal to U.S.\$10,000.

"Fixed Payment Rate" means, with respect to a Deemed Floating Rate Security, a rate equal to the fixed rate that the Issuer agrees to pay to the relevant Hedge Counterparty under the related Deemed Floating Rate Hedge Agreement.

"Fixed Rate" means the rate specified as such in the confirmation for the Class A-1 Swap, Credit Default Swap or other Synthetic Security.

"Fixed Rate Excess" as of any Measurement Date will equal a fraction (expressed as a percentage) the numerator of which is equal to the product of (a) the greater of zero and the excess, if any, of the Weighted Average Coupon for such Measurement Date over []% and (b) the Aggregate Principal Balance of all Pledged Collateral Debt Securities that are Fixed Rate Securities or Deemed Fixed Rate Securities (excluding Defaulted Securities, Deferred Interest PIK Bonds and Written Down Securities) and the denominator of which is the Aggregate Principal Balance of all Pledged Collateral Debt Securities that are Floating Rate Securities or Deemed Floating Rate Securities (excluding Defaulted Securities, Deferred Interest PIK Bonds and Written Down Securities).

"Fixed Rate Security" means any Collateral Debt Security other than (i) a Floating Rate Security, (ii) a Deemed Floating Rate Security or (iii) a Credit Default Swap.

"Floating Amount Event" means a Failure to Pay Principal, Writedown or Interest Shortfall.

"Floating Rate Security" means any Collateral Debt Security (other than a Deemed Fixed Rate Security) that is expressly stated to bear interest based on a floating rate index for Dollar denominated obligations commonly used as a reference rate in the United States or the United Kingdom. A Defeased

Synthetic Security will be treated as a Floating Rate Security (which, with respect to a Defeased Synthetic Security that is a credit default swap shall, for purposes of the Weighted Average Spread Test, have a spread over the London interbank offered rate calculated based on the "fixed rate" payable by the Synthetic Security Counterparty under such credit default swap and the payments to the Issuer in respect of the related Synthetic Security Collateral (taking into account any total return swap or similar transaction related thereto) to the extent that they exceed the London interbank offered rate), unless the Collateral Manager notifies the Trustee in writing that it is a Fixed Rate Security by its terms.

"Floorplan Receivable Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) upon assets that will consist of a revolving pool of receivables arising from the purchase and financing by domestic retail motor vehicle dealers for their new and used automobile and light duty truck inventory. The receivables are comprised of principal receivables and interest receivables. In addition to receivables arising in connection with designated accounts, the trust assets may include interests in other floorplan assets, such as: (1) participation interests in pools of assets existing outside the trust and consisting primarily of receivables arising in connection with dealer floorplan financing arrangements originated by a manufacturer or one of its affiliates; (2) participation interests in receivables arising under dealer floorplan financing arrangements originated by a third party and participated to a manufacturer; (3) receivables originated by a manufacturer under syndicated floorplan financing arrangements between a motor vehicle dealer and a group of lenders; or (4) receivables representing dealer payment obligations arising from purchases of vehicles.

"Form-Approved Hedge Agreement" means a Deemed Fixed/Floating Rate Hedge Agreement with respect to which the related Fixed Rate Security or Floating Rate Security could be purchased by the Issuer without individually satisfying the Rating Condition and with respect to which the documentation conforms to a form which either (i) was delivered to each Rating Agency prior to the Closing Date in connection with this transaction and was not disapproved by any of the Rating Agencies or (ii) has satisfied the Rating Condition with respect to Standard & Poor's and Moody's as a Form-Approved Hedge Agreement for specific use in this transaction (as certified in writing to the Trustee by the Collateral Manager); *provided* that if Standard & Poor's or Moody's notifies the Trustee or the Collateral Manager in writing that it has withdrawn form-approved status with respect to a particular Form-Approved Hedge Agreement, then the Issuer shall no longer use such form as a Form-Approved Hedge Agreement; and *provided further*, that such withdrawal of form-approved status shall not affect the status of any Hedge Agreement entered into by the Issuer using such form prior to the withdrawal of form-approved status.

"Form Approved Synthetic Security" means one or more Synthetic Securities, the form of the documents in respect of which either (i) was delivered to the Rating Agencies prior to the Closing Date in connection with this transaction and was approved by the Rating Agencies as evidenced by delivery of rating letters on the Closing Date or (ii) has satisfied the Rating Condition with respect to Moody's and Standard & Poor's for use in this transaction or (iii) is one of the forms attached to the Indenture as an Exhibit; *provided* that (i) if Standard & Poor's or Moody's notifies the Trustee or the Collateral Manager in writing that it has withdrawn form-approved status with respect to a particular Form Approved Synthetic Security, then the Issuer shall no longer use such form as a Form Approved Synthetic Security; and *provided further* that such withdrawal of form-approved status shall not affect the status of any Synthetic Security entered into by the Issuer using such form prior to the withdrawal of form-approved status; and (ii) the Reference Obligation of each such Form Approved Synthetic Security shall be a CMBS, an ABS Type Residential Security or a CDO Obligation unless the Rating Condition has been satisfied with respect to such Reference Obligation.

"Franchise Securities" means (1) Oil and Gas Securities and (2) Restaurant and Food Services Securities, to the extent that such Oil and Gas Securities or Restaurant and Food Services Securities entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from a pool of franchise loans made to operators of franchises.

"Future Flow Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from trade accounts receivable, entertainment royalties, structured litigation settlements or ticket receivables.

"Guaranteed Asset-Backed Security" means a Corporate Guaranteed Security, a Bank Guaranteed Security or an Insurance Company Guaranteed Security.

"HAS Scenario Default Rate Factor" means, as of any date of determination, (a) one minus (b) the Class Scenario Default Rate for the Class A-1 Notes.

"Healthcare Securities" means Asset-Backed Securities (other than Small Business Loan Securities) that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from leases and subleases of equipment to hospitals, non-hospital medical facilities, physicians and physician groups for use in the provision of healthcare services, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the leases or subleases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, sublessee or third party of the underlying equipment; and (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of lease term for excess usage or wear and tear.

"Hedge Counterparty Ratings Requirement" means, with respect to a Hedge Counterparty or any permitted transferee thereof, (a) either (i) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of the related Hedge Rating Determining Party are rated at least "A-1" by Standard & Poor's, or (ii) if no short-term debt obligations of such Hedge Rating Determining Party are rated by Standard & Poor's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated at least "A+" by Standard & Poor's and (b) either (i) (x) the unsecured, unguaranteed and otherwise unsupported short-term debt obligations of such Hedge Rating Determining Party are rated at least "P-1" by Moody's (and such rating is not on watch for possible downgrade) and (y) the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated higher than "A1" by Moody's or are rated "A1" by Moody's (and such rating is not on watch for possible downgrade) or (ii) if there is no such short-term debt rating by Moody's, the unsecured, unguaranteed and otherwise unsupported long-term senior debt obligations of such Hedge Rating Determining Party are rated higher than "Aa3" by Moody's or are rated at least "Aa3" by Moody's (and such rating is not on watch for possible downgrade). The "Hedge Counterparty Ratings Requirement" with respect to any Hedge Counterparty under any Deemed Floating Rate Hedge Agreement or Deemed Fixed Rate Hedge Agreement shall be as set forth above, subject to any amendments to the relevant ratings set forth herein which the Rating Agencies may require, and the Issuer shall seek confirmation as to the level of such ratings from each of the Rating Agencies prior to entering into any Deemed Floating Rate Hedge Agreement or Deemed Fixed Rate Hedge Agreement.

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

"Hedge Rebalancing Purchase" means Acquisition by the Issuer, after the end of the Reinvestment Period using Unscheduled Fixed Rate Principal Proceeds, of Fixed Rate Securities in an amount such that, after taking any such Acquisition into account, the Aggregate Principal Balance of all Fixed Rate Securities does not exceed the aggregate notional amount of the Fixed/Floating Hedge Agreements (if any).

"Hedged Long Credit Default Swap" means a Long Credit Default Swap (or portion of the Reference Obligation Notional Amount thereof) that is the subject of a related Hedging Short Credit Default Swap. For the avoidance of doubt, the portion of the Reference Obligation Notional Amount that is not the subject of a related Hedging Short Credit Default Swap shall be an Unhedged Long Credit Default Swap.

"Hedging Available Spread Amount" means, as of any date of determination, (a) the WAS Excess/Shortfall as of such date of determination multiplied by (b) the product of the Weighted Average Life and the HAS Scenario Default Rate Factor.

"Hedging Premium Test Amount" means, as of any date of determination, (I) the product of the following with respect to any Hedging Short Credit Default Swap with respect to which a Net Issuer Hedged Long Fixed Amount is payable: (a) the Net Issuer Hedged Long Fixed Amount, expressed as a percentage, payable by the Issuer under such Hedging Short Credit Default Swap multiplied by (b) the notional amount of the Hedged Long Credit Default Swap which is hedged by such Hedging Short Credit Default Swap multiplied by (c) the Average Life of the Reference Obligation under the Hedged Long Credit Default Swap which is hedged by such Hedging Short Credit Default Swap, and (II) the product of the following with respect to any Hedged Long Credit Default Swap with respect to which a Net Counterparty Hedged Fixed Amount is payable: (a) the Net Counterparty Hedged Fixed Amount, expressed as a percentage, payable by the Credit Default Swap Counterparty under such Hedged Long Credit Default Swap multiplied by (b) the notional amount of the Hedging Short Credit Default Swap which is hedging such Hedged Long Credit Default Swap multiplied by (c) the Average Life of the Reference Obligation under the Hedging Short Credit Default Swap which is hedging such Hedged Long Credit Default Swap.

"Hedging Short Credit Default Swap" means a Short Credit Default Swap with respect to a Reference Obligation that is the subject of a Long Credit Default Swap; *provided* that a Hedging Short Credit Default Swap may only be entered into under the same form of confirmation and with the same terms (other than the Fixed Rate) as the related Long Credit Default Swap.

"Hedging Short Credit Default Swap Premium Test" means a test which will be satisfied with respect to the entry into or acquisition of any Hedging Short Credit Default Swap by the Issuer if, after giving effect to such entry or acquisition, the Total Hedging Premium Test Amount is less than or equal to the Hedging Available Spread Amount.

"High Yield CDO Securities" means CDO Obligations that are not CLO Securities and that entitle the holders thereof to receive payments that depend primarily on the cash flow from a portfolio of corporate bond securities and/or leveraged loans that are obligations of issuers that have a Moody's Rating below "Baa3."

"Home Equity Loan Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from balances (including revolving balances) outstanding under loans or lines of credit secured by (but not, upon origination, by a first priority lien on) residential real estate (single or multi-family properties) the proceeds of which loans or lines of credit are not generally used to purchase such real estate or to purchase or construct dwellings thereon (or to refinance indebtedness previously so used), generally having the following characteristics: (1) the balances have standardized payment terms and require minimum monthly payments; (2) the balances are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; (3) the repayment stream on such balances does not depend upon a contractual payment schedule, with early repayment depending primarily on interest rates, availability of credit against a maximum line of credit and general economic matters; and (4) the loan or line of credit may be secured by residential real estate with a market value (determined on the date of origination of such loan or line of credit) that is less than the original proceeds of such loan or line of credit.

"Hybrid Securities" means any ABS Type Residential Securities (including, without limitation, any Asset-Backed Securities the payments on which depend primarily on the cash flow from adjustable-rate mortgages) that, pursuant to their Underlying Instruments, pass through to the holders thereof all interest proceeds received in respect of the underlying collateral with respect to such Collateral Debt Securities, and a substituted portion of which underlying collateral consists of assets that bear interest at a fixed rate for a limited period of time (generally greater than 12 months at the time of issuance of the security on a weighted average basis), after which such assets bear interest based upon a floating rate index for Dollar-denominated obligations commonly used as a reference rate in the United States or the United Kingdom. If the Collateral Manager (on behalf of the Issuer) determines in accordance with the Underlying Instruments relating thereto and other customary sources that a Hybrid Security is passing through interest primarily based on a floating rate (and the Collateral Manager may determine this based on the weighted average roll date), the Collateral Manager (on behalf of the Issuer) shall provide notice to the Trustee that such Hybrid Security shall no longer be a Fixed Rate Security and such Hybrid Security shall be a Floating Rate Security and the Collateral Manager shall notify the Trustee from time to time of the Current Spread applicable to such security.

"Hybrid Trust Preferred CDO Securities" means CDO Obligations that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing and timely distribution of proceeds to the holders of the securities) on the cash flow from a pool of trust preferred securities issued by wholly-owned trust subsidiaries of insurance holding companies and U.S. financial institutions, which use the proceeds of such issuance to purchase portfolios of debt securities issued by their parent, and capital notes issued by an insurance company or insurance holding company.

"Index Synthetic Security" means a Synthetic Security which references a recognized index of Reference Obligations or Reference Entities, on which transactions are made in the credit derivatives market.

"Initial Class A Overcollateralization Level" means [●] %.

"Initial Class B Overcollateralization Level" means [●] %.

"Initial Class C Overcollateralization Level" means [●] %.

"Initial Class D Overcollateralization Level" means [●] %.

"Initial Class E Overcollateralization Level" means [●] %.

"Initial Class F Overcollateralization Level" means [●] %.

"Initial Class G Overcollateralization Level" means [●] %.

"Initial Class H Overcollateralization Level" means [●] %.

"Initial Overcollateralization Levels" means the Initial Class A Overcollateralization Level, the Initial Class B Overcollateralization Level, the Initial Class C Overcollateralization Level, the Initial Class D Overcollateralization Level, the Initial Class E Overcollateralization Level, the Initial Class F Overcollateralization Level, the Initial Class G Overcollateralization Level and the Initial Class H Overcollateralization Level.

"Insurance Company Guaranteed Securities" means any Monoline Guaranteed Security or Multiline Guaranteed Security.

"Insurance-Linked Securities" means Asset-Backed Securities that generally entitle the holders thereof to receive payments that depend on the cash flow from qualified investments and a reinsurance agreement or risk swap agreement, generally having the following characteristics: (1) the payment of interest and the repayment of principal is linked to insurance related losses that result from natural events such as seismic events, wind storms or other weather-related events that occur in a specified location during a specified time; and (2) if a covered natural event causes insured losses in excess of a specified amount investors may lose all or a portion of the principal amount of their security.

"Insurance Trust Preferred CDO Securities" means CDO Obligations that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the securities) on the cash flow from a pool of trust preferred securities issued by a wholly-owned trust subsidiary of an insurance holding company which uses the proceeds of such issuance to purchase a portfolio of debt securities issued by its parent, or capital notes issued by an insurance company or insurance holding company.

"Interest Distribution Amount" means, (1) with respect to any Class of Notes (other than the Class A-1 Notes) and any Quarterly Distribution Date, the sum of (a) the aggregate amount of interest accrued at the annual rate at which interest accrues on the Notes of such Class applicable for the related Interest Period on the Aggregate Outstanding Amount of the Notes of such Class on the first day of such Interest Period (after giving effect to any redemption of the Notes of such Class or other payment of principal of the Notes of such Class on any preceding Quarterly Distribution Date) plus (b) any Defaulted Interest in respect of the Notes of such Class and accrued interest thereon, and (2) with respect to the Class A-1 Notes and any Quarterly Distribution Date, the sum of (a) the aggregate amount of interest accrued at the annual rate at which interest accrues on the Notes evidencing each Class A-1 Funding applicable for the related Interest Period on the principal amount of the Notes of such Class A-1 Funding on the first day of such Interest Period (after giving effect to any redemption of the related Class A-1 Notes or other payment of principal of the related Class A-1 Notes on any preceding Quarterly

Distribution Date) plus (b) any Defaulted Interest in respect of the Class A-1 Notes and accrued interest thereon.

"Interest Excess" means the lesser of (a) U.S.\$[●] and (b) the excess, if any, of (i) the sum of the Aggregate Principal Balance of the Collateral Debt Securities plus all Uninvested Proceeds on deposit in the Uninvested Proceeds Account plus all Principal Proceeds in the Collection Accounts plus all CDS Principal Proceeds which have not been reinvested plus the Principal Proceeds distributed on any prior Quarterly Distribution Date, in each case, on the Ramp-Up Completion Date over (ii) U.S.\$ [●].

"Interest Only Security" means any Collateral Debt Security that does not provide for the repayment of a stated principal amount in one or more installments.

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

"Interest Proceeds" means, with respect to any Due Period, the sum (without duplication) of:

(1) all payments of interest on the Collateral Debt Securities (other than interest on Defaulted Securities and Deferred Interest PIK Bonds) received in cash by the Issuer during such Due Period (excluding amounts required to be deposited into the Semi-Annual Interest Reserve Account);

(2) all accrued interest (and Fixed Amounts) received in Cash by the Issuer during such Due Period with respect to Collateral Debt Securities Disposed of by the Issuer (including Disposition Proceeds or other recoveries received in respect of Defaulted Securities and Deferred Interest PIK Bonds in excess of the greater of the applicable portion of the original purchase price paid by the Issuer or the applicable par or face amount thereof except as set forth in clause (2) of the definition of Principal Proceeds);

(3) all payments of interest (including any amount representing the accreted portion of a discount from the face amount of an investment) received in cash by the Issuer prior to the Quarterly Distribution Date next following such Due Period on investments in any Account (except (i) interest on investments in any Synthetic Security Issuer Account, (ii) interest on investments in any Hedge Counterparty Collateral Account, (iii) interest on a security in a Synthetic Security Counterparty Account which is payable to the Synthetic Security Counterparty and (iv) interest on investments in any Class A-1 Swap Prefunding Account) and all payments of principal, including repayments, received in cash by the Issuer prior to the Quarterly Distribution Date next following such Due Period on Eligible Investments purchased with amounts from the Interest Collection Account;

(4) all amendment and waiver fees, all late payment fees, and all other fees and commissions received in cash by the Issuer during such Due Period in connection with Collateral Debt Securities and Eligible Investments (other than fees and commissions received in respect of Defaulted Securities and Deferred Interest PIK Bonds and yield maintenance payments, in each case, included in Principal Proceeds pursuant to clause (5) or (7) of the definition thereof);

(5) interest on securities credited to any Synthetic Security Counterparty Account that are otherwise not payable to a Synthetic Security Counterparty and all payments by a Synthetic Security Counterparty of interest, Fixed Amounts and Interest Shortfall Reimbursement Payments under a Synthetic Security;

(6) all amounts on deposit in the Expense Account, the Semi-Annual Interest Reserve Account and the Reserve Account that are transferred to the Payment Account for application as Interest Proceeds as described below under "Security for the Notes—The Accounts";

(7) on the first Quarterly Distribution Date, Uninvested Proceeds on deposit in the Uninvested Proceeds Account on the related Determination Date or the Ramp-Up Completion Date, as applicable, in an amount equal to the Interest Excess;

(8) all scheduled payments received pursuant to any Hedge Agreements (excluding any payments received by the Issuer by reason of an event of default or termination event or that are received as a result of any partial termination of such Hedge Agreement other than the portion thereof consisting of accrued scheduled payments) less any scheduled payments payable by the Issuer under such Hedge Agreement during such Due Period;

(9) any amounts received in respect of Negative Amortization Capitalization Amounts for such Due Period;

(10) the Subsequent Due Period Interest Collection Amount, if any, for the related Quarterly Distribution Date; and

(11) the Total Return Swap LIBOR Payment and any Libor Breakage Amount or Hedging Amount received by the Issuer less any Libor Breakage Amount or Hedging Amount payable by the Issuer in accordance with the Total Return Swap during such Due Period;

provided that (A) Interest Proceeds shall in no event include (i) any payment or proceeds specifically defined as "Principal Proceeds" in the definition thereof, or (ii) any Excepted Property and (B) for purposes of clause (9) of this definition, at any time when any Negative Amortization Capitalization Amounts have accrued on a Negative Amortization Security, (x) first, unscheduled payments of principal in respect of such Negative Amortization Security, and (y) second (but only if the related payment report delivered to investors indicates that the aggregate Negative Amortization Capitalization Amount (if any) in respect thereof has remained the same or decreased in the related reporting period), scheduled payments of principal in respect of such Negative Amortization Security, shall be deemed to be applied to the reduction of such aggregate Negative Amortization Capitalization Amount and therefore constitute "Interest Proceeds" for purposes of this definition until such aggregate Negative Amortization Capitalization Amount has been reduced to zero. Payments received by or made by the Issuer under a Hedge Agreement, the Total Return Swap or a Synthetic Security on or prior to a Quarterly Distribution Date shall be deemed to have been received during the Due Period related to such Quarterly Distribution Date.

"Interest Shortfall" means, with respect to any payment date under the Reference Obligation related to a Credit Default Swap, either (a) the non-payment of an expected interest amount or (b) the payment of an actual interest amount that is less than the expected interest amount.

"Interest Shortfall Payment Amount" has the meaning given to such term in the Credit Default Swap.

"Interest Shortfall Reimbursement Payment" has the meaning specified in the Credit Default Swap.

"Interest Sufficiency Test" means, (a) in connection with a transfer from the CDS Reserve Account to the Principal Collection Account in accordance with the Indenture, a determination that, based on the Total Return Swap Counterparty's estimate of the LIBOR Breakage Amount (if any) and the Hedging Amount (if any) payable by the Issuer in connection with such transfer, the resulting reduction in the Total Return Swap LIBOR Payment or (b) in connection with payment of a Net Issuer Hedged Long Fixed Amount from the Interest Collection Account or from income on investments in the CDS Reserve Account, that the resulting reduction in Interest Proceeds will not result in (or increase) a deficiency in the Interest Proceeds available to pay the Interest Distribution Amount on the Notes on the related Quarterly Distribution Date in accordance with the Priority of Payments and to pay any Net Issuer Hedged Long Fixed Amounts due on or prior to such Quarterly Distribution Date.

"Inverse Floating Rate Security" means a floating rate security whose interest rate is inversely or otherwise not proportionately related to an interest rate index or is calculated as other than the sum of an interest rate index plus a spread.

"Investment Grade CDO Securities" means CDO Obligations with respect to which at least [80.0]% of the assets in the underlying pool are corporate bonds and/or leveraged loans rated "Baa3" or higher by Moody's and "BBB-" or higher by Standard & Poor's (in each case, if rated by such rating agency).

"IRR" means, with respect to each Quarterly Distribution Date and (a) any Class of Notes, the rate of return on such Class of Notes that would result in a net present value of zero, assuming (i) the Aggregate Outstanding Amount of such Class of Notes on the Closing Date is an initial negative cash flow on the Closing Date and all payments of principal or interest, if any, to the holders of such Class of Notes on such Quarterly Distribution Date and each preceding Quarterly Distribution Date are positive cash flows, (ii) the initial date for the calculation is the Closing Date, (iii) the number of days to each subsequent Quarterly Distribution Date from the Closing Date is calculated on the basis of a 360-day year consisting of twelve 30-day months and (iv) the calculation is made on an annual compounding basis, (b) the Preference Shares, the rate of return on the Preference Shares that would result in a net present value of zero, assuming (i) the original aggregate Liquidation Preference of the Preference Shares is an initial negative cash flow on the Closing Date and all distributions, if any, to the Preference Share Paying Agent (for distribution to the Preference Shareholders) on such Quarterly Distribution Date and each preceding Quarterly Distribution Date are positive cash flows, (ii) the initial date for the calculation is the Closing Date, (iii) the number of days to each subsequent Quarterly Distribution Date from the Closing Date is calculated on the basis of a 360-day year consisting of twelve 30-day months and (iv) the calculation is made on an annual compounding basis or (c) any specified Securities in the aggregate, the aggregate rate of return on all such Securities calculated in accordance with clause (a) above (with respect to the portion of such Securities consisting of Notes) and clause (b) above (with respect to the portion of such Securities consisting of Preference Shares), as applicable.

"Issue" of Collateral Debt Securities means Collateral Debt Securities issued by the same issuer, secured by the same collateral pool or referencing the same index. For Single Obligation Synthetic Securities, the issuer shall be determined based on the Reference Obligation rather than the Synthetic Security.

"Issue Price Adjustment" means, as of any date of determination, (a) with respect to any Floating Rate Security, 0%, (b) with respect to any Fixed Rate Security upon original issuance thereof, 0% and (c) with respect to any Fixed Rate Security on any date after the original issuance thereof, the

product (calculated by the Collateral Manager) of (i) the current duration of such Fixed Rate Security (calculated by the Collateral Manager in accordance with the standard of care set forth in the Collateral Management Agreement) multiplied by (ii) the Benchmark Rate Change on such date of determination multiplied by (iii) the price (expressed as a percentage of par) at which such security was issued upon original issuance.

"Junior Note Reduction Amount" means, the amount required to be paid in accordance with the Modified Sequential Payment Priority during a Modified Sequential Pay Period to each Class of Funded Notes in order to reach or maintain the Overcollateralization Level or Enhanced Overcollateralization Level, as applicable, for such Class.

"Key Person Event" means the voluntary resignation or involuntary termination of the employment by the Collateral Manager (and/or its affiliates) of either of the following key employees of the Collateral Manager (other than due to the death or incapacitation of such key employee): (1) Joseph G. Parish III, Managing Partner and co-founder of NIR Capital or (2) Scott H. Shannon, Managing Partner and co-founder of NIR Capital, unless such person is replaced by another person and a Majority-in-Interest of Preference Shareholders (excluding any Preference Shares that are Collateral Manager Securities) and the holders of a Majority of the Aggregate Outstanding Amount of the Notes of the Controlling Class (excluding any Collateral Manager Securities) consent to such replacement.

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

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

(2) If, on any LIBOR Determination Date, such rate does not appear on Telerate Page 3750 (or such other page as may replace such Telerate Page 3750 for the purpose of displaying comparable rates), as reported by Bloomberg Financial Markets Commodities News, the Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks to prime banks in the London interbank market for U.S. dollar deposits of one month (or as set forth below in clause (3)) (*except* that in the case where such Interest Period shall commence on a day that is not a LIBOR Business Day, for the relevant term commencing on the next following LIBOR Business Day), by reference to requests for quotations as of approximately 11:00 a.m. (London time) on such LIBOR Determination Date made by the Calculation Agent to the Reference Banks. If, on any LIBOR Determination Date, at least two of the Reference Banks provide such quotations, LIBOR shall equal the arithmetic mean of such quotations. If, on any LIBOR Determination Date, fewer than two Reference Banks provide such quotations, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that leading banks in New York City selected by the Calculation Agent (after consultation with the Collateral Manager) are quoting on the relevant LIBOR Determination Date for U.S. dollar deposits for the term of such Interest Period (*except* that in the case where such Interest Period shall commence on a day that is not a LIBOR Business Day, for the relevant term commencing on the next following LIBOR Business Day), to the principal London offices of leading banks in the London interbank market.

(3) In respect of any Interest Period having a Designated Maturity other than one month LIBOR shall be determined through the use of straight-line interpolation by reference to two rates calculated in accordance with clauses (1) and (2) above, one of which shall be determined as if the maturity of the U.S. dollar deposits referred to therein were the period of time for which rates are available next shorter than the Interest Period and the other of which shall be determined as if such maturity were the period of time for which rates are available next longer than the Interest Period; *provided* that, if an Interest Period is less than or equal to seven days, then LIBOR shall be determined by reference to a rate calculated in accordance with clauses (1) and (2) above as if the maturity of the U.S. dollar deposits referred to therein were a period of time equal to seven days.

(4) If the Calculation Agent is required but is unable to determine a rate in accordance with either procedure described in clauses (1) or (2) above, LIBOR with respect to such Interest Period shall be the arithmetic mean of the offered quotations of the Reference Dealers as of 10:00 a.m. (New York time) on the first day of such Interest Period for negotiable U.S. Dollar certificates of deposit of major U.S. money market banks having a remaining maturity closest to the Designated Maturity.

(5) If the Calculation Agent is required but is unable to determine a rate in accordance with any of the procedures described in clauses (1), (2) or (4) above, LIBOR with respect to such Interest Period will be calculated on the last day of such Interest Period and shall be the arithmetic mean of the Base Rate for each day during such Interest Period.

For purposes of clauses (1), (3), (4) and (5) above, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point. For the purposes of clause (2) above, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one thirty-second of a percentage point.

Notwithstanding the foregoing, "LIBOR," for purposes of calculating the Weighted Average Spread with respect to Pledged Collateral Debt Securities paying interest at a floating rate not expressed as a stated spread above the London interbank offered rate will be determined by the Calculation Agent in accordance with the following provisions:

(a) LIBOR for any interest period of a Pledged Collateral Debt Security shall equal the offered rate, as determined by the Calculation Agent, for U.S. dollar deposits of a term of one month that appears on Telerate Page 3750 (or such other page as may replace such Telerate Page 3750 for the purpose of displaying comparable rates), as reported by Bloomberg Financial Markets Commodities News, as of 11:00 a.m. (London time) on the applicable date of determination.

(b) If, on any date of determination, such rate does not appear on Telerate Page 3750 (or such other page as may replace such Telerate Page 3750 for the purpose of displaying comparable rates), as reported by Bloomberg Financial Markets Commodities News, the Calculation Agent shall determine the arithmetic mean of the offered quotations of the Reference Banks to prime banks in the London interbank market for U.S. dollar deposits of one month, by reference to requests for quotations as of approximately 11:00 a.m. (London time) on such date of determination made by the Calculation Agent to the Reference Banks. If, on any date of determination, at least two of the Reference Banks provide such quotations, LIBOR shall equal such arithmetic mean. If, on any date of determination, fewer than two Reference Banks provide such quotations, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that one or more leading banks in New York City selected by the Calculation Agent (after consultation with the Collateral Manager) are quoting on the relevant date of determination for U.S. dollar deposits for the term of one month, to the principal London offices of leading banks in the London interbank market.

(c) If the Calculation Agent is required but is unable to determine a rate in accordance with either procedure described in clauses (a) or (b) above, LIBOR with respect to such interest period shall be the arithmetic mean of the offered quotations of the Reference Dealers as of 10:00 a.m. (New York time) on the date of determination for negotiable U.S. dollar certificates of deposit of major U.S. money market banks having a remaining maturity closest to the Designated Maturity.

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

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

"Limited Discretion Period" means a period that (a) begins on the date that Moody's has withdrawn or reduced its ratings on any of the Class A Notes, Class B Notes or Class C Notes by one or more subcategories or withdrawn or reduced its ratings on any of the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes or the Class H Notes by two or more subcategories below the ratings in effect on the Closing Date (including any placement on "credit watch" with negative implications) and (b) ends on the date that either (i) the Issuer, the Collateral Manager and the Trustee have received written notice from holders of 50% or more of the Aggregate Outstanding Amount of any Class of Notes (which holders shall also forward a copy of such notice to Moody's) directing the Trustee and the Collateral Manager that a Limited Discretion Period is no longer in effect or (ii) Moody's has upgraded any such reduced rating or reinstated any such withdrawn rating of the Class A Notes, Class B Notes or Class C Notes to at least their initial ratings or has upgraded any reduced rating or reinstated any such withdrawn rating of the Class D Notes, the Class E Notes, Class F Notes, the Class G Notes and the Class H Notes, to no more than one subcategory below their initial ratings.

"Liquidation Preference" means, with respect to each Preference Share, U.S.\$1,000.

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

"Long Credit Default Swap" means a Credit Default Swap pursuant to which the Credit Default Swap Counterparty, as buyer of protection, transfers the credit risk associated with the related Reference Obligation to the Issuer, as seller of protection.

"Lottery Receivable Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) upon an arrangement which compensates a winner of a state lottery with one lump sum payment in exchange for a pledge of the lottery payments that individual would have received over a future period of time. Therefore, Lottery Receivable Securities are backed by a diversified pool of payments received from various state lottery commissions in exchange for a lump sum payment to a bona fide winner of a given state lottery.

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

"Managed Bespoke CDO Security" means any CDO Obligation issued by a CDO which issues a single class of securities, where the investors' exposure to credit risk is taken by the issuer entering into a credit default swap with, or purchasing a credit-linked note or similar instrument from, a protection buyer in relation to a pool of asset-backed securities selected by a manager (which may or may not be the protection buyer) which has substitution or similar rights in relation to the pool.

"Management Fee" means the fee payable to the Collateral Manager in arrears on each Quarterly Distribution Date pursuant to the Collateral Management Agreement, in an amount equal to [•]% per annum of the Quarterly Asset Amount for such Quarterly Distribution Date; *provided* that the Management Fee will be payable on each Quarterly Distribution Date only to the extent of funds available for such purpose in accordance with the Priority of Payments. Any accrued but unpaid Management Fee will be deferred. Any unpaid Management Fee that is deferred (whether as a result of the operation of the Priority of Payments as described herein or at the option of the Collateral Manager) shall be paid on the next succeeding Quarterly Distribution Date(s) to the extent funds are available for such purpose in accordance with the Priority of Payments, until such unpaid fee is paid in full, and shall not accrue interest. Any Management Fee accrued but not paid prior to the resignation or removal of a Collateral Manager shall continue to be payable to such Collateral Manager on the Quarterly Distribution Date immediately following the effectiveness of such resignation or removal.

"Manufactured Housing Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from manufactured housing (also known as mobile homes and prefabricated homes) installment sales contracts and installment loan agreements, generally having the following characteristics: (1) the contracts and loan agreements have varying, but typically lengthy contractual maturities; (2) the contracts and loan agreements are secured by the manufactured homes and, in certain cases, by mortgages and/or deeds of trust on the real estate to which the manufactured homes are deemed permanently affixed; (3) the contracts and/or loans are obligations of a large number of obligors and accordingly represent a relatively diversified pool of obligor credit risk; (4) repayment thereof can vary substantially from the contractual payment schedule, with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (5) in some cases, obligations are fully or partially guaranteed by a governmental agency or instrumentality.

"Margin Stock" means "margin stock" as defined under Regulation U issued by the Board of Governors of the Federal Reserve System.

"Market Value CDO Security" means a CDO Obligation whose overcollateralization is measured by reference to the market value of the Underlying Portfolio securing such CDO Obligation.

"Measurement Date" means any of the following: (a) the Closing Date; (b) the Ramp-Up Completion Date; (c) any date after the Ramp-Up Completion Date on which the Issuer Disposes of a Collateral Debt Security or on which a Collateral Debt Security becomes a Defaulted Security, a Deferred Interest PIK Bond or a Written Down Security; (d) each Determination Date; (e) any date during the Reinvestment Period on which the Issuer Acquires a Collateral Debt Security; and (f) with reasonable prior notice to the Issuer, the Collateral Manager and the Trustee, any other Business Day that any Rating Agency or holders of more than 50% of the Aggregate Outstanding Amount of any Class of Notes requests to be a "Measurement Date"; *provided* that if any such date would otherwise fall on a day that is not a Business Day, the relevant Measurement Date will be the next succeeding day that is a Business Day.

"Mezzanine Grade ABS CDO Securities" means 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 debt securities) on the cash flow from a portfolio of asset-backed securities or synthetic securities or any combination of the foregoing, generally having the following characteristics: (1) the asset-backed securities have varying contractual maturities; (2) the asset-backed securities are obligations or obligors or issuers that represent a relatively diversified pool of obligor credit risk; (3) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of asset-backed securities depending on numerous factors specific to the particular issuers or obligors and on whether, in the case of asset-backed securities bearing interest at a fixed rate, such asset-backed securities include an effective prepayment premium; (4) proceeds from such repayments can for a limited period and subject to compliance with certain eligibility criteria be reinvested in additional asset-backed securities; (5) a significant portion of all the securities are rated below A3 by Moody's or A- by S&P at the time of purchase by the Issuer; and (6) the portfolio of asset-backed securities underlying the CDO has a majority of structured finance securities.

"Minimum Dividend Yield Amount" means, with respect to any Quarterly Distribution Date, the amount of Interest Proceeds that would be required to produce a Dividend Yield equal to []% per annum.

"Monoline Guaranteed Security" means any Asset-Backed Security as to which the timely payment of interest when due, and the payment of principal no later than stated legal maturity, is unconditionally guaranteed pursuant to an insurance policy, guarantee or other similar instrument issued by a Monoline Insurer organized under the laws of a state of the United States, but only if such insurance policy, guarantee or other similar instrument (1) expires no earlier than such stated maturity, (2) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset-Backed Security and (3) is issued by a Monoline Insurer having a credit rating assigned by a nationally recognized statistical rating organization that currently rates such Asset-Backed Security which is higher than the credit rating assigned by such rating organization to such Asset-Backed Security determined without giving effect to such insurance policy, guarantee or other similar instrument.

"Monoline Insurer" means a financial guaranty insurance company that guarantees scheduled interest and principal payments on bonds and writes no other line or type of insurance.

"Moody's Rating" of any Collateral Debt Security is (i) if such Collateral Debt Security is rated (publicly or privately) by Moody's, such rating, and (ii) otherwise, a rating determined in accordance with a methodology more fully described in the Indenture.

"Multiline Guaranteed Security" means any Asset-Backed Security as to which the timely payment of interest when due and the payment of principal no later than stated legal maturity is unconditionally guaranteed pursuant to an insurance policy, guarantee or other similar instrument issued by a Multiline Insurer organized under the laws of a state of the United States, but only if such insurance policy, guarantee or other similar instrument (1) expires no earlier than such stated maturity, (2) provides that payment thereunder is independent of the performance by the obligor on the relevant Asset-Backed Security and (3) is issued by a Multiline Insurer having a credit rating assigned to it by a nationally recognized statistical rating organization that currently rates such Asset-Backed Security which is higher than the credit rating assigned by such rating organization that currently rates such Asset-Backed Security which is higher than the credit rating assigned by such rating organization to such Asset-Backed Security determined without giving effect to such insurance policy, guarantee or other similar instrument.

"Multiline Insurer" means an insurance company that writes more than one line or type of insurance.

"Multiple Obligation Synthetic Security" means a Synthetic Security which references more than one Reference Obligation.

"Mutual Fund Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of brokerage fees and costs relating to various mutual funds, generally having the following characteristics: (1) the brokerage arrangements have standardized payment terms and require minimum payments; (2) the brokerage fees and costs arise out of numerous mutual funds and accordingly represent a very diversified pool of credit risk; and (3) the collection of brokerage fees and costs can vary substantially from the contractual payment schedule (if any), with collection depending on numerous factors specific to the particular mutual funds, interest rates and general economic matters.

"Negative Amortization Capitalization Amount" means, with respect to any Negative Amortization Security and any specified period of time, the aggregate amount of accrued interest thereon that has been capitalized as principal pursuant to the related Underlying Instruments during such period, as the same may be reduced from time to time pursuant to and in accordance with the related Underlying Instruments.

"Negative Amortization Haircut Amount" means, with respect to any Negative Amortization Security on any date of determination, the excess (if any) of (a) the Negative Amortization Capitalization Amount therefor (if any) for the period from and including the date of issuance thereof to but excluding such date of determination over (b) the sum of (i) 5% of the original principal amount of such Negative Amortization Security upon issuance and (ii) the amount by which such Negative Amortization Security has already been haircut pursuant to the operation of clause (g) or clause (h), as applicable, of the defined term "Principal Balance" (taking into account the proviso to the definition of Negative Amortization Security in the case of such clause).

"Negative Amortization Security" means an ABS Type Residential Security which (a) permits the related mortgage loan or mortgage loan obligor for a specified period of time to make no repayments of principal and payments of interest in amounts that are less than the interest payments that would otherwise be payable thereon based upon the stated rate of interest thereon, (b) to the extent that interest proceeds received in respect of the related underlying collateral are insufficient to pay interest that is due and payable thereon, permits principal proceeds received in respect of the related underlying collateral to be applied to pay such interest shortfall and (c) to the extent that the aggregate amount of interest proceeds and principal proceeds received in respect of the related underlying collateral are insufficient to pay interest that is due and payable thereon, permits such unpaid interest to be capitalized as principal and itself commence accruing interest at the applicable interest rate, in each case pursuant to the related Underlying Instruments; *provided* that, for purposes of determining which Collateral Debt Securities comprise the Aggregate Principal Balance in excess of the Floor Percentage, if any, for purposes of clauses (g) or (h) of the defined term "Principal Balance," the identity of the Collateral Debt Securities comprising any such excess over the Floor Percentage shall be determined by assuming that any Negative Amortization Securities that could form part of such excess will be the last Collateral Debt Securities that are added to such excess.

"Net Counterparty Hedged Fixed Amount" means, with respect to a Hedged Long Credit Default Swap, on any payment date thereunder, the excess, if any, of the Fixed Amount payable by the Credit Default Swap Counterparty under such Hedged Long Credit Default Swap over the Fixed Amount payable by the Issuer under the related Hedging Short Credit Default Swap on such payment date. Any Interest Shortfall Reimbursement Payment by the Credit Default Swap Counterparty in respect of such a Fixed Amount also will constitute a Net Counterparty Hedged Fixed Amount.

"Net Issuer Hedged Long Fixed Amount" means, with respect to a Hedged Long Credit Default Swap, on any payment date thereunder, the excess, if any, of the Fixed Amount payable by the Issuer under the related Hedging Short Credit Default Swap over the Fixed Amount payable by the Credit Default Swap Counterparty under such Hedged Long Credit Default Swap on such payment date. Any Interest Shortfall Reimbursement Payment by the Issuer in respect of such a Fixed Amount also will constitute a Net Issuer Hedged Long Fixed Amount.

"Net Outstanding Portfolio Collateral Balance" means as of any Measurement Date, an amount equal to (a) the Aggregate Principal Balance as of such Measurement Date of all Pledged Collateral Debt Securities (other than Defaulted Securities and Deferred Interest PIK Bonds) plus (b) the aggregate amount of all Principal Proceeds and Uninvested Proceeds held as cash and the Balance of all Eligible Investments purchased with Principal Proceeds or Uninvested Proceeds and any amount on deposit at such time in the Principal Collection Account or the Uninvested Proceeds Account (without duplication) plus (c) the CDS Reserve Account Excess plus (d) for each Defaulted Security or Deferred Interest PIK Bond, the Calculation Amount with respect to such Defaulted Security or Deferred Interest PIK Bond, as applicable minus (e) solely for the purpose of calculating the Overcollateralization Ratios, the Negative Amortization Haircut Amount. For purposes of paragraphs [(2), (5), (18) through (19), (21) through (24), (26) through (29), (31) and (34) through (35)] of the "Eligibility Criteria", prior to the Ramp-Up Completion Date the Net Outstanding Portfolio Collateral Balance shall be deemed to equal the Aggregate Principal Balance of the Pledged Collateral Debt Securities (or, in the case of paragraph (30) of the "Eligibility Criteria", U.S.\$[_____]).

"NIM Securities" means Asset-Backed Securities that are rated by Moody's (as to principal balance and a stated coupon) and have a Standard & Poor's Rating and that entitle the holders thereof to receive payments that depend primarily (except for the rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from interest spreads from mortgage securitizations.

"Non-LIBOR Floating Rate Security" means a Floating Rate Security that bears interest based upon a floating rate index for Dollar-denominated obligations other than the London interbank offered rate.

"Non-Rated Interest Excess" means on any Quarterly Distribution Date, (A) with respect to the Class G Notes, any payment of interest on the Class G Notes pursuant to the Priority of Payments that is in an amount in excess of a floating rate per annum equal to three-month LIBOR plus [_____] % on such Quarterly Distribution Date and (B) with respect to the Class H Notes, any payment of interest on the Class H Notes pursuant to the Priority of Payments that is in an amount in excess of a floating rate per annum equal to three-month LIBOR plus [_____] % on such Quarterly Distribution Date.

"Notice of Physical Settlement" means a notice from the Credit Default Swap Counterparty to the Issuer that (i) irrevocably confirms that Credit Default Swap Counterparty will settle the Credit Default Swap and require the Issuer to pay the Physical Settlement Amount and (ii) contains a detailed description of the Deliverable Obligations that the Credit Default Swap Counterparty will deliver to the Issuer, including the outstanding principal balance of each such Deliverable Obligation to be delivered and, if available, the CUSIP or ISIN number (if such identifying number is not available, the rate and tenor of the Deliverable Obligation).

"Notice of Publicly Available Information" means an irrevocable written notice from the Synthetic Security Counterparty to the Issuer that cites information reasonably confirming the facts relevant to the determination that the Credit Event described in a Credit Event Notice has occurred.

"Notional Amount Shortfall" means, at any time, the greater of (1) zero and (2) the excess (if any) of (a) the aggregate Remaining Exposure of all Credit Default Swaps over (b) the sum of (i) the Aggregate Undrawn Amount plus (ii) the CDS Reserve Account Balance.

"Offer" means with respect to any security, (i) any offer by the issuer of such security or by any other person made to all of the holders of such security to purchase or otherwise Acquire such security (other than pursuant to any redemption in accordance with the terms of the related Underlying Instruments) or to convert or exchange such security into or for cash, securities or any other type of consideration or (ii) any solicitation by the issuer of such security or any other person to amend, modify or waive any provision of such security or any related Underlying Instrument.

"Oil and Gas Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from (a) a pool of franchise loans made to operators of franchises that provide oil and gasoline and provide other services related thereto and (b) leases or subleases of equipment to such operators for use in the provision of such goods and services. They generally have the following characteristics: (1) the loans, leases or subleases have varying contractual maturities; (2) the loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the obligations of the lessors or sublessors of the equipment may be secured not only by the leased equipment but also the related real estate; (4) the loans, leases and subleases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment of the loans can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; (6) the repayment stream on the leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, a sublessee or third party of the underlying equipment; (7) such leases and subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of a lease term for excess usage or wear and tear; and (8) the ownership of a franchise right or other similar license and the creditworthiness of such franchise operators is the primary factor in any decision to invest in these securities.

"Other ABS" means (i) a Dollar denominated Asset-Backed Security (other than a CDO Obligation or Guaranteed Asset-Backed Security) or (ii) a beneficial interest in a trust all of the assets of which would satisfy the Eligibility Criteria, and in the case of clause (i) and (ii), which is of a Specified Type.

"Other Administrative Expenses" means all Administrative Expenses but excluding Trustee Expenses (other than amounts payable pursuant to any indemnity).

"Overcollateralization Levels" means the Initial Overcollateralization Levels and the Enhanced Overcollateralization Levels.

"Overcollateralization Ratios" means the Class A Overcollateralization Ratio, the Class B Overcollateralization Ratio, the Class C Overcollateralization Ratio, the Class D Overcollateralization Ratio, the Class E Overcollateralization Ratio, the Class F Overcollateralization Ratio, the Class G Overcollateralization Ratio and the Class H Overcollateralization Ratio.

"Physical Settlement Date" means the last day of the period specified in the relevant Credit Default Swap or if such a period is not specified, the longest number of Business Days for settlement in accordance with the current market practice for the related Reference Obligation.

"PIKable Reference Obligation" means a security that, pursuant to the terms of the Underlying Instruments, permits capitalization or deferral of interest on such Reference Obligation.

"PIK Bond" means (i) any security that (or any Synthetic Security the Reference Obligation of which), pursuant to the terms of the related Underlying Instruments, permits the payment of interest thereon to be deferred and capitalized as additional principal thereof or that issues identical securities in place of payments of interest in cash and (ii) expressly provides that such deferral and capitalization does not constitute an event of default (however denominated) under such security or the related Underlying Instruments; *provided* that in no event will a Negative Amortization Security constitute a PIK Bond for purposes of this definition.

"Pledged Collateral Debt Security" means, as of any date of determination, any Collateral Debt Security that has been pledged to the Trustee and has not been released from the lien of the Indenture.

"Pledged Securities" means on any date of determination, (a) the Collateral Debt Securities, Equity Securities and Eligible Investments that have been granted to the Trustee and (b) all non-cash proceeds thereof, in each case, to the extent not released from the lien of the Indenture pursuant thereto.

"Preference Share Redemption Date Amount" means the amount required (after taking into account any dividends or other distributions made or to be made to the holders of the Preference Shares on the applicable Quarterly Distribution Date and all prior Quarterly Distribution Dates in accordance with the Priority of Payments) to ensure that, after distribution of such amount to the Preference Share Paying Agent for distribution to the Preference Shareholders, such Preference Shareholders shall have received (x) for any Quarterly Distribution Date from and including the Quarterly Distribution Date in [_____] [___] to but excluding the Quarterly Distribution Date in [_____] [___], an IRR of not less than [__]% per annum on the Preference Shares for the period from the Closing Date to such Quarterly Distribution Date, (y) for any Quarterly Distribution Date from and including the Quarterly Distribution Date in [_____] [___] to but excluding the Quarterly Distribution Date in [_____] [___], an IRR of not less than [__]% per annum on the Preference Shares for the period from the Closing Date to such Quarterly Distribution Date, (z) for any Quarterly Distribution Date from and including [_____] [___], an IRR of not less than [__]% per annum on the Preference Shares for the period from the Closing Date to such Quarterly Distribution Date. For the avoidance of doubt, the calculation of the IRR will take into account all of the distributions made on the Preference Shares from the Closing Date to (and including) the Redemption Date, regardless of when a Preference Shareholder first purchased its Preference Shares.

"Preference Shares" means the [●] preference shares, par value U.S.\$0.01 per share.

"Principal Balance" or "par" means with respect to any pledged security or Collateral Debt Security, as of any date of determination, the outstanding principal amount or certificate balance of such pledged security or Collateral Debt Security; *provided* that:

(a) the Principal Balance of a Collateral Debt Security received upon acceptance of an Offer for another Collateral Debt Security, which Offer expressly states that failure to accept such Offer may result in a default under the Underlying Instruments, shall be deemed to be the Calculation Amount of such other Collateral Debt Security until such time as Interest Proceeds and Principal Proceeds, as applicable, are received when due with respect to such other Collateral Debt Security;

(b) the Principal Balance of any Synthetic Security shall be equal to (i) in the case of a Synthetic Security that is a credit default swap under which the Issuer is acting as the protection seller (including any Long Credit Default Swap), (A) at any time prior to the delivery of a Notice of Physical Settlement, (1) the Reference Obligation Notional Amount of such Synthetic Security minus (2) in the case of a Long Credit Default Swap, the Reference Obligation Notional Amount of any related Hedging Short Credit Default Swap (which Hedging Short Credit Default Swap shall be treated as part of the Synthetic Security to which it relates for purposes of determining the Principal Balance of both under this clause (A)) or (B) at any time following the delivery of a Notice of Physical Settlement but prior to the due date on which the related Deliverable Obligations are required to be delivered to the Issuer with respect to the Exercise Amount, (1) the Physical Settlement Amount of such Synthetic Security minus (2) the Physical Settlement Amount of any related Hedging Short Credit Default Swap (which shall be treated as part of the Synthetic Security to which it relates for purposes of determining the Principal Balance of both under this clause (B)), in each case determined in accordance with the Underlying Instruments relating thereto, (ii) in the case of a Synthetic Security that is a credit default swap under which the Issuer is acting as the protection buyer (including any Hedging Short Credit Default Swap), zero, (iii) in the case of any other Synthetic Security not described in the foregoing clause (i) or (ii) other than a Synthetic Security in the form of a note, the aggregate amount of the repayment obligations of the Synthetic Security Counterparty payable to the Issuer through the maturity of such Synthetic Security, (iv) in the case of a Synthetic Security in the form of a note, the outstanding principal amount thereof or (v) in the case of any Defeased Synthetic Security, the notional amount thereof reduced by the amount of any payments due and payable to the Synthetic Security Counterparty by reason of the occurrence of one or more "credit events" or other similar circumstances to the extent such payments have not yet been made;

(c) the Principal Balance of any Equity Security, unless otherwise expressly stated herein, shall be deemed to be zero;

(d) the Principal Balance of any Eligible Investment that does not pay cash interest on a current basis will be the lesser of par and the original issue price thereof;

(e) solely for the purpose of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Overcollateralization Ratios, (i) the Principal Balance of any Written Down Security shall be its outstanding principal amount or certificate balance reduced by the Written Down Amount thereof (to the extent it has not already been taken into account in the calculation of its outstanding principal amount or certificate balance) and (ii) the Principal Balance of any Discount Security shall be its principal amount or certificate balance minus the Discount Haircut Amount; *provided* that if (in the case of either clause (i) or clause (ii)) the principal amount or certificate balance of the applicable Collateral Debt Security is also subject to adjustment pursuant to clause (g) below, in the case of the Initial Overcollateralization Ratios, such Collateral Debt Security shall be reduced only pursuant to the clause of this definition of "Principal Balance" that, as of the applicable Determination Date, results in the lowest Principal Balance for that Collateral Debt Security for purposes of the Overcollateralization Ratios;

(f) the Principal Balance of any Step-Up Bond shall not include accreted interest thereon; and

(g) solely for purposes of calculating the Net Outstanding Portfolio Collateral Balance in connection with the Overcollateralization Ratios, if a Moody's Rating or a Standard & Poor's Rating set forth in the table below is applicable to a Collateral Debt Security (other than a Deferred Interest PIK Bond, a Defaulted Security or a Written Down Security), then the Principal Balance of such Collateral Debt Security shall be its outstanding principal amount or certificate balance multiplied by the lower

"Discount Percentage" opposite the Moody's Rating or the Standard & Poor's Rating applicable to such Collateral Debt Security in the following table:

Moody's Rating	Discount Percentage	Floor Percentage	Standard & Poor's Rating	Discount Percentage	Floor Percentage
Ba1, Ba2 or Ba3	[90.0]%	[10.0]%	BB+, BB or BB-	[90.0]%	[10.0]%
B1, B2 or B3	[80.0]%	[0.0]%	B+, B or B-	[70.0]%	[0.0]%
Below B3	[50.0]%	[0.0]%	Below B-	[50.0]%	[0.0]%

provided that:

(A) applicable Collateral Debt Securities having a Standard & Poor's Rating of below BBB- shall be excluded from the operation of the foregoing provision so long as the Aggregate Principal Balance of all such Collateral Debt Securities (determined without regard to the foregoing provision) does not exceed the Floor Percentage of the Net Outstanding Portfolio Collateral Balance (this Floor Percentage being satisfied first by the highest-rated Collateral Debt Securities having a Standard & Poor's Rating below "BBB-"), and thereafter the Discount Percentage shall only be applied to the outstanding principal amount or certificate balance of the applicable Collateral Debt Securities in excess of such Floor Percentage of the Net Outstanding Portfolio Collateral Balance;

(B) applicable Collateral Debt Securities having a Moody's Rating in any of the three rating categories shown in the table above shall be excluded from the operation of the foregoing provision so long as the Aggregate Principal Balance of all such Collateral Debt Securities (determined without regard to the foregoing provision) does not exceed the Floor Percentage of the Net Outstanding Portfolio Collateral Balance for such rating category and thereafter the Discount Percentage shall only be applied to the outstanding principal amount or certificate balance of the applicable Collateral Debt Securities in such rating category in excess of such Floor Percentage of the Net Outstanding Portfolio Collateral Balance; and

(C) the ratings and the amounts of the Discount Percentages and the Floor Percentage with respect to Moody's or Standard & Poor's in the table above may be modified if the Rating Condition with respect to Moody's or Standard & Poor's, as applicable, has been satisfied;

(h) the Principal Balance of a Negative Amortization Security shall be (i) the original principal amount of such Negative Amortization Security on the date of issuance thereof (which amount shall in no event be adjusted to reflect any Negative Amortization Capitalization Amounts thereon) minus (ii) the aggregate amount of all payments made in respect of principal thereof (excluding any payments made in respect of Negative Amortization Capitalization Amounts for any period) from and including the date of issuance thereof to but excluding such date of determination; and

(i) the Principal Balance of an Interest Only Security will be zero.

"Principal Only Security" means any Collateral Debt Security that does not provide for the periodic payment of interest.

"Principal Proceeds" means with respect to any Due Period, the sum (without duplication) of:

(1) any Uninvested Proceeds on deposit in the Uninvested Proceeds Account on the Ramp-Up Completion Date (other than any Interest Excess to be applied as Interest Proceeds);

(2) all payments of principal of the Collateral Debt Securities received in cash by the Issuer during such Due Period (excluding any amounts received in respect of Negative Amortization Capitalization Amounts) including prepayments or mandatory sinking fund payments, or payments in respect of optional redemptions, exchange offers, tender offers, recoveries on Defaulted Securities and Deferred Interest PIK Bonds (but only to the extent of the greater of (x) par or face amount of such securities and (y) the original purchase price paid by the Issuer for such securities), the proceeds of a sale of any Equity Security and any amounts received as a result of optional redemptions, exchange offers, tender offers for any Equity Security received in cash by the Issuer during such Due Period;

(3) Disposition Proceeds received in cash by the Issuer during such Due Period (including those received as a result of the sale of any Deferred Interest PIK Bond or Defaulted Security, but excluding those included in Interest Proceeds as defined above) and any amounts (other than investment income) released from a Synthetic Security Counterparty Account (including termination payments made by the Synthetic Security Counterparty other than "Unpaid Amounts" as defined in the applicable Synthetic Security);

(4) all payments of principal received in cash by the Issuer prior to the Quarterly Distribution Date next following such Due Date on Eligible Investments purchased with amounts from the Principal Collection Account or Uninvested Proceeds Account (excluding any amount representing the accreted portion of a discount from the face amount of an Eligible Investment);

(5) all amendment, waiver, late payment fees and other fees and commissions, received in cash by the Issuer during such Due Period in respect of Deferred Interest PIK Bonds and Defaulted Securities (but only to the extent of par or face amount of such securities);

(6) all payments received in cash by the Issuer during such Due Period that represent call, prepayment or redemption premiums;

(7) yield maintenance payments received in cash by the Issuer during such Due Period;

(8) all scheduled payments of interest on Deferred Interest PIK Bonds and Defaulted Securities received in cash by the Issuer during such Due Period and any other payments in respect thereof not addressed in clauses (1) through (7) above received in cash by the Issuer during such Due Period (but only to the extent of par or face amount of such securities);

(9) all other payments received by the Issuer in such Due Period in connection with the Collateral Debt Securities and Eligible Investments (other than those standing to the credit of any Hedge Counterparty Collateral Account, Synthetic Security Issuer Account or Synthetic Security Counterparty Account) that are not included in Interest Proceeds (including, for the avoidance of doubt, any Principal Reimbursements under a Synthetic Security);

(10) any proceeds resulting from the termination and liquidation of any Hedge Agreement (other than the portion thereof constituting accrued scheduled payments), to the extent such proceeds exceed the cost of entering into a replacement Hedge Agreement in accordance with the requirements set forth in the Indenture;

(11) all payments of interest received in cash by the Issuer during such Due Period to the extent that they represent accrued interest purchased during the Reinvestment Period with Principal Proceeds;

(12) amounts transferred from the Expense Account which are designated by the Collateral Manager as Principal Proceeds; and

(13) any Net Counterparty Hedged Fixed Amounts;

provided that in no event will Principal Proceeds include any Excepted Property.

"Principal Shortfall Amount" means the expected amount of principal on the Reference Obligation which was not paid on the Final Amortization Date or legal final maturity date for the Reference Obligation, applied to the Reference Obligation Notional Amount.

"Proceeds Swap Installment" means, on each Quarterly Distribution Date through and including the Quarterly Distribution Date in [_____] [____], an amount equal to U.S.\$[____], from the Quarterly Distribution Date in [_____] [____] through and including the Quarterly Distribution Date in [_____] [____], an amount equal to U.S.\$[____] and from, the Quarterly Distribution Date in [_____] [____] to and including the Quarterly Distribution Date in [_____] [____], an amount equal to U.S.\$[____], plus any unpaid amounts of a Proceeds Swap Installment due on any prior Quarterly Distribution Date; provided that, on any Quarterly Distribution Date occurring on (or after, in the case of an acceleration of the maturity of the Notes) the earliest to occur of the date of any Optional Redemption, Auction Call Redemption, Tax Redemption or the date of any acceleration of the maturity of the Notes, "Proceeds Swap Installment" shall mean the sum of (a) any unpaid amounts of a Proceeds Swap Installment due on any prior Quarterly Distribution Date plus (b) a termination payment calculated in accordance with the Proceeds Swap.

"Project Finance Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from (1) the sale of products, such as electricity, nuclear energy, steam or water, in the utility industry by a special-purpose entity formed to own the assets generating or otherwise producing such products and such assets were or are being constructed or otherwise acquired primarily with the proceeds of debt financing made available to such entity on a limited-recourse basis (including recourse to such assets and the land on which they are located) or (2) fees or other usage charges, such as tolls collected on a highway, bridge, tunnel or other infrastructure project, collected by a special-purpose entity formed to own one or more such projects that were constructed or otherwise acquired primarily with the proceeds of debt financing made available to such entity on a limited-recourse basis (including recourse to the project and the land on which it is located).

"Purchase Agreement" means the agreement dated as of the Closing Date among the Initial Purchaser and the Co-Issuers relating to the placement of the Securities.

"Pure Private Collateral Debt Security" means any Collateral Debt Security other than (a) a Collateral Debt Security that was issued pursuant to an effective registration statement under the Securities Act or (b) a privately placed Collateral Debt Security that is eligible for resale under Rule 144A or Regulation S under the Securities Act.

"Qualified Purchaser" means (i) a "qualified purchaser" as defined in the Investment Company Act of 1940, as amended (the "Investment Company Act"), (ii) in the case of the Preference Shares, a "knowledgeable employee" with respect to the Issuer within the meaning of Rule 3c-5 of the Investment Company Act or (iii) a company beneficially owned exclusively by one or more such "qualified purchasers" and/or "knowledgeable employees." MLPFS is acting as sole book runner with respect to the placement of the Securities. See "Plan of Distribution" and "Transfer Restrictions."

"Qualifying Foreign Obligor" means a corporation, partnership or other entity located in any of Australia, Canada, France, Germany, Ireland, the Netherlands, New Zealand, Sweden, Switzerland or the United Kingdom, so long as the unguaranteed, unsecured and otherwise unsupported long-term U.S. dollar sovereign debt obligations of such country are rated "Aa2" (and if rated "Aa2" is not on watch for downgrade) or better by Moody's and "AA" or better by Standard & Poor's.

"Quarterly Asset Amount" means with respect to any Quarterly Distribution Date, the Net Outstanding Portfolio Collateral Balance on the first day of the related Due Period.

"Quarterly Distribution Date" means the []th day of [], [], [] and [] of each year, commencing in [] 2007; provided that (a) the final Quarterly Distribution Date with respect to the Notes will be the Quarterly Distribution Date in [] [2049] and (b) if a Quarterly Distribution Date would otherwise fall on a day that is not a Business Day, the relevant Quarterly Distribution Date will be the first following day that is a Business Day and (c) the Accelerated Maturity Date shall be a Quarterly Distribution Date. The "Due Period" relating to any Quarterly Distribution Date shall be the Due Period that immediately precedes such Quarterly Distribution Date.

"Ramp-Up Completion Date" means the date that is the earlier of (a) [•], 2007 and (b) the first date on which the sum of the Aggregate Principal Balance of the Collateral Debt Securities which the Issuer has Acquired or committed to Acquire plus the Balance of all Eligible Investments purchased with Principal Proceeds plus all CDS Principal Proceeds which have not been reinvested plus the Principal Proceeds distributed on any prior Quarterly Distribution Date is at least equal to U.S.\$[•].

"Rating Agency Expenses" means, with respect to any Quarterly Distribution Date, all amounts due or accrued with respect to such Quarterly Distribution Date and payable by the Issuer or the Co-Issuer to the Rating Agencies for fees and expenses in connection with any rating (including the annual fee and any surveillance fees payable with respect to the monitoring of any rating and any credit estimate fees and amendment fees) of the Notes, including fees and expenses due or accrued in connection with any rating of the Collateral Debt Securities not payable by the issuer thereof.

"Rating Condition" means with respect to any action taken or to be taken under the Indenture, a condition that is satisfied when each of Standard & Poor's and Moody's (or if the Indenture expressly so specifies in respect of such action, the specified Rating Agency) has confirmed in writing to the Trustee and the Collateral Manager that such action will not result in the withdrawal, reduction or other adverse action with respect to any then-current rating by such Rating Agency of any Class of Notes.

"Ratings Event" means, with respect to any Hedge Agreement, the occurrence of any event specified in the applicable Hedge Agreement as a "Ratings Event."

"Recreational Vehicle Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from installment sale loans made to finance the acquisition of, or from leases of, recreational vehicles, generally having the following characteristics: (1) the loans or leases may have varying contractual maturities; (2) the loans or leases are obligations of numerous borrowers or lessees and accordingly represent a very diversified pool of obligor credit risk; (3) the borrowers or lessees under the loans or leases generally do not have a poor credit rating; (4) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; and (5) such leases typically provide for the right of the lessee to purchase the recreational vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"Reference Banks" mean four major banks in the London interbank market, selected by the Calculation Agent (after consultation with the Collateral Manager).

"Reference Dealers" mean three major dealers in the secondary market for Dollar certificates of deposit, selected by the Calculation Agent (after consultation with the Collateral Manager).

"Reference Obligation" means (i) any CDO Obligation, (ii) Other ABS or (iii) a specified pool of financial assets (including credit default swaps) or Reference Obligors, either static or revolving. "Reference Obligor" means, with respect to a Reference Obligation, the obligor on such Reference Obligation.

"Reference Obligation Calculation Period" means, with respect to each Reference Obligation Payment Date, a period corresponding to the interest accrual period relating to such Reference Obligation Payment Date pursuant to the Underlying Instruments. For the avoidance of doubt, the first Reference Obligation Calculation Period will begin on the Reference Obligation Payment Date falling on or immediately prior to the effective date of the Reference Obligation.

"Reference Obligation Notional Amount" means, with respect to any Credit Default Swap, an amount equal to the outstanding principal amount of the related Reference Obligation; *provided* that, following the effective date of the Credit Default Swap, the Reference Obligation Notional Amount will be reduced to reflect CDS Principal Payments, Floating Amounts paid following any Failure to Pay Principal and any Writedown and each Exercise Amount in connection with a physical settlement following a Credit Event and will be increased by any Principal Reimbursements in respect of Failures to Pay Principal or Writedown.

"Reference Obligation Payment Date" means (i) each scheduled distribution date for the Reference Obligation occurring on or after the effective date of the Reference Obligation and on or prior to the scheduled termination date of the Credit Default Swap, determined in accordance with the Underlying Instruments and (ii) any day after the Effective Maturity Date on which a payment is made in respect of the Reference Obligation.

"Reference Security Interest Distribution" means (i) any interest payable to a holder of the Reference Security in respect of and pursuant to the terms of such Reference Security (including regularly scheduled interest and any interest payable on such amount pursuant to the terms of the Reference Security because such interest was not timely paid), (ii) any amounts payable to a holder of the Reference Security that have accreted in accordance with the terms of such Reference Security since the determination of the initial principal amount of such Reference Security and (iii) any commitment fees, make-whole amounts, redemption premium, amendment fees, collateral realization amounts, insurance payouts and other fees and amounts received by a holder of the Reference Security (whether paid by the obligor, a trustee or paying agent in respect of the Reference Security or any other similar entity or obligor in respect of such Reference Security to a holder of such Reference Security) that do not constitute a payment of principal of such Reference Security.

"Reference Security Tax Criteria" means an obligations or security that, for U.S. Federal income tax purposes, is (A) debt, (B) issued only by one or more corporations that are not United States real property holding corporations, (C) issued only by persons not engaged in a trade or business within the United States or (D) a certificate of beneficial interest in a grantor trust for U.S. Federal income tax purposes all the assets of which the Issuer could have acquired directly under (A), (B) or (C) as evidenced by (i) an opinion of counsel or (ii) a reference to an opinion of counsel in offering documents (such as a private placement memorandum, offering circular, offering memorandum) provided that there has been no change in the terms of such security prior to the date of such obligation or security's acquisition by the

Issuer, provided further, (x) the Issuer shall not acquire 50% or more of all the debt securities of a particular offering and (y) MLI and its affiliates did not negotiate or structure the terms of such obligation or security (other than acting as investor in making decisions on choices made available to other investors). The term "affiliate" shall not include an ML affiliate (1) whose personnel are not directly managed by and who do not report directly to the same personnel at MLI who select the Reference Security and (2) whose personnel are not compensated based upon the performance of the group at MLI who select the Reference Security.

"Registered" means such security is in registered form for U.S. Federal tax purposes and was issued after July 18, 1984; *provided* that a certificate of interest in a trust treated as a grantor trust for U.S. Federal tax purposes will not be treated as Registered unless each of the obligations or securities held by such trust was issued after July 18, 1984.

"Reg Y Institution" means any Preference Shareholder that is, or is controlled by a person that is, subject to the provisions of Regulation Y of the Board of Governors of the Federal Reserve System of the United States (12 C.F.R. Part 225) or any successor to such regulation, but excludes, in any event, (a) any "qualifying foreign banking organization" within the meaning of Regulation K of the Board of Governors of the Federal Reserve System (12 C.F.R. Section 211.23) that has booked its investment in the Preference Shares outside the United States and (b) any financial holding company or subsidiary of a financial holding company authorized to engage in merchant banking activities pursuant to Section 4(k)(4)(H) of the Bank Holding Company Act of 1956, as amended.

"Reinvestment Period" means the period from (and including) the Closing Date to (but excluding) the earliest of (a) the Quarterly Distribution Date occurring in [•] [2012], (b) the date of any Tax Redemption, (c) the Quarterly Distribution Date on which the Collateral Manager specifies (by notice to the Trustee) that no further investments in additional Collateral Debt Securities will occur, (d) the date on which an Event of Default resulting in an acceleration of the Notes occurs, and (e) any date after NIR has resigned or been removed as Collateral Manager, on which the holders of at least a majority in Aggregate Outstanding Amount of the Controlling Class or a Majority-in-Interest of the Preference Shareholders notify the Trustee and the Collateral Manager that the Reinvestment Period shall be terminated.

"REIT Debt Securities—Diversified" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on a portfolio of diverse real property interests; *provided* that (a) any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security and (b) any Asset-Backed Security falling within any other ABS REIT Debt Security description set forth herein shall be excluded from this definition.

"REIT Debt Securities—Health Care" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on hospitals, clinics, sport clubs, spas and other health care facilities and other similar real property interests used in one or more similar businesses; *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Hotel" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist

primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on hotels, motels, youth hostels, bed and breakfasts and other similar real property interests used in one or more similar businesses; *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Industrial" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on factories, refinery plants, breweries and other similar real property interests used in one or more similar businesses; *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Mortgage" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages, commercial mortgage-backed securities, collateralized mortgage obligations and other similar mortgage-related securities (including Asset-Backed Securities issued by a hybrid form of such trust that invests in both commercial real estate and commercial mortgages); *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Multi-Family" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of residential mortgages on multi-family dwellings such as apartment blocks, condominiums and co-operative owned buildings; *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Office" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on office buildings, conference facilities and other similar real property interests used in the commercial real estate business; *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Residential" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of residential mortgages (other than multi-family dwellings) and other similar real property interests; *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Retail" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on retail stores, restaurants, bookstores, clothing

stores and other similar real property interests used in one or more similar businesses; *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Debt Securities—Storage" means Asset-Backed Securities issued by a real estate investment trust (as defined in Section 856 of the Code or any successor provision) whose assets consist (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) of mortgages on storage facilities and other similar real property interests used in one or more similar businesses; *provided* that any Asset-Backed Security falling within this definition shall be excluded from the definition of each other Specified Type of Asset-Backed Security.

"REIT Trust Preferred CDO Securities" means CDO Obligations that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the securities) on the cash flow from a pool of trust preferred securities issued by a REIT or a wholly-owned trust subsidiary of a REIT.

"Related Security" means, with respect to a Deemed Fixed Rate Hedge Agreement, the related Deemed Fixed Rate Security, and, with respect to a Deemed Floating Rate Hedge Agreement, the related Deemed Floating Rate Security.

"Remaining Exposure" means, (i) with respect to any Credit Default Swap that is an Unhedged Long Credit Default Swap, the sum (without duplication) of (a) the maximum aggregate Floating Amounts or Physical Settlement Amounts and (b) the maximum net settlement amount (whether at the time funded or unfunded) that, in each case, the Issuer could be required to pay or otherwise transfer to the related Synthetic Security Counterparty (including MLI) thereunder, in each case to the extent such obligation to make such payment or transfer has not expired or been terminated pursuant to the Underlying Instruments relating to such Credit Default Swap and (ii) zero with respect to any Credit Default Swap that is a Hedged Long Credit Default Swap. Unless the Credit Default Swap Counterparty otherwise notifies the Issuer and the Trustee, the Remaining Exposure under an Unhedged Long Credit Default Swap will be equal to the Reference Obligation Notional Amount or, if the Issuer has made a Disposition of an Unhedged Long Credit Default Swap, the Swap Termination Payment due from the Issuer (if any) if it has not been paid.

"Reset Date" means, with respect to any Hybrid Security, the date on which the Collateral Manager on behalf of the Issuer notifies the Trustee that such Hybrid Security is primarily paying interest based on floating rates and therefore shall no longer be considered a Fixed Rate Security.

"Residential A Mortgage Securities" means Asset-Backed Securities (other than Residential B/C Mortgage Securities) that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by residential real estate (single or multi-family properties) the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used), generally having the following characteristics: (1) the mortgage loans have generally been underwritten to the standards of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (without regard to the size of the loan); (2) the mortgage loans have standardized payment terms and require minimum monthly payments; (3) the mortgage loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (4) the repayment of such

mortgage loans is subject to a contractual payment schedule, with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling.

"Residential B/C Mortgage Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from residential mortgage loans secured (on a first priority basis, subject to permitted liens, easements and other encumbrances) by subprime residential real estate (single or multi-family properties) the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used), generally having the following characteristics: (1) the mortgage loans have generally not been underwritten to the standards of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (without regard to the size of the loan); (2) the mortgage loans have standardized payment terms and require minimum monthly payments; (3) the mortgage loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (4) the repayment of such mortgage loans is subject to a contractual payment schedule, with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling.

"Restaurant and Food Services Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from (a) a pool of franchise loans made to operators of franchises that provide goods and services relating to the restaurant and food services industries and (b) leases or subleases of equipment to such operators for use in the provision of such goods and services. They generally have the following characteristics: (1) the loans, leases or subleases have varying contractual maturities; (2) the loans may be secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the obligations of the lessors or sublessors of the equipment may be secured not only by the leased equipment but also the related real estate; (4) the loans, leases and subleases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment of the loans can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; (6) the repayment stream on the leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, a sublessee or third party of the underlying equipment; (7) such leases and subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of a lease term for excess usage or wear and tear; and (8) the ownership of a franchise right or other similar license and the creditworthiness of such franchise operators is the primary factor in any decision to invest in these securities.

"RMBS" means Residential A Mortgage Securities, Residential B/C Mortgage Securities and Home Equity Loan Securities.

"Semi-Annual Interest Distributions" means, with respect to any Collateral Debt Security, distributions of interest on such Collateral Debt Security that are scheduled to be made on a semi-annual basis.

"Semi-Annual Interest Release Amount" means, with respect to any Quarterly Distribution Date and any Semi-Annual Interest Distribution received by the Issuer in respect of any Collateral Debt Security on any Due Period occurring prior to such Quarterly Distribution Date, an amount equal to such

Semi-Annual Interest Distribution divided by six (6); provided, however, that, the aggregate of all Semi-Annual Interest Release Amounts related to any Semi-Annual Interest Distribution received by the Issuer in respect of any Collateral Debt Security on any Due Period will not exceed such Semi-Annual Interest Distribution.

"Sequential Pay Period" means, after the Ramp-Up Period, the period commencing on the earliest to occur of (a) the first date on which the Net Outstanding Portfolio Collateral Balance is less than [30]% of the Net Outstanding Portfolio Collateral Balance on the Ramp-Up Completion Date, (b) the first Determination Date as of which an Event of Default has occurred and is continuing and (c) the first date on which the rating of any outstanding Class of Notes by Standard & Poor's or Moody's has been reduced or withdrawn (and in the case of a withdrawal or reduction by Moody's, the holders of at least a majority in Aggregate Outstanding Amount of the Controlling Class consents to such event constituting the commencement of the "Sequential Pay Period" for purposes of this definition); *provided that*, once the Sequential Pay Period has commenced, a Modified Sequential Pay Period may not commence on any future date.

"Servicer" means with respect to any Collateral Debt Security or the Reference Obligation of a Synthetic Security, the entity that, absent any default, event of default or similar condition (however described), is primarily responsible for managing, servicing, monitoring and otherwise administering the cash flows from which payments to investors in such Collateral Debt Securities or the Reference Obligation of the Synthetic Security are made; *provided, however*, "Servicer" shall not include any collateral manager, swap counterparty or other service provider for any issuer of any CDO Obligation (including, without limitation, any Bespoke CDO Security) or a credit-linked note.

"Shipping Securities" means Asset-Backed Securities that entitle holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flows from ship financing and shipping industry related loans.

"Short Credit Default Swap" means a Credit Default Swap pursuant to which the Issuer is acting as a buyer of protection with respect to the related Reference Obligation.

"Single Obligation Synthetic Security" means a Synthetic Security that references only one Reference Obligation.

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

"Special Majority-in-Interest of Preference Shareholders" means at any time, Preference Shareholders whose aggregate Voting Percentages at such time exceed 66²/₃% of all Preference Shareholders' Voting Percentages at such time.

"Special Interest Proceeds" means all Interest Proceeds that the Trustee is directed to apply in accordance with the Sequential Payment Priority pursuant to any of clauses [(16)], [(18)] and [(24)] of the Interest Proceeds Waterfall.

"Special Purpose Vehicle Jurisdiction" means (a) the Cayman Islands, the Bahamas, Bermuda, the British Virgin Islands, Guernsey, Jersey, Luxembourg or the Netherlands Antilles and (b) any other jurisdiction (x) that is commonly used as the place of organization of special or limited purpose vehicles that issue Asset-Backed Securities, (y) that generally imposes no or nominal tax on the income of special-purpose vehicles and (z) the designation of which as a Special Purpose Vehicle Jurisdiction satisfies the Rating Condition.

"Specified CDS Principal Proceeds" means for any Due Period (A) any CDS Principal Proceeds that the Collateral Manager elects, by written notice to the Trustee given on or prior to the relevant Determination Date, to treat as Specified CDS Principal Proceeds during such Due Period and (B) any CDS Principal Proceeds not reinvested by the Determination Date for the second Quarterly Distribution Date following the Due Period of the CDS Principal Receipt Date for such CDS Principal Proceeds. For this purpose, the Trustee shall assume that (i) any application of CDS Principal Proceeds is made first from the CDS Principal Proceeds with the earliest CDS Principal Receipt Date, and (ii) the amount of any Principal Proceeds transferred, at the discretion of the Collateral Manager, to the CDS Reserve Account will be deemed to be Specified CDS Principal Proceeds on the Determination Date for the second Quarterly Distribution Date following the Due Period in which such Principal Proceeds were received (if the amount thereof has not been reinvested in Credit Default Swaps, as determined in accordance with clause (i) with the date of receipt of Principal Proceeds treated as the CDS Principal Receipt Date).

"Specified Principal Proceeds" means for any Due Period (A) any Principal Proceeds that the Collateral Manager elects, by written notice to the Trustee given prior to the relevant Determination Date, to treat as Specified Principal Proceeds during such Due Period, (B) any Principal Proceeds not reinvested by the Determination Date for the second Quarterly Distribution Date following the Due Period in which the Issuer received such Principal Proceeds, (C) any Principal Proceeds consisting of payments or proceeds of Defaulted Securities received during such Due Period and (D) any Principal Proceeds available on a Quarterly Distribution Date relating to a Determination Date on which the Class F Overcollateralization Ratio is not satisfied. For this purpose the Trustee shall assume that (i) any application of Principal Proceeds is made first from the Principal Proceeds received by the Issuer on the earliest date, and (ii) the amount of any CDS Reserve Account Excess transferred, at the discretion of the Collateral Manager, to the Principal Collection Account will be deemed to be Specified Principal Proceed on the Determination Date for the second Quarterly Distribution Date following the Due Period in which the CDS Principal Receipt Date occurred (if the amount thereof has not been reinvested in Collateral Debt Securities, as determined in accordance with clause (i) with the CDS Principal Receipt Date treated as the date such amount was received by the Issuer).

"Spread Excess" as of any Measurement Date will equal a fraction (expressed as a percentage) the numerator of which is equal to the product of (a) the greater of zero and the excess, if any, of the Weighted Average Spread for such Measurement Date over [•]% and (b) the Aggregate Principal Balance of all Pledged Collateral Debt Securities that are Floating Rate Securities or Deemed Floating Rate Securities (excluding Defaulted Securities, Deferred Interest PIK Bonds and Written Down Securities) and the denominator of which is the Aggregate Principal Balance of all Pledged Collateral Debt Securities

that are Fixed Rate Securities or Deemed Fixed Rate Securities (excluding Defaulted Securities, Deferred Interest PIK Bonds and Written Down Securities).

"Stadium Receivables Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cashflow from receivables generated by one or more sports and entertainment stadiums collected by a special purpose entity formed to own one or more such stadiums that were constructed or otherwise acquired primarily with the proceeds of debt financing made available to such entity on a limited recourse basis (including recourse to the project and the land on which it is located).

"Standard & Poor's Rating" of any Collateral Debt Security will, if such Collateral Debt Security is rated (publicly or privately) by Standard & Poor's, be such rating, and otherwise, a rating determined in accordance with a methodology more fully described in the Indenture.

"Static Bespoke CDO Security" means a CDO Obligation issued by a CDO which issues a single class of securities, where the investors' exposure to credit risk is taken by the issuer entering into a credit default swap with, or purchasing a credit-linked note or similar instrument from, a protection buyer in relation to a static pool of asset-backed securities.

"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 security that provides for such increase in the interest rate or spread as a result of a ratings downgrade or a failure by the issuer thereof to exercise a clean-up call or any security providing for payment of a constant rate of interest, or constant spread over the applicable index or benchmark rate, at all times after the date of Acquisition by the Issuer. In calculating any Collateral Quality Test by reference to a spread (in the case of a floating rate Step-Down Bond) or coupon (in the case of a fixed rate Step-Down Bond) of a Step-Down Bond, the spread or coupon on any date shall be deemed to be the lowest spread or coupon, respectively, scheduled to apply to such Step-Down Bond on or after such date.

"Step-Up Bond" means a security which by the terms of the related Underlying Instrument provides for an increase, in the case of a Fixed Rate Security, in the per annum interest rate on such security or, in the case of a Floating Rate Security, in the spread over the applicable index or benchmark rate, solely as a function of the passage of time; *provided* that a Step-Up Bond shall not include any security that provides for such increase in the interest rate or spread as a result of a ratings downgrade or a failure by the issuer thereof to exercise a clean-up call or any security providing for payment of a constant rate of interest, or constant spread over the applicable index or benchmark rate, at all times after the date of Acquisition by the Issuer. In calculating any Collateral Quality Test by reference to the spread (in the case of a floating rate Step-Up Bond) or coupon (in the case of a fixed rate Step-Up Bond) of a Step-Up Bond, the spread or coupon on any date shall be deemed to be the spread or coupon stated to be payable in cash and in effect on such date.

"Structured Settlement Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from receivables representing the right of litigation claimants to receive future scheduled payments under settlement agreements that are funded by annuity contracts, which receivables may have varying maturities.

"Student Loan Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from loans made to students (or their parents) to finance educational needs, generally having the following characteristics: (1) the loans have standardized terms; (2) the loans are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; (3) the repayment stream on such loans is primarily determined by a contractual payment schedule, with early repayment on such loans predominantly dependent upon interest rates and the income of borrowers following the commencement of amortization; and (4) such loans may be fully or partially insured or reinsured by the United States Department of Education.

"Subprime Automobile Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from subprime installment sale loans made to finance the acquisition of, or from leases of, automobiles, generally having the following characteristics: (1) the loans or leases may have varying contractual maturities; (2) the loans or leases are obligations of numerous borrowers or lessors and accordingly represent a very diversified pool of obligor credit risk; (3) the borrowers or lessors under the loans or leases have a poor credit rating; (4) the repayment stream on such loans or leases is primarily determined by a contractual payment schedule, with early repayment on such loans or leases predominantly dependent upon the disposition of the underlying vehicle; and (5) such leases typically provide for the right of the lessee to purchase the vehicle for its stated residual value, subject to payments at the end of lease term for excess mileage or use.

"Subsequent Due Period Interest Collection Amount" means on any Quarterly Distribution Date the lesser of (i) the excess (if any) of the amount required to make all distributions under clauses (1) through [(19)] of the Interest Proceeds Waterfall over the Interest Proceeds (excluding clause 10 of the definition of "Interest Proceeds") on such Quarterly Distribution Date, and (ii) the amount on deposit in the Interest Collection Account on the Business Day prior to such Quarterly Distribution Date which consists of Interest Proceeds attributable to the Due Period for the next subsequent Quarterly Distribution Date.

"Swap Period Termination Date" means the earlier to occur of (i) the first date after the Reinvestment Period on which the Aggregate Undrawn Amount is reduced to zero, (ii) the termination of the Class A-1 Swap pursuant to the ISDA Master Agreement or (iii) the Stated Maturity of the Class A-1 Notes.

"Swap Termination Payment" means a Termination Payment, transfer or assignment payment or any payment made by either the Issuer (or an assignee of the Issuer) or the Credit Default Swap Counterparty in order to terminate the Issuer's obligations to the Credit Default Swaps Counterparty under a Credit Default Swap.

"Synthetic Security" means (i) each Credit Default Swap, and (ii) any swap transaction (which may be a credit default swap, a total return swap or a combination of both) or other credit derivative (or any combination of the foregoing) entered into by the Issuer with a Synthetic Security Counterparty (or purchased from or entered into by a trust which is the issuer of the Synthetic Security with a Synthetic Security Counterparty) which investment contains a probability of default, recovery upon default and expected loss characteristics closely correlated to one or more Reference Obligations or Reference Obligors (or expected loss characteristics corresponding to losses incurred above and/or below specified thresholds with respect to an entire pool of Reference Obligations) or an index of Reference Obligations or Reference Entities, but which may provide for a different maturity, interest rate or other non-credit

characteristics than such Reference Obligation(s) (if any); *provided* that (a) such Synthetic Security shall not provide for any payment by the Issuer after the date on which it is pledged to the Trustee unless such security is a Credit Default Swap or a Defeased Synthetic Security; (b) such Synthetic Security has a Moody's Rating and a Standard & Poor's Rating or the Rating Condition with respect to Standard & Poor's has been satisfied or such Synthetic Security is a Form Approved Synthetic Security; (c) if such Synthetic Security is not a Single Obligation Synthetic Security that is a Form Approved Synthetic Security, the Trustee has been notified in writing of the Applicable Recovery Rate and Moody's Rating Factor assigned by Moody's and the Applicable Recovery Rate assigned by Standard & Poor's; (d) as of the date of the Issuer's Acquisition of or entry into the Synthetic Security, no amount receivable by the Issuer from the Synthetic Security Counterparty will be subject to withholding tax, unless the Synthetic Security Counterparty is required to make additional payments sufficient to cover (on an after-tax basis) any withholding tax imposed at any time; (e) the agreements relating to such Synthetic Security contain "non-petition" and "limited recourse" provisions with respect to the Issuer; and (f) in the case of a Defeased Synthetic Security, the agreements relating to such Synthetic Security provide for, on the first day of each payment period under such Synthetic Security, the full payment of all amounts owing for such period by the Synthetic Security Counterparty (unless it satisfies the CDS Required Ratings) to the Issuer into the Synthetic Security Issuer Account. For the avoidance of doubt, any Single Obligation Synthetic Security, Index Synthetic Security or Multiple Obligation Synthetic Security shall be included in the definition of Synthetic Security and a CDO Obligation shall not be included in the definition of a Synthetic Security.

"Synthetic Security Collateral" means investments made pursuant to the Indenture in a CDS Reserve Account, Synthetic Security Counterparty Account or Synthetic Security Issuer Account in (1) Eligible Investments, (2) Asset-Backed Securities which satisfy the Synthetic Security Collateral Criteria if such Asset Backed Security is subject to the Total Return Swap or a TRS Replacement (or, in the case of an investment in a Synthetic Security Counterparty Account, a similar instrument which has satisfied the Rating Condition) or (3) any other security that satisfies the Rating Condition; provided that in each case such investment will not cause the Issuer to be treated as engaged in a trade or business within the United States for U.S. Federal income tax purposes or otherwise subject the Issuer to net income tax in any jurisdiction outside its jurisdiction of incorporation.

"Synthetic Security Collateral Criteria" means with respect to a security that either (a) it satisfies the Rating Condition or (b) each of the following criteria is satisfied:

- (i) such security is an Eligible Investment or (ii) such security is a CDO Obligation or Other ABS that, if included in the Collateral, would satisfy paragraph (1), paragraphs (3) through (4), paragraphs (6) through (10), and paragraphs (12) through [(16)], paragraph (20) and paragraph [(33)] of the Eligibility Criteria and is rated at least "Aa3" or "P-1" by Moody's, and at least "AA-" or "A-1+" by Standard & Poor's;
- (ii) if such security is credited to the CDS Reserve Account in replacement of another security, the market value of such security is greater than or equal to the market value of the security being replaced;
- (iii) after inclusion of such security in the CDS Reserve Account, the Weighted Average Life (as defined in the Indenture but assuming that the Synthetic Security Collateral constitutes Collateral Debt Securities) of all Synthetic Security Collateral in the CDS Reserve Account is less than or equal to [12] years;
- (iv) such security bears interest based on the London interbank offered rate for deposits of Dollars;

- (v) such security does not provide for the payment of interest less frequently than quarterly;
- (vi) such security does not have a Stated Maturity occurring more than five years after the Stated Maturity of the Notes; and
- (vii) if such security is a Reference Security, such security meets the Reference Security Tax Criteria.

"**Synthetic Security Counterparty**" means MLI any Replacement CDS Counterparty and any entity that (i) is required to make one or more payments on a Synthetic Security and (ii) on the date such Synthetic Security is Acquired (or entered into) by the Issuer with such entity, such entity (or the guarantor of such entity's obligations under such Synthetic Security) (A) either has a short-term issuer credit rating from Standard & Poor's of at least "A-1+" (or if the counterparty posts collateral in accordance with the ISDA Master Agreement, "A-1") or a long-term unsecured debt rating of at least "AA" (or if the counterparty posts collateral in accordance with the ISDA Master Agreement, "A+") by Standard & Poor's (*provided*, that such Synthetic Security Counterparty satisfies the other requirements of a Form-Approved Synthetic Security with respect to Standard & Poor's; and if such requirements are not satisfied, such entity or its guarantor must have ratings which satisfy the Rating Condition with respect to Standard & Poor's) and (B) has a long-term unsecured debt rating from Moody's of at least "A1" (and if it is "A1" not on credit watch for downgrade), or has a short-term unsecured debt rating from Moody's, if rated by Moody's, of "P-1" (and if it is "P-1," it is not on credit watch for downgrade), or the selection of such entity satisfies the Rating Condition with respect to any Rating Agency for which the foregoing requirement is not satisfied *provided, however*, that, with respect to any Synthetic Security that is issued by a trust, a special purpose vehicle or any similar entity that does not have a rating of its own, "Synthetic Security Counterparty" shall mean the swap provider that is buying or selling credit protection to such entity pursuant to a credit default swap agreement, a total return swap agreement or any similar agreement.

"**Synthetic Security Counterparty Defaulted Obligation**" means with respect to any Synthetic Security (a) (i) the long-term debt obligations of the relevant Synthetic Security Counterparty are rated "D" or "SD" by Standard & Poor's, or (ii) the rating of the relevant Synthetic Security Counterparty by Standard & Poor's is withdrawn for reasons relating to the credit quality of such Synthetic Security Counterparty; *provided* that, notwithstanding the foregoing, if at any time after such withdrawal or reduction such Synthetic Security is a Defeased Synthetic Security under which the Synthetic Security Counterparty shall provide periodically (and in no event less frequently than monthly) collateral to or for the benefit of the Issuer with a value (together with all other collateral previously transferred) equal to or greater than any termination payment that would then be due to the Issuer upon the termination of such credit default swap, such Synthetic Security shall be deemed not to be a Synthetic Security Counterparty Defaulted Obligation; or (b) the Synthetic Security Counterparty has defaulted in the performance of any of its payment or delivery obligations under the Synthetic Security.

"**Tax Event**" means an event that occurs if (i) any obligor is, or on the next scheduled payment date under any Collateral Debt Security any obligor will be, required to deduct or withhold from any payment under any Collateral Debt Security to the Issuer for or on account of any tax for whatever reason, and such obligor is not, or will not be, required to pay to the Issuer such additional amount as is necessary to ensure that the net amount actually received by the Issuer (free and clear of taxes, whether assessed against such obligor or the Issuer) will equal the full amount that the Issuer would have received had no such deduction or withholding occurred, (ii) any jurisdiction imposes net income, profits or a similar tax on the Issuer, (iii) a Hedge Counterparty or Synthetic Security Counterparty is required to deduct or withhold from any payment under the Hedge Agreement or a Synthetic Security on account of any tax and such Hedge Counterparty or Synthetic Security Counterparty is not obligated to make a gross

up payment to the Issuer or the Issuer is required to make a "gross up" payment under a Hedge Agreement or under a Synthetic Security.

"Tax Lien Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from a pool of tax obligations owed by businesses and individuals to state and municipal governmental taxing authorities, generally having the following characteristics: (1) the obligations have standardized payment terms and require minimum payments; (2) the tax obligations are obligations of numerous borrowers and accordingly represent a very diversified pool of obligor credit risk; and (3) the repayment stream on the obligation is primarily determined by a payment schedule entered into between the relevant tax authority and obligor, with early repayment on such obligation predominantly dependent upon interest rates and the income of the obligor following the commencement of amortization.

"Tax Materiality Condition" means a condition that will be satisfied during any Due Period with respect to any Quarterly Distribution Date if the sum of the following exceeds U.S.\$1,000,000: (i) the aggregate amount deducted or withheld for or on account of any tax by all obligors from any payment under any Collateral Debt Security (net of any gross-up payment made by such obligor to the Issuer), (ii) the aggregate amount of any net income, profits or similar tax imposed on the Issuer and (iii) the aggregate of any amounts of any "gross up" payments required to be paid by the Issuer on account of tax under a Synthetic Security or a Hedge Agreement and the deficiencies in the amounts received by the Issuer as a result of any deduction or withholding for or on account of any tax with respect to any payment by the Issuer or any Hedge Counterparty under a Hedge Agreement or by the Issuer or any Synthetic Security Counterparty under a Synthetic Security.

"Time Share Securities" means Asset-Backed Securities (other than Residential A Mortgage Securities, Residential B/C Mortgage Securities and Home Equity Loan Securities) that entitle the holders thereof to receive payments that depend primarily on the cash flow from residential mortgage loans (secured on a first priority basis, subject to permitted liens, easements and other encumbrances) by residential real estate the proceeds of which were used to purchase fee simple interests in timeshare estates in units in a condominium, generally having the following characteristics: (1) the mortgage loans have standardized payment terms and require minimum monthly payments; (2) the mortgage loans are obligations of numerous borrowers and accordingly represent a diversified pool of obligor credit risk; (3) repayment of such securities can vary substantially from their contractual payment schedules and depends entirely upon the rate at which the mortgage loans are repaid; and (4) the repayment of such mortgage loans is subject to a contractual payment schedule, with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium and with early repayment depending primarily on interest rates and the sale of the mortgaged real estate and related dwelling and generally no penalties for early repayment.

"Tobacco Litigation Securities" means Asset-Backed Securities that entitle the holders thereof to receive payments that depend primarily (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset-Backed Securities) on the cash flow from lawyer fee awards and state awards as a result of the settlement of litigation between the states and certain tobacco companies.

"Total Due Period Amortization" means, on any Quarterly Distribution Date, the sum of the Specified CDS Principal Proceeds or, on or after the last day of the Reinvestment Period, the CDS Principal Proceeds for the Due Period plus the Distributable Principal Proceeds on such Quarterly Distribution Date.

"Total Hedging Premium Test Amount" means, as of any date of determination, the sum of the Hedging Premium Test Amounts for all Hedging Short Credit Default Swaps with respect to which a Net Issuer Hedged Long Fixed Amount is payable, minus the sum of the Hedging Premium Test Amounts for all Hedged Long Credit Default Swaps with respect to which a Net Counterparty Hedged Long Fixed Amount is payable (including in each case any Hedging Short Credit Default Swaps or Hedged Long Credit Default Swaps which the Issuer has committed to enter into or otherwise Acquire).

"Total Return Swap LIBOR Payment" means, for any Quarterly Distribution Date, LIBOR (with a Designated Maturity of one month) calculated on the aggregate notional amount of the Total Return Swap on the first day of the related Interest Period multiplied by the actual number of days elapsed in the related Interest Period divided by 360; *provided* that the notional amount of the Total Return Swap will be adjusted by any terminations and increases in the notional amount in accordance with the terms of the Total Return Swap.

"Total Senior Redemption Amount" means, as of any Quarterly Distribution Date, the aggregate amount required (without duplication) (a) to make all payments of accrued and unpaid amounts referred to in clauses (1) through [(22)] of the Liquidation Priority of Payments (without regard to any cap or limitation thereon), to pay all amounts payable as of such date (including any termination payments and any accrued interest thereon) by the Issuer to the Hedge Counterparty pursuant to any Hedge Agreement, to pay all amounts (including termination payments and interest accrued thereon) payable to the Credit Default Swap Counterparty, the Total Return Swap Counterparty and the Class A-1 Swap Counterparty under the ISDA Master Agreement, the Credit Default Swaps, the Total Return Swap and the Class A-1 Swap, to pay any fees and expenses incurred by the Trustee or the Collateral Manager in connection with the sale of Collateral Debt Securities (including amounts reserved by the Trustee or the Collateral Manager to meet future obligations in connection with the discharge of the Indenture) and to pay any accrued and unpaid Management Fees, but excluding payments to the Preference Share Paying Agent for distribution to the Preference Shareholders, (b) to redeem all the Notes on the scheduled Redemption Date at the applicable Redemption Prices, together with all accrued and unpaid interest to (but excluding) the date of redemption, and (c) solely in the case of an Auction Call Redemption pursuant to the Indenture, to make a payment to the Preference Share Paying Agent for distribution to the Preference Shareholders in accordance with the Priority of Payments in an amount equal to the Preference Share Redemption Date Amount, if any (or such lesser amount as is agreed by a Special Majority-in-Interest of Preference Shareholders at such time).

"TRS Replacement" means the total return swap, market value swap, reinvestment agreement, guaranteed investment contract or similar replacement for the Total Return Swap.

"Trustee Expenses" means with respect to any Quarterly Distribution Date, all expenses and indemnified amounts (other than fees) due or accrued with respect to such Quarterly Distribution Date and payable by the Issuer or the Co-Issuer to (i) the Note Registrar, the Paying Agents and the Trustee or any co-trustee appointed pursuant to the Indenture, (ii) the Collateral Administrator pursuant to the Collateral Administration Agreement, (iii) the Preference Share Paying Agent pursuant to the Preference Share Paying Agency Agreement and (iv) the Custodian pursuant to the Account Control Agreement (and, in each case, including any of the foregoing amounts remaining unpaid from any preceding Quarterly Distribution Date).

"Trustee Fee" means the fee payable, in accordance with the Priority of Payments, to [_____], in its capacities (or any successor to it in such capacities) as (i) Note Registrar, Paying Agents and Trustee under the Indenture, (ii) Collateral Administrator under the Collateral Administration Agreement and (iii) Preference Share Paying Agent under the Preference Share Paying Agency Agreement in an amount, for

(i), (ii) and (iii) combined, equal to, for each Quarterly Distribution Date, [●]% per annum of the Quarterly Asset Amount for the related Due Period.

"Trust Preferred CDO Securities" means Bank Trust Preferred CDO Securities, Hybrid Trust Preferred CDO Securities, Insurance Trust Preferred CDO Securities or REIT Trust Preferred CDO Securities.

"Trust Preferred Securities" means certain trust preferred securities issued by trust subsidiaries of bank holding companies, thrift holding companies and insurance holding companies.

"Underlying Instruments" means the indenture or other agreement pursuant to which a Collateral Debt Security, Eligible Investment or Equity Security has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Collateral Debt Security, Eligible Investment or Equity Security or of which holders of such Collateral Debt Security, Eligible Investment or Equity Security are the beneficiaries. The ISDA Master Agreement, confirmation and other documents for a Defeased Synthetic Security shall constitute Underlying Instruments.

"Unhedged Long Credit Default Swap" means a Long Credit Default Swap (or portion of the Reference Obligation Notional Amount thereof) that is not a Hedged Long Credit Default Swap.

"Unhedged Short Credit Default Swap" means a Short Credit Default Swap (or portion of the Reference Obligation Notional Amount thereof) that is not a Hedged Short Credit Default Swap.

"Uninvested Proceeds" means at any time, the net proceeds received by the Issuer on the Closing Date from the initial issuance of the Notes and the Preference Shares, to the extent such proceeds (i) have not been deposited in the Expense Account or the Reserve Account, (ii) are not subject to a commitment to invest, or have not been invested in, Collateral Debt Securities, in each case in accordance with the Indenture or (iii) have not been deposited in a Synthetic Security Counterparty Account or the CDS Reserve Account.

"Unpaid Amounts" means, (i) with respect to each of the Issuer and (a) Synthetic Security Counterparty, scheduled amounts accrued but not yet paid under the Credit Default Swaps, and (ii) with respect to the Issuer and a Hedge Counterparty, scheduled amounts accrued but not paid under the Hedge Agreement.

"Unreimbursed Deferred Interest Amount" means, for any date of determination, the sum of the amount of each Interest Shortfall (if any) on each Reference Obligation payment date plus interest (to the extent that the underlying documents provide for the payment of interest) in respect of such sum for each day prior to such date of determination at a rate equal to the Reference Obligation coupon in effect on such date, any interest being compounded on each Reference Obligation payment date, minus all reimbursements of each Interest Shortfall amounts and all interest paid thereon pursuant to its underlying document. For this purpose, any reimbursement of an Interest Shortfall amount shall be deemed to be applied first to the accrued interest on the sum of the Interest Shortfall amounts and then to reimburse the most recent Interest Shortfall amount.

"Unscheduled Fixed Rate Principal Proceeds" means Disposition Proceeds of Fixed Rate Securities that are Credit Risk Securities and any unscheduled principal prepayment of a Fixed Rate Security received by the Issuer.

"Unscheduled Principal Prepayment" means any payment of principal that is not a Scheduled Distribution for a Fixed Rate Security.

"U.S. Treasury Benchmark" means for any Collateral Debt Security, the interest rate on U.S. Treasury securities used as a benchmark for that Collateral Debt Security by two market makers, selected by the Collateral Manager, in that Collateral Debt Security.

"Voting Factor" means at any time, a number obtained by (a) calculating the percentage obtained by multiplying 4.99% by the number of Reg Y Institutions (*provided* that such Reg Y Institution has identified itself as such in writing to the Trustee) (each, a "Voting Constrained Securityholder") as to which the ratio (expressed as a percentage) of the number of Preference Shares held by such Reg Y Institution at such time *divided by* the aggregate number of Preference Shares held by all Preference Shareholders at such time exceeds 4.99% (or would, after giving effect to the calculation of the "Voting Factor" for each Preference Shareholder, exceed 4.99% in the absence of (x) this parenthetical and (y) the provision in the definition of "Voting Percentage" limiting the Voting Percentage of a Reg Y Institution to 4.99%), (b) subtracting the percentage obtained in clause (a) above from 100% and (c) dividing the percentage obtained in clause (b) above by the percentage obtained by dividing (i) the aggregate number of Preference Shares held by all Preference Shareholders other than Voting Constrained Securityholders by (ii) the aggregate number of Preference Shares held by all Preference Shareholders; *provided* that, for the purposes of this definition and the definitions of "Voting Percentage" and "Voting Preference Shares," any Preference Shares owned by the Issuer, the Co-Issuer or any other obligor upon the Notes or any Affiliate thereof will be disregarded and deemed not to be outstanding.

"Voting Percentage" means in respect of a Preference Shareholder at any time, (a) for any Preference Shareholder which is a Reg Y Institution, the lesser of (i) 4.99% and (ii) a percentage equal to the number of Preference Shares held by such Reg Y Institution at such time *multiplied by* the Voting Factor at such time *divided by* the aggregate number of Preference Shares held by all Preference Shareholders at such time and (b) for any Preference Shareholder other than a Reg Y Institution, a percentage equal to the number of Preference Shares held by such Preference Shareholder at such time *multiplied by* the Voting Factor at such time *divided by* the aggregate number of Preference Shares held by all Preference Shareholders at such time.

"Voting Preference Shares" means at any time, the number of Preference Shares equal to the Voting Percentage of such Preference Shareholders at such time *multiplied by* the aggregate number of Preference Shares held by all Preference Shareholders at such time.

"WAS Excess/Shortfall" means, as of any date of determination, the positive or negative amount, as the case may be, which is the product of (a) either (i) a number equal to the excess, if any, of the Adjusted Weighted Average Spread over [●]%, (ii) if the Adjusted Weighted Average Spread is less than [●]%, a negative number equal to such shortfall or (iii) if the Adjusted Weighted Average Spread is equal to [●]%, zero, multiplied by (b) the Aggregate Principal Balance of all Collateral Debt Securities (other than Defaulted Securities, Written Down Amounts or Deferred Interest PIK Bonds).

"Writedown Amount" has the meaning given to such term in the Credit Default Swap.

"Written Down Amount" means, as of any date of determination with respect to any Written Down Security, the *pro rata* share for such Written Down Security (based on its principal amount relative to the aggregate principal amount of all other securities secured by the same pool of collateral that rank *pari passu* with such Collateral Debt Security) of the excess of the aggregate par amount of such Collateral Debt Security and all other securities secured by the same pool of collateral that rank *pari passu* with or senior in priority of payment to such Collateral Debt Security over the aggregate par amount (including reserved interest or other amounts available for overcollateralization) of all collateral securing such securities (excluding defaulted collateral that has been charged off), as determined by the Collateral Manager using customary procedures and information available in the servicer reports received

by the Trustee relating to such Written Down Security. Interest and other distributions on a Written Down Security shall be allocated between the Written Down Amount and the remaining Principal Balance in the manner provided in the Underlying Instruments and the servicer reports received by the Trustee relating to such Written Down Security or, if no such allocation is provided therein, shall be allocated *pro rata* between such Written Down Amount and such Principal Balance, and in each case the Trustee may request (and rely on) information regarding such allocation provided by the Collateral Manager.

"Written Down Security" means as of any date of determination, any Collateral Debt Security as to which the aggregate par amount of such Collateral Debt Security and all other securities secured by the same pool of collateral that rank *pari passu* with or senior in priority of payment to such Collateral Debt Security exceeds the aggregate par amount (including reserved interest or other amounts available for overcollateralization) of all collateral securing such securities (excluding defaulted collateral that has been charged off), as determined by the Collateral Manager using customary procedures and information available in the servicer reports received by the Trustee relating to such Written Down Security.

[Exhibit B

**Initial Form of RMBS/CMBS Form Approved Confirmation for Long Credit Default Swaps
as of [●], 2007 (subject to modification)]**

[Exhibit C

**Initial Form of CDO Form Approved Confirmation for Long Credit Default Swaps
as of [●], 2007 (subject to modification)]**

INDEX OF DEFINED TERMS

ABS CDO Security	253
ABS Natural Resource Receivable Security	253
ABS REIT Debt Securities	253
ABS Type Diversified Securities	253
ABS Type Residential Securities	253
ABS Type Undiversified Securities	253
Accelerated Maturity Date	118
Account Control Agreement	253
Account Payment Priority	105
Accounts	185
Acquire	253
Acquired	254
Acquisition	254
Adjusted Issue Price	254
Adjusted Weighted Average Spread	254
Administration Agreement	138
Administrative Expenses	254
Administrator	138
Aerospace and Defense Securities	255
Affected Class	12, 27, 91
Affiliate	255
Aggregate Outstanding Amount	255
Aggregate Principal Balance	255
Aggregate Undrawn Amount	255
Aircraft Lease Securities	256
Alternative Arrangement	121
Annual Period	256
Applicable Procedures	108
Applicable Recovery Rate	256
Asset-Backed Securities	30, 257
Auction	89
Auction Call Redemption	90
Auction Date	89
Auction Procedures	89
Automobile Securities	257
Available Redemption Funds	257
Average Life	174
Balance	257
Bank Guaranteed Securities	257
Bank Trust Preferred CDO Securities	258
Base Rate	258
Base Rate Reference Bank	258
Benchmark Rate	258
Benchmark Rate Change	258
Benefit Plan Investors	215
Bespoke CDO Security	258
Business Day	258
Calculation Agent	290
Calculation Amount	256, 259
Cap Corridor Securities	42
Car Rental Receivable Securities	259
Cash Collateral Debt Securities	259
Cash Purchaser	92

Catastrophe Bonds	259
CDO	38
CDO Commercial Real Estate Securities.....	259
CDO Obligations	38
CDO of CDO Security	259
CDO PAUG Credit Default Swap	156
CDS Application Priority.....	104
CDS Minimum Ratings.....	259
CDS Principal Payments.....	260
CDS Principal Proceeds.....	260
CDS Principal Receipt Date.....	260
CDS Replacement.....	169
CDS Required Rating	260
CDS Reserve Account	188
CDS Reserve Account Balance.....	260
CDS Reserve Account Excess	261
CDS Reserve Account Excess Withdrawal Amount	261
CFC.....	74
Chassis Leasing Securities	261
Class.....	261
Class A Notes.....	1
Class A Overcollateralization Ratio	261
Class A Overcollateralization Test	261
Class A Parties	261
Class A Principal Payment Amount.....	102
Class A-1 Enhanced Principal Payment.....	102
Class A-1 Funding	80, 261
Class A-1 Funding Date.....	80
Class A-1 Funding Request	80
Class A-1 Note Interest Rate.....	6
Class A-1 Note Parties	262
Class A-1 Notes	1
Class A-1 Principal Payment	262
Class A-1 Rating Criteria.....	262
Class A-1 Reduction Amount	262
Class A-1 Share.....	262
Class A-1 Swap.....	3, 80
Class A-1 Swap Availability Fee.....	7, 262
Class A-1 Swap Availability Fee Amount.....	263
Class A-1 Swap Availability Fee Rate.....	7
Class A-1 Swap Counterparty.....	80
Class A-1 Swap Counterparty.....	262
Class A-1 Swap Prefunding Account.....	193
Class A-1 Swap Prefunding Account Control Agreement.....	193
Class A-1 Swap Prefunding Account Eligible Investments.....	263
Class A-1 Swap Prefunding Amount.....	263
Class A-2 Notes	1
Class B Notes.....	1
Class B Overcollateralization Ratio	263
Class Break-Even Loss Rate	175
Class C Notes.....	1
Class C Overcollateralization Ratio	263
Class D Deferred Interest Amount.....	263
Class D Notes.....	1
Class D Overcollateralization Ratio.....	263

Class E Deferred Interest Amount	264
Class E Notes	1
Class E Overcollateralization Ratio	264
Class E Rate	83
Class E/F/G/H Payment Amount	264
Class E/F/G/H Special Redemption	11
Class F Deferred Interest Amount	265
Class F Notes	1
Class F Overcollateralization Ratio	264
Class F Overcollateralization Test	264
Class F Overcollateralization Test Redemption	12
Class F Rate	84
Class G Deferred Interest Amount	264
Class G Notes	1
Class G Notional Amount	265
Class G Overcollateralization Ratio	265
Class G Rate	84
Class G Stated Interest Rate	265
Class H Notes	1
Class H Notional Amount	265
Class H Overcollateralization Ratio	265
Class H Rate	84
Class H Stated Interest Rate	266
Class Loss Differential	175
Class Scenario Default Rate	175
Clearing Agency	109
Clearstream, Luxembourg	107
CLO Securities	266
Closing Costs	266
Closing Date	2
CMBS	33, 267
CMBS Conduit Securities	266
CMBS Credit Tenant Lease Securities	266
CMBS Large Loan Securities	267
CMBS Securities	267
CMBS Single Property Securities	267
Co-Issuer	5
Co-Issuers	5
Collateral	13, 141
Collateral Administration Agreement	125
Collateral Administrator	125
Collateral Debt Security	267
Collateral Management Agreement	5
Collateral Manager	5, 195
Collateral Manager Breach	203
Collateral Manager Securities	66
Collateral Quality Test Modification	122
Collateral Quality Tests	170
Collateralization Event	267
Collection Accounts	186
Consumer Protected Securities	36
Container Leasing Securities	267
Controlling Class	268
Controlling Party	114, 132
Corporate CDO Security	268

Corporate Debt Security	268
Corporate Guaranteed Security	268
Countrywide.....	147
Credit Card Securities	268
Credit Default Swap.....	15
Credit Default Swap Counterparty.....	269
Credit Derivatives Definitions	156
Credit Event Notice.....	269
Credit Events.....	156
Credit Improved Security	269
Credit Linked Note Issuer	60, 165
Credit Protection Provider	67
Credit Risk Security	269
Current Interest Rate	270
Current Portfolio	176
Current Spread	270
Custodial Account.....	188
Custodian	270
Deemed Fixed Rate	270
Deemed Fixed Rate Hedge Agreement.....	270
Deemed Fixed Rate Security	270
Deemed Fixed Spread	270
Deemed Fixed/Floating Rate Hedge Agreement	271
Deemed Floating Rate.....	271
Deemed Floating Rate Hedge Agreement	271
Deemed Floating Rate Security	271
Deemed Floating Spread.....	271
Default	271
Defaulted Interest.....	85
Defaulted Security	271
Defaulted Synthetic Security	272
Defaulted Synthetic Termination Payment	273
Defeased Synthetic Security	273
Deferred Interest Amounts.....	274
Deferred Interest PIK Bond	274
Deferred Termination Payment.....	274
Definitive Notes	108
Definitive Preference Shares.....	130
Definitive Senior Notes.....	107
Deliverable Obligation.....	274
Designated Maturity.....	274
Designated Maximum Moody's Asset Correlation Factor.....	170
Designated Moody's Maximum Rating Distribution	170
Determination Date.....	274
Discount Haircut Amount	274
Discount Percentage.....	300
Discount Security.....	275
Discretionary Disposition	178
Dispose.....	275
Disposed.....	275
Disposition	275
Disposition Proceeds.....	275
Disqualified Persons	213
Distressed Ratings Downgrade	158
Distributable Principal Proceeds.....	276

Dividend Yield.....	276
DOL	214
DTC	107
Due Period	84, 276
EETC Security	276
Effective Maturity Date	156
Eligibility Criteria.....	144
Eligible Dealer	276
Eligible Investments.....	277
Eligible Successor.....	279
Embedded Credit Default Swap.....	60
Emerging Market Security	279
Enhanced Class A Overcollateralization Level.....	279
Enhanced Class B Overcollateralization Level.....	279
Enhanced Class C Overcollateralization Level.....	279
Enhanced Class D Overcollateralization Level.....	279
Enhanced Class E Overcollateralization Level	279
Enhanced Class F Overcollateralization Level	279
Enhanced Class G Overcollateralization Level.....	279
Enhanced Class H Overcollateralization Level.....	279
Enhanced Level Triggering Event	279
Enhanced Overcollateralization Levels	279
Equipment Leasing Security	280
Equity Security.....	280
ERISA	213
ERISA Plans	213
Euroclear.....	107
Event of Default	114
Events of Default	117
excepted investment company	226
Excepted Property	280
Excess CDS Proceeds Amount	280
excess distribution.....	208
Exchange Act.....	66
Exercise Amount.....	161
Exercise Percentage	162
Expense Account	187
Expense Year	280
Failure to Pay Interest	280
Failure to Pay Principal.....	156
Final Amortization Date	157
Fixed Amount	159
Fixed Payment Rate	280
Fixed Rate	280
Fixed Rate Excess.....	281
Fixed Rate Payer Payment Date.....	159
Fixed Rate Security	281
Fixed/Floating Hedge Agreement.....	181
Floating Amount	50
Floating Amount Event.....	281
Floating Balance Transaction.....	166
Floating Rate Security.....	281
Floorplan Receivable Securities.....	281
Flow-Through Investment Vehicle	228
Form Approved Synthetic Security.....	282

Form-Approved Hedge Agreement	281
Franchise Securities	282
Funded Notes	1
Future Flow Securities	282
German Investment Tax Act	75
Global Notes	107
Guaranteed Asset-Backed Security	282
HAS Scenario Default Rate Factor	282
Healthcare Securities	282
Hedge Agreement	180
Hedge Counterparties	180
Hedge Counterparty Collateral Account	185
Hedge Counterparty Ratings Requirement	283
Hedge Rating Determining Party	283
Hedge Rebalancing Purchase	283
Hedged Long Credit Default Swap	283
Hedging Amount	167
Hedging Available Spread Amount	283
Hedging Premium Test Amount	283
Hedging Short Credit Default Swap	284
Hedging Short Credit Default Swap Premium Test	284
High Yield CDO Securities	284
Home Equity Loan Securities	284
Hybrid Securities	284
Hybrid Trust Preferred CDO Securities	285
Implied Writedown Amount	157
Implied Writedown Percentage	157
Indemnified Party	203
Indenture	2
Index Synthetic Security	285
Indirect Participants	113
Initial Class A Overcollateralization Level	285
Initial Class B Overcollateralization Level	285
Initial Class C Overcollateralization Level	285
Initial Class D Overcollateralization Level	285
Initial Class E Overcollateralization Level	285
Initial Class F Overcollateralization Level	285
Initial Class G Overcollateralization Level	285
Initial Class H Overcollateralization Level	285
Initial Hedge Counterparty	181
Initial Overcollateralization Levels	285
Initial Preference Shareholder	2
Initial Purchaser	17
Insurance Company Guaranteed Securities	286
Insurance Trust Preferred CDO Securities	286
Insurance-Linked Securities	286
Interest Collection Account	185
Interest Distribution Amount	286
Interest Excess	286
Interest Only Security	286
Interest Period	286
Interest Proceeds	287
Interest Proceeds Waterfall	95
Interest Reimbursement	159
Interest Shortfall	288

Interest Shortfall Payment Amount.....	288
Interest Shortfall Reimbursement Payment	288
Interest Sufficiency Test	288
Intermediation Fee	163
Inverse Floating Rate Security.....	289
Investment Advisers Act.....	195
Investment Company Act	302
Investment Grade CDO Securities.....	289
InvStG	75
Irish Listing Agent	19
Irish Paying Agent	19
IRR.....	289
ISDA	155
ISDA Master Agreement	155
ISDA Master Agreement Termination.....	167
Issue	289
Issue Price Adjustment	289
Issuer	4
Issuer Charter	2
Junior Note Reduction Amount	289
Key Person Event.....	289
Legend	109
LIBOR	290
LIBOR Breakage Amount	166
LIBOR Business Day.....	291
LIBOR Determination Date.....	290
Limited Discretion Period.....	291
Liquidation Conditions	117
Liquidation Preference.....	292
Liquidation Priority of Payments.....	100
Liquidation Procedures	163
London Banking Day.....	292
Long Credit Default Swap	292
Lottery Receivable Securities	292
Majority-in-Interest of Preference Shareholders.....	292
Managed Bespoke CDO Security	292
Management Fee.....	199, 292
Manufactured Housing Securities.....	293
Margin Stock.....	293
Market Value CDO Security.....	293
Master Agreement.....	183
Material Contracts.....	245
MBS PAUG Credit Default Swap	155
Measurement Date	293
Mezzanine Grade ABS CDO Securities	293
Minimum Dividend Yield Amount.....	294
Minimum Funding Amount	81
MLI	3, 49
MLPFS.....	17
Modified Sequential Pay Period	87
Modified Sequential Payment Priority.....	102
Monoline Guaranteed Security	294
Monoline Insurer.....	294
Moody's.....	18
Moody's Asset Correlation Factor	171

Moody's Asset Correlation Test	171
Moody's Maximum Rating Distribution	171
Moody's Maximum Rating Distribution Test	171
Moody's Minimum Weighted Average Recovery Rate Test	172
Moody's Rating	121, 294
Moody's Rating Factor	172
Moody's Weighted Average Recovery Rate	172
Multiline Guaranteed Security	294
Multiline Insurer	294
Multiple Obligation Synthetic Security	294
Mutual Fund Securities	294
Negative Amortization Capitalization Amount	295
Negative Amortization Haircut Amount	295
Negative Amortization Security	295
Net Counterparty Hedged Fixed Amount	295
Net Issuer Hedged Long Fixed Amount	295
Net Outstanding Portfolio Collateral Balance	296
NIM Securities	296
NIR	5, 195
NIR Credit Partners	63
Non-LIBOR Floating Rate Security	296
Non-Rated Interest Excess	296
Non-U.S. Holder	205
Note Interest Rate	86
Note Register	108
Note Registrar	108
Note Transfer Agent	108
Noteholders	71
Notes	1
Notice of Physical Settlement	296
Notice of Publicly Available Information	296
Notional Amount Shortfall	296
Offer	297
Offered Notes	i, 1
Offering	iv
Oil and Gas Securities	297
Optional Redemption	12, 91
Original Purchasers	17
Other ABS	297
Other Administrative Expenses	297
Outstanding Class A-1 Funded Amount	6
Overcollateralization Levels	297
Overcollateralization Ratios	297
Pari Passu Amount	157
Participants	108
Parties In Interest	213
Paying Agent	94
Paying Agent in Ireland	94
Payment Account	186
Permanent Reduction Amount	82
Permitted Use	80
PFIC	73
PFIC Annual Information Statement	208
Physical Settlement Amount	162
Physical Settlement Date	298

PIK Bond	298
PIKable Reference Obligation	298
Plan Asset Regulation	214
plan fiduciary	213
Plans	213
Pledged Collateral Debt Security	298
Pledged Securities	298
Positive Total Return Amount	166
Post-Acceleration Quarterly Distribution Date	21
pre-amendment beneficial owners	226
Preference Share Documents	2
Preference Share Paying Agency Agreement	2
Preference Share Paying Agent.....	2, 130
Preference Share Redemption Date Amount	298
Preference Share Register	131
Preference Share Registrar	2, 130
Preference Shareholder	2
Preference Shares	1, 298
Preliminary Offering Circular	1
Principal Balance	298
Principal Collection Account	185
Principal Only Security	300
Principal Proceeds	301
Principal Proceeds Waterfall	98
Principal Reimbursement	159
Principal Shortfall Amount	302
Priority of Payments	95
Proceeds Swap	181
Proceeds Swap Installment	302
Prohibited Securities	153
prohibited transactions	213
Project Finance Securities	302
Proposed Plan	142
Proposed Portfolio	176
Purchase Agreement	221, 302
Pure Private Collateral Debt Security	302
QEF	73
Qualified Institutional Buyer	17
Qualified Purchaser	302
Qualifying Foreign Obligor	303
Qualifying Investment Vehicle	229
Quarterly Asset Amount	303
Quarterly Distribution Date	84, 303
Ramp-Up Completion Date	303
Ramp-Up Completion Date Report	98
Ramp-Up Notice	142
Ramp-Up Period	142
Rating Agencies	18
Rating Agency Expenses	303
Rating Condition	303
Rating Confirmation	136, 142
Rating Confirmation Failure	46, 142
Ratings Event	303
Ratings Matrix	170
Record Date	94, 127

Recreational Vehicle Securities	304
Redemption Date	92
Redemption Price	93
Redemption Termination Event	168
Reference Banks	304
Reference Dealers	304
Reference Obligation	304
Reference Obligation Calculation Period	304
Reference Obligation Notional Amount	304
Reference Obligation Payment Date	304
Reference Obligor	304
Reference Security	165
Reference Security Interest Distribution	304
Reference Security Tax Criteria	305
Reg Y Controlling Party	230
Reg Y Institution	305
Registered	305
Regulation S	17, 221
Regulation S Definitive Preference Shares	130
Regulation S Definitive Subordinate Notes	108
Regulation S Global Notes	107
Regulation S Global Preference Share	130
Regulation S Global Senior Notes	107
Regulation S Global Subordinate Notes	107
Regulation S Preference Shares	130
Regulation S Senior Notes	107
Reinvestment Period	9, 305
REIT Debt Securities—Diversified	305
REIT Debt Securities—Health Care	306
REIT Debt Securities—Hotel	306
REIT Debt Securities—Industrial	306
REIT Debt Securities—Mortgage	306
REIT Debt Securities—Multi-Family	306
REIT Debt Securities—Office	306
REIT Debt Securities—Residential	307
REIT Debt Securities—Retail	307
REIT Debt Securities—Storage	307
REIT Trust Preferred CDO Securities	307
REITs	39
Related Security	307
Relief Act	35
Remaining Exposure	307
Replacement CDS Counterparty	169
Replacement Credit Linked Note	60, 165
Replacement Manager Conditions	201
Reserve Account	188
Reset Date	308
Residential A Mortgage Securities	308
Residential B/C Mortgage Securities	308
Resolutions	2
Restaurant and Food Services Securities	308
Restricted Definitive Preference Shares	130
Restricted Definitive Subordinate Notes	107
Restricted Global Senior Notes	107
Restricted Notes	107

Restricted Senior Notes.....	107
RMBS	33, 309
Rule 144A	17
Scheduled Preference Share Redemption Date.....	13
SEC	76
Secured Parties.....	2
Securities.....	i, 1
Securities Act.....	17
Semi-Annual Interest Distributions	309
Semi-Annual Interest Release Amount.....	309
Semi-Annual Interest Reserve Account.....	186
Senior.....	3
Sequential Pay Period	309
Sequential Payment Priority	104
Servicer.....	309
Share Trustee	4, 138
Shipping Securities	309
Short Credit Default Swap	309
Similar Law.....	214
Single Obligation Synthetic Security	310
Small Business Loan Securities	310
Special Interest Proceeds".....	310
Special Majority-in-Interest of Preference Shareholders.....	310
Special Purpose Vehicle Jurisdiction.....	310
Specified Assets	176
Specified CDS Principal Proceeds.....	310
Specified Principal Proceeds.....	310
Specified Type	153
Spread Excess	311
Stadium Receivables Securities	311
Standard & Poor's	18
Standard & Poor's CDO Monitor	176
Standard & Poor's CDO Monitor Test.....	175
Standard & Poor's Minimum Recovery Rate Test.....	174
Standard & Poor's Rating.....	121, 311
Standard & Poor's Recovery Rate.....	175, 256
Stated Maturity.....	9
Static Bespoke CDO Security	311
Step-Down Bond.....	311
Step-Up Bond.....	312
Structured Settlement Securities	312
Student Loan Securities	312
Subordinate	3
Subordinate Notes.....	107
Subordinate Notes.....	i
Subordinated Termination Event	274
Subprime Automobile Securities	312
Subsequent Due Period Interest Collection Amount	312
Swap Period Termination Date	313
Swap Termination Payment	313
Swaps Liquidation Date	164
Synthetic Security	313
Synthetic Security Collateral	313
Synthetic Security Collateral Criteria.....	314
Synthetic Security Counterparty	314

Synthetic Security Counterparty Account.....	190
Synthetic Security Counterparty Defaulted Obligation	315
Synthetic Security Issuer Account	192
Tax Event.....	315
Tax Lien Securities	315
Tax Materiality Condition.....	315
Tax Redemption.....	12, 27, 91
Tax-Exempt Investors.....	210
Termination Payment.....	164
Time Share Securities	315
Tobacco Litigation Securities	316
Total Due Period Amortization.....	316
Total Hedging Premium Test Amount.....	316
Total Reference Security.....	165
Total Return Swap	165
Total Return Swap Counterparty	16, 257
Total Return Swap LIBOR Payment	316
Total Senior Redemption Amount	316
TRS Replacement	317
Trust Preferred CDO Securities	317
Trust Preferred Securities	317
Trustee	2
Trustee Expenses	317
Trustee Fee.....	317
U.S. Holder	205
U.S. Person	17
U.S. Shareholder.....	209
U.S. Treasury Benchmark.....	318
UBTI	210
Underlying Hybrid Collateral	41
Underlying Instruments	317
Underlying Portfolio	38
Unhedged Long Credit Default Swap.....	317
Unhedged Short Credit Default Swap.....	318
Uninvested Principal Amounts	166
Uninvested Proceeds.....	318
Uninvested Proceeds Account	187
Unpaid Amounts	301, 318
Unreimbursed Deferred Interest Amount	318
Unscheduled Fixed Rate Principal Proceeds	318
Unscheduled Principal Prepayment	318
Up Front Payment.....	5
USA PATRIOT Act.....	75
Voting Constrained Securityholder.....	318
Voting Factor	318
Voting Percentage.....	318, 319
Voting Preference Shares.....	319
WAC Cap.....	51
WAS Excess/Shortfall	319
Weighted Average Coupon.....	174
Weighted Average Coupon Test.....	173, 174
Weighted Average Life.....	174
Weighted Average Life Test.....	174
Weighted Average Spread	173
Weighted Average Spread Test	173

Wells Fargo	147
Writedown	157
Writedown Amount	319
Written Down Amount	319
Written Down Security	319

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NORMA CDO I LLC**

U.S.\$[●] Class A-1 First Priority Senior Secured Fixed Rate Notes Due [2049]
U.S.\$[●] Class A-2 Second Priority Senior Secured Floating Rate Notes Due [2049]
U.S.\$[●] Class B Third Priority Senior Secured Floating Rate Notes Due [2049]
U.S.\$[●] Class C Fourth Priority Senior Secured Floating Rate Notes Due [2049]
U.S.\$[●] Class D Fifth Priority Mezzanine Secured Deferrable Floating Rate Notes Due [2049]
U.S.\$[●] Class E Sixth Priority Mezzanine Secured Deferrable Floating Rate Notes Due [2049]
U.S.\$[●] Class E Seventh Priority Mezzanine Secured Deferrable Floating Rate Notes Due [2049]
U.S.\$[●] Class F Eighth Priority Mezzanine Secured Deferrable Floating Rate Notes Due [2049]
U.S.\$[●] Class G Ninth Priority Junior Secured Deferrable Floating Rate Notes Due [2049]
U.S.\$[●] Class H Tenth Priority Junior Secured Deferrable Floating Rate Notes Due [2049]
[] Preference Shares (U.S.\$[] Aggregate Liquidation Preference)

*Backed by a Portfolio of Commercial Mortgage Backed Securities, Residential Mortgage-Backed Securities,
Asset-Backed Securities, Collateralized Debt Obligations and Related Synthetic Securities*

PRELIMINARY OFFERING CIRCULAR

Dated January 18, 2007

Merrill Lynch & Co.